GUIDE TO THE EK1 AUSTRIA FILE

[The EK1 Austria file is concerned with the German-speaking inhabitants of the Federal Republic of Austria located in the mountainous region of Central Europe. The country was re-established as a republic in 1945 after having been conquered and annexed to Germany in 1938. The republic consists of the states of Burgenland, Lower Austria, Upper Austria, Salzburg, Styria, Carinthia, Tyrol, Vorarlberg, and the city of Vienna.

There are six sources in this file, all in English, numbered as sources 2, 3, 5, 7, 8 and 9. Source 2: MacDonald, written by a social scientist, presents data on the constitutional history of the republic in the period of 1918-1934. 3: Hiscocks, written by a government official who made this study in the 1946-1949 period, deals with the post-war conditions in Austria, the coalition government, standards of living and the economic aid given to Austria through the Marshall Plan and UNRRA. In 5: Heissenberger emphasis is again on the economic development of Austria in the post-war period of 1945-1952 with discussion of the Marshall Plan and subsequent aid programs. The author, during this period served as chief to the Economic and Financial Planning Department of the Austrian Ministry of Planning and later as chief of the Ministry of Nationalized Industries. 7: Marboe serves as a general survey of Austria with special treatment given to the nine provinces. This source contains many illustrations with a bibliography at the end. Source 8: van Hoek presents a brief biographical sketch of Chancellor Raab of Austria and some of his policies. 9: Rothschild, written by a sociologist, compares and contrasts economic and political problems of Austria following the break-up of the Austro-Hungarian Empire with that in the post-World War II period.

With the exception of some limited historical and biographical data, as for example source 2: MacDonald dealing with constitutional history during the period of 1918-1934, the file is limited in perspective to the economic and political developments in Austria following the end of the second World War. 7: Marboe, however, would probably give the best over-view of Austrian culture of any source in this file. The file was processed in 1956.]

132

A PAGE OF HISTORY

Meinhart the Second (of Görz) who was Meinhart the First of Tyrol, the man who formed the Province into a political unit in the thirteenth century, giving it the name of his castle near Meran, Schloss Tirol, is little remembered today. His wife, Elizabeth, on the other hand, still lives in the memory of the people. The widow of the Emperor Conrad the Fourth and mother of Conradin, she gave Tyrol the impressive background of the Staufer Empire. She set up a permanent memorial to her unhappy son in the Monastery of Stams. Meinhart, through the marriage of his daughter with the son of the Emperor Rudolf I, established the first connection with the House of Hapsburg.

Popular interest concentrates much more on the stirring story of Meinhart's grandchild Margaretha Maultasch ("Pocket-Mouthed Meg"), who drove out her first husband to marry her own cousin. She was excommunicated by the Church on the grounds that this marriage involved a double sin. It was long years before the ban was lifted. She survived her second husband and only son; in 1363 she made over "the land on the Etsch and the Inn Valley with Schloss Tirol and all else appertaining thereto" to Rudolf the Endower. Fourteen gentlemen of Tyrol put their seals to the deed in the name of all inhabitants of the Duchy, of the "clergy and laymen, nobles and commoners, wether living in the towns or in the country". With this impressive voluntary deed Tyrol began its life in the federation of Austrian Provinces. It soon found an opportunity to prove its loyalty.

Friedl with the Empty Pocket, popular despite his outlawry and excommunication, confirmed the freedom of the Province at the Diet of Meran in 1423, when for the first time burghers

of the ice world of the Ötztal may enjoy eternal spring the same evening 9000 feet below amid vines and chestnut trees. The modern mountain railways make the contrast even more unbelievable.

563

THE TYROLESE. You will find among the people of Tyrol as many contrasts as those which characterise its landscape. To Tyrol the Bavarians came from the north and north-east, from the west and north-west the Allemanians, and from the south, Latin races infiltrated. The remnants of an aboriginal population whose source is obscure sought refuge from the invaders among the crags and crannies of the mountains where their descendants are to be found to this day. Throughout the length and breadth of the country you will come across curious names of village and pasture which recall these various races. Tyrol, which resembles Switzerland in this respect, managed to weld these various tribes—and later the people of German, Italian and Ladinian race—together, to live peacefully in a small area. Today these elements have overcome the limitations of nationalism and feel themselves to be above all Tyrolese. Once again the forces making for unity proved stronger than those tending towards separation, and the passes, as the word implies, have become links, not barriers.

In Tyrol, inhabitants, dialect, costume, methods of building houses and of agriculture

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944

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Egger-Lienz: Dance of Death.

differ from valley to valley and often from village to village. Strong, blond giants are to be found side by side with dark-haired, slender, agile men. In a few disproportionately-built men and women lives on the race of the giants of legend.

As the peasant, so his cattle. In the valley of the Lower Inn the cattle are heavily built and piebald; in the Upper Inn Valley there is a lightly built, grey type, rich in milk, growing in grace and agility as the pasturage becomes more scanty and difficult of access. In the mountain villages and remote enclaves there still survive many individual specimens of breeds which are otherwise becoming extinct.

342 The inhabitant of the valley of the Upper Inn builds his house of stone, he of
592 Lower of wood. The one keeps house and farm undivided, the other divides up
184 the farm and even the house, so that not only may several families live under one roof, but in the four corners of a large kitchen there are sometimes four ranges, each belonging to a different person who is expected to keep within the imaginary lines which mark out his own share of the floor. The Lower Inn rings with laughter and song and no one is ashamed of an illegitimate child. The inhabitant of the Upper Inn is reserved and sparing of speech; with him, the smouldering of no less violent passions is not easily to be detected.

197 There are many varieties of dialect. The people of the Ötztal call "Ferner"
184 what those of the Zillertal name "Kees" and which are called "Gletscher" —glaciers—only by the town-dwellers. The drawling and slurred vowel sounds, the clipped nasal consonants of the mountain dwellers, recall the speech of Latin races. The accent of the lowlander, in contrast, is graceful and often almost affected. In the broad valleys branching off from the main Inn Valley the inhabitants of the inner and outer valleys have little in common. In the Gschnitztal, for instance, Trins is a Romanish settlement, whereas Gschnitz at the foot of the valley is of German
609 origin. One consequence of all this is that anyone who moves from his own parish, even if only to a neighbouring one, is regarded all his lifetime as an "immigrant".

Village Street.

[103] are many village names of Croat origin. These Croats not only repopulated the devastated areas but also cleared the forests to build new settlements. The 162 "Displaced Persons" of the Turkish Wars have become an indispensable part 361 of the Burgenland population.

They are called "Wasserkroaten". It is uncertain as whether this refers to their 101 having come from the coasts of Dalmatia, or whether "Wosser Kroaten" points to their having come from the province of Wossen, i. e. Bosnia.

The soil of the Burgenland is not capable of feeding all its children, so that 333 thousands of its inhabitants become bricklayers who work for the whole week in other parts of Austria during the season, to return on Saturdays to their native villages. Their busy hands have helped to create the splendid buildings on the Ringstrasse. In the plaster and stucco decorations of these are concealed [346] the reeds of the Neusiedler Lake. The Votivkirche, in Vienna, is built of stone from the quarries of St. Margarethen, between Eisenstadt and the lake. The Italians who were summoned to the Leithagebirge in 1550 as stone masons had barely become Burgenlanders when they were commissioned to work on the imperial "Neugebäude" in Ebersdorf. Thus there is a close connection between Kaiser-Ebersdorf in Vienna and the Burgenland parish of Kaisersteinbruch in the Leithagebirge.

●102

GERMANY
VORARLBERG
SWITZERLAND
LIECHTENSTEIN
SWITZERLAND
TYROL
BREGENZ
DORNBIRN
SCHEMS
FELDKIRCH
BLUDENZ
0 5 10 20 30

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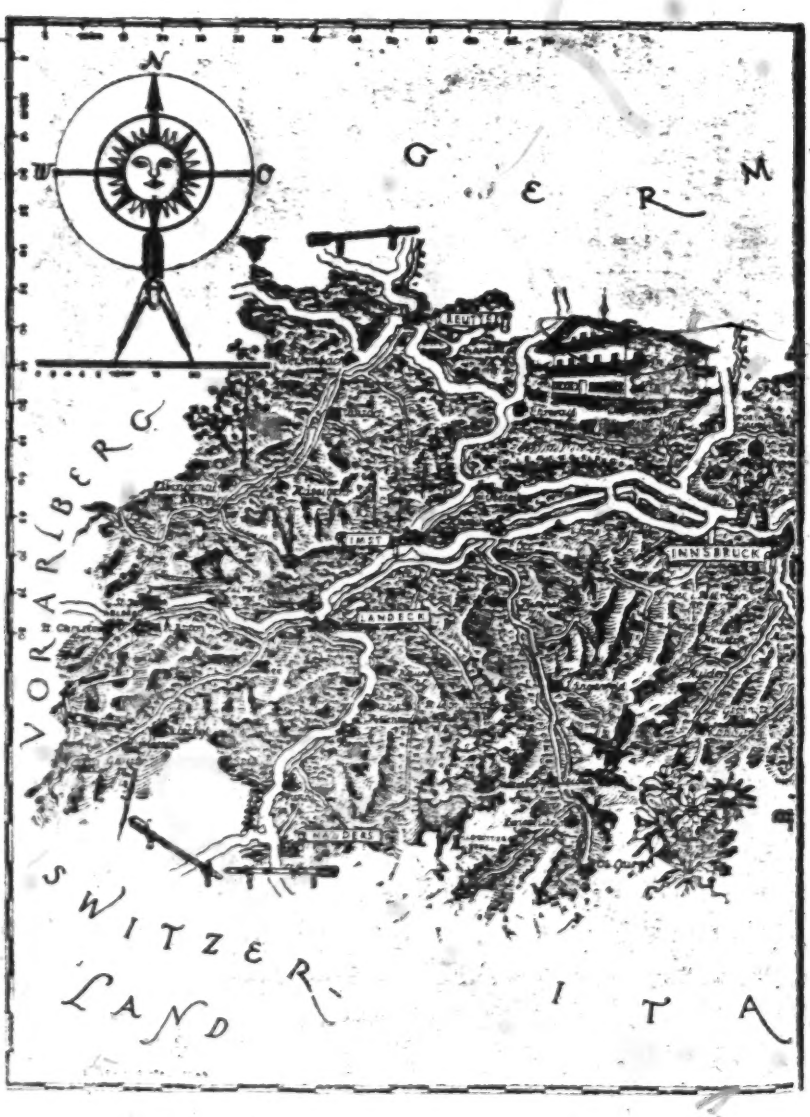
102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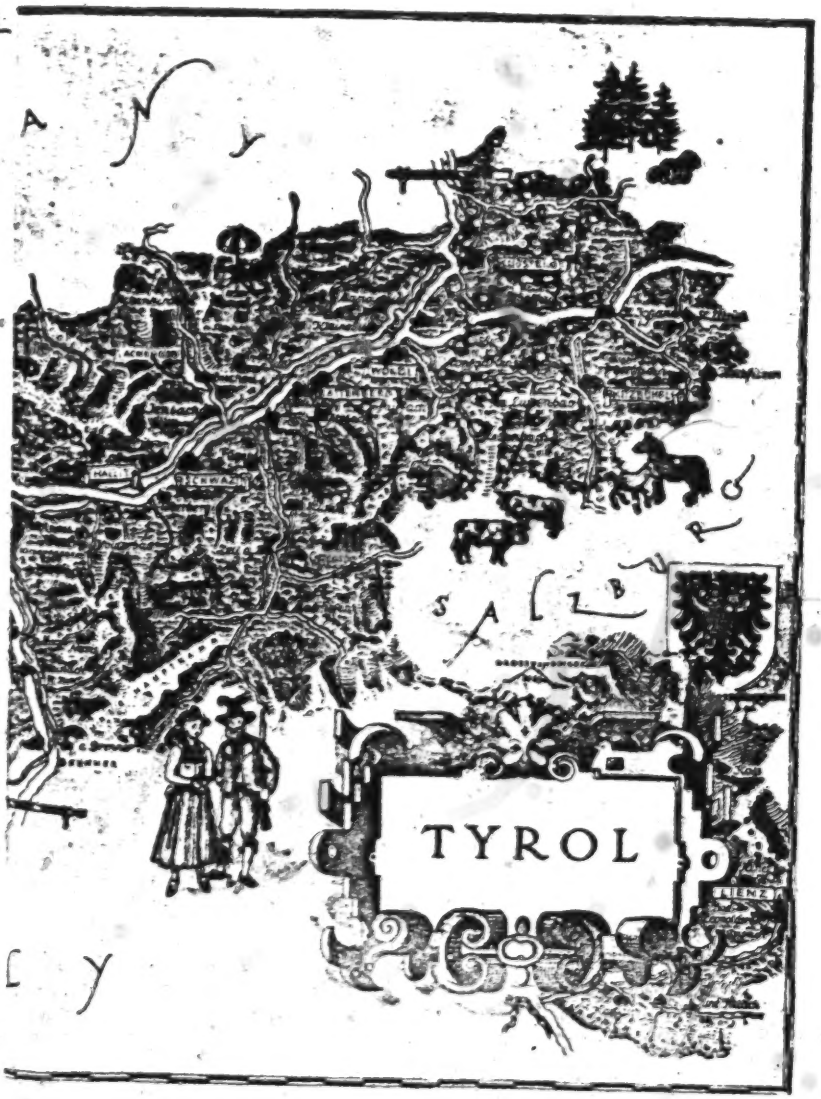

102

SALZ-
RMAN
TYROL
GROSSGLOCKNER
GROSSG
TALY
EAST-TYRO
E. PIZPAL-KOTTNIG

102

BURG
STRIA
STYRIA
CARINTHIA
HALLEIN
BADGASTEIN
SONNBLICK

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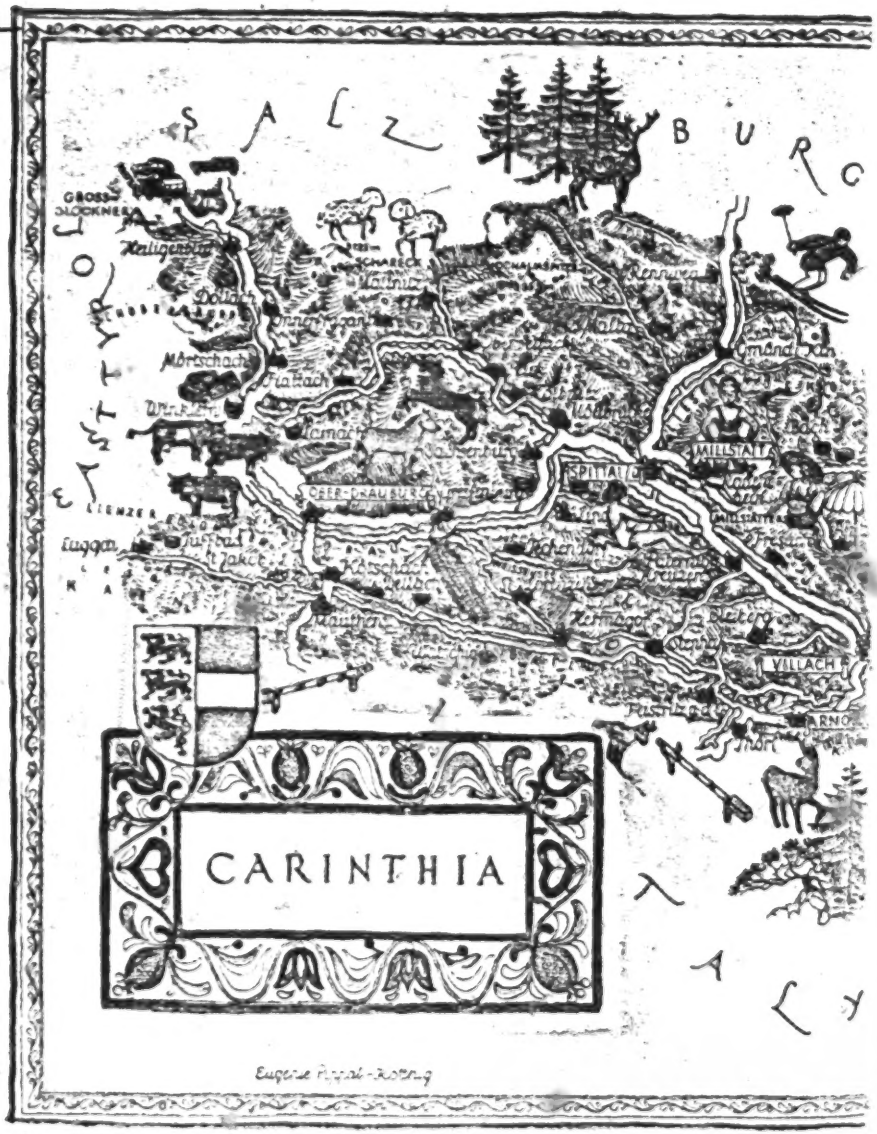
S A L Z B U R G
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Winklern
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SPITTAL
MILLSTATT
VILLACH
CARINTHIA
Eugene Rigal-Rotting

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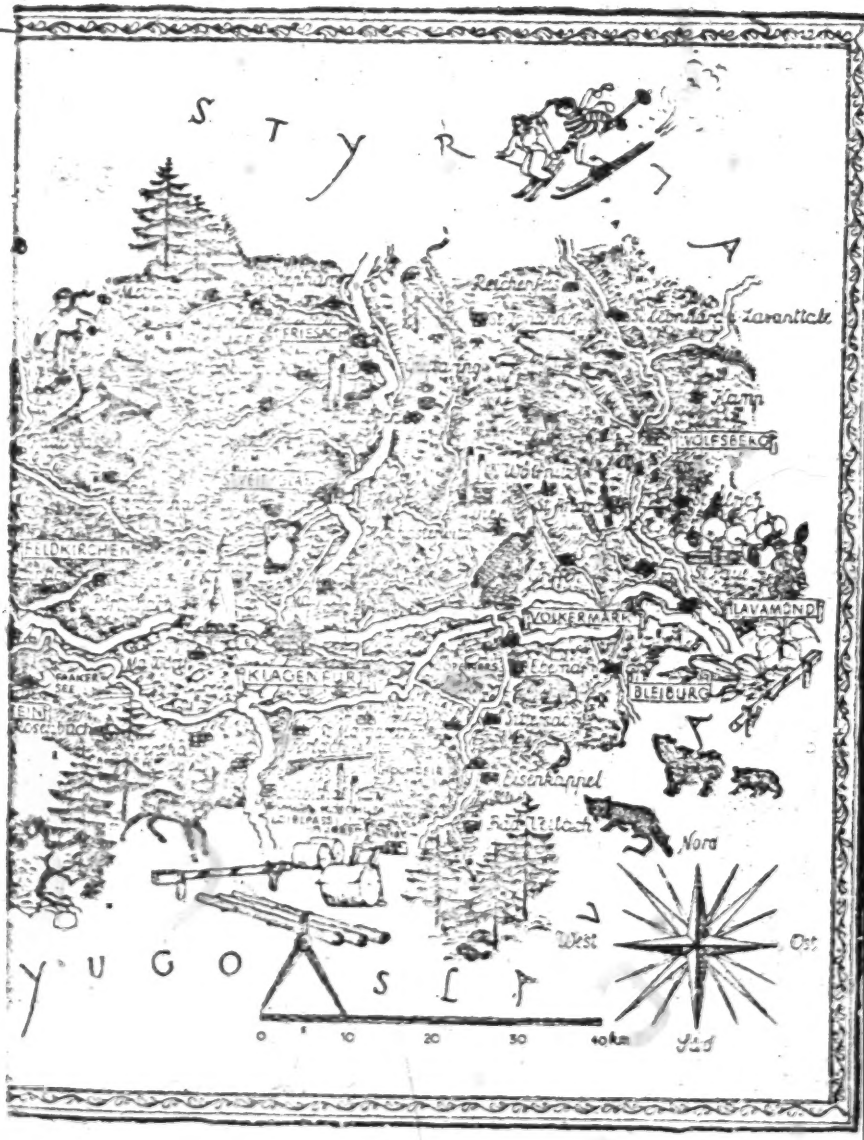
STYRIA
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VOLKERMARK
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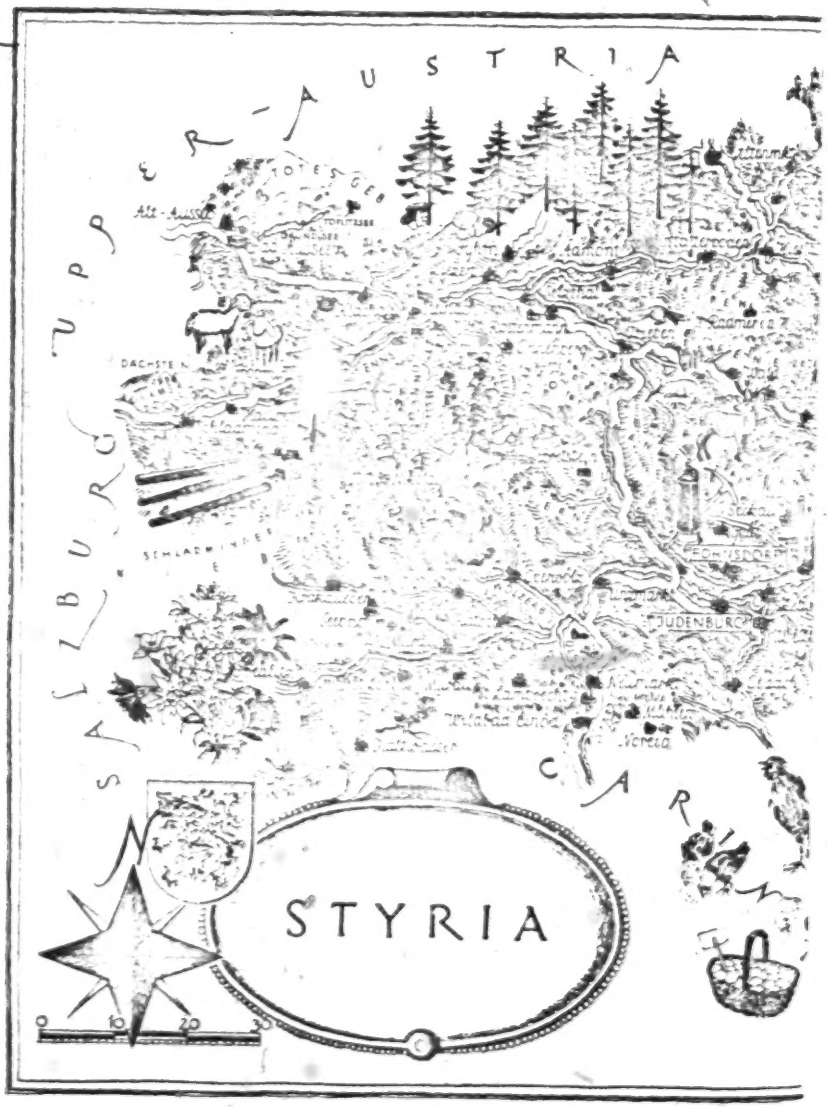
UPPER AUSTRIA
SALZBURG
CARINTHIA
STYRIA
Alt-Aussee
DACHSTEIN
SEMLACHER
JUDENBURG
Veitsch
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LOWER AUSTRIA
BURGENLAND
YUGOSLAVIA
MARIAZELL
KAPFENBERG
HARTBERG
FEORSTENFELD
FEISTRACH
Semmering
Schlaegen
Angern
FRIEDBERG
Burgau
EUGENIE PIPPAL-KOTTNIG

102

UPPER
AUSTRIA
SCHÄRDING
BRAUNAU
INN
ZELLERSEE
MONDSEE
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EUGENIE PIPPAL-KOTTNIG

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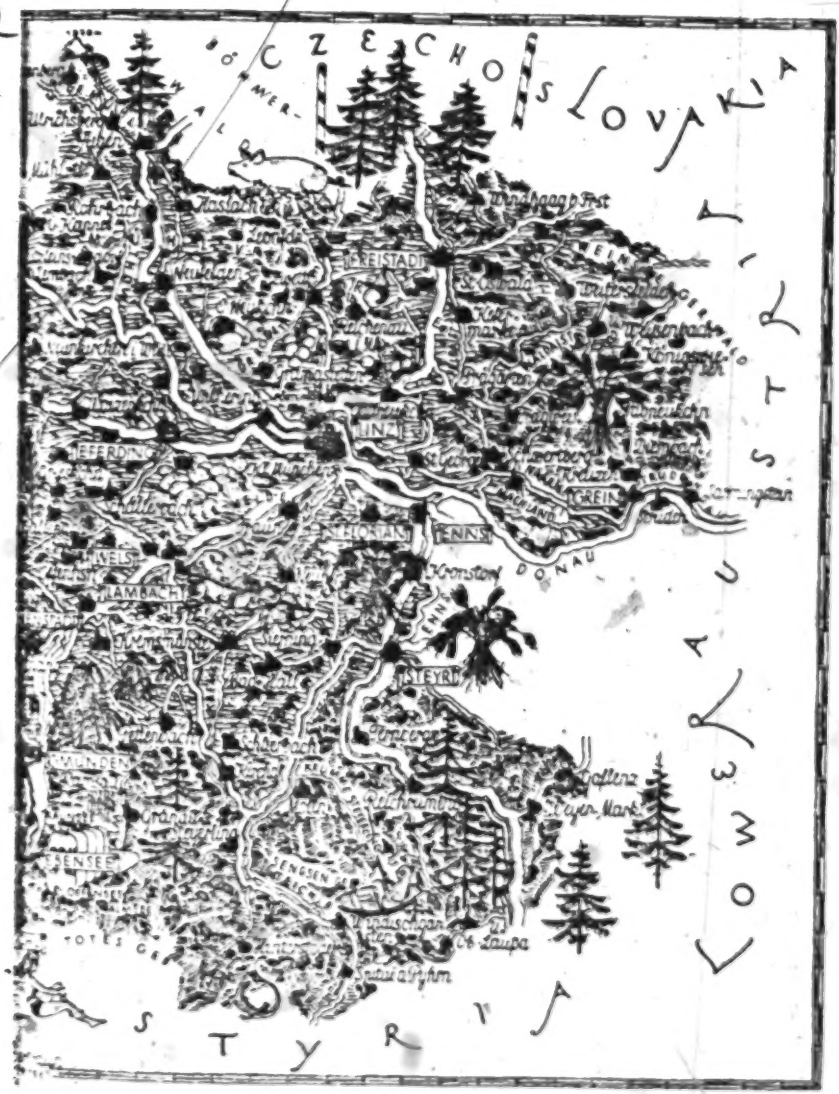
CZECHOSLOVAKIA
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NEUSS
HAMBACH
SENSEN
STYRIA
NIEDERÖSTERREICH

102

CZECHO
SLOVAKIA
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EUGENIE PIPPAL-KOTTNIG

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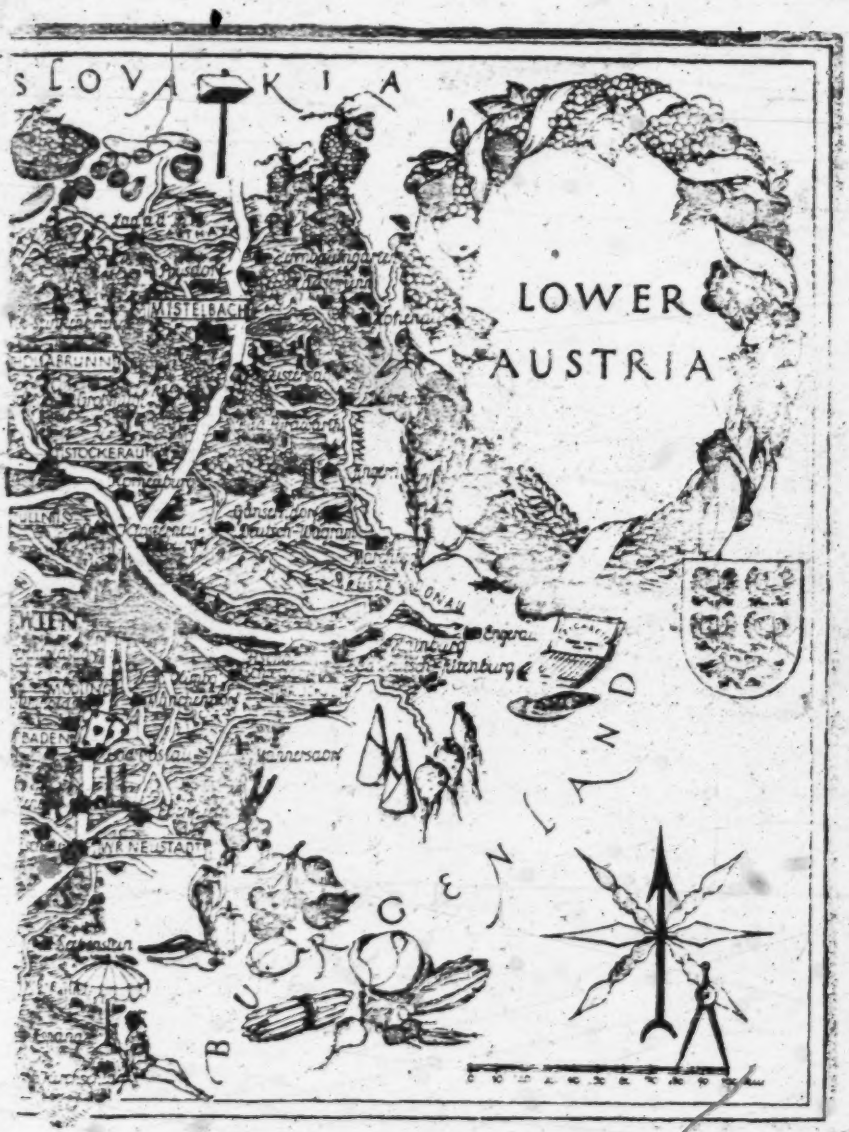
SLOVAKIA
LOWER
AUSTRIA
MISTELBACH
STOCKERAU
WIEN
BADEN
BURGENLAND

102

NORD
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ČSR
EISENSTADT
Neusiedl
Neudörf
Mattersburg
FORCHTENSTEIN
Deutschkreutz
Draßmarkt
Mannersdorf
Bad Tatzmannsdorf
Rechnitz
Großpetersdorf
Stadtschlaining
St. Michael
Heiligenkreuz
HUNGARY
BURGENLAND
STYRIA
EUGENIE PIPPAL-KOTTNIG

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Graz, Mausoleum.

This Province, on the northern fringe of which the Kalkalpen stand as shimmering walls, and into which, between the Radlpass and the Wechsel, the sources of its streams and rivers flow from the primeval formations of the Lower Tauern and the Styrian border mountains, this Styrian land, which ends with its broad valleys of ploughland and gently sloping vineyard hills to the east and the south, has never lacked admirers to sing its praises. 133

Styria takes its name from the Count of Steyr, who in the 12th century was entrusted with this territory as a frontier outpost in the south-eastern corner of the Empire. Frequently overrun, defeated and rebuilt in the course of the changing centuries, its history has indeed been that of an outer march. Its name brings with it the memory of stubborn struggles, and the silver panther on a green field stands to honour its spirit in its coat of arms, kept immaculate by manly courage. 103

How shall one try here to describe the Province in a few words? At what boundary should one begin, at what places pause to use that district and its inhabitants to illustrate the whole? Obviously from Graz, the capital, we must try to get a glimpse and general picture of past and present. A fishing village and a market-place near the Mur Bridge in the shadow of the fortifications of the Castle Rock—this was Graz more than 900 years ago. Civic industry, the good and ill fortune brought by the centuries, have filled its history. Emperors have reigned there, and there also servants of art and science have come together from all quarters of the globe. Today Graz is a town with a quarter of a million inhabitants, surrounded by busy industrial 361

133 *musical notes enlivening the warm nights and sun-drenched, dreamy days. The more abundantly the vines have blossomed, the sweeter the ripening grapes, the more wind rattles are set up to protect the cherished fruit. In their thousands they are supposed to scare away the bold thrushes and starlings. Although when they sound loudly a cloud of scared birds rises into the sky, they soon settle again among the sweet grapes. The wind-rattles really contribute more to the atmosphere of this part of the country than to the effective protection of the wine. Visitors as well as natives adore them; you quickly learn to distinguish the notes of one from another. On stormy nights of hail and thunder, it is as if they were calling in alarm to the ruler of the clouds.*

[137]

346
792

Styrian attributes:
Dear but galant the Ennstaler,
Charming the Aussee girl,
Thoughtful and grave the Murbodner.
Solemn, good trencherman the East Styrian,
Easily roused the Grazer,
Soft of heart the Lower Styrian.
And all tough and courageous in the cause of the Motherland.

up or dug out to form ditches and pits; between them stand the narrow sheds containing slabs of dried peat. The valley extends as a wilderness filled with the humming of a myriad insects busy above the red carpet of wild mustard out of which rise blackberry brambles and the white trunks of young birches. The Kulm, a tree-clad hill on the pale summit of which stands the pilgrimage church of Frauenberg, rises steeply from the banks of the Enns. With two towers and light coloured walls the old shrine reflects the light of the surrounding mountain peaks, which look like a festive garland supporting the blue of the heavens. For half a century the abbots of Admont have cherished this church of Our Gracious Lady with artistic and more than loving generosity. In the "Turkish Year" (1683) the church was invested with its baroque pomp as a worthy framework for the old shrine, to which Johann Thaddäus Stammel later added a glorious wreath in the shape of a delightful choir of angels.

A narrow avenue of chestnut trees leads to a Calvary Mount on the fringe of the mountains. The group around the Cross rises above a weather-beaten wall. It is the work of peasant hands and has an impressive solemnity seen against the background of the distant mountains. In the valley below the Enns emerges, a green and glittering torrent, to flow through meadows and alder bushes to Admont.

The two slender towers of the Abbey which are seen by the tourist from a long way off, were only built after the great fire of 1865, but the surrounding settlement and the foundation of the monastery date back to the earliest history of the Province. Latest research claims to have established that the name Admont is of Illyrian origin, and that the "region of plentiful water" which this name suggests in Illyrian had therefore long been inhabited by human beings—by fishermen, woodsmen and hunters—when monks from St. Peter in Salzburg came, in 1047, to the monastery. It had been built by Archbishop Eberhard with money given by St. Hemma of Gurk, there to found what became one of the most prosperous and best known cultural centres of the Province. Worship and science, art, agriculture

[103]

131 The Burgenland has some strange features. It is the youngest province of Austria, yet it claims to be one of the oldest. For a time it belonged to Hungary, and just during this period it held a brilliant position in Austrian intellectual life, boasting of such mighty names as Haydn and Liszt, Hyrtl [103] and Semmelweis. Its name is taken from three castles which no longer lie within its frontiers, but is justified by other castles as well. It is of considerable length—160 kilometres from North to South, corseted somewhere in the middle to a wasp-waist only four kilometres in diameter. Its plains are sparsely inhabited, while its mountain land is densely populated. It has a raw climate in the south, while in parts of its northern areas, the climate resembles that of Helwan in Egypt. Its frontiers with foreign countries are longer than its inland boundaries, yet it is Austrian to the core.

133 The inquiring stranger who has set out on a voyage of discovery should first drive by car along the Bundesstrasse to Bruck-on-the-Leitha and here turn off to the right into the Leitha mountains which in the centre separate the Burgenland from Lower Austria. From the summits of the mountains one looks down on to the Neusiedler Lake. Over 900 feet above the shining surface of the lake one finds oneself beneath sighing trees growing on what was once the bottom of a great sea. The sea itself, it is true, disappeared thousands of years ago, but the work of its maritime life remains in the form of rich deposits of mussel chalk. Walking along any forest path in the Leithagebirge one can easily trace in the stones the fossil forms of long vanished animals and plants.

When the tourist is weary of scientific research he can clear his brain in the sparkling Neusiedler Lake or with the no less inviting wine which ripens on its shores.

423 The plain to the north of the Neusiedler Lake was always one of vast estates. Between the scattered villages lie the dairy farms of the great landowners, who have their castles and manors in the villages. In Kittsee, Gattendorf and Halbturn there are many examples of baroque art. Lukas von Hildebrandt, Maulpertsch and others were commissioned to work there for the Magyar feudal landowners, Esterházy, Batthyány and so on.

133 Adjoining this countryside, the moor-land district, is tucked away on the eastern shores of the Neusiedler Lake a cloud-overcast and wind-harassed group of lakes. There are a number of warm and brackish little lakes, scattered over steppes of pronouncedly eastern character. Sea-sparwort, feathered grasses and copper-

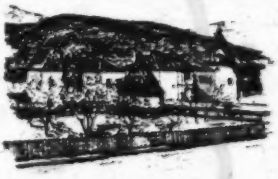
133

133
529

Güssing.

Burgenland's volcano—Pauliberg is its name—is of course no longer active. But it provides the Province with indispensable basalt for road building.

The Burgenland volcanoes—there are more than one of them—although non-eruptive, have the hot springs which still flow along the thermal line. That line of healing springs which begins in Vienna and continues through Baden and Vöslau, unites in Burgenland with the sulphur baths of Leithaprodersdorf, northwest of Eisenstadt. It carries on to the unpretencious health centre of Sauerbrunn at the foot of the Rosaliengebirge and feeds the mineral springs of Kobersdorf at the foot of the Pauliberg. Parallel to it runs a second line from the radioactive baths in Edelstal to the mineral springs of Deutschkreutz.



Kobersdorf.

133 Far off in the south of the Burgenland the basalt cone of Güssing is still recognisable as a part of the volcanic chain. The narrow strip of land where three countries meet and where the castle ruins of Neuhaus look down from the mountain, is in its isolation one of the most lovely spots of Austria. Here the Raab traverses the Province. Its name has survived from the days of the Romans, who may have adopted it from the Celts or the Illyrians. The town of the same name situated where the river joins the Danube is called Györ in Hungarian, preserving the memory of the Avars who, when the barbarian flood had subsided, remained as rulers of Pannonia, and thus the Burgenland. "Györ" means "ring", the Avars designating as "rings" the earthworks behind which they defied a superior force, while their mounted hordes ravaged the countryside.

103

Bernstein.

In Southern Burgenland there are no surviving traces of the Avars, although the names of many places bear witness to their not always willing followers, Slavonic tribes who, as farmers, were forced to contribute to the support of the Avar nomads. Welten,

Gritsch, Doiber and Oberdrosen are examples, while Windisch-Minihof has preserved its eloquent name unchanged. 103

Minihof—does it not sound as if this village had been named after one of its favourite inhabitants? On Sunday, when the women and girls of the Burgenland go to church, many of them in the traditional and proudly preserved national costumes which differ from village to village, more than one pretty girl, whether Mini, Kathi or Liesl, attracts attention.

In the Province there are about half a dozen Minihofs. But the name means nothing other than Münichhof, Monks' Dwelling. The monks, whose memory has thus been recorded did much to further the development of the Province.

About 800 A.D., Charlemagne defeated the Avars, and established the Pannonian Mark, which included the best part of the Burgenland territory on both sides of the Raab and the adjoining strips of Lower Austria as far as the slopes of the Wienerwald. This became the nucleus of Austria. The monasteries of Salzburg, Kremsmünster and Mattsee, together with those of Passau and Freising, were given vast estates in the Burgenland by the Carolingian rulers and attracted settlers. The ruins of Scarabantia and Sabaria, which had the appearance of an "öden Burg" ("desolate castle"), lying about like "Steine am Anger" ("stones on the slope") then awoke to new life. Purbach and Donnerskirchen between the Leithagebirge and the Neusiedler Lake, Lutzmannsburg in the district of Oberpullendorf, close to the Hungarian frontier, and Pernau, further to the South just the other side of the frontier, all date from this time. So does Minihof, the "Hof", or residence, of the monks. 175 103

Let us here recall St. Martin, the most venerable of all the famous sons of the Burgenland. Born in 316 A.D. in the little town of Sabaria, he became through his efforts as Bishop of Tours the patron saint of the Franks. Reverence for his name was brought back to the Burgenland and to Pannonia through people who settled

Morbisch.

776

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533

First let us visit the basket weavers

Basket-Weaver.

of the beautiful Rabnitz Valley and the potters of Stoob where the ancient craft of pottery is still carried on by hand. Then let us cross to Raiding. Here the small house is still standing where a great man in the world of music first saw the light of day—Franz Liszt. He was triumphant the world over, from Russia to France and England. Everywhere the smiles of lovely women welcomed him but more and more he was affected by that melancholy which is reflected in the verses of Lenau. The latter had connections with the Burgenland through his mother; his lyrics won as many friends for the land of the *Puszta* as did the Hungarian rhapsodies of Liszt.

131 Past Ritzing, where the surface belongs to the Burgenland but the coal below it to Hungary, because the tunnels of Brennberg, near Ödenburg, burrow below the frontier, our way leads us to Sieggraben. This is the home of the Semmelweis family, whose most famous son brought salvation from the scourge of puerperal fever to the child-bearing mothers of all times. From here the road climbs to the summit of the Rosaliengebirge, where a view opens towards the east across the Wulka Plain, taking in Ödenburg and the Neusiedler Lake and westwards, the Bucklige Welt, Wiener Neustadt and the Leitha.

346
712

Village Drummer.

On the Leitha also lies the battlefield of 1246. Friedrich the Quarrelsome, last of the Babenbergs, made the territory which had formerly belonged to the Mark of the Carolingians the subject of his first demands.

The Burgenland was long contested. Not for nothing do the many churches in its pleasant villages stand on commanding heights, surrounded by walls which give them the appearance of fortresses, and not for nothing were the many castles and fortified towers set up.

162
361
103

The days of the Turkish invasions brought poverty and desolation to the land, but at the same time a new population which was fleeing from the Turks and found a new home in the Burgenland—the Croats. From Kroboteck in the district of Jennersdorf through Stinatz, Punkitz, Podgoria and Kroatisch-Minihof there

Village Street.

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2: MacDonald, Mary. The Republic of Austria, 1918--1934. London: Oxford University Press, 1946.

Pp. 165, viii.

Yale: Ond 25. 946m.

[This book represents a study of the origin, development and eventual collapse of the Federal Republic of Austria in the period between the two World Wars. The discussion is set within the framework of a constitutional history, the major portion concerned with the Constitution of 1920; the principles which motivated its formulation; the structure of the government, and the dual influence of the party system and foreign policy on its operation. Appendices give a short evolution of the constitution, the complete English text of the constitution of 1920, and a listing of the Austrian governments during the period indicated--Analyst].

Field date: no date
Analyst: Leslie L. Clark

Evaluation: Social Scientist--4
Processed in 1956

111 EK1 Austria

3: Hiscocks, Richard. The Rebirth of Austria. London: Oxford University Press, 1953.

Pp. xi, 263; 8 plates; 3 maps; preface; bibliography; index.

Yale: Bq29K. 953H.

[This book is a study of post-war conditions in Austria. The author discusses the success of the coalition government, the standard of living, and the economic aid Austria received through the Marshall Plan and UNRRA. Mr. Hiscocks dwells upon the political and economic difficulties that resulted from the Allied military occupation of Austria. It is the author's thesis that Austrian foreign policy is, and will continue to be based upon a belief in internationalism. --Analyst]

Field date: 1946-1949
Analyst: June Orloff

Evaluation: Government Official-5
Processed in 1956

5: Heissenberger, Franz. The Economic Reconstruction of Austria: 1945-1952. Washington, D. C.: Library of Congress, 1953.

Pp. xii, 154

Yale: Nc95. A9. 953H.

[This study, written for the European Affairs Division of the Library of Congress by one of its Austrian Foreign Consultants, presents a brief survey of Austrian thinking, teaching, and research in the field of economics before proceeding with a detailed analytical description of Austria's post-war recovery which resulted from Marshall Plan and subsequent aid programs. The author served after the war as chief of the Economic and Financial Planning Department of the Austrian Ministry of Planning, and later as chief of the Ministry of Nationalized Industries. He was at date of publishing a member of the staff of the Creditsanstalt-Bankverein in Vienna. His present analysis discusses the investment and

5: Heissenberger, Franz.

fiscal policies of the Austrian Government in the light of postwar reconstruction problems, the efforts to strengthen production in key segments and improve living standards, the balance of payments problem and foreign trade policy, and the Austrian position in European economic integration. In conclusion, he treats of Austrian prospects for future economic viability. A lengthy bibliography is appended at the end of the book. --Analyst]

Field date: none
Analyst: Jack Crane

Evaluation: Social Scientist--4-5
Processed in 1956

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EKl Austria
Historical Austria

7: Marboe, Ernst. The Book of Austria. Vienna: Österreichische Staatsdruckerei, 1948.

Pp. 558, 16 plates.

Yale: Bq 4n. 948 mg.
[Translated from the German by G. E. R. Gedye].

[This source is a general survey of Austria and includes sections on history, geography, politics, economics, arts, crafts, educational institutions, gastronomy and recreational and touristic facilities. It also includes special treatment of the nine provinces into which the country is divided geographically and politically. The source is abundantly illustrated and includes a bibliography at the end. --Analyst]

Field date: no date
Analyst: Eugene Lerner

Evaluation: Unknown-3
Processed in 1956

8: van Hoek, Kees. Chancellor Raab of Austria: The man who is next door to Russia. Catholic Digest, Vol. 18, no. 4, pp. 46-50. St. Paul, Minnesota: The Catholic Digest, Inc., 1954.

Yale: BX. 801. C286d. v. 18., pt. 1. 1953-54.

[This is a sympathetic, thumbnail sketch of the man who succeeded Leopold Figl as Austrian Chancellor. The author personally interviewed the Chancellor. The present article is a summary of his impressions but supplies useful background and biographic information on the Chancellor, his education, political activity, interests and personality. The article concludes with a brief statement of the Chancellor's policies with respect to Austria's internal and foreign problems at the time of the interview. --Analyst]

Field date: no date
Analyst: Jack Crane

Evaluation: Journalist, 3
Processed in 1956

9: Rothschild, K. W. Austria's Economic Development Between The Two Wars. London, Frederick Muller Ltd., 1947.

Pp. vii, 109; 11 maps; 9 pp. of diagrams.
Yale Library: Nc95. A9. 947r.

[This rapid but factual account discusses the economic and political problems of Austria following the dismemberment of the Austro-Hungarian Empire, comparing these with the apparently less critical conditions resulting from the second World War. The author rejects the view that a truncated Austria is unable to develop a viable economy based on political independence and its own natural resources, provided intelligent and energetic policies are pursued by the Government. The period of stabilization following the disastrous inflation after World War I and the recovery achieved in the decade following the world crisis in 1929 are cited in support of his thesis. The role of German expansionism both before and after the Anschluss is developed in some detail. In a closing chapter the author submits his own views on the factors which should influence the planning for Austria's future development. --Analyst]

9: Rothschild, K. W.

Field date: no date
Analyst: Jack Crane

Evaluation: Sociologist-4, 5
Processed in 1956

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

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PREFACE

121 THE idea of writing this book came to me after a talk given early in 1951 to the Winnipeg Branch of the Canadian Institute of International Affairs. It was clear on that occasion that a well-informed group of Canadians knew little about Austria and that their potential interest in the subject was considerable.

As a student of international relations I have frequently felt the need of the kind of objective general study of contemporary conditions in another part of the world that this book sets out to be. If we keep moving in the right direction, the obligations of twentieth-century citizenship will extend increasingly beyond national politics. And political obligations, international in scope, can only be satisfactorily fulfilled on a basis of widening knowledge.

Post-War Austria is a subject both interesting in itself and typical of the troubled continent of which it is the geographical centre. Its importance to Europeans needs no emphasis, but it is a subject also of particular significance to the people of North America, who have emerged from the War with greater relative wealth and increased productive capacity.

Two things are required by the author of the type of study I have mentioned: versatility and leisure to do maximum justice to a moving scene. These I have not possessed in the measure in which they are needed. To present a balanced picture I have had to deal with subjects of which I have little technical knowledge, and I have had to combine the whole undertaking with my normal academic duties. In spite of these disadvantages, the absence of any general study of Austria since the war has encouraged me to make the attempt.

114 The chief difficulty in writing about recent events is the lack of reliable sources. Official documents may be inaccessible, and statistics are not always available. The fact that Austria is an occupied country makes the situation worse: the occupying

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Powers suffer from diplomatic reticence, and the Austrians themselves are under restraint.

From February 1946 to October 1949 I was working in Austria as British Council Representative. The many contacts I made then have been invaluable in the preparation of this book, and I owe a great deal to my Austrian friends and acquaintances. They have helped me in a wide variety of ways and have given encouragement and constructive criticism. I am particularly indebted to my colleagues at Vienna University and to many good friends who are engaged in educational and cultural work.

I want especially to express my deep gratitude to Dr. Leopold Figl, who has just laid down the burden of his memorable Chancellorship, Vice-Chancellor Dr. Adolf Schärf, and other members of the Austrian Cabinet who spared time last year to see me and answer questions. I am most grateful to Dr. Felix Hurdes, Former Minister of Education and now President of the National Assembly, and Dr. Leopold Zechner, President of the Vienna School Board, with both of whom my duties as British Council Representative brought me into frequent contact. Dr. Heinrich Gleissner and Dr. Ernst Koref, to whom this book is dedicated, and Professor Ludwig Adamovich, President of the Constitutional Court, have also been most helpful. I have been very fortunate in being able to talk to a large number of Austrian civil servants about the problems of their departments and to read many unpublished departmental papers.

Sources for the period of the Provisional Government, from April to December 1945, are particularly scarce. There was no Parliament, there were few newspapers, and comparatively little has been published on the subject. British and American documents covering the period are still 'classified', and the publication of the reports of the British and American Elements had not started. I have therefore depended largely on information gathered in interviews with some of the Austrians and British who played leading parts in the events of that time. Some of my most reliable informants, however, spoke freely on the understanding that they would not be quoted.

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Any student of post-War Austria is fortunate in being able to consult the publications of the Austrian Institute for Economic Research. I owe a special debt to its courteous director, Dr. Franz Nemschak, and have made very large use of the statistics produced by the Institute. However, since they were not always in the form required to illustrate the text, I have occasionally drawn on other sources as well. I must therefore take full responsibility for the accuracy of the figures quoted.

114

I am very grateful to the Canadian Social Science Research Council and to the University of Manitoba for their support in the production of this book.

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Finally, I wish to thank the many friends who have helped me in a variety of ways. I am especially indebted to those who have read and criticized all or parts of the manuscript, and to Dr. Hans Schwabl of Vienna, who kindly assisted me on points of fact while I was working in Canada.

The manuscript was completed shortly before the Austrian elections on 22nd February 1953. It was then held back for more than five weeks pending the formation of a new government.

RICHARD HISCOCKS

WINNIPEG, 7 *April* 1953

122 The generosity of the Creditanstalt-Bankverein in Vienna, Austria, has enabled the Library of Congress to put into operation a program of Foreign Consultants in Austria. One of the main duties of the Foreign Consultant is to report on the general trends in his subject field and on the special attention given to particular aspects, in short, to prepare a picture of the intellectual progress in his area of responsibility.

114 Dr. Franz Heissenberger was born in 1899. He attended the Academy for Commercial Studies and later the University of Vienna where he received his doctoral degree in law in 1926, and in political science in 1929. He joined the staff of the Anglo-Austrian Bank Ltd. in Vienna advancing to the position of department chief. After the war, in 1946, he joined the Austrian civil service as chief of the Economic and Financial Department of the Austrian Ministry of Planning and later on of the Austrian Ministry of Nationalized Enterprises. In this capacity he also served as editor of the ERP Quarterly Reports, submitted by the Austrian Government to the ECA Mission in Austria. Dr. Heissenberger later left the government service and resumed his activities as economist as member of the staff of the Creditanstalt-Bankverein in Vienna.

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FOREWORD

114
122 This is the second study to be published in the Austrian program of Foreign Consultants to the Library of Congress, made possible through the generosity of the Creditanstalt-Bankverein, Vienna.

It is the main duty of a Foreign Consultant to make a survey of the intellectual life in his country and in his field of responsibility and to include factual and bibliographical information which will encourage and facilitate research as well as direct contact between scholars, institutes and libraries. Dr. Franz Heissenberger offers in this study a short survey of Austrian thinking, teaching and research in the field of economics and its scholarly roots in past decades, and then concentrates on a detailed analytical description of the economic recovery of Austria, as a record of the events during the years 1945-1952. The strength of this survey lies in the abundance of material and information presented, compiled by an individual who was not dependent on published sources only but could draw on the knowledge and experience he acquired through his official and professional participation in this phase of Austria's economic life. The weakness of this study lies in the fact that it was translated in the field without the extensive professional editing and reorganization required for an English-speaking audience and this Division could only undertake minor adjustments and clarifications of the text without interfering basically with the author's intentions.

This study, besides being a concentrated source of information for additional research, represents an interesting documentation of Austria's positive efforts toward economic recovery and the decisive role the United States has played in it.

Harry J. Krould, Chief
European Affairs Division

March 1953

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THE REPUBLIC OF AUSTRIA

1918—1934

A STUDY IN THE FAILURE OF DEMOCRATIC GOVERNMENT

MARY MACDONALD

Issued under the auspices of the Royal Institute of International Affairs

GEOFFREY CUMBERLEGE
OXFORD UNIVERSITY PRESS
LONDON NEW YORK TORONTO
1946

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Toronto Melbourne Cape Town Bombay
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PRINTED IN GREAT BRITAIN
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INTRODUCTION

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IN the autumn of 1918 the Empire of the Habsburgs collapsed; and when the Czechs, the Poles, the Southern Slavs, and the Hungarians had broken away and formed independent States, the German Provinces of the old Reich, containing some seven million out of the fifty million of the Habsburg peoples, were left alone to face an uncertain future.

The Christian Socialists of the Provinces[1] and the Social Democrats of Vienna and the industrial districts, differing in almost every other respect, were united at that time in their desire to join the German Reich, and in their intention of instituting some form of democratic government.

Frustrated by the Allies in their first objective they proceeded, with the blessing of the civilized world, to draw up with meticulous care a pronouncedly democratic constitution, which should ensure for all time government of the people, for the people, by the people. From the Cardinal Archbishop to the editor of the *Arbeiter Zeitung* there was scarcely a dissentient voice. All were agreed that from henceforward the people themselves must be the arbiters of their own fate.

The friends and enemies of Austria were equally unanimous in their approval of parliamentary democracy as a form of government. The Czechs, the Yugoslavs, and the Hungarians, in so far as they had time for consideration of Austrian affairs at all, were profoundly thankful to see the disappearance of the last remains of the old authoritarian structure of the State, for, with this destroyed, the dreaded return of the Habsburg must remain a remote contingency.

The Allies, and especially President Wilson, viewed with gratified approval the ideological change of heart evinced by their late foes. The war had been fought and won in the name of democracy, and it was consoling to see that even the ex-enemy States had come to appreciate the ideals for which so many millions of lives had been sacrificed.

[1] Throughout this study the term 'Land' will be translated as 'Province'. In fact, however, the Austrian *Ländern* were rather more important units than the term 'province' would indicate.

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642 178 Finally, the Germans of the Reich, the closest friends, if not blood-brothers, of the Austrians, were themselves no less determined that they too would henceforward live under a democratic form of government.

Yet in spite of this apparently auspicious beginning, Austrian politics since 1927, and perhaps even before this, moved steadily in an anti-democratic direction. By 1929 the tide had finally turned, and at last, in February 1934, democracy in Austria was overthrown.

It is not easy to assign its just significance to each of the contributory causes of this *volte-face*, for they were many and various. The following study can only be regarded as a preliminary attempt to consider some of the most important. It can make no pretence to being an exhaustive treatment of what is a very large and complex question.

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I

THE POLITICAL BACKGROUND

THE Republic of Austria was, from the first, hampered by the lack of an Austrian national consciousness strong enough to infuse any organic unity into the life of its separate Provinces. This lack, which, more than any other single cause, was to prove the ultimate undoing of the Austrian Republic, lay deeply rooted in the Habsburg past. The Germans of Austria had not been impelled by adversity to develop that patriotism which had become so marked a characteristic of the Magyar race, and which was beginning to inspire, in varying degrees, the other peoples of the Empire. German-Austrian loyalty had been concentrated upon the Habsburgs, whose policy had been supranational. German Austrians had never formed a united national group. This was partly because class divisions were felt more acutely in German circles than among the Slav peoples. But apart from this, the centrifugal tendencies existing among them had been growing, if anything, more pronounced, in the decade before the war. Some groups were purely loyalist, while others were permeated in varying degrees with pan-Germanism. There was no unifying principle at work to draw them together.

While the Habsburg experiment in a supranational empire had continued, the German Austrians had found their rich reward, for it was through the medium of the German language and culture that the Habsburgs had exercised their heterogeneous rule.[1] With the break-up of the Empire, however, the German-Austrian administrators of the Habsburgs were left high and dry; and when the centripetal influence of the Imperial House was removed, the balance of power passed from the central Government to the Provinces. 'Austria' was a meaningless concept. It was Tyrol, Salzburg, Vorariberg,

[1] In the decades before the war, however, this practice of employing Germans as officials had been ever less rigidly adhered to, for the increasing national consciousness of the minority peoples in the Austrian half of the monarchy made essential the introduction of a certain proportion of officials conversant with the local languages, etc.

175 etc., which profited by a great accretion of loyalty when the Habsburgs fell.

The psychological trend towards separatism was given further impetus by economic circumstances. Vienna and the industrial parts of Lower Austria had always been accustomed to obtain their provisions from all parts of the Empire. When the more distant sources of supply were cut off, German Austria became dependent on her own resources for food. As these were quite inadequate the industrial districts could only be kept from starvation by means of a central requisitioning system, which had to be introduced as early as 1916. This was bitterly resented by the food-producing Provinces, who had scarcely enough provisions to meet their own needs.[1] The resentment was the keener because of the divergence in outlook between the Social Democrats of Vienna and the Christian Socialists of the Provinces, a factor which was to be of immense significance in the history of the Austrian Republic. This divergence was not confined to politics in the ordinary sense of the term. It embraced every sphere of activity, and affected even the minutest details of daily life. The Christian Socialist and the Social Democrat lived in two different, and for the most part antagonistic, worlds.

The net result of these centrifugal tendencies was that provincial sentiment, always a latent force behind Habsburg patriotism, increased greatly in intensity during the last months of the war. And it became obvious that, if Austria was to exist at all as an independent State, the form of her constitution must be pronouncedly federal.

All parties were agreed that the constitution must be democratic in form. This general desire for democracy was partly occasioned by war-weariness. The peoples of the Empire wanted peace at any price. Their hearts had perhaps never been wholly in the war,[2] and, as economic distress increased,

[1] In May 1918, for instance, Dr. von Seidler was forced to agree that, for purposes of food supply, North Tyrol should be joined to Bavaria, and the German districts of Northern Bohemia to Saxony. (*The Times*, 6 May 1918.)

[2] Oscar Jaszi, *The Dissolution of the Habsburg Monarchy* (University of Chicago Press, 1929), pp. 14–23. Also, Edmund von Glaise-Horstenau, *Die Katastrophe* (Wien, 1929).

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the discontent of the people with a government over which they could exercise virtually no control, increased with it. It came to be widely felt that an ambitious imperialistic foreign policy was responsible for the plight of the people. Men were, therefore, increasingly susceptible to the propaganda of the Allies, which was concentrated, particularly after the collapse of their Czarist ally, in representing the war as a conflict between the semi-feudal militaristic monarchies and the free democracies of the West. It was thought, also, that the Allies would be more ready to negotiate a comparatively favourable peace with Austria-Hungary if she repudiated the old autocratic régime. Moreover, Wilson's doctrine of self-determination, to which Austria with the other peoples of the Empire subscribed, necessitated a democratic state organization. Another reason for the strength of the democratic idea in German Austria was the growth in power and prestige of the Social Democratic party. There were various reasons for this. One was the stimulus of the ideas of the Russian revolution. Another was the fact that the unity, and therefore the strength, of the party was enhanced when, after the break-up of the Empire, questions of nationality ceased to divide it. Again, economic distress had embittered the working classes, who were therefore more disposed to listen to socialist teaching. And the number of workers had greatly increased as a result of the swollen war industries. At the same time inflation had undermined the economic position and power of the middle classes. Finally, the Austrian war organization, unsuccessful though it had proved to be, had accustomed people to a form of state socialism.[1]

The first years in the life of the new Republic were not happy ones. Terrible economic distress fostered the growth of extremist elements on both sides, thus serving to accentuate sharply the already existing class and party differences. The absolute dependence of Austria on economic assistance from the Allies necessitated the adoption of a foreign policy which the majority of Austrians disliked; and the control acquired

[1] Redlich, J., *Austrian War Government* (Yale University Press, 1929), pp. 123–36.

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175 over the country by her creditors gave birth to the suspicion that government by the people for the people was synonymous with government by the Allies for the Allies.

The first election was held on 16 February 1919, one member of the National Assembly representing every 48,000 electors. 156 members were returned to the new Assembly, of whom 69 were Social Democrats, 63 Christian Socialists, 18 Pan-Germans, and 6 members of the *Landbund*. The first Republican cabinet consisted of 6 Social Democrats, headed by Chancellor Renner (who represented Austria at the Peace Conference), 5 Christian Socialists, and 4 non-party members. By the autumn of 1920, the political trend in Germany was markedly to the right, and Austria, now acutely sensitive to the German political situation, moved to the right also, exchanging a predominantly Social Democratic government for a Christian Socialist one.

The first Christian Socialist Mayr cabinet took office on 10 November 1920, and on 15 December Austria became a member of the League of Nations. But Mayr's League policy was gravely hampered by the continuance of *Anschluss* agitations, which he was unable to prevent. The weakness of his government was particularly unfortunate as the economic condition of the country was deteriorating rapidly and, as the temporary boom was over, unemployment was increasing by leaps and bounds. Strong measures were required. Mayr resigned on 1 June 1921, on the grounds that the *Anschluss* agitations had made his position impossible.

Schober succeeded him on 21 June, at the head of a cabinet comprising for the most part officials without pronounced party views.

The economic condition of the country now took a plunge downwards. The krone, which in July had stood at 110,000 to the pound, stood at 336,000 by August. The cost of living rose in two months by 124 per cent. Unemployment increased from 30,000 to 90,000, and, as the mark had by this time followed the krone, the German market was now lost.

Faced with this alarming situation Schober acted with resource and considerable courage. His ultimate aim was the

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launching of a loan by the Allies. But he realized that this was not likely to be forthcoming until Austria gave evidence of intending to help herself towards economic stability by every means at her disposal. *Anschluss* agitations proclaiming the impossibility of maintaining an independent State at all, and the refusal of the Social Democrats to agree to a policy of economy, the lurid stories of a starving Austria painted by international charitable societies in an endeavour to obtain funds to help her, and, finally, the huge loan proposed by Sir William Goode in 1920 as being the *sine qua non* of the rehabilitation of Austrian finances, frightened potentially friendly Governments who might in other circumstances have proffered help.

Schober and his Finance Minister, Gürtler, therefore embarked on the unpopular policy of self-help.

The Chancellor succeeded in negotiating a loan from Czechoslovakia, thus increasing his prestige in Paris and London. The pan-Germans, however, regarded the opening-up of normal and friendly relations with Czechoslovakia as sufficient reason for withdrawing their support from the Schober Government, although there was no longer any hope of reclaiming the Germans of Bohemia.

At home, Schober introduced bills reducing subsidies and increasing taxation, thus incurring the hostility of both Social Democrats and Christian Socialists. His inability to pass these measures, and to use credits to improve the condition of the country, led to his resignation on 24 May 1922. It also led to the growth of the conviction in Allied circles that it would be useless to attempt to assist Austria unless a rigid system of financial control was imposed on her.

On 24 May 1922 the Christian Socialist leader, Monsignor Seipel, formed a government. After a fruitless attempt to introduce a scheme of reform, he adopted a new policy. He sent a note to the London Conference saying that if the Allies would not help Austria they must take over its administration themselves. But as the Allies refused to be blackmailed, Seipel set off, on 20 August, on a tour.

After visiting Berlin and Prague he went to Verona where

175 he met the Italian Minister, Schantzer. To him he proposed that, in return for assistance, Austria should be reduced to what would virtually be an Italian protectorate. Schantzer hesitated. In the meantime a storm of expostulation arose. In view of the *rapprochement* between Italy and Hungary, France considered that the absorption of a third state into the Italian sphere of influence would constitute a grave danger to the *status quo*.

Yugoslavia and Czechoslovakia also feared for their safety, if separated by a solid block of territory under Italian influence. As a result of all this, the Convention of Geneva was signed on 4 October.

The first of the three protocols there negotiated guaranteed the political and economic independence of Austria, and her territorial integrity. By the second protocol Great Britain, France, Czechoslovakia, and Italy undertook to make Austria a loan of fifty million crowns. In the third protocol Austria agreed to put through a programme of financial reforms, and to accept control by a Commissioner-General appointed by the League.

Seipel was much criticized by the German Nationalists and the Social Democrats for submitting to foreign supervision. The latter believed that the situation could have been met by the imposition of a capital levy and that, as it was, the poorer classes would have to bear the brunt of the reforms. However, on 24 October the Protocol was accepted, and on 28 October a Reconstruction Law was passed. On 18 November inflation stopped.

Criticism of Seipel by the German Nationalists became less vociferous as time went on, for the German mark was falling rapidly, and Germany was groaning under the burden of reparations and the French invasion of the Ruhr. And opposition from the Social Democrats was to some extent silenced by the advent of Mussolini to power in Italy on 29 October.

When Seipel resigned on 12 November 1924 considerable progress had been made towards financial and economic stability, though Dr. Zimmermann, the League Commissioner,

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still complained of extravagance in certain directions, as for instance, the number of State employees still kept on. 175

The Seipel Government had been, however, handicapped by opposition from the Provinces as well as from the Viennese Social Democrats. Partly as a consequence of this experience Seipel himself became increasingly centralist in outlook. And it was no doubt in some measure owing to his influence that the constitutional reforms of 1925 were centralist in character.[1]

Although in July 1925 the Layton Rist report had struck a more hopeful note as far as the economic position of the country went, internal unrest was undoubtedly increasing steadily. *Anschluss* agitations, temporarily abandoned because of bad economic conditions in Germany, began again. The members of the Ramek Cabinet, which held office from November 1924 until October 1925, were divided in their views on this question. In any case the Cabinet could not, of course, have given the movement official support, whatever its views, as most countries made the cessation of *Anschluss* agitations the *sine qua non* of trade agreements.

On 26 October 1926 Seipel again became Chancellor, and continued as head of the Government until April 1929. It was during this period that the turning-point in Austrian politics came.

During Seipel's first term of office Vaugoin, his Minister for War, had reorganized the regular army and purged it to a large extent of its socialist proclivities. In consequence of this the *Republikanische Schutzbund* had been founded on 12 April 1923, as the party guard of the Social Democrats, who felt that their position was likely to be threatened by the advancing forces of reaction. The Christian Socialists did not, at that time, make any special efforts to form a rival organization, feeling, no doubt, that their interests were well represented in the regular army by Vaugoin. Their attitude towards the Social Democrats hardened, however, after the rioting in Vienna in July 1927.

The immediate cause of the riots was the publication of the

[1] Kelsen, *Jahrbuch des öffentlichen Rechts*, vol. xv (1927), pp. 51–101.

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115 verdict in the Schattendorf murder trial.[1] The situation which arose was aggravated by unforeseen circumstances. For one thing, the Social Democrats did not, on this occasion, organize an orderly demonstration as was their custom. The workers, therefore, left the factories on their own initiative, and surged in disorganized groups into the centre of the city, where they eventually succeeded in setting fire to the Justiz Palast. The police appear to have lost their heads and fired on onlookers as well as rioters, causing unnecessary loss of life, and thereby inflaming the passions of the demonstrators to such an extent that their own leaders could not control them.

This incident greatly embittered the working classes, who professed themselves appalled at the callousness shown by the Government in quelling the riots. On the other hand, Christian Socialist circles thought they saw in the rioting the incipient danger of Bolshevism, and became, in consequence, very much more disposed to support the *Heimwehr* and similar semi-fascist organizations.

The antagonism between Monsignor Seipel on the one hand, and the Social Democrat leaders on the other, became more bitter than ever before as, rightly or wrongly, the Social Democrats believed that Seipel had been mainly responsible for what they considered to be the unnecessarily brutal methods employed in putting down the riots.[2] They therefore gave positive encouragement to their supporters to leave the Church, knowing that this would be by far the most effective weapon against Seipel.

It was after the July rioting of 1927 that the *Heimwehr* movement first began to play an important part in Austrian politics.

[1] In the previous January several persons had been shot by *Heimwehr* men in the course of a clash between *Heimwehr* and Social Democrat demonstrators at Schattendorf, a small village in the Burgenland. The case was a complicated one, and it was found to be very difficult to assess the blame fairly between the two contending parties. The *Heimwehr* men concerned were eventually acquitted. This confirmed the Viennese Social Democrats in the belief which, rightly or wrongly, was coming to be widely held, that it was impossible for Social Democrats to get a fair hearing in the courts.

[2] Seipel unfortunately remarked afterwards, when the ring leaders were on trial, that no mercy should be shown them. This expression, '*Keine Milde*', was always remembered against him.

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This organization had sprung up in the immediate post-war period, as a self-help movement among the peasantry in several of the Provinces, notably in Carinthia.[1] The various groups were generally led by the local nobility, lawyers, and school-teachers of the villages and the small country towns. These groups had no definite aims beyond the general intention of protecting peasant and other property against the depredations of the Yugoslavs and the 'Reds'.

It is probable that the movement would have lapsed once law and order was established, had it not been fostered by Seipel and right-wing Christian Socialist groups. As it was, the *Heimwehr*, after 1927, went from strength to strength, until it finally disintegrated before the rising tide of the Nazis in 1932.

The seeds of discord were present in it from the first. On the one hand there were the remnants of the pre-war German Nationalists, the intelligentsia of the country towns and villages, the school-teachers, shopkeepers, and small industrialists; on the other hand there were the old ruling classes, who were largely backed by the higher clergy (Prince Starhemberg is reported to have described the *Heimwehr* as "un movement religieux pour la protection non seulement de la patrie, mais aussi de la foi catholique traditionelle et de la culture chrétienne contre les ravages du libéralisme"), the big industrialists, and, later, by the Italians. The former group became ever more Nazi in outlook, as the Nazi movement grew in Germany. The other and smaller groups were not Nazi but monarchist in sympathy. However, before 1930 none of the groups in the *Heimwehr* movement was exclusive in personnel or aims.

It may be said that by 1927, when the *Heimwehr* began to arm its members on a large scale, both wings had ceased to be in any way representative of the peasants. Indeed, there seems reason to believe that the majority of the peasants, much as they disliked 'Red Vienna', viewed the fascist proclivities

[1] C. A. Macartney, 'The Armed Formations of Austria', *Journal of the Institute of International Affairs*, vol. viii, 1929. Also Dr. Kurt von Schuschnigg, *Farewell, Austria* (Cassell, 1938), pp. 113–29.

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of the *Heimwehr* leaders with even greater misgiving.[1] It was said that peasants who took part in *Heimwehr* demonstrations were frequently forced to do so against their will.[2]

In the years following 1927 there was an ever-increasing number of incidents between Social Democrats and *Heimwehr* demonstrators. Indeed, whenever the two groups arranged demonstrations, fighting broke out. And other groups on the Christian Socialist side, anxious to have their interests represented in what everybody came to feel would be the inevitable armed struggle for power, began forming their own paramilitary bodies.[3]

It must in justice be remarked that the party leaders of the Social Democrats appear to have been very much more acutely conscious of the danger inherent in these developments than were their rivals. They made repeated efforts in the years after 1927 to persuade the Christian Socialists to agree to disarm. Christian Socialist counter-proposals were, however, always coupled with demands which the Social Democrats felt they could not accept, such as cessation of opposition in Parlia-

[1] Groups in the Bauernbund, one of the largest of the peasant organizations, became increasingly critical of *Heimwehr* aims and methods: see article of Schumy, their Vice-president, in *Neues Wiener Tageblatt*, 'Man kann nicht Demokrat sein u. gleichzeitig den Parlamentarismus glatt verwerfen', etc. (quoted in the *Frankfurter Zeitung* of 26 August 1929). 'Solange die Heimwehrbewegung ihre Hauptstütze im Bauerntum hatte u. die Vertreter der Bauernschaft ihr Wort entscheidend in die Wagschale werfen konnten, war auch nie von einem Angriff, von einem Marsch nach Wien, die Rede. Diese Zieländerungen sind erst zu tage getreten als sich der Einfluss der ehemaligen Aristokraten, Generäle u. Stabsoffiziere in der Heimwehr über Gebuhr erhob. Nun waren aber gerade diese Herren nicht fähig uns in eine neue bessere Zeit zu führen; denn wir können uns nicht erninnern dass sie sich in den Tagen ihrer Macht unserer besonders angenommen hätten.' (Article in the *Bauern Zeitung*, the organ of *Bauernbund* in Upper Austria, quoted in the *Frankfurter Zeitung* of 25 August 1929.)

[2] 'Demonstrations' is perhaps a misleading term. Both the *Heimwehr* and the *Republikanische Schutzbund* were accustomed to use rifles, bayonets, hand-grenades, tear-gas bombs, and similar weapons. The *Heimwehr* had machine-guns and batteries of artillery. They were organized as a fighting force, and it was their custom to establish base hospitals, field-kitchens, etc., when they held their 'demonstrations'. (See the account in the *Manchester Guardian* of 8 October 1928, of the big Wiener Neustadt demonstration.)

[3] For instance, the *Sturmscharen* of Schuschnigg, a militant Catholic youth body, and the *Freiheitsbund* of Kunschak, a left-wing Christian Socialist working-class organization.

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ment.[1] The intransigence of the right-wing parties was probably due to the fact that they were well aware that they were in reality very much stronger than their rivals, and would almost certainly win if it came to a trial of strength. 175

The internal situation in Austria grew ever more chaotic in the years 1929–34. Obstruction by the Social Democrats, and the growing impatience of the *Heimwehr* and the right-wing groups with the forms of democratic government, made the working of any kind of parliamentary system increasingly difficult.[2]

The position further deteriorated in the autumn of 1930, for the November elections revealed, for the first time, a split in the ranks of the once united bourgeois front. Schober then organized a National Economic Bloc, consisting of the German Nationalists, the moderate Christian Socialists, and the *Landbund*.[3] Seipel and the clericals, with the Vienna and Lower Austrian *Heimwehr* under Major Fey, together formed an anti-Marxist front.

This split in the bourgeois ranks was viewed with favour by the moderate groups, who were glad to cut loose the extremist elements. But in fact it heralded the beginning of the end, for it meant that, in future, right-wing Governments had to be formed by uncertain coalitions, and were therefore tempted to look for support to extra-parliamentary bodies.

The comparative quiet of 1931 proved to be the lull before the storm. The *Heimwehr* movement was greatly weakened by quarrels among its leaders, and, as *Heimwehr* roots among the peasantry were shallow, little was heard of it. Attention was,

[1] An important, though numerically small, section of the Christian Socialists, led by Kunschak, continued, however, to work for conciliation with the Social Democrats. In the pages of their paper, the *Weltblatt*, they pointed out, over and over again, the dangers of intransigence. But Kunschak fought a losing battle against the extremists of his party, and in May 1929 he resigned from its vice-chairmanship, a post which he had long held, after defeat on his conciliation policy.

[2] On 18 May 1930, the *Heimwehr* leaders published the famous Korneuberger Programme, by which they pledged themselves to make an end of parliamentary democracy and the party system, and to institute a form of fascist government, using force if necessary to achieve their aims.

[3] With the exception of the branches in Salzburg and Upper Austria. These remained independent.

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175 moreover, diverted to the project of the Customs Union with Germany, in the first months of the year.

In 1932 the storm broke, and the Nazi party emerged for the first time as a strong force in Austrian politics. The *Landbund* and the old German Nationalist party were quickly swallowed up. The *Heimwehr* movement split in two, the members of the larger group becoming openly or covertly partisans of the Nazis. The peasants and the members of the moderate wing of the Christian Socialists turned in despair to Dr. Dolfuss as the one man who might save them.

Dr. Dolfuss did succeed in evoking, for the first time, the faint beginnings of an Austrian national consciousness. But his Government was too weak to withstand simultaneous attacks from the left and from the right. After having dissolved a parliament which had become unworkable in March 1933, he found himself confronted with the necessity of coming to terms either with the Social Democrats or with the *Heimwehr*, now powerfully supported by Italy. He chose the latter course. The direct result was the crushing of the Social Democrats in February 1934, and the end of the Austrian experiment in democratic government.

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II

PRELIMINARY DISCUSSIONS ON THE FORM OF THE NEW CONSTITUTION

THE break-up of the Empire necessitated a radical alteration of the pre-war Austrian constitution, the pivot of which had been the Imperial House. The chief object of Habsburg policy had been to manipulate the rival national and social forces within the State in order to ensure the predominance of Imperial influence. Therefore, with the collapse of the Monarchy and the falling away of the non-German elements, German Austria was confronted with the task of building up a new national State, which was necessarily different, in both its forms and its aims, from that which had preceded it. 642

Because of the general feeling that the reintroduction of any form of autocratic government, however convenient this might be in a period of emergency, must be avoided at all costs, the governmental devices made use of by the German Austrians from October 1918 to the promulgation of the constitution of October 1920[1] were marked by a desire to safeguard the position of the National Assembly as the supreme legislative organ.[2] All parties were agreed, though their fervour varied, that the new State must be a democratic one. 642 646

The stress on the importance of the Lower House was also partly a consequence of the political philosophy of the Social Democrats, whose views were then in the ascendant. This party laid great emphasis on the necessity for concentrating power in one democratically elected Chamber, and viewed with suspicion attempts on the part of that Chamber to delegate any considerable part of its authority to bodies not directly

[1] For an analysis of the Constitutions of 30 October and 19 December 1918 and 14 March 1919, see Kelsen, '*Die Verfassung Deutschösterreichs*', *Jahrbuch des öffentlichen Rechts* (Tübingen), vol. ix, pp. 245–91.

[2] Kelsen, *Die Verfassungsgesetze der Republik Österreich* (Wien, 1919).

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642 elected by the people.[1] The party therefore regarded with dis-
646 favour any of the customary devices designed to check the Chamber, such as a strong Government, a strong President, or a second Chamber. Social Democrats were equally anxious to vindicate the independence of the Chamber as against the people. Hence, they regarded such devices as the Referendum and the Initiative with suspicion. For this reason, also, they were in favour of the introduction of proportional representation with the closed list system, as they believed that these would free the members of the Chamber from any kind of dependence on their constituents. This, they hoped, would avert both the corruption of local politics and the predominance of the provincial outlook in the National Assembly, which they feared would result if this became the catspaw of local groups.[2]

These views can be clearly traced in the constitutional experiments of the first two years of the Republic. For instance, the Council of State was chosen by the National Assembly on the basis of proportional representation. The Government was thus recruited not from the ranks of one party, but from the whole body of representatives.[3] This body was, however, intended to be in all respects subordinate to the National Assembly. The three Presidents of the Council, who had equal powers, were chosen by each of the three big parties, the Christian Socialists, the Social Democrats, and the German Nationalists.[4] The elections to the Constituent Assembly in February 1919 were based on proportional representation, instead of the old majority voting arrangement.

[1] For instance, the Executive Committee, or Council of State elected by the National Assembly and entrusted by it, on 30 October, with the task of carrying on the government of the country, was deliberately made subordinate to the National Assembly, of which it was constituted the executive committee. The Council of State was, however, later given a right of suspensive veto on proposals put forward by the National Assembly. Law of 19 December 1918. St. G. Bl. Nr. 139, Article 4. Law of 14 March 1919, St. G. Bl. Nr. 179, Article 5.

[2] Renner, speech to Provincial National Assembly, 18 December 1918.

[3] 30 October 1918, St. G. Bl. Nr. 1, Article 4.

[4] Hauser, Seitz, and Dinghofer were elected by the Christian Socialists, the Social Democrats, and the German Nationalists respectively on 21 October 1918. Each held in rotating weeks the offices of President of the National Assembly, the Council of State, and what may be termed the Cabinet.

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But, while Social Democrat ideas regarding the establishment of a strong unitary State in which power would be as far as possible concentrated in a single democratically elected Chamber, came to prevail in the capital, the situation in the Provinces was developing along quite different lines. New Provincial Assemblies, which had been set up in place of the old *Landtags*, had come to regard themselves as quasi-independent legislative bodies. And the central Government, still uncertain of itself, pursued a somewhat vacillating policy with regard to them.[1] For instance, although no provision was made for the participation of the Provinces as such in legislation in the Provisional Constitution of 30 October 1918,[2] and although on 14 November the State formally took over control in the Provinces,[3] the Executive Committee had, on 29 October, sent a mandate to all the Provincial Assemblies,[4] asking them to draw up provisional constitutions containing declarations of accession to the Republic. This mandate was really, as Kelsen remarked, the *reductio ad absurdum* of the extreme federalist view.[5] Some of the Provinces took no notice of it.[6] Others merely made declarations of accession.[7] None the less, a decree of 12 November took notice of the "solemn declarations of accession of the Provinces and districts of the State territory".[8]

[1] Kelsen, 'Die Verfassung Deutschösterreichs', *Jahrbuch des öffentlichen Rechts*, vol. ix. p. 25: 'In den Ländern glaubte man vielfach, ein von der Zentralregierung gänzlich unabhängiges Gesetzgebungsrecht zu haben, u. auch der Staatsrat schien kein eigentliches Sanktionsrecht den Landesgesetzebeschlüssen gegenüber in Anspruch nehmen zu wollen.'

[2] Staats Gesetz Blatt. Nr. 1, Article 2. 'Die gesetzgebende Gewalt wird von der provisorischen Nationalversammlung selbst ausgeübt.'

[3] St. G. Bl. Nr. 124.

[4] The position of these Assemblies was a somewhat anomalous one, for they were not, strictly speaking, democratic bodies, as they had been elected on the old Curia system. (See Austria-Hungary Handbooks prepared under the direction of the Historical Section at the Foreign Office, No. 1, pp. 9 and 11.)

[5] 'Die Länder sollten durch diese Erklärung einem Staate erst beitreten . . . obgleich er schor vor dieser Beitrittserklärung bereits als constituiert angesehen werden musste. Vom Standpunkt des Verfassungsbeschlusses vom 30 October, u. des Landesgesetzes vom 14 November waren diese Beitrittserklärungen nicht bloss verfassungswidrig sondern geradezu sinnlos.' *Jahrbuch des öffentlichen Rechts*, vol. ix, p. 259.

[6] Lower Austria, Tyrol. [7] Upper Austria, Vorarlberg.

[8] St. G. Bl. Nr. 23.

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642 And on 14 November a law was passed providing for the elec-
631 tion by local assemblies of a *Landeshauptmann* or Governor and subordinates, who were to take over all the business formerly transacted by the State officials and the Statthalter, appointed by the Emperor.[1] This meant, in effect, the abolition of the dual system, and a large measure of decentralization in administrative matters.[2]

The position as regards the relationship between the State and the Provinces throughout the first two years of the Republic was, therefore, somewhat obscure; and this state of affairs not unnaturally resulted in the strengthening of separatist feeling. Traces of this may be seen in the provisions drawn up regarding provincial legislation on 14 March 1919.[3] It was then laid down that laws passed by Provincial Assemblies required counter-signature by a Secretary of State or the Chancellor. But even if assent was refused the Provincial Assembly could, if it wished, then reintroduce and pass the bill. If, however, provincial legislation required the co-operation of the State for its implementation, the Government, acting as a whole, could refuse assent. The Government thus had a suspensive, but not an absolute veto over provincial legislation.

631 The different ~~opinions~~ which, as has been pointed out,
665 prevailed in Vienna, where the Social Democrats were in power, and the Provinces, which were for the most part Christian Socialist strongholds, came to the fore strongly at the various conferences held regarding the form of the final constitution.[4]

The main demand of the Christian Socialist party, after the withdrawal of the Emperor, was that German Austria must be a federal State, in which the member States would have relatively far-reaching rights of self-government.[5] The reasons adduced by the party in support of its federalist programme

[1] St. G. Bl. Nr. 24.

[2] Eisenmann, *La Constitution Fédérale de la Republique d'Autriche* (Paris, 1924), pp. 37–8.

[3] St. G. Bl. Nr. 179.

[4] See Appendix A.

[5] The views of the more extreme federalists, such as Dr. Ender, amounted in fact to a claim that Austria should become a federation of independent States.

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were various. Many of them were characterized by an appeal to the medieval past, when, it was asserted, each Province had had a virtually autonomous status.[1] The only link between them had been superimposed in course of time by the Habsburgs. When the Habsburg superstructure disappeared they reverted to their former position of independence.[2]

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It was obvious, however, that the federalist policy of the Christian Socialists was inspired for the most part by more practical reasons. The party as a whole was animated by intense dislike of 'Red' Vienna, and feared that a disproportionate amount of power would fall to her, as the capital city, if a unitary State were established.

This antagonism, already in existence before the war, was sharpened by the events following on the Armistice. It was felt, for instance, that the Social Democrats, who were then in control of the Government, had made no attempt to protect the Provinces against the attacks of marauding bands of soldiers, although Vienna had had both the arms and the men necessary.[3] The secrecy of Viennese foreign policy was also mistrusted, for it was widely believed that everything was being sacrificed to the policy of *Anschluss*, a policy which the Christian Socialists regarded with increasing misgiving after the Spartacist rising of 1918 in Germany, and the subsequent Communist disturbances.[4] The economic policy of Vienna was also much disliked, and the socialization projects were strenuously resisted. Opposition in the Provinces to the requisitioning system, which had to be continued even after the Armistice, amounted at times to economic blockade.

[1] Speech by Dr. Ender at the Salzburg Provincial Conference, February 1920, *Stenographische Verhandlungschrift*, p. 28, 'Bevor Österreich-Ungarn bestanden hat, hat Tyrol bestanden, u. wird weiter bestehen'. Also, Seipel, 'Die Absonderung der Länder', *Politische Gesellschaft*, 14 May 1919, and Seipel, *Der Kampf um die österreichische Verfassung* (Wien, 1930), pp. 74–6.

[2] It was pointed out that the Provisional National Assembly had virtually recognized this fact by inviting the Provinces, on 29 October 1918, to announce their accession to the new State of German Austria. (Speech by Ehrer at the Salzburg Provincial Conference, op. cit., p. 20.)

[3] Seipel, 'Die Absonderung der Länder', *Politische Gesellschaft*, 14 May 1919, pp. 74–6.

[4] In the Draft Constitution of 12 November 1918, which was passed as a temporary measure by the National Assembly, it was stated that "German Austria is a part of the German Republic". (St. G. Bl. Nr. 5, Article 2.)

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631 There were, however, men in the Christian Socialist party,
665 as, for instance, the Prälat Hauser, who saw clearly the danger of allowing particularism in the Provinces to assume too great proportions, and who realized that the future well-being of the Austrian Republic must depend upon the breaking-down of existing barriers between the peasants and the workers. But, although the federalist policy of the Christian Socialists was probably to a large extent dictated by opportunist reasons, there was a certain positive substratum beneath these. As Herr Steidle remarked at the Salzburg Provincial Conference, federalism was a form of government particularly well adapted to the German mentality, with its love for complex organizations.[1]

The Christian Socialist party devoted much attention to the composition of the Upper or Federal Chamber. The more extreme federalists were of the opinion that each member State should have equal representation, on the Swiss model, irrespective of the size of its territory or the numbers of its population, on the ground that all the Provinces were equal and independent member States of the Federation. More moderate federalists were, however, prepared to envisage some kind of differential representation, which would take such differences into account.[2] In this case also, the views of the Christian Socialists were coloured by the knowledge that their position in the small Provinces like Tyrol and Vorarlberg was

[1] 'Die deutsche Nationaleigentümlichkeit war immer auf den Foderalismus aufgebaut. Das war seit undenklichen Zeiten so, das liegt den Deutchen im Blut.' (Steidle, Salzburg Provincial Conference, op. cit., p. 48.) Cf. Seipel, *Nation u. Staat* (Wien, 1916), and Mayr, '100 Sitzung der konstituierenden National Versammlung der Republik Österreich', *Stenographisches Protokoll*, p. 3363.

[2] The populations of the nine Provinces were as follows:

Province	Area (sq. miles)	Population
Vienna	107	1,863,783
Lower Austria	7,462	1,478,697
Upper Austria	4,628	873,702
Salzburg	2,763	222,731
Styria	6,327	977,350
Carinthia	3,684	370,432
Tyrol	4,790	313,699
Vorarlberg	1,005	139,968
Burgenland	1,586	286,299

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a very strong one, whereas it was very much less strong in the large, semi-industrial Provinces, as Upper and Lower Austria. 631 665

As regards the position of the future President of the Republic, the Christian Socialists were of the opinion that he should be directly elected. This, they hoped, would enable him to adopt a more independent position *vis-à-vis* a possible Social Democrat majority in the Lower House. This proposal was, however, strongly contested by the Social Democrats, who feared that it would be the thin end of the wedge of authoritarian government.

The Christian Socialists wished provision to be made for the direct participation of the people in the business of government, through the Referendum and the Initiative.[1]

But, if it can be said of the Christian Socialists that their views on the new constitution were occasioned for the most part by the political exigencies of the moment rather than by abstract views on the best form of government, the same can certainly be said of the Social Democrats. Their opposition to federalism, for instance, was undoubtedly largely occasioned by fear of reactionary tendencies in the Provinces. They maintained that Christian Socialist contentions regarding the historic individuality of the Provinces were illusory. Most of the Provinces, they argued, had simply grown out of the inheritances of the great feudal families, and were often quite unsuitable as economic units.[2] In any case, many of them had had their boundaries so altered in the course of the war as to make ridiculous any attempt to identify them with pre-war units. The districts which remained were often so situated as to make them quite unsuitable for maintenance even as units of common administration.[3] In any case most of the so-called rights of self-government enjoyed by the Provinces had only

[1] It is interesting to find that Seipel was a particularly strong supporter of these devices. He specially approved, for instance, of the provision that minorities in three different Provinces should be enabled to join together, if by so doing they could amass the requisite 300,000 votes for an Initiative. ('Verfassungsreform u. Wirtschaftsleben', *Reichspost*, 15 February 1920. Also, Seipel, *Der Kampf um die österreichische Verfassung*, pp. 77–9.)

[2] Resel, Salzburg Provincial Conference, op. cit., p. 22.

[3] Speech by Gruener, Salzburg Provincial Conference, op. cit., p. 16; cf. Grogger, op. cit., p. 27.

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631 665 been acquired in the course of the last few months. There was now no reason for encouraging federalist sentiment since the nationality problem no longer existed and the duplication of administrative machinery would entail expenditure on a scale which the new Republic could ill afford.[1] Moreover, the National Assembly was itself only a *Landtag* of the German Reich.[2]

The Social Democrats were, however, sufficiently realist in their politics to admit that the federal principle would have to be to some extent incorporated in the new State organization. They therefore concentrated upon the mitigation of what they considered its most obvious dangers.[3]

They were strongly in favour of the introduction of the unicameral system for the legislature. In their view, if the Upper House had no power as against the Lower House, it was merely a piece of unnecessary machinery. If the Upper House had such power, and was indirectly elected, the democratic body would be made responsible to an only indirectly democratic body. If, on the other hand, the Upper House were directly elected, it would in all probability be merely a replica of the Lower House.[4] However, the party as a whole realized that the introduction of the unicameral system was not practical politics. They therefore concentrated on an attempt to eliminate, as far as possible, the federal character of the Upper House. It must be elected, they maintained, on a population basis, as it would obviously be

[1] Dolser, Salzburg Provincial Conference, op. cit., p. 50; cf. Preussler, 4th Sitzung, 14 March 1919.

[2] The Social Democrats feared that the development of a federal system would make the conclusion of an *Anschluss* with Germany more difficult, since Germany would not be prepared to recognize this arrangement.

[3] Herr Danneberg, for instance, in the debate on the final proposals laid before the Constituent National Assembly, urged that, since a federal constitution was to be adopted, the existing boundaries of the Provinces should not be considered as in any way sacrosanct, and that, in order to safeguard the democratic principle, it should be provided that, if a part of a Province having a population equal to or greater than that of Vorarlberg, wished to join another Province, or form an independent Province, they should, as provided in the new German Constitution, be permitted to do so. (100 Sitzung, Constituent National Assembly, p. 3386.)

[4] Speech by Grüber, Salzburg Provincial Conference, op. cit., p. 65.

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undemocratic to give equal representation to Provinces whose population figures were so unequal. The party also aimed at curtailing its power as far as possible.

The Social Democrats disliked the Christian Socialist project of a President directly elected by the people. They thought it better that the functions of a President should be discharged by the President of the National Council. Direct election of a President would, they feared, inevitably introduce an autocratic element into the Government.[1]

They were somewhat lukewarm in their support of direct legislation by the people through the Initiative and the Referendum, as these devices would tend, they thought, to undermine the omnipotence of the National Assembly. A dangerous element of procrastination would be introduced into the business of government and misunderstandings would inevitably occur as it was almost always impossible to answer 'yes' or 'no' to complicated legislative projects. It would be much better to let the people exercise their control by shortening the legislative period.[2]

The Social Democrats were emphatically of the opinion that the democratization of government and administration in the Provinces was the *sine qua non* of democratic progress, particularly if a federal system was to be introduced.[3]

The views of the German Nationalists need not be considered in detail, for they did not materially influence the drafting of the constitution. It may be noted, however, that they, like the Christian Socialists, showed a tendency to distrust the autocracy of the Lower House. For this reason, they were anxious to secure direct election for the President.[4] And they were prepared to envisage an even wider use of the Initiative and

[1] Speech by Danneberg, Stenographische Verhandlungschrift über die Länderkonferenz in Linz, 1920, pp. 22–3; and 100 Sitzung, Constituent National Assembly, p. 3390. It is interesting to note that Kelsen, one of the authors of the 1920 Constitution, was also strongly of the opinion that the direct election of the President would mean, in reality, a weakening rather than a strengthening of the democratic principle. (*Jahrbuch des öffentlichen Rechts*, 1920, vol. ix, op. cit., p. 281.)

[2] Danneberg, 100 Sitzung, Constituent National Assembly, p. 3396.

[3] Grüber, Linz Provincial Conference, op. cit., p. 9.

[4] 100 Sitzung, Constituent National Assembly, p. 3400.

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631 the Referendum than were most of the Christian Socialists.[1]
665 Some of the Social Democrats were anxious for the establishment of an Economic Chamber which would have at least large advisory powers, side by side with the National Council and the Federal Council. In this Chamber, employers and employees should be equally represented.[2] The Social Democrats, however, wanted above all things, union with Germany.

[1] Langoth, *Stenographische Verhandlungschrift über die Länderkonferenz* in Linz Provincial Conference, April 1920, p. 11.
[2] Ibid., p. 12.

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III

THE CONSTITUTION OF 1920

THE constitution, which was finally promulgated on 5 October 1920, represented in the main a compromise between the views of the Christian Socialists and the Social Democrats.

(i) *The Democratic Principle*

All parties were agreed that the new constitution must be a democratic one. It was therefore laid down in the first Article that "Austria is a democratic Republic. Her laws are made by the people."[1] A great effort was made to secure effectively, by careful legislation, the democratization of the whole machinery of government. It is only necessary, for instance, to refer to the detailed provisions made by Articles 95 and 115–20 to ensure the democratization of the machinery of government in the Provinces. In the case of these Articles, zeal for the triumph of the democratic principle overcame objections to provisions which constituted a striking encroachment on provincial rights.

Again, the importance attached by the framers of the constitution to the firm establishment of the democratic principle is shown by the provisions dealing with the organization of the

[1] Dr. Kelsen points out that this statement is without much legal significance. 'Ob Österreich eine demokratische Republik sei oder nicht, das zu beurteilen ist auschliesslich u. allein Sache der Rechtserkenntnis, nicht des Rechtes; dessen Sache ist es eine demokratische Republik zu sein oder nicht zu sein.' And the second part of the article is misleading in so far as it implies that direct government by the people is the normal method of legislative procedure. Actually, direct government can only be used under exceptional circumstances (vide Articles 41–6 of the Constitution). (*Jahrbuch des öffentlichen Rechts*, 1922, vol. xi, p. 238.) These statements may be compared with, for instance, the first clause of Article 87, 'Die Richter sind in Ausübung ihres richterlichen Amtes unabhängig', and with the first clause of Article 91, 'Das Volk hat an der Rechtsprechung mitzuwirken', neither of which statements has in itself any legal significance.

641 suffrage. In 1907 the suffrage had been extended for State
642 elections so that all males over twenty-four years of age had an active vote, and all males over twenty-nine had a passive one. These age limits were now reduced to twenty and twenty-four years respectively; and the right to vote was extended to women.

Whereas in pre-war days no attempt had been made to regulate the suffrage in those Provinces where the old curial system, abolished for Reichstag elections in 1907, had persisted up to the war, it was now expressly laid down that the right to vote in provincial elections might never be more restricted than it was for elections to the National Council.[1] This provision is another example of a striking incursion on provincial rights in the interests of democracy.

By Article 26, (5), it was laid down that the right to elect to the National Council could only be suspended by judicial decree,[2] and that it was intended that this right should only be withdrawn for reasons of the utmost gravity is suggested by Article 142, (3), which decrees that even in the case of an adverse judgement by the Constitutional Court in a case of impeachment of an official, a temporary loss of political rights should only follow if the case were one of particularly grave circumstances. And by Article 149, (2), Article 20 of the Fundamental Law of 21 December 1867 and the Law of 5 May 1869, dealing with temporary suspension of these rights, were both expressly repealed.

641 It was felt, however, that the establishment and safeguarding
666 of universal suffrage was not in itself sufficient to ensure the
642 triumph of the democratic principle. Before the war, for instance, although a comparatively wide, direct and secret suffrage had been in force, the equality of the suffrage had

[1] Vide Article 95, (2).

[2] By this Article, the arrangement by which women under the surveillance of the police were deprived of the right to vote (Law of 18 December 1918, 139) was abrogated. Verdier suggests that Dr. Kelsen felt that no one should be subjected to the loss of so fundamental a right, 'par une simple décision administrative qui risque souvent, et en particulier lorsqu'elle est prise par la police, d'être arbitraire'. (Verdier, *La Constitution fédérale de la Republique d'Autriche*, Paris, 1924, p. 115.)

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been to a large extent illusory, because of the inequality in apportionment of mandates to the constituencies, which differed greatly in size. The introduction of proportional representation had to some extent removed these inequalities. And by a Law of 18 December 1918 mandates were redistributed over the constituencies. The new allocation was calculated on the basis of the census published in 1910. But Verdier points out that the constituencies still received mandates only in rough approximation to the number of their inhabitants.[1] And Kelsen himself admits that the weight of the individual vote varied not a little in the different constituencies.[2] However, it was considered useless to reapportion mandates until the boundaries of the State had been finally settled by the Treaty of St. Germain.[3] Meantime, the inequality of the existing arrangement had been increased by subsequent movements of population. However, by Article 26, (2), of the 1920 constitution, the principle of the apportionment of mandates to the constituencies on a basis strictly proportional to their populations was established. And the Electoral Law of 11 July 1923 laid down the method to be used for ascertaining the correct apportionment.[4]

It was felt by many, however, that the division of the electorate into constituencies in itself constituted a violation of the democratic principle, in that such a division resulted in a curtailment of the freedom of members, who then tended to act as the delegates of their constituents rather than as free representatives of the whole people. Renner, in particular, emphasized the dangers of this system. He feared that the politics of the State might come to turn upon local issues, while what should have been the essential questions, the different views of the various parties, would fade into the

[1] Verdier calculates that in Salzburg 18,116 persons were represented by one deputy, while in south-west Vienna 28,332 persons had only one deputy (ibid., p. 116).

[2] *Die Verfassungsgesetze der Republik Österreich*, vol. ii, p. 7.

[3] Verdier, op. cit., pp. 116–17

[4] It is probable that the inequalities of the previous system were somewhat exaggerated, as when fresh elections were held on 21 October 1923, in accordance with the new census of March and the Electoral Law of July, only slight alterations were found to be necessary.

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641 background.[1] He further pointed out that such a state of
666 affairs would tend to produce a deadlock in the National
642 Council, for as members would be bound by the local views of their constituents, they would be unable to negotiate the necessary compromises with their colleagues. Moreover, the candidate prepared to offer the most bribes to his constituents was likely to be elected.[2]

666 It is clearly undeniable that the division of a country into
642 constituencies must, in so far as it has any political consequence at all, tend to tip the balance of a constitution in favour of direct democracy, by encouraging control of particular members by particular territorial groups. It is, therefore, not surprising that the constituency system met with opposition, particularly from the Social Democrats, for the tendency of left-wing political theorists at that time was to revert to the nineteenth-century idea of the omnipotence of Parliament and its freedom from the electorate once it had been elected.

The constitution of 1920, in this, as in so many other instances, represented a compromise. By Article 56, for instance, it was expressly laid down that members of the National Council and the Federal Council should not be bound by instructions. But the constituency system was maintained. On the other hand, the closed list system was introduced, thus lessening the direct connection between members and their constituents.[3] And for the majority system there was substi-

[1] Speech by Renner in the Provisional National Assembly on the occasion of the introduction of the Electoral Law of 18 December 1918. 'Die Wahlkreiseinteilung gab der Landverteilung ein imperatives Mandat, u. stellte sie unter die Peitsche einer rücksichtslosen Agitation, die ihnen jede Freiheit der Entschliessung nahm . . . Dass wir bisher nicht jene grosse Parteiformation nach allgemeinen Weltanschauungen herausbilden konnten wie in anderen Ländern, geht zum guten Teil auf diese mechanische Spaltung der Wählerschaft zurück.' (Quoted by Kelsen, op. cit., vol. ii, p. 43.)

[2] In fact, however, Renner's fears proved to be groundless. The difficulty lay rather in the fact that the connection between electors and their representatives was so remote that the former could not exercise any control at all.

[3] In point of fact, the closed list system, in that it inevitably tended to make members dependent on their party caucuses, was just as liable to lead to a diminution in the authority of Parliament through the subordination of its members to extra-parliamentary groups, as was the constituency system.

This device was criticized as unsatisfactory by Adamovich (*Grundriss des österreichischen Staatsrechts*, Vienna, 1927, p. 136). In May 1927 a minis-

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tuted a far-reaching system of proportional representation which, by its provision for combinations of minorities in the various constituencies, meant that a given proportion of members of the National Council was not responsible to particular territorial groups. It was hoped that by this means the advantages of the constituency system could be maintained without what was felt to be its disadvantage—unrepresented minorities in all the constituencies.

The Austrian constitution of 1920 was riddled with provisions for the representation of minorities. No man should, it was felt, be faced with the alternative of voting for parties with whose policy he was not in complete agreement or of wasting his vote. But in fact this attempt to obviate the necessity for compromise, which is the kernel of the theory of proportional representation, cannot solve the problem, as was shown only too clearly by the later course of events in Austria. The need for compromise in a positive State composed of divergent elements cannot be evaded. The advocates of proportional representation merely shift the responsibility for the compromise from the elector to his representative. For, in a Parliament or any other body fully representative of public opinion (which will be, as a rule, a body composed of small groups), bargaining among the parties must always be necessary before a governmental majority can be formed at all. It may well be argued that the majority system, which leaves the business of compromising to the elector himself, is the more democratic of the two methods.

However, the principle of proportional representation came to be regarded at that time by almost all Austrians as the safeguard *par excellence* for democratic government.[1] Thus,

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terial declaration incorporated a scheme to give the voter more control over the nomination of candidates. The idea was again discussed at the time of the 1929 reforms, and was brought up whenever the question of a possible reform of Parliament arose.

[1] Speech by Renner in the Provisional National Assembly, on 18 December 1918 (Kelsen, op. cit., vol. ii, p. 45). The Austrian system may be compared with the automatic quota system of the German constitution. The German method has the advantage of simplicity. It also provides a stimulus to vote, since for every additional 60,000 votes a further mandate is allotted.

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although in the Electoral Law of 18 December 1918 no provisions were made for the combination of minorities in the various constituencies—provision having been made, on the contrary, for amalgamations of parties[1]—the Law of July 1920 provided that fifteen mandates should be apportioned to those parties which had unused votes in the various constituencies. No party could, however, obtain more mandates on the second count than it had already obtained on the first.[2]

The principle of proportional representation was, however, by no means restricted in its application to the apportionment of mandates and elections to the National Council. A modified system of proportional representation was, for instance, laid down for elections to the Federal Council.[3] And by Article 55 it was decreed that elections to the Chief Committee, the most important organ of the National Council, were to be on a proportional representation basis. Article 95 decreed that members of the Provincial Councils should be elected on a proportional representation basis. Article 119, (2), decreed that proportional representation should be used for elections to municipal councils. Article 119, (4), went so far as to arrange

[1] St. G. Bl. Nr. 115, Article 33. But Kelsen points out that 'Diese Einrichtung hatte schon bei der Beratung der Wahlordnung zur konstituierenden Nationalversammlung viele entschiedene Gegner gefunden u. haben nunmehr alle grossen Parteien dagegen Stellung genommen'. (Kelsen, op. cit, vol. iv, p. 134.)

[2] This restriction was largely abrogated by the Electoral Law of 11 July 1923, in which it was laid down that a party might obtain any number of seats on the second count provided that it had obtained at least one on the first. This Law, however, established four big constituencies for the second count—another instance of the tendency of Austrian constitutionalists to give with one hand while taking away with the other.

That the objections raised to the 1920 arrangement were not merely theoretical is shown by the election results of 1923 and 1930. On both these occasions the German Nationalists gained more seats by the second count than they had already obtained on the first. In 1923 they gained three by the first and seven by the second; in 1930 two by the first and five by the second. (Zurcher, A. J., *The Experiment with Democracy in Central Europe*, Oxford University Press, 1933, p. 82. He quotes figures taken from the *Statistisches Handbuch für die Republik Österreich*, 1923 and 1930.)

[3] The modifications introduced by Article 34, (3), and Article 35, (1), were occasioned in the one case in deference to Christian Socialist federalist views, and in the other by the fear of the Social Democrats that they would remained unrepresented in the more predominantly conservative of the Provinces. Cf. with Weimar Constitution, Article 61.

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that if municipal councils chose to elect special administrative committees, such committees must be elected on a proportional representation basis.[1]

Direct government by the people was provided for in the Austrian constitution.[2] It was not, however, intended that frequent use should be made of these provisions. Article 24, for instance, enumerating the various legislative organs of the State, makes no mention of direct legislation by the Initiative and the Referendum. Article 41, (2), provides that every proposal signed by two hundred thousand qualified voters, or by half of the qualified voters in each of three Provinces, must be submitted by the Federal Government to the National Council. It may be observed, however, that the quorum of petitioners is, relatively speaking, a very high one.[3] And it was unlikely that the second of the two conditions would ever be fulfilled, in view of the fact that co-operation between the various Provinces was, as in pre-war days, discouraged.[4]

The Referendum could only be set in motion by the National Council itself.[5]

Only in the case foreseen in Article 44, (2) (a complete revision of the constitution), was a Referendum compulsory; and even in this case the effect of the article seems problematical, since no definition of "complete revision" is provided.

Of the Provinces, only Salzburg, Tyrol, and Vorarlberg included provisions for direct democracy in their constitutions.

[1] Verdier, op. cit., p. 189. It may be noted also that when, in accordance with the Geneva Protocol of 4 October 1922, it became necessary to set up a Council of State endowed with special powers, the third protocol, dealing with this, set up a body composed of the Government and twenty-six councillors who were to be elected on a proportional representation basis.

[2] The provisions were, however, somewhat half-hearted. Most of the Social Democrats did not approve of proportional representation, fearing that it might undermine the supremacy of Parliament. The Christian Socialists, who had at first supported it warmly because of their control over the Provinces, became doubtful in proportion as the question of the proposed administrative reform, which they felt would weaken their hold on the Provinces, became actual.

[3] In Switzerland, for instance, only thirty thousand votes are needed. Swiss Constitution, Article 89.

[4] Cf. Law of 1860 with Article 107, 1920.

[5] Article 43.

(ii) *The Federal Principle*

631 642 The same criticism may be applied to Article 2 ("Austria is a Federal State") as was applied to Article 1—namely, that it is a judgement rather than a law. Whether or not Austria was a federal State necessarily depended upon subsequent provisions in the constitution. Moreover, as Adamovich points out, the term 'federal State' is susceptible of a variety of interpretations. Kelsen, however, considered that the constitution of October 1920 could be accepted as a *bona fide* federal constitution since it provided for an organ whereby the Provinces could take part in the legislative and administrative work of the State. It differed, he thought, in this respect, from prewar constitutions, although these had contained, in many cases, provisions of a federal nature.

But it is clear that Austria was not a federal State in the sense that there was any question of sovereignty being divided between the State and the Provinces. It was not laid down in so many words that State law takes precedence over provincial law. But the absence of this statement—probably out of deference to the prevalent federalist views—did not mean so much an accretion of strength to the Provinces as an accumulation of work for the Constitutional Court.

647 642 In considering how far the federal principle was incorporated in the 1920 constitution it may be convenient to deal first with the extent to which the Provinces participated in federal legislation, since this participation constitutes, as Kelsen points out, the essence of a federal system.

By the 1920 constitution a federal organ, the Federal Council, was set up. The Federal Council was composed of members elected by the Provincial Councils.[1] The Provincial Councils did not, however, return an equal number of members.[2] Again, the provision that the representatives

[1] Article 35.

[2] Article 34. In this respect a compromise was reached between the more extreme of the Christian Socialists who considered that the Provinces, which varied greatly in size, should none the less, as equal sovereign bodies, return an equal number of representatives, and the Social Democrats who wished representation to be on a basis strictly proportional to the population.

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elected need not be members of the Provincial Councils, 647 although they should be eligible for such membership, suggests 642 that it was not intended that the Federal Council members should be directly representative of the Provincial Councils.[1] Further, proportional representation was introduced in order to secure representation for the largest of the minority parties in all the Provinces.[2]

The Provinces could not therefore be represented in the Federal Council, as they were in the American Upper House, by corporate bodies of voters. Indeed, the provisions of Article 56, by which it was decreed that members should not be bound by instructions from any outside body, were expressly made to apply also to members of the Federal Council.[3] And these Articles, apart from the fact that they made impossible a strict representation of provincial interests, also constituted a very considerable interference by the State on what might well have been regarded as purely provincial matters.

The influence of the Federal Council on federal legislation was a limited one. It could submit bills to the National Council through the Federal Government,[4] and with certain important exceptions, as, for instance, measures dealing with financial matters, it had a right of suspensive veto. Bills thus vetoed could, however, be repassed by the National Council by a special majority.

It may be said, therefore, that the Federal Council was not organized on a strictly federal basis, and that its powers, as compared with those of the National Council, were extremely limited.

Those legislative powers not specifically enumerated as 642 belonging to the State, were left to the Provinces.[5] Actually 635

[1] Article 35, (2).

[2] Article 35, (1), inserted at the instigation of the Social Democrats.

[3] Kelsen comments on this: 'Dass die Mitglieder des Bundesrates nicht an die Aufträge des Landtags gebunden sind, der sie entsendet, ist jedoch darum besonders bemerkenswert, weil es sich beim Bundesrat doch offenbar um eine Vertretung der Länderinteressen handelt. . . . Die Mitglieder des Bundesrates sind daher ebensowenig Vertreter des Landtages oder eines Landes, wie die Mitglieder des Nationalrates Vertreter des Bundesvolkes oder einzelner Wählergruppen sind.' (Op. cit., vol. v, p. 145.)

[4] Article 41, (1).

[5] Article 15, (1).

642 however, the enumeration of powers belonging to the State
635 covered a very wide range of subjects.

By Article 12 the Provinces had the right to provide supplementary legislation to general laws laid down by the State. If, however, the Provinces did not enact the necessary supplementary legislation within a given period of time, the State could pass the necessary legislation itself.[1] All provincial legislation required the sanction of the Government. Sanction could be refused on the grounds that the law in question endangered federal interests, and the provincial law could only be re-enacted with a special majority.[2] Even then, the case could be brought before the Constitutional Court by the Federal Government, on the grounds that the law in question was unconstitutional.[3] The consent of the State was necessary for any legislation requiring its co-operation.[4]

The legislative rights of the Provinces were therefore not extensive.

They were, however, far more richly endowed with administrative rights.[5] These were of two kinds: (*a*) direct administrative rights—i.e. in connection with administration dealing with exclusively provincial matters; (*b*) indirect administrative

[1] Article 15, (2). [2] Article 98, (2).

[3] But the Provinces could also challenge State laws on the ground of their unconstitutionality. Article 140, (1).

[4] Article 97, (2).

[5] The fourth section of the constitution, Articles 95–120, dealing with legislative and executive administration in the Provinces, required, however, to be implemented by three more laws before it could come into effect. The first of these, governing the financial relationship between the State and the Provinces, was passed on 3 March 1922 (B. G. Bl. Nr. 124). The second and third, dealing with administrative reform in the Provinces and with education, were never passed. Administrative power was divided between the State and the Provinces on the lines laid down by the Law of February 1861; legislative power was divided in accordance with the Law of 1867 (Articles 11 and 12); and educational facilities were provided in accordance with the Law of 1868. This delay was unfortunate in that it served to increase the already existing friction between the State and the Provinces by perpetuating uncertainty in their relationships; and legislation passed in the eighteen-sixties, the heyday of *laissez-faire* liberalism, could not meet adequately the needs of the new Austria. For instance, section 11 of the Law of 1867, enumerating matters to be dealt with by the State legislation, omits all reference to economic and social matters. Moreover, inadequate legislation could not, as it had been in the pre-war period, be implemented by Imperial ordinances.

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rights, i.e. administration in connection with federal legislation. It may be noted, however, that, even in connection with direct administrative rights, the State had a certain right to intervene. A Federal Minister could, for instance, challenge a provincial administrative act before the Administrative Court, on the grounds that the interests of the State had been injured thereby.[1] And any person could challenge any administrative act by bringing it before the Administrative Court, on the ground that it was *ultra vires*.

As regards provincial administration which supplemented federal legislation, the control of the State was considerable. And although it was intended to abolish as far as possible the old system of dual administration in the Provinces by using provincial officials for federal administration, it was expressly provided that, if the Provinces failed to implement federal legislation within a given length of time, the State might delegate the necessary administrative powers to its own officials. If supplementary administrative regulations were necessary in more than one Province, and the Provinces concerned could not reach an agreement, federal officials could be put in. Moreover, the Governor, the chief administrative official in the Provinces, although elected by the various Provincial Councils, was sworn in by the President.[2] And when local officials acted for the Federal Government they became, *ipso facto*, federal officials. Thus, the right of appeal against

[1] This was a new provision. In the old Austrian constitution only private persons could appeal against a decision before the Administrative Court. And this provision was the more important in view of the wide powers with which the Administrative Court was endowed. By Article 133, (3), for instance, it was empowered to decide cases on their merits, apart from legal considerations. This was a new departure, although Article 133, (1) and (2), had been taken over from the Laws of 1875. Kelsen comments as follows upon this Article: 'Die Möglichkeit einer Reformation von Verwaltungsakten durch den zentralen Verwaltungsgerichtshof ist um so bedeutungsvoller, wenn man berücksichtigt, dass es sich dabei auch um Verwaltungsakte handelt, die im selbständigen Wirkungsbereich des Landes gesetzt werden, u. dass deren Reformation durch ein Bundesgericht erfolgt.' (Kelsen, *Jahrbuch des öffentlichen Rechts*, vol. xi, p. 263.) On the other hand, the Provinces had indirect control over the appointment of half the members of the Administrative Court (Article 135).

[2] Article 101, (4).

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642 their actions lay through the central authorities and not
635 through the Provincial Assemblies.

It may, therefore, be said that, although the Provinces were endowed with comparatively far-reaching administrative rights and duties, the State had extensive supervisory rights.

642 As regards judicial rights, Article 82 enunciates the principle
635 that "The whole judicial system lies within the competence of
692 the State".[1] It may, however, be noted that, although the Provinces had no influence over the election of the judges of the ordinary Courts, who were appointed on the advice of the Senates by the Federal Ministry and the President,[2] they had some control over appointments to the Administrative and Constitutional Courts. For instance, by Article 135, the nominations of the Federal Government for the posts of Vice-president, and half the members of the Administrative Court, required the assent of the Federal Council. Article 147 laid down somewhat similar provisions for appointments to the Constitutional Court.[3] But this case differed from the former in that the Federal Council had no influence over the appointment of the Vice-president.

It is clear, however, that the share of the Provinces in the working of the judiciary was even smaller than their share in legislation and administration.

642 But, while there can be no doubt that the substance of power
635 lay with the State, lip-service was certainly freely paid to the federal idea. The outstanding example of this is Article 2, (1),[4] to which reference has already been made. Another example may be taken from Article 2, (2), where reference is made to the 'independence' of the Provinces. But, as Kelsen points out, this word has no exact legal meaning.[5] Article 15, (1), refers to cases not expressly made over to the State, as remaining within

[1] Kelsen comments on this: 'Dass die gesamte Gerichtsbarkeit dem Bund vorbehalten ist, bedeutet einen, für einen Bundesstaat ungewöhnlichen Grad von Zentralisation.' (Op. cit., vol. v, p. 176.)

[2] Article 86, (1).

[3] In this case, however, the Federal Council was responsible for the actual appointments. It did not merely give its assent to proposals of the Government.

[4] 'Österreich ist ein Bundesstaat.'

[5] Op. cit., vol. v, pp. 66–7.

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the sphere of provincial autonomy.[1] But, as the Federal State had in fact evolved from a unitary State, the word 'remain' is meaningless. 642 635

By Article 26, (2), it was laid down that the country should be divided up into constituencies within the various Provinces. Apart, however, from the fact that this constituted a recognition of the federal ideal, it is difficult to see that the Provinces derived any particular benefit from this arrangement. Article 36, providing for strict rotation among the Provinces in the office of President of the Federal Council, is of a similar character. 642 635 646

Article 24 announces that legislation shall be by the National Council, together with the Federal Council elected by the Provincial Councils. But in fact, as has been pointed out, the legislative power of the Federal Council was very slight indeed. The Federal Council had, for instance, no share in the appointing of the Government;[2] and it could not even set up special committees of investigation.[3]

Again, by the terms of Article 52, the Federal Council could, as the National Council, inquire into the conduct of the Government. It might be supposed that the corollary of this Article would be that, if the conduct of the Government was found to be unsatisfactory, the Federal Council could take some steps towards its removal. This, however, was not the case.[4]

There were, it is true, certain things which could not be done without the consent of the Federal Council. By Article 3, (2), for instance, it was decreed that no alterations could be made in the boundaries of the Provinces (except as provided by the Peace Treaties), except by agreement of all the Provinces concerned.[5] By Article 35, (4), it was decreed that no alteration

[1] 'Verbleibt sie im selbständigen Wirkungsbereich der Länder.' This terminology may be compared with that of the previous draft of this article, 'Die Länder . . . übertragen dem Bund', etc. The implication of these phrases is that the Provinces were originally sovereign bodies. This was certainly not the case. (Kelsen, op. cit., vol. v, p. 80.)

[2] Article 70. [3] Article 53, (1). [4] Article 74, (1).

[5] Cf. Weimar Constitution, Article 18, which empowers the State, in certain circumstances, to alter boundaries without the consent of the Provinces concerned.

642 should be made in the constitution of the Federal Council
635 without its assent. And assent required a majority vote in
646 favour from the representatives of at least four Provinces. A minority of the Provinces could thus prevent an amendment.[1]

[692] Finally, by Article 132, if a Province were involved in a dispute before the Administrative Court, the case had, as a rule, to be tried by a Senate having among its members a judge who formerly belonged to the judicial or administrative service of that Province.[2]

642 But although certain actions could not be carried through
635 without the consent of the Provinces, effective precautions were taken to ensure that the Provinces should never become overpowerful.

Articles 95–120, for instance, gave the State control over the political and social structure of the Provinces. The provisions ensuring democratic government, safeguarding minority rights, and guaranteeing to the State extensive supervisory rights, guarded against the possibility of the growth of a strong, united opposition to the central Government from reactionary parties in the Provinces. The extent to which State control over the Provinces went may be seen by Article 100, which provided that a Provincial Council could be dissolved by the Government, if the consent of the Federal Council was obtained.[3] The Article provides an example of the spirit of compromise which pervades the Austrian constitution, for, while the federal principle is undermined by the provision that a Provincial Assembly can be dissolved by a State organ, it is safeguarded by the provision that the assent of the highest federal organ shall be necessary for such a dissolution.

642 The Administrative and the Constitutional Courts were
635 clearly intended as State organs (although, as has been pointed
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[1] The provisions of this article should have been applied also to Article 34 (dealing with representation of the Provinces in the *Bundresat*). Originally Articles 34 and 35 were one. When they were separated the constitutional committee omitted to make Article 35, (4), apply to both of them, though it was clearly far more important that it should apply to Article 34.

[2] Cf. with provisions for trying cases before the Permanent Court of International Justice (Statute of the Court, Article 31).

[3] The consenting vote, however, required a quorum of one-half of the members, and a two-thirds majority.

out, the Provinces exercised a certain indirect control over the 642
appointment of their personnel). For instance, if a federal 635
minister considered that the interests of the State had been 692
injured by an erroneous decree of a provincial authority, he could bring the matter before the Administrative Court. No such provision, however, was made for appeals by provincial ministers against State decrees.[1]

Finally, the following provisions may be noted, which though 642
not themselves of great importance, none the less indicate the 635
general tendency to ignore the federal principle. By Article 41, (2), for instance, voters in three different Provinces could join in submitting an Initiative, provided that in each Province half of the qualified voters agreed to it. This was to be an alternative to an Initiative signed by two hundred thousand of the qualified voters in one Province, and was intended to safeguard the rights of minorities in the smaller Provinces. It was clearly, however, an infringement of the federal principle.[2]

Finally, the formula used in the publication of laws is "The 671
National Council has decided . . .", etc. (If the law is passed 642
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[1] Article 129, (2). This may be compared with Article 140, (1), regulating appeals to the Constitutional Court. In this case the right of appeal is guaranteed both to the State and to the Provinces.

It may be noted that in the important sphere of finance, the control of the State was to be even further extended, by the Finance Constitutional Law of 3 March 1922 (B. G. Bl. Nr. 124). If a proposed provincial law dealing with financial matters was vetoed by the Federal Government, its re-passage by the Province concerned, with a special majority, did not settle the matter. 'In diesem Falle kann nämlich die Bundesregierung den Einspruch trotz des Wiederholungsbeschlusses aufrechterhalten. Der dadurch entstandene Konflikt zwischen Bundesregierung u. Landesgesetzgebung wird durch einen ständigen gemeinsamen Ausschuss des Nationalrates u. des Bundesrates entschieden. Dieser hat nämlich zu beschliessen, ob der Einspruch aufrecht zu bleiben hat, oder nicht. Entscheidet sich der Ausschuss für den Einspruch der Bundesregierung, erhält deren Veto einen absoluten Charakter.' (Kelsen, *Jahrbuch des öffentlichen Rechts*, vol. xi, p. 258.)

[2] This article may be compared with Article 15, (3). In this case, the Provinces must co-operate in the passage of supplementary legislation under Articles 11 and 12. If they fail to do so, the right to pass such legislation is transferred to the federal minister. These two articles might seem to conflict with Article 107. But Article 107 is probably intended to prevent a combination of Provinces hostile to the central Government (cf. with Imperial Decree of 1860). Co-operation between the Provinces was not, on the whole, encouraged. By Article 107, for instance, Provincial Councils were forbidden to communicate with one another, except in matters falling within their autonomous sphere of action.

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642 as the result of a Referendum this is noted.) No mention is
635 made of the co-operation of the Federal Council. Laws are
671 dated in the Federal Law Book from the day of their third reading by the National Council.

(iii) *The National Council*

642 The Austrian State was reorganized by the constitution of
646 1920 as a democratic, federal, and parliamentary republic. The pivot of the whole political structure was the National Council.

The sovereignty of the National Council was ensured by the almost complete absence of provisions for its control either by the people who elected it, the Federal Council, the Government, or the President.

From the first of these possible controlling bodies the National Council was virtually divorced after it had been elected. It was specifically laid down in Article 56 that members should not be bound by instructions. The people could, it is true, introduce legislation directly, by the device of the Initiative. They were not, however, encouraged to do so; the numbers of supporters required for an Initiative motion was, as has been pointed out, comparatively high; nor was the National Council bound to pass such bills. Similarly, proposals involving a complete revision of the federal constitution had to be submitted to a Referendum. But no attempt was made to define what was meant by a 'complete revision'; and again, it was not stated that the National Council was bound by the result of such a Referendum. Other measures only had to be submitted to a Referendum if the National Council so decided.[1] The National Council could only be dissolved before the end of its four-year term of office by its own decree. If it was so dissolved, it had to be reassembled by its President, if a quarter of its members so requested.[2]

But, if the National Council was not controlled by its electors, still less was it controlled by the Federal Council. The Federal Council had, as has been pointed out, in a few

[1] Article 43. [2] Article 28.

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isolated and comparatively unimportant instances an absolute 642
veto; in the majority of cases it had a suspensive veto,[1] and in 646
a small number of extremely important cases, concerned with financial matters, it had no veto at all.[2] It had little control over the Government. It could, as the National Council, inquire into the Government's conduct of business.[3] But it could not, by a withdrawal of confidence, cause the dismissal of the Government.[4] In any case, it was possible for the National Council to exercise an indirect control over its composition, because, owing to a mistake in drafting, the Federal Council did not possess an absolute veto right in regard to alterations to Article 34, dealing with representation of the Provinces in the Federal Council. Provided that the requisite majority could be obtained in the Federal Council, the Government, which was the tool of the National Council, could dissolve a Provincial Council and thereby remove its representatives from the Upper House.

The President, whose functions were not intended to be 642
other than decorative, was elected by the Federal Assembly;[5] 643
the National Council could take the initiative in calling the 646
Federal Assembly together to impeach him.[6] He was the servant of the National Council, not its master.

But the sovereignty of the National Council comes to the fore 642
most clearly in the provisions made to ensure its control over 646
the Government. Article 70, (1), decrees that the Government shall be chosen by the National Council, voting upon the proposal laid before it by the Chief Committee.[7]

[1] Article 42, (4). [2] Article 42, (5). [3] Article 52
[4] Article 74, (1). [5] Article 60. [6] Article 63, (2).

[7] 'Die Bundesregierung wird vom Nationalrat in namentlicher Abstimmung auf einen vom Hauptausschuss zu erstattenden Gesamtvorschlag gewählt.' This article might, however, suggest that the National Council had a more absolute control over the personnel of the Government than was actually the case. By Article 72, (2), for instance, it was stipulated that the list of ministers should be countersigned by the new Chancellor. Therefore, in fact, this meant that the Chancellor chose his own colleagues although his choice was subject to the approval of the National Council. Kelsen remarks: 'Die . . . Bestimmung, dass der neugewählte Bundeskanzler die Bestellungsurkunden aller Mitglieder der Regierung gegenzuzeichnen hat, hat praktisch die grosse Bedeutung, dass kein Mitglied des neuen Kabinettes gegen oder ohne den Willen des präsumtiven Bundeskanzlers berufen werden kann.' (*Die Verfassungsgesetze der Republik Österreich*, vol. v, p. 168.)

642 Article 70, (3), provided for the eventuality of a Government
646 resigning while the National Council was not in session. In this case, a new Government had to be chosen provisionally by the Chief Committee. As soon as the National Council reassembled, the election of the Government had to take place as usual.[1]

Members of the Federal Government were responsible to the National Council while in office,[2] and impeachment proceedings could be brought against them.[3] The Government could be questioned on all matters relating to the execution of the laws by members of both Houses. Both Houses could express their wishes in regard to the exercise of the executive power, by resolution.[4] And it was even laid down by Article 55 that in addition laws could be introduced providing that particular ordinances of the Government should require the assent of the Chief Committee. The presence of the Government could be demanded by either House, and by the committees.[5]

Another means of control by the National Council over the Government was the Independent Court of Audit. This court was responsible for drafting the balance-sheet of the Budget and presenting it to the National Council. It could examine the expenditure of every agency of the Federal State. It could be entrusted with the right to examine the expenditure of any enterprise in which the Federal State was financially interested.[6] And by Article 122, (1), it was expressly laid down that the Independent Court of Audit was directly responsible to the National Council.[7]

642 Finally, by Article 74, (1), it was decreed that if the National
646 Council, by express resolution, withdrew its confidence from
689

[1] This provision, safeguarding the power of the National Council, had not been included in the constitution of 14 March 1919.

[2] Article 76. [3] Article 142, (2), b. [4] Article 52.

[5] Article 75. On the other hand, members of the Government could take part in debates in the National Council, the Federal Council, and the committees (except debates in the Chief Committee, to which they had to be specially invited). They had always to be heard if they wished to speak.

[6] Article 121.

[7] The president of this court was elected by the National Council on proposal of the Chief Committee, Article 122, (3). He could be dismissed by resolution of the National Council, Article 123, (2).

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the Federal Government, or from individual members of the Government, they would be thereby removed from office.[1] It was not, however, intended that this weapon should be lightly employed against a Government, for it was stipulated that such a resolution would require a quorum of half the members of the National Council. And, if one-fifth of the members so demanded, the vote could be postponed for two days.[2] The Government, apart from this somewhat meagre stipulation, had no means of protecting itself against an adverse vote by a chance coalition in the National Council, since it could not confront the National Council with the choice between continued support and a dissolution.

As has been pointed out, the National Council had practically complete control over all legislation. It had also considerable executive functions. By Article 50, political and certain other treaties required for their validity the consent of the National Council. By Article 53, it was empowered to set up by resolution Committees of Inquiry,[3] before which all public authorities were obliged to give evidence if required. By Article 54 certain executive duties were specifically made over to the National Council, such as the fixing of the prices of such federal services as railways; the fixing of the prices of monopoly goods; and the fixing of the salaries of persons employed by the State. Apart from these specified cases, it was laid down in Article 55 that the National Council should share in the executive power of the State through its Chief Committee, to which reference has already been made. Kelsen has described this body as the most important political organ of the National Council.[4] Provision had been made for its election in the constitution of 14 March 1919. Its membership had then been fixed at eleven, whereas by the constitution of 1920

[1] It may be noted that, since it was anticipated that the dismissal of an individual minister by a vote of no confidence should not necessarily involve the resignation of the whole ministry, the cabinet system was not adopted.

[2] Kelsen comments on this: 'Dass die Wirkung des Misstrauensvotums verfassungsgesetzlich ausdrücklich normiert wird, ist eine Besonderheit unserer Verfassung' (op. cit., vol. v, p. 169).

[3] Cf. with Article 34 of the German Constitution, according to which such a committee had to be set up if one-fifth of members so demanded.

[4] *Jahrbuch des öffentlichen Rechts*, vol. xi, p. 246.

642 the number of members was not specified. And the President
646 of the National Council was no longer *ex officio* a member and
649 Chairman of the Committee. The Chairman was now elected by the Committee itself. The Chief Committee was elected by the National Council from among its own members, on a basis of proportional representation of all parties.[1]

642 Finally, the control exercised by the National Council over
646 the judiciary was considerable. By Article 86, (1), it was decreed
693 that the judges should be appointed upon nomination by the Federal Government.[2] The control exercised by the National Council over the Federal Government has just been pointed out. That exercised by it over the Independent Court of Audit has also been referred to. The President and half the members of the Administrative Court were appointed by the Federal Government upon nomination by the Chief Committee.[3] The President, Vice-president, and half of the members and deputy members of the Constitutional Court were elected by the National Council.[4]

It may be said, therefore, that by the constitution of October 1920, Austria was reconstructed as a democratic, federal, and parliamentary State, the pivot of which was intended to be the National Council.

(iv) *Conclusions*

642 The chief criticism that can be levelled at the 1920 constitution is the weak position in which its provisions placed the Government, the proper authority of which was deliberately undermined, mainly because of the fear of a return to the old, too powerful rule of the executive. The fact that the right to demand a dissolution was withheld from the Government, together with the fact that, owing to the introduction of pro-

[1] It may be noted that, although the National Council exercised no direct control over the Provinces, it did exercise very considerable indirect control, through its control of the Government.

[2] With regard to this article, it may be noted that although the senates were required to produce proposals for such appointments, these proposals were not, as they were in the project of 22 November 1918, made binding on the Government.

[3] Article 135. [4] Article 147, (2).

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portional representation, it would probably not often be possible for a Government to rely upon a safe majority, meant that its position was unlikely to be a strong one. And it was clearly improbable that such a Government would be in a position to pursue a coherent policy. It would be bound to consider the probable reaction of each part of its programme upon the various parties on whose support it was dependent, and even if it had not made definite promises to exclude certain policies and include others, such considerations would probably necessitate the pursuit of largely negative and often inconsistent policies.

The evils which ensued could have been foreseen, for it was clear from the beginning that the future well-being of Austria would depend upon the capacity of her rulers to pursue a firm policy of reconstruction over a period of years. unhampered by the exigencies of party politics. Moreover, the danger to be feared from an unduly powerful Government could have been obviated had it been made clear that, as in England, the Government was simply the executive committee of the Lower House. But the Austrian constitution provided that although members of the Government must be eligible for election to the Lower House, they need not actually be members of it.[1] The evils which inevitably ensued from this deliberately manufactured weakness of the executive gradually operated to bring the whole theory of democratic government into disrepute in Austria.

The second criticism which may be levelled at the 1920 constitution was the ill-advised introduction of proportional representation. Although, as has been pointed out, one consequence of this was certainly to make possible a tighter control by the National Council over the Government than had been intended, it had also the effect of weakening the National Council itself, for this became as a house divided against itself, a battleground for rival groups. And the battle was not only fierce, but also futile, for the closed list system,

[1] Article 70, (2). Having separated the two bodies, a characteristic attempt was made to link them up again, through the Chief Committee of the Lower House.

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642 which had been introduced as the concomitant of proportional representation, meant that members to a large extent ceased to be free agents, and tended to act under the dictates of their respective party caucuses. The activity of the National Council was the more arid in that there was no possibility of its being either suspended or dissolved before the expiration of its term of office, except by its own volition. Thus in fact sovereignty lay not in the Lower House, but in an indeterminate body of persons, frequently unknown to and certainly not elected by the people, in whose hands lay the control of the party machinery.

As far as central Government went, Austria was thus provided by the 1920 constitution with a weak Government, an irresponsible Lower House, and a powerless electorate. This weakness at the centre naturally made itself felt throughout the whole organization of the State. A central authority so constituted could not have hoped to exert control over the dissatisfied and recalcitrant Provinces—nor could it ever have given the country as a whole the lead that was so urgently needed.

A third defect in the 1920 constitution, the removal of which might have obviated to some extent the first two, lay in the lack of power accorded to the Upper House. This omission was the more unnecessary in that the constitution laid down carefully the conditions regulating election to the Upper House; and they were such that there would have been little danger that the Upper House would have constituted a stronghold of particularist tendencies, in permanent opposition to the central Government. In fact, it appeared likely that the Upper House would, on the whole, share the political views of the Lower House. Had it been made permissible for the Upper House in certain circumstances to force a dissolution, as was the case in England before the passage of the Parliament Act, some safeguard would have existed against the danger of a Lower House continuing in office, and exerting its sway over Governments who were its puppets, after it had lost the confidence of the electorate.

The implication of certain articles is not clear. Article 9, for instance, enunciates the principle that 'the generally recog-

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nized rules of International Law form part of the law of the State'. This may mean, as Kelsen points out,[1] rules which are everywhere accepted—in which case the provision seems superfluous—or it may mean rules recognized by the majority of nations.[2] The meaning of Article 83, (3), also appears to be uncertain. Kelsen suggests that it may mean that extraordinary courts may not be set up to deal with individual cases, but only with classes of cases.

There are many cases of inaccuracy in drafting. Thus, for instance, Article 19, (1), mentions the President, the ministers, and the members of the provincial Governments as being elected commissioners of the people, who may be held responsible before the Constitutional Court. But the list of officials mentioned is not exhaustive;[3] and the Secretaries of State who are included in it could not in fact be held responsible, for they were answerable solely to their individual ministers.

The enumeration in Article 38 of the functions of the Federal Assembly was incomplete.[4] But Kelsen suggests that the omission is explained by the fact that it was not thought desirable to lay too much stress on its right to inquire into the work of, and, if necessary, prosecute, the President, and that the enumeration of this function was therefore deliberately omitted.[5]

In conclusion, it may be said that the failure of parliamentary democracy in Austria was implicit in the constitution of 1920, for this embodied devices such as proportional representation and the closed list, which almost always militate against the successful working of a democratic constitution, especially in politically backward states. And, apart from this, the constitution was probably too elaborate to be worked satisfactorily by a people inexperienced in self-government. It was also extremely expensive, in the number of officials required to work it, for so small a state as Austria.

[1] Op. cit., vol. v, p. 76.

[2] Cf. Article 4 of German Constitution. In the case of Austria it may be observed that whereas by a generally accepted rule of International Law, treaties are valid if they are ratified by the head of a State, according to Article 50, such treaties require the consent of the National Council.

[3] See Article 142, (2), c and d. [4] Cf. Articles 63, (1), and 68.

[5] *Die Verfassungsgesetze der Republik Österreich*, vol. v, p. 108.

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IV

THE REFORM OF THE CONSTITUTION

(i) *The* 1925 *Reforms*

642 BY 1925, when it was found necessary to introduce various alterations into the constitution of 1920, most of the defects to which attention has been drawn had become apparent. But the reforms of 1925 were, generally speaking, occasioned by administrative exigencies. No radical changes were introduced.

The division of legislative and administrative functions between the State and the Provinces as envisaged by Articles 10–15 of the 1920 constitution had not been at once effected, as it was felt that it would be more satisfactory to wait until three further measures had been passed, dealing respectively with the financial relationship between the State and the Provinces;[1] their respective functions regarding education, and a measure introducing a general reform of provincial administration.

The existing framework of local government was not well adapted to bear the strain of the 1920 constitution for, whereas in the pre-war period the greater part of provincial administration had been within the sphere of the State officials, while the provincial officials had been mainly concerned with legislative matters, this position was reversed by the Articles 10–15 of the 1920 constitution. The smaller and less well-organized group of provincial officials would thus have had to bear the strain of enormously increased duties, while the work of the Governor and the State officials would have been considerably curtailed. It was also hoped that the costly dual administrative system could be abolished before the new arrangements set out in Articles 10–15 came into force.

It was anticipated that these three measures would be passed within a few months. But although a bill regulating the

[1] This measure was passed on 3 March 1922. B. G. Bl. Nr. 124.

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financial relationship of the State and the Provinces was passed on 3 March 1922,[1] it was found to be impossible to reach agreement on the other two proposed measures. The effects of the delay became increasingly serious, for the law of 1867, which was still in force as a temporary measure, restricted the legislative activity of the State to a minimum. This measure had been introduced in an era of economic liberalism, and it had already, by the end of the nineteenth century, been found necessary to disregard the limits set by it to State activity. Had these limits been rigidly adhered to, it would have been impossible, for instance, for the State to introduce any social legislation at all. But whereas before the war it had been possible to disregard the 1867 measure with comparative impunity, this was no longer the case in the post-war period, for, with the additional power given by the 1920 constitution to the Constitutional Court, it was always possible that one of the Provincial Governments would challenge even existing legislation as unconstitutional. And the overriding authority of the Emperor was no longer available for forcing through necessary measures. It was therefore considered advisable in 1925 to introduce the new provisions contained in Articles 10–15 of the 1920 constitution without further delay.[2]

Certain reforms were made in the existing system of provincial administration, which were intended to facilitate the working of the new administrative provisions and to prepare the way for a more comprehensive reform in the future. For instance, an attempt was made to end the dual administrative system. Since the war, both the provincial and the state officials (*Bezirkshauptmannschaften*) were indirectly under the control of the Provincial Governments,[3] the only difference being that in the latter case there existed a right of appeal to the Federal Government. Some doubt had, however, existed

[1] B. G. Bl. Nr. 124

[2] Certain minor changes of a centralist character were introduced at the same time, e.g. more control was accorded to the State in matters regarding water and electricity (B. G. Bl. 268, Article 10, x).

[3] For the Provincial Governments assumed, since the war, responsibility for the appointment of the Provincial Governors to whom the State officials were responsible.

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642 regarding the status of those officials whose work was concerned
635 with both indirect and State administration, and with provincial administration. Now they were all declared provincial officials, and a new official, the *Landesamtsdirektor*, appointed by the Provincial Government, with the approval of the Federal Government, was placed at the head of all the officials in each Province.[1] Traces of the old dual system remained, however, for the erstwhile State officials, although now responsible solely to provincial authorities, continued to enjoy their old status as State officials, and attempts to alter this somewhat anomalous state of affairs came to nothing, owing to opposition from two of the three parties of the Government coalition.

Certain minor reforms were introduced at the same time which were designed to strengthen the three control organs of the constitution.

The most important of these reforms was that by which some control over provincial finances was accorded to the Court of Audit.[2] The measure was disapproved of by the federalists, and was only passed under pressure from the League Commissioner. At the same time, the previous position, by which the Court of Audit had acted as a control on the Government, was in some measure reversed. This was also a result of pressure from the League Commissioner, who was anxious both to strengthen the position of the Government, since this body was as a rule ready to co-operate with him, and to induce the Court of Audit to co-operate in carrying through League reforms.

Another important provision passed at that time was that by which the State was accorded the right of absolute veto on provincial taxation for the period from 13 August 1925 to 31 December 1930. Again, the influence of the League Commissioner is clearly perceptible.

[1] B. G. Bl. 268, Article 106.

[2] B. G. Bl. 268, Article 127. Such control has been optional according to the terms of the 1920 constitution (Article 127), and only Burgenland had made use of it. The result had been that the Provincial Governments had been able to nullify the economies imposed by the League on the Federal Government. The Provinces were, however, induced to see reason at the *Länderkonferenz* of 1925.

(ii) *The* 1929 *Reforms*

The period between the 1925 reforms and the very much more radical alterations introduced into the constitution in 1929, was characterized by a steady deterioration of the internal political situation. 642 668

By 1929 dissatisfaction with the existing régime had reached a climax. It had already been found necessary to introduce six minor reforms,[1] and, as the 1920 constitution was still not working satisfactorily, desire for a more radical change began to be voiced.

The demand was put forward with the greatest insistence by members of the *Heimwehr*, who openly proclaimed their intention to be the supersession of the existing system of parliamentary democracy by a dictatorship on the general lines of the Italian model.[2]

The desire for reform was not, however, confined to members of the *Heimwehr* movement. It was, for instance, energetically sponsored by the *Landbund*.[3] The movement was also warmly supported by the vast majority of the Christian Socialists, although opinion within the party differed considerably as to what precise measures should be taken. Certain sections in the Provinces, for instance, disapproved strongly of the centralist part of Schober's programme.[4] And peasant opinion feared

[1] *Jahrbuch des öffentlichen Rechts*, vol. xviii, 1930, p. 130.

[2] 'Die Heimwehren forderten, u. fordern noch jetzt, der Ersetzung der parlamentarischen Demokratie durch eine berufsständische Organisation in Verbindung mit einer Art Führerdiktatus, ohne jedoch, diese Forderung im einzelnen zu konkretisieren.' (Kelsen, op. cit., vol. xviii, p. 1930.)

[3] The *Landbund*, however, repudiated strenuously the Social Democrats' accusation that it was working for the installation of a fascist régime. See article in the *Landbund* organ, *Die Stunde*, 20 September 1929: 'Er deckt sich in keiner Weise mit jener rein fascistischen Verfassung, die im Schosse der extremen Kreise der Selbstschutzverbände ausgearbeitet wurde, u. die mit einer vollständigen Beseitigung der demokratischen Verfassung der Republik Osterreich gleichbedeutend wäre. Der Landbund will keineswegs eine fascistische Regierungsform in Österreich installieren, er will nur in manchen, freilich sehr wichtigen Punkten, die gegenwärtige österreichische Verfassung im Sinne einer Stärkung der Staatsautorität abändern.' It seems doubtful, however, whether much reliance should be placed on this statement. The policy of the *Landbund* was a somewhat uncertain one. (See *Manchester Guardian*, 15 October 1929.)

[4] *The Times*, 19 October 1930.

642 that concentration on constitutional reform might deflect
668 attention from the need for energetic economic measures.[1] There was also a sharp division of opinion between the more moderate members of the party, led by Kunschak, who would probably have liked to see a *rapprochemeut* with the Social Democrats and the right-wing leaders led by Seipel.

The German Nationalists had been advocating reform for many years, as they hoped thereby to bring the Austrian constitution more into line with that of the Reich.

Most of the Social Democrats were probably not opposed to a moderate measure of reform,[2] although in their opinion disarmament was a far more pressing need.[3]

The great difficulty was, however, to reconcile the aims of the moderates of both parties with those of the extremists, who wanted rather to destroy than to reform.

642 There can be little doubt that a great deal of the disorder in the public life of Austria did lie, as Schober and his followers maintained, in the weakness of the executive. This weakness was in part the inevitable result of the particular circumstances in which the country was placed in the post-war years; economic distress, foreign control, party quarrels, certainly played their part. But all these difficulties might have been overcome, or at least would not have been felt so acutely, had it not been for inherent defects in the constitution of October 1920.

The reasons which prompted the Austrians to mistrust the power of the Government at that time have already been discussed. But, just as they did not foresee in 1920 the difficulties in which this arrangement would involve them, so in 1929 they did not fully realize to what ultimate cause those difficul-

[1] *Frankfurter Zeitung*, 14 September 1929. The Lower Austrian *Bauernbund* —one of the strongest groups within the party—was especially insistent upon this danger. The Social Democrats agreed, see *Frankfurter Zeitung*, 23 October 1929, report of a speech of Renner. 'Wir glauben nicht, aber, dass der Wirtschaft am meisten gedient wird, wenn durch einen rechtzeitigen u. raschen reformierischen Umbau unseres Staates u. unseres politischen Lebens der Keim der Unruhe u. der Spannungen entfernt wird.'

[2] *Manchester Guardian*, 9 September 1929.

[3] Renner, speech on first reading of the bill, reported in *Frankfurter Zeitung*, 23 October 1929.

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ties were due. The reformers of 1929 mistook effects for causes. 642

It was, for instance, widely felt that one of the great evils in the post-war Austrian state had been the politicizing of every department of public life.[1] This was certainly true. But it was not realized that the cause of this lay to a great extent in the constitution itself. The Government had been deliberately placed under the control of the National Council; and instead of being regarded as the executive committee of that body, it had come to be considered as a weak, but potentially dangerous, rival, whose powers must be curtailed at all costs.

The National Council possessed all the necessary constitutional means to enforce its authority. But it was itself controlled by the party leaders as, owing to the system of proportional representation and the closed list, these had almost absolute control over its members. Thus the proper organs of control—the electorate, the National Council, and the Government—had been in the hands of an irresponsible group of men, many of whom were possibly not even known to the Austrian public.[2] For twelve years the party system had thus run riot in Austria, and in consequence many people had come to believe that it was a system inherently vicious, and to advocate its supersession, and the substitution of some non-party form of organization in its stead. But in fact, different parties are simply the organized expression of differences of opinion among the electorate, and as such they are a necessary concomitant of any democratic government. Their abolition may temporarily hide such differences, but can hardly eradicate them. And, if differences cannot be voiced constitutionally, they may

642 646 665

[1] 'Tatsächlich ergab sich auf Grund dieser Verfassung im Verlauf der vergangenen zehn Jahre eine Ueberpolitisierung unseres gesamten Lebens, eine Diktatur des Parteiwesens, dessen Einfluss weit über den politischen Bereich hinaus greift u. so ziemlich alle Gebiete des wirtschaftlichen wie des geistigen Lebens erfasst hat. (*Neues Wiener Tageblatt*, 22 September 1929.)

[2] The disadvantages of the closed-list system were, however, beginning to be understood, and the need for a closer connection between electors and elected urged. 'Tatsächlich wurden die Volksvertreter in ihrer Überzahl nichtmehr vom Volke gewählt, sondern von den Parteiführer, den Parteisekretariaten nominiert.' (*Neues Wiener Tageblatt*, 21 September 1929.) For the same reason large electoral districts were now deprecated. In the end, however, the electoral system remained unchanged.

642 well find a more dangerous outlet. The parties were not the
646 villains of the piece—but the constitution, by which they were
665 accorded a disproportionate amount of power.

Distrust of the National Council was manifested on all sides.
642 The parties of the right hoped to undermine its power by
665 strengthening the office of President; the Social Democrats, by a more frequent use of the Referendum.[1] In fact, it transpired in the course of the 1929 debates on constitutional reform, that the Social Democrats had revised their views on constitutional questions almost as much as their rivals, the Christian Socialists. Renner, for instance, in the debate on the first reading, remarked that the great weakness of the 1920 constitution had been the concentration of power in the Lower House, to the exclusion of all other bodies.[2] For this reason he announced his approval of the proposals made for strengthening the position of the Government and the President.[3] It is true that Renner was very much more conservative in his views than the majority of the Social Democrats. But the party leaders as a whole were well aware that they were on the defensive, and they did not therefore show themselves averse from reasonable compromise.

642 One result of the over-politicizing of public life, to which
647 attention had frequently been drawn in the past by Dr. Zimmermann, had been a tendency to multiply officials, and thus to increase the cost of government.[4] Attempts to check

[1] Their proposal was that every bill taken up by Parliament should be submitted to a Referendum if one-third of the National Council advised it, or if 300,000 electors demanded it. (See *Pester Lloyd*, 10 October 1930.)

[2] 'Das ist die erste grosse u. tragische Schwäche unserer geltenden Verfassung, dass sie nicht ein Gleichgewicht hergestellt hat unter den mehreren Trägern der staatlichen Autorität, sondern dass sie alles auf eine Karte gesetzt hat, dass sie den Staat u. seine Ordnung, seine Sicherheit u. Freiheit auf die eine Säule des allmächtigen Parlaments aufbauen wollte. . . . Die Verfassungsnovelle ist vor allem charakterisiert durch das Bemühen, das alte demokratische Ideal der Gewalttrennung durchzuführen.' (*Stenographisches Protokoll*, 102 Sitzung, 22 October 1929.)

[3] 'Es soll vor allem die Bundesregierung in ihrer Position gestärkt werden. Das geschieht schon dadurch, dass der Bundespräsident sie ernennt. Der vorliegende Entwurf hält die Mitte zwischen der Präsidenten-Republik u. der Parlamentarischen-Republik; ich glaube eine gesunde u. richtige Mitte' (op. cit.).

[4] *Neues Wiener Abendblatt*, 18 September 1929. Schober pointed out that Austria, a country of seven million persons, had seven hundred members of legislative bodies, (*Reichspost*, 20 October 1929.)

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the growth of federalism, and so simplify the structure of government, had actually contributed further to this end.[1] The number of officials was to some extent curtailed by the 1929 reforms. The National Council was reduced from one hundred and sixty-five to one hundred and twenty members,[2] and the Provincial Councils were limited in proportion to the number of citizens in the Province.[3] The cost of administration in general was cut down. But Schober announced after the passage of the Bill that he was still far from satisfied in this respect. The fact that the constitution of 1920 was, in any case, too expensive and too complicated to be worked satisfactorily by a people inexperienced in the art of self-government was not, however, generally grasped,[4] and the constitution emerged after the reforms if anything more complicated than it had been before.

One of the chief aims of the reforms was to strengthen the executive. The power of the President, hitherto little more than a figurehead, was therefore greatly extended, chiefly at the expense of the National Council.[5] Schober made use of the suggestions put forward by the Pan-Germans at Salzburg in 1920, by the Christian Socialists since the beginning of 1928, and by the *Landbund* in a memorandum addressed to Steeruwitz on 31 August 1929.[6] In the main the new proposals followed the German model. The President's term of office was extended from four to six years; and direct election was substituted for indirect. The Christian Socialists maintained firmly that this was the more democratic method.[7] The device

[1] Thirteen different kinds of jurisdiction were now recognized, instead of the four envisaged by the constitution of 1920. Kelsen remarks that 'die Folge davon . . . ist, dass die Verteilung der Kompetenzen zwischen Bund u. Ländern ein überaus kompliziertes Bild der verschiedensten Rechtsfiguren zeigt'. (*Jahrbuch des öffentlichen Rechts*, vol. xviii, pp. 133–4.)

[2] A result of the restriction of the franchise to those over twenty-one years of age.

[3] B. G. Bl. Nr. 393, Article 95, (4).

[4] The Social Democrats, for instance, proposed a wider use of the Referendum, by which every bill should be submitted to the people, if one-third of the National Council so desired, or if 300,000 electors so requested. (*Pester Lloyd*, 10 October 1929.)

[5] Articles 60–7. The idea of a strong government was still suspect.

[6] Malbone W. Graham, 'Constitutional Crisis in Austria', *American Political Science Review*, vol. 24, 1930.

[7] *Reichspost*, 22 October 1929. Seipel, ibid., 19 October 1929.

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642 643 adopted was, however, not unexceptionable. Election was compulsory and, if no candidate succeeded in gaining an absolute majority in the first count, only the two parties having the largest number of votes in the first count could nominate candidates for the second. Since these could then nominate new candidates there was nothing to prevent parties that had gained a large number of votes, by putting up moderate candidates, from confronting the people with extremists in the second count.[1]

642 643 644 The power of the President over the Government and the National Council was considerable. The President, and not the Chief Committee, now appointed the former, although the confidence of the National Council was still necessary.[2] The President could dissolve the National Council, with the assent of the Government. But he could only do this once for the same reason; and fresh elections had to be held within ninety days.[3] During this period, however, the Government could carry on in virtue of its right to issue ordinances.[4]

In general, the principle of parliamentary rule was much weakened by the fact that it was now assumed that Parliament was not a permanent body. The President had to assemble it in the spring and the autumn. It was laid down that the spring sitting should last for at least two months, but that it could not continue after 15 June. The autumn session had to be for at least four months, but it could not begin until after 15 October.[5] It was envisaged as a possibility, therefore, that the National Council would not be in session for more than six months of the year. Committees could, however, be entrusted with carrying on the work when it was not in session.[6] And it was provided that it should be reassembled should a third of the Upper or Lower House so demand. In this case, it had to be summoned within two weeks for an extraordinary session.[7]

The power of the National Council over the budget also

[1] The original proposal had been that the President should be directly elected, but that the verdict might be revised by the two legislative chambers. (*The Times*, 15 October 1929.)

[2] Articles 70, (2), and 74, (1). [3] Article 29.

[4] Article 18, (3). [5] Article 28, (1). [6] Article 28, (4).

[7] Article 28, (2).

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declined. The original proposal had been that, if the budget were not voted at the right time, the provisions of the previous year should hold good. Eventually, however, this period was limited to eight weeks.[1]

The corollary of these limitations placed upon the power of the hitherto omnipotent National Council was the legislative power now entrusted to the President. Kelsen remarks, for instance, on the importance of the new ordinance right.[2] This innovation was regarded with the deepest suspicion by the Social Democrats, who saw in it an attempt to resuscitate the famous Paragraph 14 of Imperial days. Schober, however, solemnly asserted that nothing of this kind was intended. He pointed out that it had been found necessary to entrust the executive with the right to issue ordinances in certain circumstances in most other democratic countries, as France, England, Ireland, Czechoslovakia, etc. The Social Democrats, however, wanted this power to be made over to the Chief Committee and liberal opinion disapproved strongly of the whole arrangement.[3] Eventually, a compromise was reached by which all ordinances issued by the President required the immediate assent of a sub-committee of the Chief Committee, and the assent, within a month, of the National Council, which had to be summoned to consider them within eight days.[4] Ordinances could not change constitutional laws, impose permanent financial burdens, or alienate State property. It was further provided that ordinances should only be issued in

[1] Article 51, (3).

[2] Kelsen, *Jahrbuch des öffentlichen Rechts*, vol. xviii, p. 141: 'Im innigsten Zusammenhang mit der Einschränkung der Parlamentsfunktion steht die sehr einschneidende Reform, die das Verordnungsrecht einführt.'

[3] *Frankfurter Zeitung*, 10 October 1929: 'Die Minorität würde so stets unter Druck gesetzt werden können, dass Gesetzentwürfe, die sie nicht schnell annehmen lässt, durch Notverordnung erlassen werden.'

[4] Article 18, (3) and (4). Kelsen considers, however, that this last provision would not apply to ordinances passed during the period of ninety days during which it was legal for the President and Government to rule without Parliament. He admits, however, that 'die Verpflichtung der Regierung, eine von ihr erlassene Notverordnung dem Parlament unverzüglich vorzulegen, bedeutet eine wichtige Einschränkung dieses ausserparlamentarischen Gesetzgebungsrechtes'. (*Jahrbuch des öffentlichen Rechts*, vol. xviii, p. 142.)

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642 cases of necessity and for purposes of defence.[1] But, as Kelsen
643 points out, this safeguard was worthless from a legal point of
646 view.[2]

The President was also made head of the army.[3] But this
642 was rather a change of emphasis than an actual increase in
643 presidential power. It may be noted, however, that the re-
701 forms gave more power to the army. Hitherto it had only been empowered to restore order if so requested by the civil powers. It was now permitted to step in, in case of emergency, without being so requested.[4]

642 Another marked tendency in the 1929 reforms was towards centralization. But although it was coming to be realized with increasing clearness in responsible circles that Austria could not afford the luxury of provincialism—either from a moral or from an economic standpoint—yet as Kelsen had pointed out two years earlier, this tendency was, if anything, gaining ground,[5] in spite of the increased centralization introduced by the 1925 reforms, and in spite of the general realization that provincialism must make the possibility of an *Anschluss* ever more remote.

642 It was also intended to introduce changes as regards the
646 organization of the Upper House, which, it was generally admitted, had not worked satisfactorily.[6] The *Heimwehr*, the *Landbund*,[7] and certain other right-wing sections of Christian Socialist opinion were anxious to introduce the corporative principle, either wholly or in part. And a proposal was for a time considered by which the nine Provinces were to be repre-

[1] Article 18, (3).

[2] 'Da das Vorhandensein dieser Umstände zu beurteilen, dem Ermessen der verordnenden Instanz selbst überlassen bleibt, und dieses Ermessen auch von dem seiner Überprüfung zuständigen Gericht—dem Verfassungsgerichtshof—nicht wirksam überprüft werden kann.' (Op. cit., p. 141.)

[3] Article 80, (1). [4] Article 79, (2).

[5] 'Durch die politische u. staatsrechtliche Entwickelung seit dem Umsturz hat sich die Stellung der Länder so gekräftigt, haben sich die durch die Landesregierungen repräsentierten politischen Machtcentren in den ehemaligen österreichischen Krönlandern so sehr verwurzelt, dass an eine Umwandlung Österreichs in einen Einheitsstaat ernstlich nicht mehr zu denken ist.' (*Frankfurter Zeitung*, 4 April 1927.)

[6] Seipel, article in *Reichspost*, 19 October 1929.

[7] *Die Stunde*, 21 September 1929.

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sented by eighteen members, while thirty-six members should represent the professions and industries.[1] However, as Schober pointed out, a reform of such magnitude could not be hurried through in a few days—particularly as it would mean a further increase in the number of officials.[2] It was anticipated, however, that another constitutional law would be passed dealing with this matter. In the meantime the composition of the Federal Council remained unchanged.[3]

A further step towards centralization was taken by extending the control of the Court of Audit not only over provincial finances but over districts which comprised more than twenty thousand inhabitants.[4] Hitherto the control of the Court of Audit had only been exercised in those Provinces which had not independent control organs of their own.[5] This change brought the finances of the city of Vienna under the control of the Court of Audit, and in consequence was bitterly opposed by the Social Democrats.

The right of appeal in matters dealing with provincial administration was somewhat extended.

The powers of the State police were considerably extended at the expense of those of the Provinces.[6] As a result of this legislation, the special municipal police force instituted in Vienna after the 1927 riots had to be disbanded. All State police were to be given an autonomous ordinance right, in virtue of which they could, under special circumstances, issue ordinances, which would have temporary validity, provided

[1] *The Times*, 15 October 1929. [2] *Reichspost*, 20 October 1929.

[3] But although no new legislation was introduced, a later paragraph referred to members of the Upper House as enjoying immunity in their capacity as members of Provincial Councils (Article 58, (1)). But the old Federal Council members, although they had to be eligible for election, could not themselves be members of local assemblies (Article 35, (2), 1920).

[4] Smaller districts could be included if the Provincial Government concerned so requested (Article 127).

[5] B. G. Bl. Nr. 268, 30 July 1925, Article 127, (1).

[6] Kelsen, *Jahrbuch des öffentlichen Rechts*, vol. xviii, p. 132. 'So gut wie die gesamte Sicherheitspolizei ist der Zuständigkeit der Länder entzogen, und dem Bunde übertragen. Diese Monopolisierung fast des gesamten Polizeiwesens beim Bund bedeutet, wenn man beachtet, dass auch das ganze Militärwesen u. die ganze Gerichtsbarkeit von allem Anfang an beim Bund lagen—einen Grad von Zentralisation, der mit dem Typus des Bundesstaates kaum mehr vereinbar ist.'

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642 that they did not contravene existing laws.[1] Schober gave an
625 assurance that this legislation was only intended to endow the police with such additional facilities for keeping order as no law-abiding man could take exception to.

[871] The State Minister for Education was now given control over all matters concerning education[2]—a concession on the part of the Social Democrats.

642 The future position of Vienna was the subject of much bitter
635 controversy. The Christian Socialists, seeing in its independence the key to many of the evils of post-war Austria, wished to deprive it of its provincial status, and reduce it to the position of a federal city under the direct control of the Federal Government. They maintained that it was not that Vienna was of lesser importance than the other Provinces, but that she was essentially different from them.[3] Her independent position as a Province could not, in their opinion, be reconciled with her special obligations as the capital city of the whole of Austria.[4] This, however, seemed to the Social Democrats like an attempt to have things both ways—federalism and the abolition of Viennese autonomy. But the Christian Socialists pointed out, with some truth, that the position of the Mayor of Vienna was very much stronger than that of an ordinary provincial Governor.[5] The Social Democrats argued, however, that it was ludicrous that the mayor of a city comprising two million persons should be reduced to the status of a mere *Bezirkshauptmann*, while a tiny province like Vorarlberg, comprising only 140,000 persons, should be in a position of

[1] Kelsen comments as follows on these provisions: 'Mit der Vorschrift, dass die von den Polizeibehörden zu erlassenden Verordnungen, nicht gegen bestehende Gesetze verstossen dürfen, stellt sich die Verfassung auf den Standpunkt der mehr als fragwürdigen Lehre, die zwischen Verordnungen secundum Legem, praeter Legem u. contra Legem unterscheidet.' (Op. cit., p. 143.)

[2] Article 120, (1); *Frankfurter Zeitung*, 5 December 1929.

[3] *Reichspost*, 12 October 1929.

[4] 'Der geschichtlich gewordene, legitime Länderföderalismus ist ein Wesen für sich, u. kann nicht verwechselt werden mit der Stellung der Bundeshauptstadt, die als solche besondere Verflichtungen gegenüber dem ganzen Bund, als Sitz aller zentralen Institute hat.' (*Reichspost*, 19 October 1929.)

[5] *Reichspost*, 19 October 1929.

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comparative independence.[1] According to the original proposals put forward by Schober in the form of three Bills, on 18 October, Vienna was deprived of its provincial status, and made directly dependent on the Federal Government. The powers of the Mayor were transferred to a Cabinet Minister, and the City Council reduced to twelve members.[2] These proposals could not, however, be carried, as the status of Vienna was an issue over which the Social Democrats were prepared to fight. And, in the end, Vienna retained its status as a Province. But a part of its revenue was in the future to be handed over to Lower Austria,[3] and a certain measure of control was accorded to the Federal Government regarding police, finance, and educational matters. And it was now possible to appeal to the Federal Government against decisions of the Mayor.

It may be noted that no provision was made by the new reforms for the existence of a 'State of Emergency', although this contingency had been provided for in the Weimar Constitution.[4] Kelsen draws attention, however, to the new provision of Article 102.[5] The intention of this passage is, Kelsen thinks, obscure. It may merely mean that measures normally within the competence of the local authority may be temporarily taken over by federal officials. It is not, however, expressly stated that the federal officials can only undertake matters which would be within the competence of the local authorities. Kelsen thinks it may be interpreted to mean that federal officials can, in such circumstances, take any measures which they may consider necessary to restore order. In this case, the provisions of the article do not seem to differ

[1] *Vorarlberger Volksblatt*, 19 October 1929.

[2] *Daily Telegraph*, 19 October 1929

[3] The German Nationalists had wanted the amalgamation of Vienna with Lower Austria. (*Frankfurter Zeitung*, 24 October 1929.)

[4] Article 48. Kelsen comments on this fact: 'Durch die Notverordnungen gemäss Art. 18 kann jedenfalls kein verfassungsmässig gewährleistetes Recht aufgehoben werden.' (*Jahrbuch des öffentlichen Rechts*, vol. xviii, p. 144.)

[5] 'Ergibt sich in einzelnen Gemeinden die Notwendigkeit, wegen Gefährdung der öffentlichen Ruhe u. Ordnung, besondere Massnahmen zu treffen, so kann der zuständige Bundesminister mit diesen Massnahmen für die Dauer der Gefährdung eigene Bundesorgane betrauen.'

642 essentially from those of Article 48 of the Weimar Constitution.

In general, however, the reform when passed[1] did not institute any very revolutionary changes, nor was the passage of the Bill marked by any grave disturbances. The Social Democrats, who had at first opposed reform, in the end agreed to it, chiefly because they feared that resistance might result in a *Heimwehr Putsch*. They were, however, only prepared to agree to moderate measures, and made it clear that any attempt to push through an extremist programme without their consent (which was constitutionally necessary, as a two-thirds majority was required for passing measures affecting the constitution) would meet with unflinching resistance.[2] Their attitude was no doubt stiffened by promises of help from Germany.[3] But in the main, in spite of much provocation from the *Heimwehr*,[4] the party remained surprisingly calm. This was, no doubt, partly due to Schober's tactfulness, although in his negotiations with Herr Danneberg, the representative of the Social Demo-

[1] 18 October: Three bills presented to National Council. 23 October: After debate on first reading they were turned over to the Constitutional Committee. 28 October to 8 November: The Constitutional Committee delegated detailed discussion to a sub-committee of eight, of all parties. Negotiations between Schober and Danneberg completed on 13 November. 7 December: The bills voted by the National Council.

[2] Cf. Bauer's speech at the Congress of the League of Republican Defence: 'The time may come, and perhaps sooner than one thinks, when laws will be attacked, and we will defend them. The working class should be resolute in employing all its forces—life and death.' (*Le Temps*, 21 October 1929.)

Deutsch: 'We warn them that if an illegal situation arises in Austria, there will be civil war in the country, that is to say, the death of thousands of men, the destruction of property, the ruin of the national economy, and the loss of the Austrian people.'

[3] Cf. speech of Herr Hoelermann, delegate of the *Reichsbanner*, at the Congress of the League of Republican Defence: 'There are hundreds of thousands of workmen in Germany prepared to defend democracy in Austria. If you need our support we stand ready to help you.' (*The Times*, 22 October 1930.)

[4] e.g. a pamphlet issued by Steidle and Pfrimer on 18 October: 'The once proud Socialists, driven into a corner, must bow their heads though boiling with fury. Herr Schober has got all that it is possible to get out of democracy and parliamentarism, and we accept it as the first payment on account for the *Heimwehr* idea, but that does not end our [illegible]. It merely consolidates our ground before advancing.' (*Daily Telegraph*, 19 October 1929.)

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crats, he was considerably hampered by the attitude of the right wing of his own party.[1]

However, most of the more controversial measures were, in the end, abandoned. The position of Vienna remained substantially unchanged. The right of the executive to issue ordinances without authority from the legislature was restricted. The proposal to make constitutional a future change of the constitution by a simple majority was withdrawn.[2] Trial by jury, which it had been proposed to abolish in certain cases, was maintained. It may be said that the essentials of democratic government were maintained.[3] But it was clear that the emphasis on the new reforms was no longer, as before, on the safeguarding of the democratic principle.[4] The voting age was raised from twenty to twenty-one. The age of eligibility for election was raised from twenty-

[1] *Daily Telegraph*, loc. cit.: 'The *Heimwehr* will see to it that the wretched compromising weaklings in the bourgeois camp are swept away in a storm of popular fury if they attempt to realize their cherished desire of reaching an agreement with the Socialists.'

[2] This had occasioned great excitement in opposition circles; see comment of *Frankfurter Zeitung*, 19 October 1929: 'Die einfache Mehrheit könnte also z. B. die Einführung der Monarchie beschliessen. Hier zeigt sich der Charakter dieser Novelle als Vorstufe zu weiteren Änderungen.'

In view of later events, it is interesting to note a suggestion which appeared in an article in the *Reichspost* on 8 October: 'Ist zur Verfassungsänderung die Zustimmung des Nationalrates erforderlich? "Nein" sagt der Verfassungsgerichtshof.' The article went on to explain that in virtue of a law passed on 24 July 1917 (B. G. Bl. Nr. 307) the Government was empowered to take special measures, in case of a state of affairs brought about by the war, to safeguard the economic interests of the State. The present condition of affairs had been brought about by the war; and an alteration of the constitution was necessary in the economic interests of the State. A revision of the constitution could, therefore, be effected by the Government without consulting Parliament. It was noted in the *Reichspost* of 27 November that the Social Democrats were now agitating for the repeal of this war-time measure. The idea was ridiculed, but three and a half years later Dollfuss succeeded in dissolving Parliament for the last time, in virtue of its authority.

[3] This was partly a consequence of the fact that by 11 November the partial results of the municipal elections had not turned out favourably for the *Heimwehr*, who therefore feared that if they forced a general election the results might not be favourable to them. (*Daily Telegraph*, 11 November 1929.)

[4] For instance, the phrase 'vom ganzen Bundesvolk gewählt' was no longer a part of Article 1.

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642 four to twenty-nine. Immunity rights were restricted.[1] Voting was made compulsory.[2]

These were merely signs, showing which way the wind was blowing. But the *Heimwehr* and the right-wing Christian Socialists openly asserted that the reforms could only be regarded as preliminary to greater changes.[3] And *The Times* of 9 December 1929 quoted a *Heimwehr* manifesto as follows: "It is not possible to regard the results obtained as the final realization of our aims, but simply as the first step of our movement towards the final end."[4]

[1] *Germania*, 21 October 1929. [2] Article 19.

[3] The *Frankfurter Zeitung* of 7 December quotes the *Reichspost* as remarking: 'Durch den hartnäckigen Widerstand der Sozialdemokraten sei nämlich die bessere ursprüngliche Verfassungsvorlage vereitelt worden, u. die neue Vorlage bedeute keinen Abschluss sondern nur eine Etappe auf dem Wege zur vollen Reform, den weiter zu gehen, die Staatsinteressen erforderten.'

[4] For text and general discussion of the significance of the 1929 reforms, see *Jahrbuch des öffentlichen Rechts*, vol. xviii; Kelsen, *Die Verfassung Österreichs*, pp. 130–60.

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V

THE INFLUENCE OF THE PARTY SYSTEM ON THE EVOLUTION OF DEMOCRATIC GOVERNMENT

PARLIAMENTARY democracy, as a form of government, can only be successful when the parties are more or less at one in their fundamental aims, and are ready to compromise as to the methods best calculated to attain them. An attempt should therefore be made to estimate how far divergences in the political theories of the various parties in the State contributed towards bringing about the breakdown. 665

It is undeniable that there was an absolute divergence between the political theories of the more extreme exponents of Austro-Marxism and that of the right-wing Christian Socialists, and that no satisfactory compromise between the two creeds would have been possible.

The aim of the Austro-Marxists from 1919 on was the supersession of the capitalist-bourgeois State by a socialist proletarian one.[1] Most of the leaders, however, believed that this aim could only be achieved if Austria were joined on to Germany, because 'independence' meant that the Allies could starve her out if they disapproved of her policy; the realization of the *Anschluss* was, therefore, the first point of their programme. It is true that hatred of the Bolsheviks was always a marked characteristic of the Austrian Social Democrats. But this animosity was occasioned rather by a dislike of Bolshevik methods than by disapproval of Bolshevik aims.[2] And it was

[1] Bauer, 'Die alte u. die neue Linke', *Kampf*, July 1926: 'Die Eroberung der Demokratie stellte uns daher vor die Frage, in welche Weise u. mit welchen Mitteln wir auf dem neu eroberten Terrain den Kampf um den Sozialismus zu führen haben.' See also the Linz Programme of the Social Democratic Party, 1926. One of the points incorporated in this programme was: '. . . die überwindung der kapitalistischen, der Aufbau der sozialistischen Gesellschaftsordnung'.

[2] '. . . nicht der Kommunismus das trennende Moment, sondern der Bolshevismus, nicht also die prinzipielle Grundlage, sondern bloss die Taktik.' (Max Adler, 'Sozialismus u. Kommunismus,' January 1919, *Kampf*: Cf. *Kampf*, July 1921, article by Max Adler.) '. . . Im Willen zum Sozialismus ist die Arbeiterklasse einig. Nur um den Weg zum Ziele ist Streit.' (*Arbeiter Zeitung*, 15 March 1919.)

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665 stated, over and over again, unequivocally, by the party leaders, in the party press, and at party conferences from 1919 to 1934, that the aim of the Social Democrats was the establishment of a purely socialist republic, from which bourgeois influence would be entirely eliminated; although it was generally admitted that a policy of conciliation was temporarily necessary. No permanent agreement between the two classes was, however, considered either possible or desirable.[1]

For the right-wing leaders of the Christian Socialists also, parliamentary democracy was regarded as a temporary form of government. Co-operation with the Social Democrats was felt to be a necessary evil in the immediate post-war period. But in time, it was hoped, socialist wings might again be clipped, and a return made to some form of autocratic government.

This essential divergence in aim of the extremist wings was widened by the personal antagonism between the leading exponents of both creeds. Monsignor Seipel, for instance, necessarily always a Catholic first and an Austrian afterwards, thought that the triumph of the Social Democrats would mean the end of Catholicism in Austria. He saw, in Otto Bauer, the foe *par excellence* of his Church. Bauer, on the other hand, argued that Seipel had deliberately chosen to use the Church as a pawn in his political game.[2] He maintained that, if the

[1] *Arbeiter Zeitung*, 5 January 1919: '. . . die politische Revolution ist nur die halbe Revolution. Sie hebt die politische Unterdrückung auf, aber sie lässt die wirtschaftliche Ausbeutung bestehen. . . . Haben wir dazu die Allgewalt des Kaisers gestürzt, um der Allgewalt des Kapitals unterworfen zu bleiben.'

See also Linz Programme (op. cit.), 1926: 'Eine solche Kooperation der Klassen' (as in a parliamentary democracy like Austria) 'kann . . . nur eine vorübergehende Entwicklungsphase in Klassenkampf um die Staatemacht, aber nicht das Ziel dieses Kampfes sein.'

Julius Braunthal, 'Moskau oder Paris?', *Kampf*, October 1920: 'Wer die Koalitionspolitik der Österreichischen Sozialdemokratie unter einem anderen Gesichtspunkt als dem der Abwehr der Konterrevolution betrachtet, hat sie nie begriffen.'

Deutsch, 'Der Geist der Revolution', *Kampf*, 4 October 1919: 'Die Koalition ist solange keine Gefahr solange wir geistig frei bleiben, u. uns nicht auf die schiefe Bahn einer Klassen-harmonie drängen lassen.'

[2] Bauer, *Sozialdemocratie, Religion u. Kirche* (Wien, 1927): 'Der Klericalismus macht die Religion zur Parteisache der Partei der Bourgeoisie, um auf die Religion der Volksmassen, die Herrschaft der Bourgeoisie zu stützen.'

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interests of the Church were to be identified with those of the Christian Socialist party, if it became one of the main planks of the Christian Socialist platform, then the Social Democrats had no option but to fight it. The Church should be removed entirely from the arena of party politics.

It must be stated, however, in fairness to Seipel, that the cry of 'Religion ist Privatsache' was almost certainly only the thin end of the wedge, for the fact that the leaders of the Social Democrats were, for the most part, not only anti-clerical but also anti-Christian can hardly be contested. Most of them thought, however, that religion should not be actively attacked as it had been in the *Aufklärung* period. With the improvement in economic conditions which they anticipated from socialist administration, religion would, in any case, they thought, die a natural death.[1] In this, as in other cases, the Social Democrat leaders hoped to achieve their aims by peaceful, gradual methods. Bauer deprecated even the intellectual violence of the Free Thinkers. But the personal struggle between Bauer and Seipel was so fierce as to preclude the possibility of peaceful development in any direction. Every small issue which arose was turned by them into party capital.

On the Social Democrat side, the ascendancy of the left wing, represented by such men as Bauer, Deutsch, and Adler, was in part a consequence of the fact that they were intellectually very much abler than the more moderate leaders, such as Renner, Ellenbogen, and Leuthner. They were thus able to exert an influence on the policy of the party which was probably out of proportion to the extent of their following among the rank and file of the members.[2] This influence was, however, almost

[1] Speech of Otto Bauer at the Linz Conference, op. cit., 1926. Also, Otto Bauer, *Sozialdemokratie, Religion u. Kirche*: 'Die Religion ist dem wissenschaftlichen Sozialismus nicht, wofür sie der Liberalismus hielt, blosser Pfaffentrug, der durch blosse Aufklärung überwunden werden könne, sondern das Spiegelbild der wirtschaftlichen u. sozialen Lebensbedingungen der Menschen.'

[2] On the other hand, there existed a revolutionary group to the left of these leaders, for the pronouncedly left-wing view of the Social Democrats had prevented the revolutionaries from joining the Communists in any number. The fact that potentially Communist elements found their spiritual home among the Social Democrats explains in part the attacks made from time to time on the 'moderate' policy of the party.

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665 always used to put a brake on the party when questions of practical politics arose.[1] Indeed, one of the most marked features of Austro-Marxism was its theoretical extremism and its practical moderation.

The adoption of this policy in the post-war period was largely due to the influence of Bauer, who considered that the future of Austro-Marxism depended upon the maintenance of the spirit of revolutionary fervour in the party on abstract questions of socialist doctrine, combined with a moderate policy on practical issues. Bauer hoped, by this policy, to retain within the party extreme left-wing elements, which would otherwise have drifted away towards communism, and to keep the end of the socialist society ever in view, while at the same time extending the influence of the party over the peasants and lesser bourgeoisie, by a practical policy of moderation. He saw clearly in the immediate post-war years that a policy of extremism would in practice lead to the intervention of the Allies, and the triumph, as in Hungary, of a counter-revolution. He emphasized over and over again the fact that conditions in Austria were entirely different from those in Russia, where the peasants had been willing, at first, to co-operate with the revolutionaries, because of their desire for land. It was this co-operation alone which had made the Bolshevik revolution feasible. In Austria, however, no co-operation would be forthcoming from the peasants, who had long been firmly established as landholders. Revolution was not, therefore, immediately feasible.

Bauer's policy was not, however, an entirely opportunist one, for he firmly believed that the future of socialism depended as much on the intellectual development of the workers as on their conquest of material power, and for this reason also he was not averse to a policy of gradualness.[2] On the other hand, he came to fear, after the Vienna riots of 1927, that the peaceful

[1] Both in 1927 and in 1934 the left-wing leaders were forced into action against their will, by uncontrollable extremist agitators.

[2] Bauer's speech at the Linz Conference, 1926: '. . . Ihr Sieg nicht nur davon abhängt, dass sie die Macht erobert, sondern auch davon, dass sie in sich selbst jene moralischen u. intellektuellen Qualitäten entwickelt, ohne die der Sozialismus nicht aufgebaut werden kann.'

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development which he honestly desired might be made impossible by the activities of the right-wing extremists. He saw that the nearer the party came to victory by peaceful constitutional means the more the right-wing Christian Socialists would come to rely on force for its suppression.[1] If the Social Democrats, having lost control of the army, did not defend themselves against this threat, they would probably have to submit to forcible liquidation by the fascists. If, on the other hand, they developed an armed force, they would almost certainly be beaten if it came to an open fight with the Christian Socialists, who would have control over the army and the police force, as well as the *Heimwehr* and the other armed bodies of the right. Moreover, Bauer realized that any signs of militancy on the part of the Social Democrats would react unfavourably on their position *vis-à-vis* their more moderate followers.

On the whole, the Social Democrats, confronted by this dilemma, followed the second course. But the riddle was never wholly resolved, and Bauer himself pursued an uncertain course after 1927. However, he continued, as a rule, to urge moderation on the party, and, in particular, to try to reach some agreement with the other parties as regards disarmament, for he knew that, in the last resort, the Social Democrats could never be as strong as their rivals in this respect. It is probable, however, that apart from this consideration he had a genuine aversion to the idea of physical force.[2] All his violence was of the mind. He was not, however, as Renner and Ellenbogen, on the whole in favour of a coalition, even in 1931, when the danger of the position had become apparent. But he continued

[1] Speech at the Party Conference in 1927.

[2] Speech at the Party Conference in 1926: 'Was klug ist, das sollte man dieser Generation nicht mehr erzählen mussen . . . Bürgerkrieg, das heisst also, dass der Sozialismus, selbst im Falle des Sieges für eine ganze Generation keine Verbesserung der wirtschaftlichen Lage der Arbeiter bringen kann, sondern eine Verschlechterung bringen muss, weil die Zerstörung des Wirtschaftslebens unvergleichlich mehr ausmacht als die Konfiscation des Mehrwertes.' He was also aware of the inevitable danger of the use of force: 'Wer zur Gewalt greift, der ist der Gefangene der Gewalt.' On the other hand, at the Party Conference in 1929, he expressed the view that the only way to force disarmament on the other side was to arm so effectively as to terrorize the bourgeoisie into acquiescence.

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to plead for strict discipline within the party, for he feared that in the last resort the decision would not rest with the Social Democrats but with the interested powers outside Austria, who would intervene in support of the bourgeois groups if it came to an actual test of strength.[1]

It became, however, increasingly difficult to combine revolutionary theory with practical moderation and, from the spring of 1933, it was apparent that the leaders of the Social Democrats were no longer in a position to control the party to whom they had preached revolution for so long.

Another reason for the ascendancy of left-wing elements among the Social Democrats was the fact that almost all the party officials, as well as the leaders, were Jews. The Jewish tendency towards extremism thus accentuated the natural tilt of the party towards the left.

Almost precisely the same forces were at work on the Christian Socialist side. Here also the ablest men were the extremists. Monsignor Seipel, as Bauer, stood head and shoulders above any of his colleagues. He shared with Bauer a belief in general principles, and a tenacity in fighting for what he believed to be right, not often found among Austrian public men. And he succeeded in inspiring Catholic policy in Austria with a fighting spirit hitherto unknown. The price which had to be paid for the rebirth of this more forceful form of political Catholicism was the alliance of the Church with the big Vienna bourgeoisie, who, far more than the Christian Socialist peasants of the Provinces, shared Seipel's hatred of the Social Democrats. Seipel was, however, undoubtedly a very great and very able man. Similarly, to take a few outstanding examples, Vaugoin, who reorganized the army after the war, Funder, the editor of the *Reichspost*, and Mataja, all men of pronouncedly right-wing views, were very much abler than Kunschak, the moderate leader of the Viennese Christian Socialists, or Hemala, the leader of the Christian Trade Unions, or the peasant leader, Reither. And it was the extreme elements who had capital behind them, in shape of support from the big Jewish industrialists.

[1] Speech at the Party Conference of 1931.

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On the other hand, it is certainly true that there were large moderate groups in both camps, who would probably have been ready to work together permanently, within the framework of a democratic parliamentary régime, had the opportunity offered. Men like Renner, for instance, from the beginning explicitly repudiated any connections with communism.[1] And Austerlitz, the left-wing editor of the *Arbeiter Zeitung* and a man of great influence in the party, protested strongly, in 1926, against the tendency of the left-wing leaders to play with the idea of a dictatorship as being the only means of achieving their aims.[2] He said that he considered it nonsense to talk of the 'dictatorship' of the bourgeoisie since the war.

The views of these moderate elements did undoubtedly have a very considerable influence over the policy of the party, and, as has been pointed out, even the extremists for the most part subscribed to them as a temporary expedient when the unrest in the country began to assume really serious proportions. Thus, in 1929, the party put forward a strong plea for the disbandment of all private armed forces and for moderation.[3] It is probable, of course, that many of the men who advocated the adoption of this policy of co-operation and moderation believed, like Seitz,[4] Bauer, and Austerlitz, that it was only the means to the end, which was the triumph of the proletarian revolution. But it is also probable that many of those who paid lip-service to the revolutionary ideal were, at heart, far from averse to a permanent co-operation with their rivals. —Men like Renner, for instance, who refused even to pay lip-service,[5] advocated not only disarmament, but also the forma-

[1] Speech at the Linz Conference, 1926.

[2] Speech at the Linz Conference, 1926: 'Wenn der Parteitag zu erkennen gäbe, dass er die Demokratie geringschätzt, dass er in ihr keine wesentliche Errungenschaft wahrnimmt, so würde das sicherlich auch zu einer Minderung unserer Anziehungskraft auf die breite Masse führen.'

[3] Report of 1929 Party Conference: 'Der Parteitag betrachtet die vollständige innere Abrüstung, die restlose Auflösung aller Wehrformationen als das wirksamste Mittel, die friedliche, demokratische Entwickelung der Volkswirtschaft u. den stetigen Aufstieg der Arbeiterklasse sicherzustellen.'

[4] Speech at the 1930 Party Conference: 'Wir wollen keinen Krieg . . . wir wollen Frieden u. Arbeit. Wir werden mithelfen, wenn ihr sie wollt.'

[5] Speech at the 1927 Party Conference: '. . . es ist eine Gefahr u. ein Widerspruch, immer von Revolutionen zu reden, u. zugleich behaupten zu müssen, dass man sie nicht machen könne.'

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665 tion of a coalition with the moderate bourgeois groups. He was acutely conscious of the dangers of the situation after 1927, when the tempo of rearmament was increasing rapidly on both sides.[1] He pointed out at the Party Conference of 1930 that the elections had shown the existence of a large democratic majority of moderate views, and the dislike of the people for the extremist groups. This democratic majority should group itself round the Social Democrats.[2] Renner did not advocate a lasting alliance with any of the bourgeois groups, but he thought that the party should agree to temporary co-operation with those who stood for democratic principles. He was more conscious than any of the other party leaders at that time of the dangers implicit in the Nazi movement.[3] He was, however, too right-wing in his views for the party as a whole, and was never in a really influential position. Bauer, however, was, by 1930, also well aware of the dangers of intransigent opposition.[4] In fact, the chances for the triumph of a policy of co-operation might appear to have been considerable round about 1930.

[1] Speech at the Party Conference of 1927: 'Rüstung u. Gegenrüstung erzeugen eine Kriegspsychose unter den Bürgern desselben Staates, die es dahin bringen kann, dass nur einmal irgendwo zufällig ein Gewehr losgeht, und der Bürgerkrieg ist da.'

[2] Renner at Party Conference, 1930: 'Diese demokratisch fühlende Mehrheit sieht in uns ihr Zentrum u. ihre Führung, an sie schliessen sich Schober Block u. Landbund an, an sie lehnt sich der demokratisch denkende Flügel der Christlichsozialen an. Das wäre ja immer als die Zweidrittelmehrheit im Parlament. Warum bildet diese Zweidrittelmehrheit nicht eine Regierung.'

[3] Speech at the 1930 Party Conference: 'Der eigentlich gefährliche Gegner, der noch nicht da ist . . . ist der Nationalsozialismus. Und dieser Nationalsozialismus ist es deshalb, weil er vom Sozialismus die Ausserlichkeiten, die äussere Form u. gewisse Einzelheiten herausnimmt u. aufpflanzt auf den reaktionären Boden wirtschaftlich verzweifelten Menschen, der es ihnen möglich macht, zugleich die grimmigsten Feinde der Arbeiterklasse, die grimmigsten Feinde des Sozialismus zu sein, u. sich doch Sozialisten zu nennen.'

[4] Speech at Party Conference, 1930: 'Unsere Aufgabe muss sein zu verhindern, dass der Fascismus wieder in die Regierung komme. Wir müssen daher die gegenwärtige Regierung, obwohl es nicht unsere Regierung ist, obwohl es eine bürgerliche Regierung ist, obwohl Reaktionäre in ihr sitzen, trotzdem zu stützen versuchen, damit der Kurs nicht wieder nach rechts wieder in die Richtung Vaugoin—Stahremberg zurückfällt.'

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Other developments, however, combined to play into the hands of the extreme elements on both sides. Economic conditions, for instance, contributed towards the growth of revolutionary tendencies, and the desire for desperate remedies, among the working classes; while among the propertied classes, increases in taxation, especially those imposed by the Vienna Socialist municipality, sharpened aristocratic yearnings for a return to pre-war conditions.

The control exercised by foreign Powers over Austrian economic and foreign policy also served to bring the whole system of parliamentary democracy into disrepute. This form of government was, as has been pointed out, in any case regarded by the extreme groups on both sides as a temporary expedient, and such an attitude grew more and more prevalent when it became apparent that parliamentary democracy was nothing more than a façade behind which Austria's foreign creditors worked their will. Again, economic conditions sharpened the already existing antagonism between the Provinces and Vienna. And, because economic necessity made imperative a modification of the federal structure of Austria, the hostility of the conservative peasants and land-owning classes forced into closer relationship with Vienna found partial expression in movements like the *Heimwehr*. The history of Austria from 1927 till 1934 is the story of force feeding upon force. Both antagonists armed because their rivals did so, although the moderates on both sides were willing to disarm if the other party would do so first.

The turning-point came with the splitting-up of the *Bürgerblock* in the 1930 elections, for with the defection of the Schober group the main body of the party was compelled to turn to extreme right-wing elements for support in its struggle against the Social Democrats. The anti-socialist front tended to split up more and more as time went on, for, after the failure of the attempted *Anschluss* in 1931, the German Nationalists began to drift right away into the Nazi camp, leaving their erstwhile allies with no alternative to the *Heimwehr*. Thus the divisions in Christian Socialist ranks, though they gave temporary encouragement to the Social Democrats, were in reality

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665 the beginning of the end, for reliance on the *Heimwehr* led
669 almost inevitably to the crushing of the Social Democrats in
666 1934.[1]

The victory of the extremists was also in part a consequence of the tendency of both sides towards what may be described
665 as party totalitarianism. This was especially the case on the
668 Social Democrat side, for the tendency of the *Bürgerblock* to split up into small groups prevented this principle from working out so fully in their case. The Social Democrats, however, had from the beginning laid particular emphasis on the need for presenting a united front to the outside world, and had, indeed, been conspicuously successful in doing so.[2] They tried, with this end in view, to prevent the members of the party from coming into contact with people of other opinions who might influence them and draw them away from the Party orbit.[3] They therefore laboured to build up Social Democrat societies which would cover all a member's activities from the cradle to the grave. His intellectual and physical needs were all catered for within the party. The party provided him with his flat; built kindergartens for his children, organized sport clubs, literary clubs, political clubs, and social clubs for himself and his wife; took charge of his economic life, negotiating on his behalf with his bourgeois employers; and even provided burial clubs for his death. The organization of the Social

[1] It is interesting to note that Renner had drawn the attention of the party to this danger as early as 1929. He had urged that the Social Democrats should not make things too difficult for their opponents. 'Wir müssen mit unserem Bürgertum manchmal Geduld haben, auch in der Heimwehrsache.' (Speech at the 1924 Party Conference.) In 1930 he again drew attention, at the Party Conference, to this danger; although Seitz, on this occasion, spoke cheerfully of the approaching triumph of the Social Democrats.

[2] *Arbeiter Zeitung*, 9 January 1919. 'Es ist für das Proletariat weniger gefährlich, wenn es vorübergehend einen falschen Weg, aber diesen Weg einig u. geschlossen geht, als wenn es sich im Streit um den richtigen Weg spaltet. . . . Hundertmal lieber einen falschen Weg einig gehen—denn Fehler kann man dann wieder korrigieren—als um des rechten Weges willen, uns spalten.' (Bauer, at Party Conference, 1927.)

[3] It was even laid down, at the Linz Conference in 1926, that no member of the party could, without permission, carry on work which meant his appearance in public life with people who were members of other parties.

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Democratic party in Vienna[1] was as a state within a state. The members scarcely became acquainted with the real bourgeois standpoint because they had no opportunity of mixing in bourgeois society.

The *Bürgerblock* never succeeded in organizing themselves in this way to anything like the same extent, because the interests of their members were much less susceptible of amalgamation. It is true that the Social Democrats included both Communist and *petit bourgeoisie* elements and a certain proportion of peasant elements. But the interests of these groups were nothing like so divergent as those of, for instance, the peasants and the industrialists of the *Bürgerblock*, nor were they numerous enough or strong enough to exercise much influence within the party. None the less, the same tendency towards totalitarianism may be seen working out in sections of the *Bürgerblock*. The *Heimwehr*, for instance, made strenuous efforts to attract all the various groups into their orbit. Their avowed aim was the abolition of party government.[2] This policy was the subject of violent and bitter attack from the Social Democrats. But, in fact, the attitude of both sides was equally inimical to parliamentary democracy, the only difference being that the Social Democrats succeeded in uniting their party, while the *Heimwehr* split up theirs yet further.

It is easy to see that the extreme emphasis of the Social Democrats on party organization in effect nullified the proper working of the constitution just as much as the *Heimwehr* movement. For instance, although the constitution had provided specifically for the representation of all shades of opinion by detailed provisions for proportional representation, the Social Democrats deliberately aimed at the elimination of differences of opinion among the workers. In so doing, they not only prevented the normal working of the proportional representation system by transforming their party into a mili-

[1] Organization was naturally less complete in the Provinces, where the party was numerically very much weaker, 52 per cent. of the party members being Viennese. For the relative strength of the party in the different provinces, see the Party Protocol, 1925.

[2] See the Korneuberger Programme of 18 May 1930. (P. T. Lux, *La Lutte de l'Autriche, 1919–37*, p. 81.)

665 tant and educative rather than a representative group, they
668 almost made impossible the working of any form of parliamentary democracy, which must depend, in the last analysis, upon the possibility of people altering their opinions, compromising now on one issue, now on another, and moving from party to party. A rigid division between two or more groups in a state must make the whole system unworkable because a temporary majority thus becomes a permanent one, and the minority is faced with the alternative of permanent exclusion from power, or revolution. Moreover, the elaborate party structure necessary for the building-up of this totalitarian system almost inevitably places an undesirable amount of power in the hands of the party organizers, who become the real rulers of the state. This certainly tended to be the case in Austria.

In spite, however, of the fact that the party organizations, which were controlled by the more extreme elements on both sides, tended to separate the people into exclusive groups, the divergence in interests and outlook between the peasants and the workers, who formed the main bulk of the population, may easily be overestimated. It is true that the peasants were, in an overwhelming majority, conservative in their outlook, if by conservatism is meant adherence to private property. And it is true that the Social Democrats wished to substitute state for private ownership. On the other hand, the majority of the Social Democratic leaders realized from the start that they would only be able to put their theories into practice very slowly, and with great care, as far as the peasantry were concerned. The fact that conditions in Austria were entirely different from those in Russia, where the peasants had been willing to co-operate with the revolutionaries, because of their desire for land, was fully grasped. In Austria, there were comparatively few big estates, and the peasantry, although not prosperous, had a long tradition of semi-independence behind them. Any attempt forcibly to expropriate their property would have been, it was well understood, foredoomed to failure. A policy of peaceful permeation was the only feasible one. For this reason wholesale expropriation of privately

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owned land at no time formed part of the Social Democrats' programme.[1]

On the other hand, the party was, from the beginning, acutely conscious of the necessity of extending its influence among the peasantry.[2] In 1925 an official agricultural programme was drawn up. This programme provided for the retention of peasant ownership, although the big estates were to be expropriated.[3] The Social Democrats hoped, however, by a lavish expenditure on agricultural colleges and institutes, to educate the peasantry gradually to more scientific methods of farming, which would probably, in the end, mean amalgamation of small holdings, and a greatly increased State control.[4]

The party laid great emphasis also on the need for improving the position of the smaller peasants who had suffered from the inclosure of common land[5], and the conditions of work of the hired labourers. These latter lived, as a rule, in the peasant houses—or rather, in the stables—and their standard of living

[1] Article in the *Arbeiter Zeitung*, 26 March 1919, 'Arbeiter u. Bauern'.

Bauer's speech at the Party Conference, 1925: 'Nicht mit Gewaltakten, nicht mit Gesetzen, sondern mit einem organischen Anpassungsprozess an die sozialistische Umgebung wird sich die Bauernschaft in die neue sozialistische Gesellschaft eingliedern.'

Also Bauer, *Der Kampf um Wald u. Weide*, 1925. See speeches made at 1927 Party Conference, on agricultural policy.

[2] Bauer, 'Leitsätze zur Agrarpolitik', *Kampf*, July 1921: 'Jeder weitere Fortschritt der proletarischen Revolution setzt die Eroberung stärkerer Machtpositionen in den Dörfern u. auf den Gutshöfen voraus.'

[3] The policy had been put forward in the *Arbeiter Zeitung* as early as 10 January 1919: 'Der Sozialismus will das Ausbeutungseigentum überwinden, nicht das Arbeitseigentum. Der Grund u. Boden des Adels, der Kirche, u. der Kapitalisten soll vergesellschaftet werden; der Grund u. Boden des Bauern soll sein Privateigentum bleiben.'

[4] 'Über die Tatsache, dass von einer Expropriation der Bauernschaft keine Rede sein kann, war nie ein Zweifel.' (Bauer, Party Conference, 1925.)

On the other hand, in the Linz Programme of 1926, it was envisaged that if amalgamation of property was required in the public interest, and if it was impossible to get the parties concerned to agree to it, amalgamation might be forced upon them. However, it was again laid down that 'der Sozialismus bekämpft das Raubeigentum der Herrenklassen, nicht das Arbeitseigentum der Bauern'. The peasant would, in fact, be in a stronger position than ever, after the liquidation of his capitalist creditors.

[5] The *Kleinbauernverband* was founded in 1923, and held its first Party Conference in Vienna in 1925. Membership was strongest in Lower Austria (3,500) and Kärnten (1,330).

was extremely low. The Social Democrats regarded them with great interest, as a potentially socialist element in the population, and agitated constantly for the building of separate houses for them, and for better working conditions, etc.[1] In those Provinces where hired labour formed a considerable element in the working population, the Social Democrats made good headway, but it cannot be said that their agricultural programme on the whole met with any considerable measure of success.

On the other hand, although the peasants showed a lack of interest in the abuses of women's labour, the problem of alcohol, the fate of the hired labourer, and other questions which exercised the Social Democrats, they were by far the most staunch supporters of democratic government.[2]

The hostility of men like Dr. Ender to the Viennese socialists after the war was not so much based on dislike of their democratic proclivities as on opposition to their policy of centralization. The *Bauernbund*, led by Dr. Reither, frequently protested against the reactionary politics of the Christian Socialist party leaders. And although it is true that a considerable number joined the *Heimwehr*, and later a very much larger number the Nazis, it is probable that the rank and file of the Austrian peasantry remained to the end supporters of the democratic principle.

Again, although it is true that the peasantry were, on the whole, Catholic in outlook, while the workers had drifted away from the Church, and were for the most part indifferent, if not hostile, in their attitude towards it, this divergence must not be overestimated. The lower clergy, who worked among the peasants, were very much more democratic in their views than their ecclesiastical superiors. The overwhelming majority were themselves of peasant stock and tended, therefore, to share the outlook of their flocks.[3] There were indications in 1932, for instance, that many of them strongly disapproved of the attitude adopted by their superiors towards the *Heimwehr*.

[1] See Bauer's speech on the Agrarian Programme of the Social Democrats at the 1925 Party Conference.

[2] Tyrol and Vorarlberg, in particular, looked back proudly on a centuries-old tradition of self-government.

[3] The higher clergy were also, for the most part, men of humble origin, e.g. Monsignor Seipel, Cardinal Innitzer.

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In any case, the extent of clerical influence among the peasantry can easily be overestimated. The Austrians were not prone to take their religious life too seriously; and attempts made by the Church to extend its influence outside purely religious matters were not regarded with approval.[1] Anti-clericalism had its roots far back in the past, and had antedated by many decades the challenge of the socialists and the emergence of the Nazi party.

But if the clericalism of the conservative peasantry can easily be overestimated, so can the anti-clericalism of the Social Democrats. It is true that the party were prepared to fight what may be termed 'political Catholicism' because this was considered to be a force dangerous to the party.[2] But the Free Thinkers, who were actively hostile to the Church, were very small in number, and were strongly discouraged in their activities by Bauer, Renner, and most of the other leaders.[3] And, while it is true that the rank and file of the party were passively hostile to the Church, or at least, indifferent to its claims, certain leaders, as Ellenbogen and Leuthner, stated unequivocally that they considered this a source of weakness rather than of strength, to the party, and were anxious to see a revival of religion in the ranks of the Social Democrats.[4]

[1] On 20 October 1931, for instance, the *Neue Freie Presse* drew attention to the big peasant meeting, 4,000 strong, which had taken place at S. Johann im Pongau, and remarked that the peasants had demonstrated 'nicht nur gegen die Regierung u. die Parteipolitik, sondern auch gegen die politisierenden Geistlichen'.

[2] See the report prepared by the party executive for the Party Conference at Linz in 1926: 'Die römische Kirche übt ihre grosse Macht über die Seelen der breiten Massen, die ihrer Klassenlage nach, zu der Arbeiterklasse gehören, dazu aus, um sie von der Teilnahme an dem Befreiungskampf der Arbeiterklasse fernzuhalten, u. diese Massen in der Gefolgschaft bürgerlicher Parteien zu erhalten. . . . Dadurch stützt die römische Kirche die Herrschaft der Bourgeoisie.'

[3] Speech by Renner at the 1925 Social Democratic Party Conference, when the whole question was discussed: 'Ich möchte aber das eine betonen: es ist auch in dem Staat nicht Sache der Sozialdemokratie Partei, Religion u. Kirche zu bekämpfen.'

[4] Speech by Leuthner at the 1926 Party Conference: 'Im tiefsten Grund entstehen Religionen aus dem eingebornen, ewigen, unsterblichen u. durch nichts zu unterdrückenden Drang des gesamten Menschheitsgeschlechtes nach Erklärung der letzten Ursachen der Dinge.' He registered a strong protest against the attempt of the Free Thinkers to make acceptance of their creed the *sine qua non* of socialism. Cf. with speech of Preis: 'Seine Apostel'

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665 668 779 Otto Bauer,[1] a simple workman, organized a group within the party known as the 'Religious Socialists'. He succeeded in establishing some contacts with the more sympathetic of the clergy.[2] The hostility of the Church, however, prevented the movement from achieving any considerable success.[3]

The policy of the Church itself was not, however, at any rate for the first seven years of the Republic, as reactionary as is sometimes supposed. After the breakdown the Bishops professed unequivocally their loyalty to the Republican régime[4] and there seems no reason to question the sincerity of this declaration. In 1925 they issued a Pastoral Letter which showed marked sympathy with the claims of the working classes,[5] although they were not prepared to tolerate any compromise with the Social Democrats.[6]

After 1927, however, conditions changed for the worse in this, as in so many other respects. The episcopate had been aroused by the anti-clerical programme which had been decided on by the Social Democratic Party Conference at Linz in 1926 (in spite of protest from the moderate element

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(Free Thinkers) 'haben an Intoleranz ungefähr dasselbe geleistet wie die Vertreter aller übrigen Religionen zusammen.' And Mentasti pointed out that opposition to alcohol and opposition to the churches meant opposition to the only forms of relaxation open to the peasants.

[1] Not to be confused with his famous namesake, one of the greatest of the Social Democrats.

[2] e.g. with Prof. Fliegler.

[3] It was condemned by the Bishops in 1930 (see Kungebung, *Des österreichischen Episkopates zur sozialen Frage*, January 1930.)

[4] See pronouncement made by Cardinal Piffl, 4 November 1918: 'Treue gegenüber der Republik.' Pastoral Letter of the Bishops and Archbishops, 23 January 1919, in defence of democracy. (Knoll, A. M., Von Seipel zu Dollfuss, 1934, pp. 44–7.)

[5] See Knoll, op. cit., pp. 48–59. 'Uber Politik, Volkswirtschaft u. Moral. Demokratie u. Neue Staatsform.' The letter inveighed against the evils of capitalism in the strongest terms, because of the lack of regard shown by its leaders for the natural rights of the workers, and their attempt to dominate public life. 'Bei Gott ist kein Unterschied zwischen der Seele der Fabrikarbeiters u. der Seele des Fabrikherrn.' In April 1926, further instructions were issued to priests, urging them to inveigh against the usurious exploitation of the workers.

[6] In April 1926, Roman Catholics were forbidden, except under special circumstances, to join Social Democratic Trade Unions, or to vote for Social Democrats. (Knoll, op. cit., p. 135, 'Instructio pro clero in re soziali'.)

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in the party). And the fighting in Vienna in 1927, which, partly owing to the drastic measures taken to repress the rioters by Seipel's Government, resulted in thousands of people leaving the Church, and deflected episcopal policy decidedly to the right. Seipel, for his part, turned to the anti-working-class big industrialists for support against what he conceived to be the danger *par excellence*. The hostile attitude of the Church towards the Schober Block at the November elections of 1930 occasioned much scandal.[1]

It would, however, probably be a mistake to regard the Church as the villain of the piece even after 1927. It continued to evince great interest in social problems.[2] And although the higher clergy, and perhaps the majority of the lower clergy, regarded the *Heimwehr* movement with favour, as being a useful weapon for curbing socialist influence, they could not be very enthusiastic about a movement so deeply tinged with Nazi anti-clericalism.[3]

Although it is true that in the two main groups, the Social Democrats and the Christian Socialists, the balance of power tended to pass to the extreme wings, other important groups existed who were much more moderate in their outlook, and who stood unequivocally for democratic government. The *Landbund*, for instance, an organization supported chiefly by the more wealthy peasants led by Herr Winkler, inveighed constantly against the fascist proclivities of the Christian Socialists and the *Heimwehr*. Even in 1929, when it supported a reorganization of the state on a corporative basis, hoping thereby to secure a better representation of agricultural interests, its members emphasized the fact that the movement

[1] *Stellungnahme zu den österreichischen Nationalratswahlen*, 9 November 1930, 26 October 1930. (See Knoll, op. cit., pp. 167–77.)

[2] Lent Pastoral Letter, 1928, inveighing against low wages of women and bad housing. *Fasten Hirtenbrief der Erzbischöfe u. Bischöfe Österreichs*, 1928. (Knoll, op. cit., pp. 150–3.)

[3] In January 1930 a declaration was issued declaring that the Church could not consecrate the flags of political parties—'Politischen Vereinen ist mit Rücksicht auf die überparteiliche Stellung der Kirche die Weihe der Fahnen nicht zu bewilligen'.

See also the Lent Pastoral Letter, February 1932, issued by all the Bishops, warning the people against the Nazis.

wanted a genuine, democratic organization, not fascism of the Italian variety.[1]

The *Bauernbund* was another peasant organization strongly democratic in its views. It represented a different section of peasant opinion, and was distinguished from the *Landbund* chiefly by the fact that it was strongly clerical in tone, whereas the *Landbund* was anti-clerical. But it was, if anything, even more staunch to the democratic principle and, from 1929 on, protested frequently against the authoritarian leanings of its wealthier counterpart.[2] Most of the peasants were organized in one or other of these groups.

The Viennese counterpart of the *Bauernbund* was the *Freiheitsbund* of Herr Kunschak. This organization was much more decidedly democratic in outlook than either of the peasant organizations, and emphasized constantly the dangers of right-wing extremism.[3]

This movement was closely associated with the Christian Trade Union movement, led by Dr. Hemala. But it was in the nature of things difficult for a Christian Socialist workingmen's organization to offer attractions to the workers comparable with those of the very much larger and wealthier Social Democratic organization. The group was on the whole disliked by both parties, and never achieved a strong position. Herr Kunschak's reiterated warnings to the Christian Socialists for the most part fell on barren ground.

Finally, reference must be made to the Schober Block, which appeared in 1930 as a group of moderate bourgeois parties, united by opposition to the fascist proclivities of the *Heimwehr* and the Social Democrats.

From this brief analysis of the structure of opinion in Austria in the post-war years, it is clear that, although forces were at work which made the successful working out of democratic

[1] At a later stage, the *Landbund* lost many members to the Nazis. And the attitude of the whole group towards this question was somewhat equivocal.

[2] Some of the local *Bauernbund* groups, however, supported the *Heimwehr*, and it is not easy to discover what proportion of the peasants were behind them. It is probable that opinion was fluctuating a good deal between 1928 and 1932.

[3] The views of this group were represented in Herr Kunschak's paper, the *Weltblatt*, a pronouncedly democratic organ.

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665 government difficult, its roots among the people were strong.
668 And it is just possible that had the Nazi party not appeared on the scene, and forced the Christian Socialists into a position of dependence on the *Heimwehr*, some compromise with the Social Democrats might have been found possible. But the fact that the *Heimwehr*, the only element wealthy and strong enough to provide a defence against the Nazis, was in a position of financial dependence on the Italians, who were thus in a position to dictate their terms, made the destruction of the Social Democrats almost inevitable.

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VI

THE INFLUENCE OF FOREIGN POLICY ON THE EVOLUTION OF DEMOCRATIC GOVERNMENT

648 THE difficulties experienced by Austria in the conduct of her foreign relations contributed, indirectly, to the general disillusionment with parliamentary democracy which came to be felt throughout the country. For it was all too obvious that the democratic theory of a policy inspired and controlled by the wishes of the people bore little or no resemblance to the facts of the case. Austria was, in fact, controlled by her creditors, who had over her, literally, the powers of life and death. And, since her foreign relations were matters of great moment to them, they did not hesitate to impose their own views on her Governments. These views were not shared by the great majority of Austrians. Thus it came about that successive cabinets, from 1919 till 1934, were obliged to pursue a foreign policy of which the electorate disapproved. This was the more unfortunate because foreign policy was a question of very great importance for post-war Austria, and the gradual realization that it was a matter over which public opinion could exercise no control did not enhance the value of democracy in the eyes of the Austrians.

The disillusionment began almost immediately after the war, when Austria was frustrated by France and the Allies in her plan for union with Germany.

642 The possibility of an independent existence for Austria had
648 never been seriously envisaged by any section of Austrian opinion after the break-up of the Empire, although certain elements in the Christian Socialist party had viewed the prospect of an *Anschluss* with some misgiving. Almost the first official pronouncement of the new republican Government had been to the effect that German Austria was a part of the German Reich.[1] Representatives from German Austria

[1] Article 2 of the Declaration of 12 November 1918 (B. G. Bl. Nr. 5). It was arranged, however, that Austria should continue, for the time being, to be organized as a separate state.

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attended the deliberations at Weimar on this assumption.[1] 642 Bauer has stated that "our most important aim in the peace 648 negotiations had to be the assertion of our right to unite with Germany'.

It seems probable that the Social Democrats were right in maintaining that the chief hope of survival for the young and somewhat frail plant of Austrian republicanism lay in the close connection of German Austria with the Reich. The Allies were, however, strongly opposed to any extension of German influence in the Danube basin, and Article 188 of the Treaty of St. Germain forbade an *Anschluss*, either immediately or in the future, without the consent of the League Council.[2] This article was, not unnaturally, felt to be extremely unjust, and strong protests were made against it, both in Germany and Austria.[3]

On the other hand, although it is almost certainly true that Austria and Germany would have joined up in the autumn of 1918 had they not been forcibly prevented by the Allies from doing so, it is equally true that public opinion, never unani-

[1] On 6 February 1919, a message of congratulation was sent from the Provisional National Assembly, to the Assembly at Weimar, in which it was stated that the Austrian body '. . . spricht die Hoffnung u. die Überzeugung aus dass . . . es der deutschösterreichischen Volksvertretung gelingen wird, das Band, das Gewalt im Jahre 1866 zerrissen hat, wieder zu knüpfen, die Einheit u. Freiheit des deutschen Volkes zu verwirklichen u. Deutschösterreich mit dem deutschen Mutterlande für alle Zeiten zu vereinigen.'

Provision was made in due course by Article 61 of the Weimar Constitution for the early inclusion of Austria in the Reich.

[2] M. Beneš has since stated that he and Masaryk had envisaged until as late as 1917 the incorporation of Austria in Germany. They thought that this solution would constrain the remaining small states of Central Europe to form a close political and economic bloc. These ideas were only abandoned when it was found that they met with opposition from Italy, France, England, and Russia—especially the two former. 'Being completely loyal to our friends in the war . . . we accepted their standpoint in this matter, and have remained faithful to it up to now.' (Speech of 21 March 1934, *Czechoslovak Sources and Documents*, p. 29.)

[3] 'Die Nationalversammlung erhebt vor aller Welt feierlich ihren Protest dagegen, dass der Friedensvertrag von S. Germain unter dem Vorwande, die Unabhängigkeit Deutschösterreichs zu schützen, dem deutschösterreichischen Volke sein Selbstbestimmungsrecht nimmt, ihm die Erfüllung seines Herzenswunsches, seine wirtschaftliche, kulturelle, u. politische Lebensnotwendigkeit, die Vereinigung mit dem deutschen Mutterlande, verweigert.'

642 mous in this matter, became less fervent in its support as the
648 months passed. The monarchists and the big Austrian industrialists had never been in favour of an *Anschluss*; and, after the publication of the German Peace Terms on 7 May, the Austrian bourgeoisie shrank from identifying themselves with Germany, especially as France succeeded in creating the impression that Austria would get more favourable peace terms if she abandoned the *Anschluss* policy. It was also felt that if France were presented with a *fait accompli*, she might well incite the Yugoslavs and Czechs to occupy Austrian territory. Germany, for her part, feared the loss of further territory to France and Poland.[1] As time went on, however, these misgivings were forgotten, and only the injustice of the Allies' veto was remembered.

648 Austria's position in the immediate post-war period was not a happy one, for, frustrated in what she now believed to have been her unanimous desire to join Germany, there was no Power, democratic or otherwise, to whom she could turn for assistance. Hungary, denuded of two-thirds of her pre-war territory, was, if anything, in a rather more unsettled condition than Austria. And the two states, never on particularly friendly terms, were now divided by the incipient dispute over the Burgenland.[2]

There could be no question of the establishment of close relations with Czechoslovakia. It is true that in both countries democratic Governments were in power, and that the relationship between them was ostensibly friendly. But Czechoslovakia was a victor state, who, having recouped herself lavishly at the expense of Austria, was not unnaturally anxious to sever all connections with her late rulers, even though these showed signs of an ideological change of heart. Moreover, disputes over the frontier had not yet died down.

If Austria's relationship with Czechoslovakia was distant, her relationship with Italy was, at this time, one of positive hostility, because of the question of the South Tyrol. In this

[1] Otto Bauer, *The Austrian Revolution*, Parsons (1925), p. 115.

[2] C. A. Macartney, *Hungary and Her Successors*, Oxford University Press (London, 1937), pp. 41 *et seq.*

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case, as in the case of the veto on the *Anschluss* with Germany, the Austrians asserted bitterly that the principle of self-determination was only applied when the application was likely to work out in favour of the Allies.

Thus, in 1919, since there appeared to be no other alternative, German Austria had to subscribe to the policy of the Allies, and pose as an independent state. The maintenance of Austrian independence has been the official foreign policy of the country from the moment when Renner succeeded Bauer, the great protagonist of the *Anschluss*, on 28 July 1919.

Desirable though this policy may have been, from the point of view of Europe as a whole, it was an essentially artificial policy. And the fact that it had, for the most part, very little backing from public opinion, weakened considerably the standing in the country of the successive Governments who had to attempt to carry it out.

Opposition to official foreign policy amounted at times to a declaration of war on the Federal Government, and this at a time when national unity was a matter of prime importance.[1] These 'unofficial' agitations caused such grave disquiet in Allied, and particularly in French circles, that on 14 April 1920, M. Lefèvre Pontalis handed a Note to the Chancellor, on behalf of his Government, stating that, if the Austrian Government were not in a position to suppress the *Anschluss*

[1] In December 1919, Tyrol and Salzburg respectively petitioned to be allowed to join the Reich. On 31 March 1920 the Tyrol *Landtag* requested the Renner Government to present a petition to the Ambassadors' Conference for the union of Tyrol with Germany, on economic grounds. Renner replied that although he could not refuse to present such a petition, he deplored it. It would not be granted, and it would only have the effect of discrediting Austrian representatives in the eyes of the Allies and thus making negotiations for economic assistance more difficult. Tyrol, however, persisted: and Salzburg followed suit.

The difficulties of Renner's position were increased by the fact that he was not supported by his own party. On 5–7 November 1919, for instance, at the Social Democratic Party Conference, the party announced its continued adherence to a policy of *Anschluss*.

The same difficulties confronted the Christian Socialist Mayr cabinet, which came into office on 3 November 1919. On 3 February, for instance, a deputation from the Provinces demanded the organization of a plebiscite to decide whether or not an *Anschluss* petition should be presented to the League. Arrangements for such a plebiscite were made in Salzburg, on 11 March 1920 for 24 April; and in Steiermark on 7 April for 30 May.

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agitations, the French Government would withdraw its support from schemes to help Austria. On hearing of this Note, the British and Italian Governments intimated to the Austrian Government that such an action on the part of France would mean the complete collapse of schemes to assist Austria. Thus the French Note really amounted to a command to the democratically elected Government of Austria to override and suppress the wishes of its electorate.[1]

In this way, the Austrian people were alienated in sympathy from their elected representatives, at the very time when it was most essential that the new state should be welded into a coherent whole, by leadership from a strong popular Government.

The goal of Austrian 'independence' was, moreover, receding rapidly into the distance. The conditions which it was felt necessary to attach to the granting of the League Loan in 1922 were such as to be scarcely compatible with the existence of Austria as an independent sovereign state at all.[2] League control was withdrawn in 1926. But it became all too obvious in 1931 that the narrow margin which had till then separated Austria from economic collapse would not suffice to enable her to stand up to the economic blizzard which descended upon Europe and America. And, in 1932, when the Lausanne Loan was granted, even more stringent League control was imposed.

It is true that by 1932 the situation had somewhat changed, for, with the rise of the Nazi movement in Germany, more moderate Austrian opinion came to regard a policy of indepen-

[1] The Note occasioned a stormy scene in the National Council in the course of which Mayr pointed out bluntly that Austria was not in a position to refuse the demands of the Allies: 'Wir werden ohne auswärtige Hilfe vielleicht schon in zwei Monaten nichts mehr zu essen haben.' (*Stenographische Protokolle*, 15 April 1920.)

Finally, the Mayr cabinet resigned on 1 June, on the grounds that the *Anschluss* agitations had made its position impossible.

[2] She had to agree to submit her finances, and the general economic policy of her Government, to control by a committee of the guarantors of the loan, which was to be represented in Vienna by a Commissioner-General. She had also to agree not to 'endanger' her independence by the granting of a 'special régime' to any one state. (League of Nations, *The Restoration of Austria*, Agreements arranged by the League of Nations and signed at Geneva on 4 October 1922, with the Relevant Documents and Public Statements. C. 716, M. 428, 1922, x, Geneva, 1922.)

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dence with less disfavour. But the fact remains that for fourteen years, successive Austrian Governments were compelled to attempt to carry out a foreign policy which was directly contrary to the wishes of the great majority of the people by whom they had been elected. In fact, of course, the various Governments had no option in the matter; but an electorate frustrated in its dearest wish does not pause to consider the good reasons which may exist for this frustration, especially when its temper is sharpened by acute economic distress.

There can be little doubt that what the vast majority of the Austrian electorate wanted during these years was an *Anschluss* with Germany, although this desire was not always felt with equal intensity by the different sections of the population.[1]

The chief supporters of the *Anschluss* policy of 1919–22 had been the separatist peasantry of the Alpine province, who were influenced to a large extent by temporary economic considerations. After 1925 the movement derived its strength mainly from the Civil Service, the professional classes, and the industrialists. If less spontaneous, this later movement was very much better organized and, unlike its earlier counterpart, it received positive support from high places in Germany. It was the beginnings of the renascence of German nationalism.[2]

[1] In 1923 and 1924, for instance, agitations for an *Anschluss* died down, partly owing to the comparative success of the Reconstruction Scheme in Austria, partly because of the bad conditions then prevailing in Germany. After 1924, however, the agitations increased again, because, with the introduction of the Dawes Plan, conditions improved in Germany, at a time when they were deteriorating steadily in Austria, as a result of the collapse caused by the over-speculation which took place in the summer of 1924.

[2] *Le Temps*, 17 and 27 May 1925, and the *Deutsche Allgemeine Zeitung*, 26 May 1932.

The new German Nationalist movement may be said to have taken its inception from an unofficial visit paid by Dr. Dinghofer and Dr. Frank, the German Nationalist leaders, to Berlin, towards the end of January 1925. It was then decided to reorganize, on a wider basis, Professor Wettstein's committee, which had been formed in 1919, to work for the removal of the technical difficulties in the way of the *Anschluss*. The new organization, which met for the first time in Vienna on 26 February, designated itself the Austro-German Union, as the Social Democrats' Popular League had become merged in the new organization. Its members were from all parties. Various sub-committees were set up to consider such matters as the unification of teaching in the secondary schools of both countries (higher education

642 And large *Anschluss* demonstrations, attended by prominent
668 officials, became increasingly frequent in both countries.[1] Yet, at the same time, Ramek and his Foreign Minister, Mataja, continued throughout the year to pursue a League policy, although his Government depended on the support of the very German Nationalists who were most opposed to this, and who were among the staunchest of the supporters of the Austro-German Union organization.

The one more or less constant desire of this feckless people could thus find no outlet through ordinary political channels. And, since the desire was too strong to be suppressed altogether, expression was given to it in extra-constitutional ways. The movement thus gained that momentum which so often comes to forces which are suppressed. And the methods used accustomed the Austrian people to reliance upon extra-constitutional means for attaining their ends. Thus, as the *Anschluss* movement gained in strength, so respect for ordinary parliamentary government decreased.

642 This curious and unsatisfactory situation occasioned much
668 anxiety in France, Italy, and the countries of the Little Entente. But the sharp reactions of the interested Powers towards movements of opinion in Austria and Germany were bitterly resented in both countries. Dr. Mataja protested in May to a representative of *Le Matin* that the Powers appeared to have forgotten that they had themselves guaranteed Austrian 'independence'. It was, he pointed out, a grave psychological mistake to treat Austria as a pawn in the political game, to be bartered about to suit the convenience of Italy, France, and the Little Entente.[2]

As the work of *Ausgleichung* continued, however, it was found that the process of assimilation was not so easy as had been at

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had already been unified), criminal law, agrarian reform on the German model, etc. It was hoped by these means to achieve a union *de facto* between the two countries, which would in time come to be recognized as a union *de jure*.

[1] See *Le Temps*, 6 May 1925, for an account of the Rhineland celebrations held in Vienna on 3 May.

[2] 'Ein Staat, der weder das Gefühl, noch den Stolz seiner Unabhängigkeit besitzt, kann sich nicht lange behaupten.' (Speech reported in the *Deutsche Allgemeine Zeitung*, 26 May 1925.)

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first anticipated. It was, for instance, difficult to envisage any satisfactory solution for the problem of Austrian provincialism, were Austria to become incorporated in the Reich.[1] And it was found, on closer examination, that Austrian legislation did differ from German in many important respects.[2] Austrian industrialists were now not slow in pointing out that the structure of German industry was essentially different from that of Austrian.[3] Finally, the Social Democrats, once the most convinced of all the protagonists of the *Anschluss*, became ever more doubtful of the advisability of this policy, as the strength of the Nazi movement in Germany increased.[4]

The announcement of the Customs Union project by Curtius and Schober in March 1931 came therefore as something like a bombshell. But its reception by the great Powers indirectly knocked the last nail in the coffin of Austrian democracy, for, once the Customs Union had been forbidden, everybody became convinced that this was what they had

[1] Kelsen wrote in 1927: 'Durch die politische u. staatsrechtliche Entwicklung seit dem Umsturz hat sich die Stellung der Länder so gekräftigt, haben sich die durch die Länder-Regierungen repräsentierten politischen Machtzentren in den ehemaligen österreichischen Kronländern so sehr verwurzelt, dass an eine Umwandlung Österreichs in einen Einheitsstaat ernstlich nicht mehr zu denken ist. Ja, man darf sich sogar—so traurig es ist—nicht verhehlen, dass wenn die Umwandlung Österreichs in einen Einheitsstaat . . . die Aufhebung der Länder also, eine conditio sine qua non für den Anschluss diese Bedingung nicht erfüllt werden könnte.' (*Frankfurter Zeitung*, 4 April 1927.)

[2] The German criminal code, for instance, was very much more severe than the Austrian. And German marriage laws were not easily reconcilable with Roman Catholic opinion in Austria.

[3] See *Le Temps*, 16 August 1928, for account of the proceedings at the Conference of Jurists, held at Salzburg in September 1928, to discuss the measures to be taken to unify the laws in both countries, regarding industrial and commercial cartels, etc.

[4] Article by Bauer, *Der Kampf*, July 1927: 'Es wird nicht das Reich Hindenburgs u. des Bürgerblocks sein, in das wir kommen werden.'

On the other hand, right-wing opinion in Austria was coming to view an *Anschluss* with less misgiving. Dr. Seipel, in particular, made speeches about this time which suggested that he had to some extent changed his views. These occasioned considerable misgiving in France, where he had always been regarded as the great supporter of Austrian independence. In September 1928 France issued a sharp warning: 'Un esprit aussi averti ne peut ignorer qu'en tout état de cause, le rattachement de l'Autriche à l'Allemagne, de quelque manière qu'on veuille poser le problème, ce serait la guerre pour toutes les puissances interessées au maintien du statu quo en Europe.' (*Le Temps*, 21 September 1928.)

642 648 really wanted. And opinion was finally disillusioned as to the efficacy of a democracy which was unable to give effect to what was felt to be the unmistakable wishes of the electorate, even when these were legally attainable, as most Austrians believed them to be. The fact that France and Czechoslovakia clearly meant to oppose the scheme, whether it was found to be legal or not; whether Austria and Germany desired it or not; and without any consideration for the possible economic advantages which might accrue to Austria, who was known to be in desperate need, was hardly calculated to strengthen the Austrians' not very fervent belief in the wisdom of constitutional government, of which Czechoslovakia and France were supposed to be among the chief exponents. After the failure of the Curtius-Schober project, subsequent efforts to bring about the *Anschluss* were diverted into extra-constitutional channels.

648 It had been hoped in certain Allied circles after the war that it might prove possible to find a solution to the Austrian problem in the formation of a democratic federation of Danubian states.' Such an arrangement, it was felt, would not only help Austria but would provide an effective barricade against possible German aggression in south-eastern Europe in the future.[1] And the economic advantages of maintaining the old free-trade area of the Empire as far as possible intact were felt to be considerable.[2]

It was, however, never found possible to realize such a

[1] *War Memoirs of David Lloyd George*, Nicholson and Watson (London, 1936), vol. v, pp. 2463 *et seq.*:

'The downfall of Russia had created fresh anxiety for the political future of Europe, and it was feared in many influential quarters that unless some counterweight was established on the Continent to Germany in place of Russia, the future peace of Europe might continue to be precarious. . . . If Austria were prepared to play that role and break with Germany, she would have not only our sympathy, but our active support . . . our object now was to assist Austria to give the greatest freedom and autonomy to her subject nationalities.'' Mr. Lloyd George envisaged the development of a federation of free peoples in Central Europe, and hoped that in the future other peoples, not at that time a part of the Austro-Hungarian Empire, might be attracted into the orbit of the confederation.

[2] Article 222 of the Treaty of Versailles had provided for tariff agreements between Austria, Hungary, and Czechoslovakia. But when an attempt was made to realize these in 1921, it came to nothing, because of the opposition of Italy.

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scheme. Germany, for obvious reasons, disliked it. Italy always opposed it, in whatever form it was proposed.[1] And the Austrians, though willing, and indeed anxious, to establish friendly relations with their neighbours, and to do as much trade as possible with them, could never consent to become an organic part of an organization of states potentially hostile to Germany. And apart from racial considerations, the intellectual and cultural life of Austria necessarily inclined her towards co-operation with the Western Powers.

The main obstacle to Danubian confederation, however, came from the states of the Little Entente themselves. For many months after the Armistice sporadic fighting had continued round the frontiers of Austria and Hungary, thus preventing any possibility of close co-operation. Even after this came to an end, it was inevitable that the Succession States would feel the need of time to consolidate their new territories, and that the last thing they would want, while doing this, would be to join forces again with their old rulers. It was this fear of an eventual resuscitation of Austria-Hungary which strengthened the bonds between Czechoslovakia, Roumania, and Yugoslavia. And the organization of the Little Entente, instead of becoming looser with the passage of time, as might have been expected, became progressively stronger. Even in 1932, for instance, when Austria and Hungary were both, economically, at their last gasp, this fear remained, and was instrumental in causing the failure of the Tardieu Plan.[2]

At the same time, it was realized, particularly in Czechoslovakia, that Austria must not be allowed to drift, in desperate defiance of the Treaties, into an *Anschluss* with Germany. Sufficient concessions must be made to make possible her continued existence as a weak but independent state.[3]

[1] Italy always viewed with misgiving any signs of an incipient *rapprochement* between Austria and the Little Entente, fearing the resuscitation of her old foe, the Empire, in new forms.

[2] See also speech of Beneš at the Bucharest Conference of the Little Entente, May 1925.

[3] Hence, the signing of the Treaty of Lana between Austria and Czechoslovakia in 1921. The economic position of Austria continued, however, to be unsatisfactory; and the Layton Rist report, published in 1926, stated that this condition of affairs was largely a consequence of the policy of economic nationalism pursued by the Succession States.

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648 The Tardieu scheme was launched in order to try to escape from the obviously unsatisfactory and unstable existing state of affairs. The time appeared to be auspicious, for the *Anschluss* scheme had failed; and both Austria and her neighbours were in a very bad way economically.[1] Moreover, Austria had recently, of necessity, become peculiarly susceptible to French influence.[2] France had an obvious responsibility towards Austria, for she had taken the lead in opposition to the *Anschluss* scheme; and she had admitted, in her Constructive Memorandum of the spring of 1931 that the Powers must make themselves responsible for the future well-being of Austria.[3]

M. Tardieu's scheme[4] was not, however, well received by any of the interested parties.

In Austria, the fact that the scheme did not embrace Germany undoubtedly made it more palatable to many of the right-wing groups, who hoped that with a little luck Danubian Confederation might become synonymous with Habsburg

[1] The initiative came from the Austrian side. On 15 February 1932 Buresch solemnly declared to the assembled ambassadors of Great Britain, France, and Italy that Austria could not continue any longer under present conditions, as it was becoming increasingly difficult to trade with neighbouring states. Austria would, he said, be willing to enter into close economic negotiations with any and every state who would be willing to do so. (*Neue Freie Presse*, 16 February 1932.)

[2] Schober had been dropped in the January reshuffle of the Buresch cabinet; and the new Government was supported by all the groups who had come to regard the idea of an *Anschluss* with disfavour.

[3] 'The French Government considers that in view of the difficult position of Austria it is the duty of the Powers to which that country has given an undertaking not to alienate its independence, to contribute to its material development, on the understanding that Austria on her side will do all in her power to improve her economic situation.' (League of Nations VII, C. 338, M. 151, 1931 (C.E.U.E., 1933).)

[4] The scheme, as communicated in a Memorandum to the Governments of Great Britain and Italy on 2 March, took as its starting-point the official report of the 44th session of the Financial Committee of the League, which had drawn special attention to the critical position in Austria and Hungary. It comprised proposals that Austria, Hungary, and the Little Entente should arrange a preference scheme among themselves, and should form, as it were, a united bloc *vis-à-vis* the outside world. The great Powers were to allow the entry of Danubian agricultural products at preferential rates, without demanding any *quid pro quo*. (*L'Europe Nouvelle*, 2 April 1932, p. 445.)

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Restoration.[1] The Social Democrats also, frustrated in their efforts to achieve the *Anschluss*, were comparatively well-disposed towards Tardieu's plan. There could, indeed, have been many worse solutions from the socialist point of view.[2] 648

At the same time, Austrian opinion as a whole cannot be described as enthusiastic, for it was all too obvious that the scheme had been conceived as an alternative to the *Anschluss*.

The economic advantages which would accrue to Austria were not too clear. It was feared, not without justification, that the struggling peasants of the Alpine Provinces would be unable to compete with the produce of the fertile Danubian states. And Austrian industrialists viewed with misgiving the prospect of Czech competition.

The attitude of the other proposed participants was not favourable. It was feared in the agricultural states (Hungary, Roumania, and Yugoslavia) that Austria and Czechoslovakia would not be able to absorb anything like all their surplus agricultural products.[3] And these three states maintained that in no circumstances could they give up extra-Danubian markets.

It is doubtful whether the scheme would have been of great value from the economic standpoint. The analogy of pre-war days was inapplicable, for, in the area which it was now

[1] The position of the *Heimwehr* and clerical groups was, however, difficult when it became apparent that the plan would not have the support of Italy, for these groups were probably, by this time, to a large extent dependent on Italian support.

[2] The *Prager Presse* of 23 September 1932, quoted at length from a recent article in *Der Kampf*, by Paul Szende, as follows: 'Es ist ein Irrtum, wenn man dieses Problem so darstellt, als ob Osterreich die Wahl zwischen Anschluss u. Donauföderation habe. Diese Wahl besteht zur Zeit überhaupt nicht. Es gibt vorlaüfig nur zwei Möglichkeiten: Donauföderation in einer Gestalt, bei welcher der französische Einfluss dominiert, oder Zusammenschluss einiger Staaten unter der militarischen Oberherrschaft des fascistischen Italien. Mit anderen Worten, die Wahl steht zwischen grosser oder kleiner Donauföderation frei.'

It was further pointed out that whereas the Small Plan would almost certainly lead to a return of the Habsburgs the Big Plan would not necessarily do so.

[3] Schober estimated that between one-sixth and one-seventh of the Danubian surplus might be absorbed, but that this would mean the ruin of Austrian and Czech agriculturists. (He was, however, including Bulgaria in this computation.) (*Frankfurter Zeitung*, 3 February 1932.)

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648 proposed to amalgamate, agriculture formed a much larger proportion of the total economy than in the roughly corresponding pre-war area, in spite of the development of industry in the Succession States. Bessarabia and Serbia, wholly agricultural districts, were now included in the new area; and agriculture had been sedulously, and to a large extent successfully, fostered in Austrian and Czechoslovak districts where it had been of little or no importance before the war.

Moreover, the whole scheme looked rather like an attempt to set the clock back, for, from the League documents published about this time on economic conditions in central Europe, it was clear that all the six Danubian states had, of recent years, had more trade with the western countries and less with each other.[1] And it was a dubious undertaking, from the economic point of view, to try to exclude Italy and Germany from Danubian markets, whatever might have been said for the attempt on political grounds.[2]

Thus the third possible 'democratic' solution for Austria proved to be unrealizable, on political, economic, and cultural grounds.

In fact the only foreign policy which appeared to be at all feasible by 1933 was one which was decidedly anti-democratic in its implications, namely an Italian policy.[3]

[1] In 1926, for instance, 35·5 per cent. of Danubian exports were within the Danubian group. By 1931, this proportion had dropped to 25·5 per cent.

[2] As regards Austria, for instance, while Hungary and the Little Entente took 26·5 per cent. of her exports, Germany and Italy took as much as 24·4 per cent. And as regards imports, the four Danubian states sent 36 per cent., while Germany and Italy sent 26·3 per cent. In each of the other Danubian states the position was essentially the same. (See *League Documents, Economic and Financial* 1932, II. 781—'Études relatives au problème des rapprochements économiques. Chiffres essentiels du commerce extérieur des pays danubiens.') The group did not, indeed, form at all a satisfactory economic unit. Apart from the fact that Austria and Czechoslovakia could not absorb anything like all the surplus agricultural produce of the other three, their own industrial products tended to be of a kind that could only find a market in relatively highly developed countries. (This was especially the case with Austrian semi-luxury goods.)

[3] Italy's plans for Austria were, however, never very clearly defined, and probably varied considerably from time to time. Similarly, the groups susceptible to Italian influence, in Austria, all tended to have plans of their own.

From the first days of the Republic there had existed right-wing groups in Austria who were not reconciled to the new democratic régime,[1] and with these the Italian Government, dissatisfied with the attitude of the Allies, established connections, without, at first, any success.[2] In 1922, however, an opportunity arose, when Seipel, in desperation, visited the various capitals of Europe seeking for economic help, having warned the Powers, at the London Conference, that unless they were prepared to come to Austria's assistance, they must take over her administration themselves. When he met the Italian Foreign Minister, Schantzer, at Verona, on 24 October 1922, it was proposed that a customs union should be formed between the two countries; and that Italy should take over the control of Austrian finances. The union was evidently intended to be relatively far-reaching. It is not, however, clear from which side the initiative came. Schantzer in any case hesitated, and the League stepped into the breach.[3]

During the next few years, the possibility of any kind of Italian solution receded as the relationship between the two

[1] These groups were recruited, in the main, from the ranks of the old Imperial Army, the Church, and the aristocracy.

[2] In the years immediately following the Armistice, for instance, she probably lent her support to the somewhat nebulous schemes then afoot for the formation of a south-German Catholic state under one of the Wittelsbachs. This state was to include Bavaria, Austria, Hungary, and possibly Croatia. The plan was apparently sponsored by Austrian clerical circles, certain French circles, and by the Vatican. The scheme, however, came to nothing. (C. A. Macartney, 'The Armed Formations of Austria', *Journal of the Institute of International Affairs*, vol. viii (1929), pp. 167 *et seq.*)

[3] The question arose again, at the time when the Austro-German Customs Union proposal was being considered by the International Court. Herr Kaufmann, the Austrian representative, then distinguished between 'associations douanières' and 'inclusions douanières'. The proposal of 1922 was, he said, an example of the latter: 'Il n'y a pas de doute quant du point de savoir que ce projet aurait compromis l'independence de l'Autriche au sens de l'article 88 de S. Germain.' The initiative had, he indicated, come from Italy. The Italian representative, M. Pilotti, denied this, however: 'Le gouvernement autrichien . . . a envoyé ses représentants en Italie pour proposer au gouvernement italien de prendre à sa charge la monnaie autrichienne, et de faire une Union douanière aussi complète que possible. Cette proposition n'a pas été acceptée par le gouvernement italien; on a estimé que la charge aurait été lourde pour les finances italiennes de cette époque.' (*Cour Permanente de Justice Internationale Série C*, No. 53, pp. 525 *et seq.* Also Muriel Curry, *Italian Foreign Policy* (Nicholson and Watson, 1932), p. 73.)

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countries degenerated into one of positive hostility over the question of the South Tyrol.[1] And it was long remembered against Italy that she had supported Hungary's claim to a plebiscite in Odenburg in 1921.

But although the greater part of the population continued, as in pre-war days, to dislike and despise the Italians, Italy found plenty of opportunity for mischief-making. The *Heimwehr*, for instance, originally founded to keep the peace and defend the frontiers in Carinthia and Styria, shared from the beginning the Italian dislike of Yugoslavia. And with the advent of Mussolini in Italy, and the growth of reactionary forces within the *Heimwehr*, the link with Italy became stronger. As early as 1927, for instance, it was rumoured that the more extreme of the parties of the right, whose dislike of the Social Democrats predominated over their concern at the plight of the South Tyrol, were willing to play Italy's game in return for material support for the *Heimwehr*.[2]

If it is uncertain to what extent Seipel's Government felt positive sympathy for Italy, it is certainly true that Austria was not in a position to ignore her, for, in conjunction with her enthusiastic ally, Hungary, she was in a position to exert a very formidable pressure on Austria. This was shown very clearly at the time of the riots of July 1927. Italian support of Hungarian revisionist aspirations, which were at that time concentrated on the *Burgenland*, was well known. And Hun-

[1] The German minority in the South Tyrol had, since 1923, been subjected to systematic Italianization. This had been the subject of much indignant comment in Germany and Austria. Vigorous protest from the Bavarian Premier, Dr. Held, in 1926, elicited an extremely belligerent speech from Mussolini, in which he remarked that in no circumstances would Italy withdraw her flag from the Brenner. She might even, if need be, carry it further.

[2] *Manchester Guardian*, 5 November 1927, quoting from *Vorwärts*, the *Deutschen Volkswirt*, and the *Münchener Neueste Nachrichten*.

On 5 November the *Frankfurter Zeitung* drew attention in a long article to widespread rumours to the effect that the *Heimwehr* was being financed with Italian gold, and provided with Italian weapons. The Styrian *Landeshauptmann*, Rintelen, it was pointed out, had entertained the closest political and financial relations with Italy since he had given over the Styrian Water Power Company to Italian capital. Italy, it was suggested, would like to be able to control Styria because it would enable her more effectively to encircle Yugoslavia.

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gary would have required little encouragement to step in and take what she claimed was her own.[1] This state of affairs persisted through 1928. Relations with Italy continued, in spite of the danger, or perhaps because of it, to be uncertain.[2] But, as the right became progressively stronger in Austria, the anti-Italian tide began to turn.[3]

It was not, however, until 1930 that Schober finally established the relationship of the two countries on a positively friendly basis, by his visit to Rome in the February of that year.[4] The *rapprochement* was inevitably something of a Canossa for Austria,[5] and it speaks well for Schober's statesmanship that the visit did not arouse a great deal more opposition in Austria than was actually the case. It is probable that Schober himself did not intend the Italian visit to inaugurate the beginning of a new trend in Austrian foreign policy.[6] The French, however, and the Italians themselves, did not hesitate to assert that it did.[7]

The influence of Italy in Austrian politics had certainly

[1] Hungary's relations with her other neighbours had been rather more friendly in 1925 and 1926. The possibilities of opposition to a forward policy in the *Burgenland* had therefore decreased.

[2] The position of the South Tyrol, for instance, was discussed with great bitterness in the National Council in February.

[3] At the beginning of July 1928, for instance, Seipel made overtures to Italy by admitting that the point at issue in the Alto Adige was simply a cultural one. The Italian minister, absent since February, returned forthwith to Vienna.

[4] Schober went primarily in order to thank Italy for her recent support at the Hague, but also to conclude a Treaty of Friendship and Arbitration.

[5] Schober had, for instance, to walk in the funeral procession of one M. Bianchi, a well-known Austrian irredentist of pre-war days. (*Kölnische Zeitung*, 11 February 1930.)

[6] In his speech in the National Council, Schober remarked that 'der Vertrag mit dem Königreich Italien ist in seiner Tendenz die gradlinige Fortführung der Politik Österreichs, mit allen Staaten in friedliche Beziehungen zu leben.' (*Reichspost*, 26 February 1930.)

[7] '. . . L'Autriche est considerée comme un anneau' (between Italy and Hungary) 'qui pourrait rendre du précieux services au nouveau système italien d'alliances et d'amities.' (*Le Temps*, 8 February 1930.) 'Le gouvernement fasciste paraît, en tout cas, faire un nouvel effort pour organiser sur le Danube un groupe capable de contre-balancer l'influence de la Petite-Entente, et de créer au centre de l'Europe, une situation politique correspondant aux idées et à l'intérêt italiens.' (*Le Temps*, 8 February 1930: also *Pester Lloyd*, 26 February 1930.)

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648 increased considerably by 1930. This was in part a consequence of the fact that, for reasons of internal politics, the balance of power in Austria had passed to the right-wing groups, who had natural affinities with both the civil and the ecclesiastical powers in Italy. There can be little doubt that the fact that Italy was ready to back these materially as well as morally gave them eventually an advantage over the left and the centre which they might never otherwise have acquired.[1]

The pattern of Austrian foreign policy, long veiled in obscurity, was now becoming clear. The 1931 Customs Union proposals had showed that the great body of democratic and moderate feeling in the country still looked for salvation in union with the Reich. The Social Democrats were certainly becoming more doubtful of the advisability of an *Anschluss* in the immediate future, in view of events in Germany. But their lack of enthusiasm was made up for by the fervour of the Nazi group, which was growing rapidly.[2]

The right-wing clerical group, whose interests were more or less identical with those of a large section of the *Heimwehr*,[3] would probably have had little chance of maturing their plans, even after the failure of the 1931 Customs Union project, had it not been for the support which they received from Italy and

[1] The author of *Alarmruf aus Österreich*, a well-informed pamphlet which appeared in 1931, and emanated, apparently, from someone in close proximity to Schober, considered that Austrian reactionary groups would probably be of negligible importance were they not supported from outside the country.

[2] It would be easy to expatiate at length on the unsuitability of the Nazi ideology for Austria. But the movement had, none the less, much to recommend it in Austrian eyes. It was anti-democratic, at a time when disillusionment with democracy was widespread; it was anti-clerical, a factor of great importance in Austria where anti-clericalism is much more widely spread than is commonly supposed; and it was pro-German. It was thus, superficially at any rate, admirably suited in many respects as a creed for the impoverished, free-thinking middle class. And it recruited its hangers-on for the purposes of demonstrations, fights, etc., from the army of the down-and-outs, who were ready to work and fight for anyone who paid them, and to believe in any party which worked against the existing régime, and held out sufficiently alluring promises of future wealth.

[3] A considerable part of the *Heimwehr*, notably in Styria, were Nazi in sympathy.

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the Vatican. The aristocracy and the army, from whom these groups were mainly recruited, had never had deep roots in Austria; they had lived, both before and after the war, in a closed circle, as a class apart from the people. On the other hand, the return of the Habsburgs to Austria and Hungary, which was the more or less constant aim of these groups, was a policy eminently acceptable to Italy (though the Right-wing parties no doubt anticipated being in a position to dispense with Italian 'advice', once they were established). And Great Britain, irritated by the insistent demands of nervous French imperialists, would probably have been glad enough if Italy could have taken the place of France in building up a strong bloc in south-eastern Europe, which would in its nature constitute a permanent check on German ambitions. Even France, too much embroiled in her own difficulties to be able to finance much longer the costly experiment of Austrian 'independence', was able to view Italian schemes without undue alarm. And some circles in Czechoslovakia, the senior partner in the Little Entente, were coming to believe that Italian influence, even if this meant a return of the Habsburgs, was a lesser evil than the *Anschluss*.

Italian schemes at first took the form of the encouragement of a *rapprochement* between Austria and Hungary. In July 1930 Schober made a journey to Budapest. The two countries exchanged mutual compliments; and the tension that had existed between them before and after the war was conveniently forgotten.[1] Too much significance should not, however, be attached to this visit.

There appears, however, to be reason for believing that the relationship between the two countries became very much closer during the short period of office of the Seipel–Vaugoin minority Government in the autumn, and it was widely be-

[1] Report of Count Bethlen's speech, at a dinner given in Schober's honour when he visited Budapest: 'Viele Jahrhunderte gemeinsamer Friedensarbeit . . . unzählige gemeinsame Kämpfe, gemeinsam vergossenes Blut, ebenso wie die letzten zehn Jahre gemeinsam erduldeten Leiden . . . sind ein festes Band, das uns mit unserem österreichischen Nachbar in warmer Freundschaft verbindet.' (*Neues Wiener Tageblatt*, 8 July 1930.)

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lieved that the question of a military alliance at least was then discussed, although this was officially denied.[1]

In March and April interest in the Hungarian question was overshadowed by the German Customs Union proposals. It was revived, however, at the beginning of May, by an unofficially inspired article which appeared in the *Tribuna*, in which Italy gave it to be understood that she considered that Austria's true mission was to remain as a Danubian state, closely linked with Hungary.[2]

The Hungarian project probably came to be viewed with increasing favour in the course of the summer in certain Austrian circles,[3] as it was becoming ever more apparent that the Customs Union would not be realized. And French and

[1] The *Frankfurter Zeitung* of 1 February 1931 quoted an article from the *Österreichische Volkswirt* as follows: 'Vor dem Wechsel auf dem Ballhausplatz, hätte Bethlen mit gutem Grunde auf einen Wortlaut rechnen können, der über den üblichen Freundschaftsvertrag hinausgegangen wäre. Auch das wäre natürlich ein rein defensiver Vertrag gewesen, aber doch immerhin, ein Vertrag auf mehr als bloss formalen Inhalt.' The *Frankfurter Zeitung* commented on this as follows: 'Dass die Politik Seipels in dieser Richtung gelassen ist, u. dass die reaktionären Kreise . . . nichts lieber sehen würden als einen Anschluss Österreichs an das halbdiktatorisch regierte Ungarn u. seine Gruppe, besteht kein Zweifel.'

[2] The article was quoted in *Le Temps* of 4 May 1931 as follows: 'La mission historique, économique et politique de l'Autriche est du reste en fonction danubienne. C'est pourquoi c'est seulement avec une autre pays typiquement danubienne, la Hongrie, que l'Autriche peut améliorer sa structure économique, renforçer son entité politique, et acquérir de l'autorité en Europe . . . l'Italie trouverait dans ce nouvel équilibre de l'Europe centrale et balkanique un précieux facteur, pour le développement de sa politique de paix et d'expansion, et la France un moyen efficace pour éviter l'Anschluss.'

[3] The *Weltblatt*, for instance, representing the views of Herr Kunschak and the more liberal wing of the Christian Socialist party, remarked that 'la necessité s'impose à l'Autriche de se préparer, ou tout au moins de ne pas s'opposer, à son union qui est trés prochain, avec la Hongrie. Lorsque l'évolution, qui est imminente, arrivera à son terme, les deux peuples seront peut-être accessibles à l'idée d'un restauration de la Monarchie.' (Quoted in *Le Temps*, 26 October 1931.)

On 22 November 1931 the project was discussed at a meeting of the *Wiener Industriellenklub*, at which leading business men from both countries were present. (*Pester Lloyd*, 22 November 1931.)

The matter was broached in Parliament about this time, in connection with the negotiations which had taken place between Dr. Dollfuss, Minister of Agriculture, and M. Hantos, the Hungarian Minister of Trade. The project was opposed by the National Economic Bloc. (*Neue Freie Presse*, 24 November 1931.)

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Czech opinion was coming to feel that even the Habsburg solution would be preferable to that of an *Anschluss* between Austria and Germany.[1]

Italy, however, always uncertain as to her best line of attack, showed some hesitation when the question of Danubian Federation came up in 1932. It was not until the time of the London Conference that she decided definitely to oppose this plan.

The moment appeared an opportune one for the Italian scheme, for those of the *Heimwehr* who had not openly or secretly gone over to the Nazis now appeared to rally round the Legitimist cause.[2] Italy now openly supported the *Heimwehr*.[3] The Church also came out openly in favour of it, and it became quite usual for *Heimwehr* meetings to begin with an open-air Mass.[4]

Negotiations with Hungary were not, however, found to be very easy. And even the attempt to negotiate a new commercial treaty in the summer of 1932 occasioned much difficulty and ill-feeling.

At the end of 1932 the old project of the formation of a

[1] Article in *Frankfurter Zeitung*, 29 August 1931: 'Man glaubt, dass den Franzosen, aber auch den Italienern, ein Zusammenschluss mit Ungarn unter einem Habsburger als ein kleineres Übel als der Anschluss Österreichs an Deutschland erscheinen werde. Auch die Kleine Entente ist in der ablehnenden Haltung gegenüber Habsburg . . . nicht mehr so einig wie früher.'

[2] Article by Léon Blum in *Populaire*, 3 November 1932: 'La Heimwehr d'Autriche, en partie Hitlerienne, reste en grande majorité hapsbourgeoise. Elle entretient les plus étroites relations avec le gouvernement fasciste de Hongrie, avec les Casques d'Acier, avec Mussolini. Le Ministre d'Italie n'a pas craint de figurer publiquement à la dernière manifestation des Heimwehren.' Léon Blum pointed out that these people were gradually getting into government circles, and that Major Fey, for instance, belonged to them.

[3] On 15 and 16 October, for instance, when a conference of *Heimwehr* leaders was held in Vienna, at which 1,000 *Heimwehr* men appeared, the Italian minister was present. (*Le Temps*, 17 October 1932.)

[4] *Alarmruf aus Österreich*, 1931: 'Dass Fascismus u. Vatikan in Ungarn u. Österreich gemeinsam marschieren, ist allein aus dem Wohlwollen der österreichischen Kirchenfürsten für die von Mussolini begönnerten Heimwehren erwiesen. Der österreichische u. ungarische Legitimismus wird nahezu von allen Kardinälen, Bischöfen, Prälaten u. Aebten dieser beider Länder ganz offen begünstigt. Das wäre ohne Zustimmung des Oberherrn in Rom nicht möglich.'

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South German Catholic state which was to include Austria, Hungary, and Bavaria was revived unofficially. It is, however, doubtful if the scheme ever approached actuality, although Dr. Dollfuss was said to be interested in it.[1]

In conclusion, it may be said that in the early post-war years, when both Austria's friends and her principal creditors were democratic states, the signs of reaction in Austria were relatively few. But the movement of Germany towards the right, round about 1928, inevitably led to a similar movement in Austria; and at the same time France, and, to a lesser extent, the satellite Little Entente states, timorous before the increasing power of Germany, came to view with ever less aversion a solution of the Austrian problem on the lines envisaged by the right-wing Austrian groups. A development of this kind was by no means wholly to their liking, but it at least precluded, so they thought, the menace of the *Anschluss*.

Thus Austria's democratic friends came to view with comparative equanimity the increasingly large part played by Italy in Austrian affairs from 1930 onwards. Italy, it was thought, could be trusted to play for all time an anti-German game. This she undoubtedly did, as long as she was able. But the price which had to be paid was the sacrifice of democratic government.[2]

It was, from the first, all too obvious that Austria was considered by the great Powers as a pawn in the game of international politics, and that the right of self-determination would never be accorded her. It was, therefore, not unnatural that, as the years went on, the country ceased to desire the maintenance of a sham 'independence'.

[1] Meetings were held on 11 November and 12 November 1932 in Salzburg, at which both Dr. Dollfuss and Dr. Held, the Bavarian Premier, were present. And the *Heimwehr* and the Bavarian Casques d'Acier held joint manœuvres at Salzach, at the beginning of December.

[2] The crushing of the Social Democrats, in February 1934, for instance, was probably a direct result of Italian intervention.

CONCLUSION

IN conclusion, an attempt may be made to sum up very briefly some of the main causes for the breakdown of democratic government in Austria. 642

The constitution of 1920 undoubtedly played its part, for the omnipotence of parliament which it set out to effect became in fact the omnipotence of the party organizations. Every issue was treated as a party issue, and every aspect of life came to be tinged with political disputes. Parliament, which should have operated to draw the rival groups together, accentuated the differences between them.

It is not suggested that all or even most of the disasters which befell the Austrian Republic can be attributed to defects of the constitution. Constitutions can help or hinder the success of democracy; they do not generally in themselves decide the fate of democratic government. In Austria the unwise provisions of the 1920 constitution probably only served to accentuate difficulties which might well have proved to be insuperable in any case.

The unsatisfactory economic condition of the country, for instance, fostered, as it always must, the growth of extremism on both sides.[1] It prevented the people from developing any feeling of pride in the new Austria, which came to be associated for them with economic misery such as they had never known before.

Again, their experiences in the sphere of foreign policy did nothing to generate an Austrian patriotism in the people. These rather served to indicate to them their helplessness in the face of a hostile world, and the futility of maintaining the façade of self-government when in fact the country was tied hand and foot by its creditors. Self-government was but another name for the administration of the country by the Allies.

Finally, it may be said that so long as democratic govern-

[1] The more perspicacious of the Social Democrats understood the danger well. (See speech of Seitz at the 1930 Party Conference.)

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642 ment lasted in Germany, Austrian democrats had little to fear. But the combination of the collapse of parliamentary democracy in the Reich with the necessity of turning to Fascist Italy for support against the Nazi terror, led inevitably to the collapse of parliamentary democracy in Austria.

APPENDIX A

The Evolution of the Constitution

March 1919–October 1920

March 1919

Renner entrusted Professor Kelsen, the Constitutional Adviser to the Legislative Department of the Chancery, with the task of drawing up a new constitution.

May 1919

Dr. Mayr, on behalf of the Christian Socialists, produced a draft constitution.

October 1919

Dr. Mayr worked, on behalf of the Christian Socialist–Social Democrat coalition government, at projects for constitutional and administrative reform. Finally, he drew up a draft constitution, which he used as a basis in his negotiations with the political parties in the Provinces.

January 1920

A Provincial Conference was held at Salzburg to consider the question of the new constitution. No government officials, except Dr. Mayr, were invited to be present. Dr. Mayr presented his project as a personal one, and it was adopted as a basis for discussion. It represented, on the whole, a compromise between Christian Socialist and Social Democratic views, although its bias not unnaturally tended towards the former.

February 1920

A second Provincial Conference was held at Linz. Dr. Mayr's project, which had in the meantime been remodelled to some extent in favour of the Social Democrats, was again adopted as the basis for discussion and some progress was made. The Social Democrats, however, repeatedly empha-

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sized the fact that these conferences could not be regarded as official, and that the only body by which definitive decisions could be reached was the National Assembly.

May 1920

Dr. Dinghofer produced a draft constitution on behalf of the German Nationalists.[1]

7 July 1920

Dr. Mayr produced a second draft constitution.[2]

Herr Abrahem produced the first Social Democrat draft constitution.[3]

15 July 1920

The Constitutional Committee of the 'Proporz' Cabinet appointed a sub-committee of seven members with Dr. Kelsen as Constitutional Adviser.

24 September 1920

This body, after much discussion and consultation with other bodies, presented their project to the Constitutional Committee on 24 September.[4]

1 October 1920

This draft constitution was laid before the Constituent Assembly just before its term of office expired, in October 1920.

[1] Beilage, Nr. 342. [2] Beilage, Nr. 888. [3] Beilage, Nr. 904.
[4] See 'Bericht des Verfassungsausschusses über den Entwurf eines Gesetzes, womit die Republik Österreich als Bundesstaat eingerichtet wird. Beilagen zum stenographischen Protokoll der Konstituirender Nationalversammlung'. (Kelsen, *Verfassungsgesetze*, Bd. V, pp. 501 *et seq.*)

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APPENDIX B

Law of 1 October 1920
constituting
THE REPUBLIC OF AUSTRIA
as a
FEDERAL STATE
(Federal Constitutional Law)

The National Assembly has resolved:

FIRST SECTION

GENERAL PROVISIONS

Article 1

Austria is a democratic Republic. Its law emanates from the people.

Article 2

(1) Austria is a Federal State.

(2) The Federal State shall consist of the following Provinces: Burgenland, Carinthia, Lower Austria (Province of Lower Austria and Vienna), Upper Austria, Salzburg, Styria, Tyrol, and Vorarlberg.

Article 3

(1) The Federal territory embraces the territories of the Federal Provinces.

(2) An alteration in the Federal territory involving an alteration in the territory of a Province or an alteration in a Provincial frontier within the Federal territory (otherwise than by peace treaties) can be made only by identical Constitutional Laws of the Federation and of the Province the territory of which is altered.

(3) Special provisions applicable to the Province of Lower Austria and Vienna are contained in the Fourth Section.

Article 4

(1) The Federal territory constitutes a uniform territory for purposes of defence, economic affairs, and customs.

(2) Internal customs barriers or other restrictions to intercourse shall not be set up within the Federation.

Article 5

The Federal capital and seat of the supreme Federal Government offices is Vienna.

Article 6

(1) There shall be a provincial citizenship for each Province. The qualification requisite for provincial citizenship shall be the right of domicile in a commune of the Province. The conditions under which provincial citizenship shall be acquired and lost shall be the same in every Province.

(2) Federal citizenship shall be acquired by the act of acquiring provincial citizenship.

(3) Every citizen of the Federation shall have in each Province the same rights and duties as the citizens of the Province.

Article 7

(1) All citizens of the Federation shall be equal before the law. Privileges of birth, sex, position, class, and religion are abolished.

(2) Public officials, including members of the Federal Army, shall enjoy the unimpaired exercise of their political rights.

Article 8

The German language shall be the official language of the Republic, but without prejudice to the rights accorded by Federal laws to linguistic minorities.

Article 9

The universally recognized rules of international law shall be constituent parts of the Law of the Federation.

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Article 10

Legislative and executive power in regard to the following matters is vested in the Federation:

(1) The Federal Constitution, especially elections to the National Council, plebiscites based upon the Federal Constitution; constitutional jurisdiction;

(2) Foreign affairs, including political and economic representation abroad, and especially the conclusion of all political treaties; the limitation of boundaries; foreign trade in goods and live stock; customs;

(3) Regulation and supervision of entrance into the Federal territory and departure thence; immigration and emigration; passport system; removal, dismissal, banishment, and extradition from the Federal territory, and the granting of permission to pass through the Federal territory;

(4) Federal finances, especially public taxes, exclusively or partially collected for the Federation; monopolies;

(5) Currency, credit, exchange, and banking; weights, measures, standards, and gauges;

(6) Civil law, including company law; criminal law, exclusive of the administrative penal law and administrative penal procedure in matters falling within the sphere of independent activity of the Provinces; the administration of justice; administrative jurisdiction; copyright; public press; expropriation, in so far as it does not concern matters falling within the sphere of independent activity of the Provinces; matters concerning solicitors, barristers, and allied professions;

(7) The law of associations and of assemblies;

(8) Matters concerning trade and industry; combating unfair competition; patents and the protection of patterns, marks, and other distinguishing signs on goods; matters concerning patent agents; engineering and civil technology; chambers of commerce, trade, and industry;

(9) Transport as regards railways, shipping, and air transit; matters connected with street railways, which, on account of their importance in connection with transit traffic, have

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been declared by Federal law to be Federal routes; river and shipping police; posts, telegraphs, and telephones;

(10) Mining; control and maintenance of waterways navigable by boats or timber-rafts, and of waterways forming the boundary with a foreign country or between Provinces, or which flow between two or more Provinces; construction and maintenance of waterways connecting home with foreign territory or a number of Provinces with one another; general technical measures for the proper utilization of water power, excluding agricultural and small industrial works; fixation of standards and types of electrical plant and apparatus, and safety measures in connection therewith; high power supply legislation where the distributing installation extends to two or more Provinces; steam boilers and power machinery; surveying;

(11) Labour laws and protection of workpeople and employees, with the exception of agricultural and forestry workers and officials; social insurance and contract insurance;

(12) Public hygiene, excluding interments, the disposal of corpses, and sanitary services and life-saving services maintained by Communes; hospitals, convalescent homes, health resorts, and medicinal springs in respect of hygienic supervision only; veterinary services; food supply, including food control;

(13) Scientific and expert services in public archives and libraries; matters concerned with artistic and scientific collections and equipment; protection of monuments; religious matters; census of population and other statistics, in so far as they do not serve only the interests of a single Province; foundations and endowments, where such foundations and endowments are devoted to purposes which are not the exclusive concern of a single Province and have not hitherto been administered autonomously by the Provinces;

(14) Federal police and Federal gendarmerie;

(15) Military matters; losses due to war, care of persons who have served in war and of their dependants; measures

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deemed necessary (owing to war or the results of war) for ensuring uniform control over economic affairs, particularly in regard to the provision of the necessaries of life for the people;

(16) Organization of Federal administrative and other authorities; service law for Federal officials.

Article 11

(1) Legislative power shall be vested in the Federation and executive power in the Provinces, in regard to the following matters:

a. Citizenship and right of domicile; matters of personal status, including registration and change of name; foreign police;
b. Occupational representation in so far as not included in Article 10, excluding agricultural and forestry representation;
c. Public agencies and private commercial agencies;
d. As regards public taxation not exclusively or partially levied for the Federation: measures to prevent double taxation or other excessive burdens, to prevent impediments to commercial intercourse or economic relations with foreign countries or between the Provinces or parts of Provinces, to prevent the imposition of charges, which are excessive or likely to impede traffic, upon the use of public traffic routes and appliances, and to prevent injury to the finances of the Federation;
e. Munitions, firearms, and explosives, in so far as these are not a monopoly, and weapons; automobiles;
f. Housing of the people.
g. Administration and administrative penal law, including compulsory execution and general determination of the administrative penal law, including matters in which Provincial legislation is applicable.

(2) Regulations giving effect to laws promulgated under the terms of paragraph (1) shall be issued by the Federation, unless otherwise provided by the laws themselves.

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Article 12

(1) Legislative power in respect of principles shall be vested in the Federation and the enactment of executive decrees and executive power shall be vested in the Provinces in regard to the following matters:

a. Organization of the administration of the Provinces;
b. Poor relief; population policy; popular sanatoria; care of mothers, infants, and children; hospital and nursing-homes, health resorts, and medicinal springs;
c. Institutions for the protection of society against criminal, neglected, or otherwise dangerous persons, such as compulsory labour and similar institutions; removal and expulsion from one Province to another;
d. Public institutions for the settlement of disputes otherwise than by the Courts;
e. Labour laws and protection of workpeople and employees where such workpeople and employees are engaged in agriculture and forestry;
f. Land reform, especially agrarian operations and re-colonization;
g. Forestry, including pasturage; protection of plants against diseases and pests;
h. Electrical power supply and water rights, in so far as these are not included in Article 10;
i. Building;
j. Service regulations for Provincial officials exercising administrative authority.

(2) The decision, by way of final appeal, in matters connected with land reform (Par. 1 f) shall be entrusted to a Commission appointed by the Federation, and composed of Judges, administrative officers, and experts.

Article 13

(1) Legislative and executive power shall be vested in the Federation in regard to the allocation of taxes between the Federation, the Provinces, and the Communes, the apportionment of the share of the Provinces and of the Communes in the Federal receipts, and the determination of the contributions

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and payments to be made from Federal funds towards the expenditure of the Provinces and Communes.

(2) Legislative and executive power shall be be vested in the Provinces in regard to the allocation of Provincial taxes to the Communes, the apportionment of the share of the Communes in the Provincial receipts, and the determination of the contributions and payments from Provincial funds towards the expenditure of the Communes.

Article 14

The spheres of action of the Federation and the Provinces in the domain of education, instruction, and national culture shall be determined by a special Federal Constitutional law.

Article 15

(1) In so far as legislative and executive power in respect of any matter is not expressly vested in the Federation, it shall remain within the sphere of independent action of the Provinces.

(2) In so far as legislation upon principles only is reserved to the Federation, the detailed execution shall be determined by legislation by the Provinces within the limits laid down by the Federal laws. The Federal law may fix a period for the promulgation of such implementary laws, the period to be not less than six months and not more than one year, save with the sanction of the Federal Council. Should this period be exceeded by any Province, the Federation shall become competent to promulgate the implementary laws for that Province. As soon as the Province has issued the implementary law, the implementary law of the Federation shall cease to be of effect.

(3) If an executive act by a Province in connection with the matters dealt with in Articles 11 and 12 is to become effective in several Provinces, the Provinces concerned must, in the first place, take steps to come to an agreement. Should they be unable to agree on the proposal of one of the Provinces, the appropriate Federal Ministry shall become competent to perform the act. Further provisions as to such cases may be

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made by Federal laws issued in accordance with Articles 11 and 12.

(4) In matters reserved for Federal legislation in accordance with Articles 11 and 12, the Federation shall be entitled to enforce the observance of instructions issued by it.

(5) The Provinces shall be entitled, within the sphere of their legislative powers, to determine matters necessary to the carrying out of their objects, including matters of penal and civil law.

Article 16

(1) The Provinces shall be bound to take any measures which may be necessary, within their independent sphere of action, to give effect to political treaties; should a Province fail to fulfil this obligation punctually, the power to take such measures, and especially to enact the necessary laws, shall be transferred to the Federation.

(2) Similarly the Federation shall be entitled to supervise the carrying into effect of treaties with foreign States, even in matters failing within the sphere of independent action of the Provinces. In this connection the Federation shall enjoy the same rights with respect to the Provinces as in matters of indirect Federal administration (Article 102).

Article 17

(1) The position of the Federation as the holder of private rights under the Civil Law shall not be in any way affected by the provisions of Articles 10 to 15 as to competence in legislation and execution.

(2) The Federation may never, in all these legal relations, be placed by the legislation of any Province in a less favourable position than the Province itself.

Article 18

(1) The entire State administration may be carried on only upon the basis of the laws.

(2) Each administrative authority may issue orders within its own sphere of action, and in accordance with the laws.

Article 19

(1) The executive administration of the Federation and of the Provinces shall be entrusted to People's Commissioners appointed by the people's representatives in the Federation and in the Provinces. The People's Commissioners shall consist of the President of the Federation, the Federal Ministers, the Secretaries of State, and the members of the Provincial Governments.

(2) The proceedings of the People's Commissioners shall be under the supervision of the people's representatives by whom they were appointed.

(3) They may be summoned before the Constitutional Court to answer for their actions and omissions, in accordance with the terms of the Federal or Provincial Constitutions.

Article 20

The Federal or Provincial administration shall be carried on, in accordance with the law, by the various administrative departments, permanent or temporary, under the direction of the People's Commissioners. Unless otherwise provided by the Constitution of the Federation or the Provinces, these administrative departments shall be bound to obey the instructions of the People's Commissioners to whom they are subordinate, who shall be responsible for the carrying out of their official duties.

Article 21

(1) The conditions of service, including the salary system and disciplinary rules, of the officials of the Federation and of the Provinces who have administrative duties to perform (Article 10, paragraph 16, and Article 12, paragraph 10) shall be regulated upon uniform principles by Federal law. In particular, the law shall determine the extent to which staff representatives shall participate, without prejudice to the authority of the Federation and the Provinces, in the regulation of the rights and duties of these officials.

(2) The authority of the Federation in regard to its officials shall be exercised by the Federal People's Commissioners, that

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of the Provinces in regard to their officials shall be exercised by the Provincial People's Commissioners.

(3) The appointment and conditions of service of officials of District and Local Communes performing administrative duties shall be regulated in conformity with the organization of the administrative services.

(4) The possibility of interchange of service between the Federation, the Provinces, and the Communes shall at all times be open to public officials. The transfer shall be effected by agreement with the departments appointed to exercise authority in staff matters. Federal legislation to prescribe special arrangements to facilitate interchange of service can be made.

(5) Official titles for the public services of the Federation, the Provinces, and the Communes may be determined by Federal law in a uniform manner. They shall be protected by law.

Article 22

All public services of the Federation, the Provinces, and the Communes shall be bound to give mutual assistance to one another within the limits of their several legitimate fields of action.

Article 23

(1) All persons entrusted with administrative duties under the Federation, the Provinces, or the Communes, or with judicial duties shall be liable for every breach of the law committed in the course of their duties, whether intentionally or by negligence, to the injury of any person whatsoever. The Federation, the Provinces, or the Communes shall be responsible for breaches of the law committed by the officials appointed by them.

(2) Further provisions in this respect shall be made by Federal law.

SECOND SECTION

FEDERAL LEGISLATION

000

I. The National Council

Article 24

Federal laws shall be passed by the National Council, elected by the people of the entire Federation, acting in conjunction with the Federal Council, elected by the Provincial Diets.

Article 25

(1) The seat of the National Council shall be the Federal Capital, Vienna.

(2) During the continuance of extraordinary circumstances, the President of the Federation may, at the request of the Federal Government, summon the National Council to meet in another place.

Article 26

(1) The National Council shall be elected by the people of the Federation on the basis of the equal, direct, secret, and personal suffrage of men and women who, before 1 January of the year in which the election takes place, have passed their twentieth year, and in accordance with the principles of proportional representation.

(2) The Federal territory shall be divided into self-contained electoral districts within the boundaries of the Provinces. The number of representatives to be elected by the electors in each electoral district (the electoral body) shall be proportionate to the number of citizens in that electoral district, that is, to the number of citizens of the Federation who according to the latest census of the population were ordinarily domiciled in the electoral district. Any division of the electorate into other electoral bodies is prohibited.

(3) The election day must be a Sunday or other public holiday.

(4) Any elector who has attained his twenty-fourth year

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before 1 January of the year of the election shall be eligible for election.

(5) Deprivation of the right to vote and to be eligible for election may take place only as the result of a judicial sentence or decree.

Article 27

(1) The legislative period of the National Council shall last for four years, reckoned from the day of its first meeting, and in any case until the day on which the new National Council meets.

(2) The newly elected Council shall be summoned by the President of the Federation within not more than 30 days after the date of the election, which shall be so arranged by the Federal Government that the newly elected National Council may meet on the day after the expiration of the fourth year of the legislative period.

Article 28

The National Council may be adjourned only by its own decision. The summons to reassemble shall be issued by its Chairman. The Chairman shall be bound to summon the National Council immediately if so requested by at least one-fourth of its members or by the Federal Government.

Article 29

Before the expiration of the legislative period, the National Council may dissolve itself by merely passing a law to that effect. Even in such a case, the legislative period shall last until the assembling of the newly elected National Council.

Article 30

(1) The National Council shall elect from among its own numbers the Chairman, Vice-Chairman, and Deputy Vice-Chairman.

(2) The business of the National Council shall be conducted on the basis of a special law and in accordance with rules of procedure to be drawn up by the National Council itself in

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accordance with that law. For the adoption of the law as to the conduct of business the presence of half the members and a majority of two-thirds of the votes cast are necessary.

Article 31

For a valid decision to be taken by the National Council the presence of at least one-third of the members and an absolute majority of the votes cast shall be necessary, save as otherwise provided by this Constitution.

Article 32

(1) The sessions of the National Council shall be open to the public.

(2) The public may be excluded upon request being made by the Chairman or by one-fifth of the members present and agreed to by the National Council after the withdrawal of the public.

Article 33

Truthful reports of the proceedings in the public sessions of the National Council and its committees shall be free from all liability.

II. The Federal Council

Article 34

(1) The Provinces shall be represented in the Federal Council in proportion to the number of citizens in each Province according to the following conditions.

(2) In regard to representation and status in the Federal Council, Vienna and the Province of Lower Austria (Articles 108 to 114) shall rank as independent Provinces.

(3) The Province having the largest number of citizens shall send twelve members and every other Province as many members as correspond to the ratio between the number of its citizens and the number of citizens in the first-mentioned Province, a remainder in excess of one-half the quota to count as a whole. Each Province shall, however, have a minimum repre-

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sentation of three members. For each member a substitute shall be appointed.

Article 35

(1) The members of the Federal Council and their substitutes shall be elected by the Provincial Diets for the duration of their own legislative period according to the principles of proportional representation, but at least one seat must fall to the party having the second highest number of seats in the Provincial Diet or (if several parties have an equal number of seats) the second highest number of votes at the last election to the Provincial Diet. When the claims of several parties are equal, the matter shall be decided by lot.

(2) The members of the Federal Council shall not be members of the Provincial Diet which appoints them; they must, however, be eligible for election to that Diet.

(3) After the expiration of the legislative period of a Provincial Diet or after its dissolution, the members of the Federal Council appointed by it shall continue in office until the new Provincial Diet has carried out the election to the Federal Council.

(4) The provisions of this Article may be altered only when, in the Federal Council, the majority of representatives of at least four Provinces have accepted the alteration, apart from the majority of votes normally requisite for the passing of a measure in that body.

Article 36

(1) The Chairmanship of the Federal Council shall pass every six months to each of the different Provinces in turn, in alphabetical order.

(2) The office of Chairman shall be filled by the member sent up at the end of the list by the Province entitled to the Chairmanship for the time being: the appointment of substitute shall be regulated by the rules of procedure of the Federal Council.

(3) The Federal Council shall be summoned by its Chairman to meet at the seat of the National Council. The Chairman

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shall be bound to summon the Federal Council immediately if so requested by at least one-fourth of its members or by the Federal Government.

Article 37

(1) Save as may be otherwise provided by this law, the presence of at least one-third of the members and an absolute majority of the votes cast shall be necessary to the taking of a valid decision by the Federal Council.

(2) The Federal Council shall determine its rules of procedure by resolution. For the adoption of this resolution the presence of one-half the members and a two-thirds' majority of the votes cast shall be necessary.

(3) The sessions of the Federal Council shall be public. The public may, however, be excluded by resolution in accordance with the rules of procedure. The provisions of Article 33 shall apply also to public sittings of the Federal Council and its Committees.

III. The Federal Assembly

Article 38

The National Council and the Federal Council shall meet as the Federal Assembly in joint public sitting, at the seat of the National Council, for the election of the President of the Federation and the taking of the oath by him, and also for decisions as to the declaration of war.

Article 39

(1) The Federal Assembly shall—apart from the cases mentioned in Article 63, paragraph 2, Article 64, paragraph 2, and Article 68, paragraph 2—be convened by the President of the Federation. The Chairmanship shall be assumed alternately by the Chairman of the National Council and the Chairman of the Federal Council, the former to assume the office in the first instance.

(2) The rules of procedure of the National Council shall be applied in principle in the Federal Assembly.

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000 (3) The National Council and Federal Council may discuss the matter to be decided separately and in advance.

(4) The provisions of Article 33 shall also apply to sittings of the Federal Assembly.

Article 40

(1) Decisions of the Federal Assembly shall be authenticated by the Chairman and countersigned by the Federal Chancellor.

(2) The Federal Chancellor shall be responsible for the official promulgation of decisions.

IV. Methods of Federal Legislation

Article 41

(1) Legislation may be initiated in the National Council either by the members or by the Federal Government. The Federal Council may, through the medium of the Federal Government, bring proposals for legislation before the National Council.

(2) Any proposal for legislation (Popular Initiative Demand) supported by 200,000 voters or by half of the voters of three Provinces shall be introduced into the National Council by the Federal Government to be dealt with in accordance with the rules of procedure. The popular initiative demand must be expressed in the form of a draft bill.

Article 42

(1) Every law passed by the National Council shall be immediately transmitted by its Chairman to the Federal Chancellor, who shall communicate it at once to the Federal Council.

(2) A law shall, save as may be otherwise provided by Constitutional Law, be authenticated and promulgated only if the Federal Council agrees to it without amendment.

(3) Any proposed amendments must be communicated in writing to the National Council through the medium of the

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Federal Chancellor within eight weeks after the law has been laid before the Federal Council.

(4) If the National Council reaffirms its original decision, at least half the members being present, the law as so reaffirmed shall be authenticated and promulgated. If the Federal Council accepts the law, or if no amendments are proposed within the period of time set out in paragraph 3, the law shall be authenticated and promulgated.

(5) The Federal Council may not amend laws passed by the National Council dealing with the rules of procedure of the National Council, the dissolution of the National Council, the granting of the Federal estimates, the ratification of the closing of accounts, the raising or conversion of Federal loans, or the administration of Federal property. Such laws passed by the National Council shall be authenticated and promulgated without further delay.

Article 43

Every law passed by the National Council shall be submitted to a Referendum before promulgation by the President of the Federation, if the National Council so decides or if the majority of the members of the National Council so request.

Article 44

(1) Constitutional laws or constitutional decisions incorporated in single laws require for their adoption by the National Council the presence of at least half of the members and a majority of two-thirds of the votes recorded; they shall be expressly designed as such ('Constitutional law', 'Constitutional decision').

(2) Every general alteration of the Constitution of the Federation and, if desired by one-third of the members of the National Council or of the Federal Council, every partial alteration thereof, shall be submitted to a vote of the whole people of the Federation, at the conclusion of the proceedings according to Article 42, and before promulgation by the President of the Federation.

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Article 45

(1) The result of a Referendum shall be determined by an absolute majority of the validly recorded votes.

(2) The result of a Referendum shall be officially published.

Article 46

(1) The procedure in regard to the Popular Initiative Demand and the Referendum shall be regulated by Federal law.

(2) Every citizen of the Federation entitled to vote for the National Council shall be entitled to vote.

(3) The President of the Federation shall conduct the Referendum.

Article 47

(1) When Federal laws have been adopted in accordance with the Constitution, they shall be authenticated by the signature of the President of the Federation.

(2) The Federal Chancellor shall be responsible for the submission of documents for authentication by the President.

(3) The authentication shall be countersigned by the Federal Chancellor and by the competent Federal Ministers.

Article 48

Federal laws and the State treaties indicated in Article 50 shall be published subject to the decision of the National Council; Federal laws which are dependent on a Referendum shall be published subject to the result of the Referendum.

Article 49

(1) Federal laws and the State treaties indicated in Article 50 shall be published by the Federal Chancellor in the Federal Official Law Record. They shall come into force, if not otherwise expressly stated, at the expiration of the day of publication and dispatch of the part of the Federal Official Law Record in which they are published, and shall extend, if not otherwise expressly stated, over the whole Federation.

(2) The Federal Official Law Record shall be the subject of a special Federal law.

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V. Co-operation of the National Council and the Federal Council in the Executive Administration of the Federation

Article 50

(1) All political State treaties and other treaties if they involve changes in the law require, to be valid, the approval of the National Council.

(2) The provisions of Article 42, paragraphs 1 to 4, and in cases when a Constitutional Law is altered by a State treaty, of Article 44, paragraph 1, shall be applied in principle to decisions of the National Council in relation to the approval of State treaties.

Article 51

An estimate of the income and expenditure of the Federation for the following financial year shall be laid before the National Council by the Federal Government at the latest eight weeks before the end of the financial year.

Article 52

The National Council and the Federal Council are authorized to investigate the conduct of business by the Federal Government, to question its members upon all matters relating to the execution of their duties, and to call for all information relating thereto, as well as to express, in the form of resolutions, their wishes with regard to the carrying out of their duties.

Article 53

(1) The National Council may by resolution set up Committees of Inquiry.

(2) The Courts of Justice and all other authorities shall be bound to comply with the requests of these Committees for the production of evidence; all public officials must produce official records when they are called for.

(3) The procedure of Committees of Inquiry shall be regulated by the law relating to the rules of procedure of the National Council.

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Article 54

The National Council shall co-operate in fixing railway tariffs, post, telegraph, and telephone charges, and prices of monopolies, and in fixing the salaries of persons permanently employed in the service of the Federation. This co-operation shall be regulated by a Federal Constitutional Law.

Article 55

The National Council shall also co-operate in the executive administration of the Federation, in the cases specified by this law, through a Principal Committee elected from its members on the principle of proportional representation. It is especially incumbent on the Principal Committee to co-operate in the appointment of the Federal Government (Article 70). In addition, Federal legislation may prescribe that certain orders issued by the Federal Government shall be subject to agreement with the Principal Committee.

VI. Status of the Members of the National Council and of the Federal Council

Article 56

The members of the National Council and the members of the Federal Council shall not be bound by any instructions in the exercise of their functions.

Article 57

(1) Members of the National Council may not be made answerable for their votes given in the exercise of their office; and they shall be answerable only to the National Council for utterances made by them in the exercise of their office.

(2) No member of the National Council may be imprisoned or otherwise legally prosecuted for any penal offence—save when apprehended *flagrante delicto*—without the consent of the National Council.

(3) In the event of a member being apprehended *flagrante delicto*, the authorities must immediately notify the Chairman of the National Council of the arrest.

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(4) If the National Council so demands, the arrest must be cancelled or the whole prosecution deferred for the duration of the legislative period.

(5) The immunity of the various organs of the National Council whose functions extend beyond the legislative period shall continue for the duration of their functions.

Article 58

The members of the Federal Council shall enjoy throughout their term of office the same immunity as members of the Diet which returned them.

Article 59

(1) No person may be a member at the same time of the National Council and of the Federal Council.

(2) Public employees, including those belonging to the Federal army, require no permission to be absent in order to act as members of the National Council or the Federal Council. If they become candidates for election to the National Council, the necessary free time shall be afforded them. Further provisions shall be laid down by the Service regulations.

THIRD SECTION

EXECUTIVE ADMINISTRATION OF THE FEDERATION

I. Administration

President of the Federation

Article 60

(1) The President of the Federation shall be elected by the Federal Assembly in acordance with Article 38 by secret ballot.

(2) His term of office shall be four years. Re-election for the term of office immediately following is permissible on only one occasion.

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(3) Only persons who are entitled to vote for the National Council and who have passed their thirty-fifth year on 1 January in the year of election, may be elected as President of the Federation.

(4) Members of reigning houses, or of such families as have formerly reigned, are not eligible for election.

(5) The person in whose favour more than one-half of all the votes recorded are cast shall be elected. The balloting shall be repeated until there is an absolute majority for one person.

Article 61

The President of the Federation may not during his period of office belong to any public representative body nor follow any other calling.

Article 62

The President of the Federation on entering into office shall give his solemn undertaking before the Federal Assembly:

"I solemnly promise that I will faithfully observe the Constitution and all the laws of the Republic, and do my duty to the best of my knowledge and conscience."

Article 63

(1) Legal proceedings may be taken against the President of the Federation only by decision of the Federal Assembly.

(2) A motion to institute legal proceedings against the President of the Federation shall be submitted by the competent authorities to the National Council, which shall decide whether the matter is to be brought before the Federal Assembly. If the National Council so decides, the Federal Chancellor shall immediately call together the Federal Assembly.

Article 64

(1) When the President of the Federation is unable to perform his duties or when his position becomes permanently

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vacant, all the functions of the President of the Federation are transferred to the Federal Chancellor.

(2) In the case of the permanent vacancy of the position of President of the Federation, the Federal Chancellor shall immediately call together the Federal Assembly for the election of a new President of the Federation.

Article 65

(1) The President of the Federation shall represent the Republic in its external relations, receive and accredit ambassadors, accord recognition to foreign consuls, appoint the consular representatives of the Republic abroad, and conclude State treaties.

(2) Further—in addition to the powers conferred upon him by other provisions of this Constitution—he shall fulfil the following functions:

a. The appointment of Federal officials, including army officers, and other Federal functionaries; the granting of official titles to such;
b. The creation and granting of professional titles;
c. In individual cases: the pardoning of persons lawfully sentenced by the Courts, the mitigation and alteration of penalties inflicted by the Courts, the postponement of the execution of sentences and the annulment of sentences as an act of mercy, and the quashing of judicial proceedings in regard to offences committed in the exercise of official authority;
d. The declaring of illegitimate children as legitimate on the application of the parents.

(3) Special laws shall determine the extent to which the President of the Federation may exercise further powers with regard to the granting of honorary rights, extraordinary grants, extra allowances and maintenance allowances, rights of appointment and confirmation, and other powers in regard to personal matters.

Article 66

(1) The President of the Federation may transfer his right

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of appointing Federal employees of certain categories to the competent members of the Federal Government.

(2) The President of the Federation may authorize the Federal Government or the competent members of the Federal Government to conclude certain categories of State treaties which do not come under the provisions of Article 50.

Article 67

(1) All acts of the President of the Federation, save as may be otherwise provided in accordance with the Constitution, shall be done on the initiative of the Federal Government or of the Federal Ministers empowered by it. The extent to which the Federal Government or the competent Federal Ministers shall be themselves bound by proposals from other authorities shall be defined by law.

(2) All acts of the President of the Federation require, in order to be valid, the counter-signature of the Federal Chancellor or the competent Federal Minister.

Article 68

(1) The President of the Federation shall be responsible for the discharge of his duties to the Federal Assembly in conformity with Article 142.

(2) For the purpose of enforcing this responsibility, the Federal Assembly shall be called together by the Federal Chancellor at the demand of the National Council or of the Federal Council.

(3) The adoption of a resolution of impeachment within the meaning of Article 142 requires the presence of more than one-half of the members of each of the two representative bodies and a majority of two-thirds of the votes recorded.

2. *The Federal Government*

Article 69

(1) The Federal Chancellor, the Vice-Chancellor, and the other Federal Ministers shall be entrusted with the highest administrative offices of the Federation, in so far as these are

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not entrusted to the President of the Federation. Collectively, they constitute the Federal Government under the presidency of the Federal Chancellor.

(2) The Vice-Chancellor shall be appointed to act as substitute for the Federal Chancellor in respect of all his functions.

Article 70

(1) The Federal Government shall be elected as a whole by the National Council, by poll of the members by name, on a motion to be submitted by the Principal Committee.

(2) Only persons who are eligible for the National Council may be elected to the Federal Government; the members of the Federal Government must not belong to the National Council.

(3) If the National Council is not in session, the Federal Government shall be appointed provisionally by the Principal Committee; as soon as the National Council meets, the election shall take place.

(4) The provisions of paragraphs 1 to 3 shall be applied in principle to the appointment of individual members of the Federal Government.

Article 71

When the Federal Government goes out of office, the President of the Federation shall, until the new Federal Government is formed, entrust the carrying on of the administration to members of the outgoing Government or to higher officials of the Federal Departments, and shall appoint one of them as President of the Provisional Federal Government. This provision shall be applied in principle when individual members of the Federal Government go out of office.

Article 72

(1) The members of the Federal Government, before taking up office, shall be sworn in by the President of the Federation.

(2) The warrants of appointment of the Federal Chancellor, the Vice-Chancellor, and the other Federal Ministers shall be completed by the President of the Federation by the day on

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which they are sworn in and countersigned by the newly appointed Federal Chancellor.

(3) The principle of these provisions shall also be applied to cases coming under Article 71.

Article 73

In the event of a Federal Minister being temporarily unable to discharge his duties, the President of the Federation shall appoint one of the Federal Ministers or a higher official of a Federal Department as a substitute for him. This substitute shall bear the same responsibility as a Federal Minister (Article 76).

Article 74

(1) If the National Council by express resolution withdraws its confidence from the Federal Government or from any individual member thereof, the Federal Government or the Federal Minister in question shall be removed from office.

(2) For the adoption by the National Council of a resolution withdrawing confidence, the presence of one-half the members of the National Council shall be requisite. Even so, upon demand by one-fifth of the members present, the voting may be deferred to the next working-day but one. Any further adjournment of the voting may take place only by decision of the National Council.

(3) The Federal Government and its individual members shall be relieved of their office by the President of the Federation in the cases prescribed by law or at their own request.

Article 75

The members of the Federal Government and also the substitutes appointed by them are entitled to participate in all deliberations of the National Council, the Federal Council, and the Federal Assembly, and of the committees connected with those representative bodies, and if specially invited by the Committee, in the deliberations of the Principal Committee of the National Council. They must be heard whenever they so demand. The National Council, the Federal Council, and the

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Federal Assembly, as well as their Committees, may require the attendance of members of the Federal Government.

Article 76

(1) The members of the Federal Government (Articles 69 and 71) shall be responsible to the National Council, in accordance with Article 142.

(2) For the adoption of a resolution of impeachment in accordance with the terms of Article 142, the presence of more than one-half the members shall be requisite.

Article 77

(1) The administrative business of the Federation shall be conducted by the Federal Ministries and the Departments subordinate to them.

(2) The number of Federal Ministries, their sphere of action, and their organization shall be determined by Federal law.

(3) The Federal Chancellor shall be responsible for the control of the Federal Chancellory, and each of the Federal Ministers shall be responsible for the control of another Federal Ministry.

(4) The Federal Chancellor and the other Federal Ministers may, under exceptional circumstances, be entrusted also with the control of a second Federal Ministry.

Article 78

(1) In special cases a Federal Minister may be appointed without being simultaneously entrusted with the control of a Federal Ministry.

(2) Secretaries of State may be appointed to assist Federal Ministers in their administrative and parliamentary duties; they shall be appointed to and shall retire from office in the same manner as the Federal Ministers.

(3) A Secretary of State shall be subordinate to the Federal Minister and shall be bound by his instructions.

3. *The Federal Army*

Article 79

000 (1) The protection of the frontiers of the Republic is the duty of the Federal Army.

(2) The Federal Army may be employed, in so far as the legitimate civil authority requests its co-operation, to protect the institutions established under the Constitution, to maintain order and security in the interior generally, and to afford assistance in natural occurrences and disasters of unusual extent.

Article 80

(1) The National Council shall have control over the Army. In so far as direct control is not reserved to the National Council by the Army Law, the Federal Government, or the competent Federal Minister within the limits of the authority conferred upon him by the Federal Government, shall be responsible for the control of the Army.

(2) The Army Law shall determine the extent to which the authorities of the Provinces and the Communes may avail themselves directly of the co-operation of the Federal Army for the purposes mentioned in Article 79, paragraph 2.

Article 81

The extent to which the Provinces shall co-operate in the recruitment, provisioning, and housing of the Army, and in supplying its needs in other respects, shall be determined by Federal legislation.

II. Judicial Power

Article 82

(1) All judicial power emanates from the Federation.

(2) Judgements and verdicts shall be given and executed in the name of the Republic.

Article 83

(1) The constitution and jurisdiction of the courts of law shall be determined by Federal law.

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(2) No person may be withdrawn from his ordinary judge.

(3) Extraordinary courts are only permissible in the cases determined by the laws on procedure in criminal matters.

Article 84

Military jurisdiction is abolished, except in times of war.

Article 85

The death penalty in ordinary procedure is abolished.

Article 86

(1) Save as otherwise provided by this law, the judges shall be appointed, on the nomination of the Federal Government, by the President of the Federation, or, under his authorization, by the competent Federal Minister; the Federal Government or the Federal Minister shall receive nominations for appointment from the Senates appointed for the purpose under the Judiciary Law.

(2) The nominations for appointment to be laid before the competent Federal Minister and transmitted by him to the Federal Government must, if sufficient applications are available, include at least three persons, or, if more than one position is to be filled, at least twice as many persons as there are judges to be appointed.

Article 87

(1) Judges shall be independent in the exercise of their judicial functions.

(2) In the exercise of his judicial office, a judge must be prepared to discharge all business, excluding administrative matters, which is allotted to him in the distribution of judicial business in accordance with the law and which is not required by law to be dealt with by Senates or Commissions.

(3) The distribution of business among the judges of each Court shall be determined in advance for a period fixed by the Judiciary Law. A case allotted to a judge in accordance with this distribution may be withdrawn from him by order of the judicial administration only in the event of his inability to act.

Article 88

(1) An age limit shall be fixed by the Judiciary Law, after the attainment of which the judges shall be permanently retired from office.

(2) Save as aforesaid, judges may be removed from office, or transferred against their will to another post, or retired from office, only in the cases and in the manner prescribed by law and in pursuance of a formal judicial decision. These conditions do not, however, apply to transfers or retirements necessitated by changes in the organization of the Courts. In such cases the period within which judges may be transferred or retired without the prescribed formalities shall be determined by law.

(3) The temporary removal of judges from office may take place only by order of the President of the Court or of the higher judicial authority, the matter being at the same time referred to the competent Court.

Article 89

(1) The Courts may not inquire into the validity of any duly promulgated law.

(2) If a Court has any doubt as to the applicability of a decree on the ground of conflict with the law, the proceedings must be discontinued and an application made to the Constitutional Court for the cancellation of the decree.

Article 90

(1) Proceedings before Courts in which criminal and civil cases are decided must be conducted orally and in public. Exceptions to this rule shall be determined by law.

(2) Criminal proceedings shall be by indictment.

Article 91

(1) The people shall co-operate in the administration of justice.

(2) In the case of offences punishable with heavy penalties specified by law, as also in all political crimes and offences, the guilt of the accused shall be decided by a jury.

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(3) In criminal proceedings relative to other penal offences, Assessors shall participate in the administration of justice if the penalty to be inflicted exceeds a limit to be determined by law.

Article 92

The Supreme Court of Justice in Vienna shall be the court of final appeal in civil and criminal cases.

Article 93

Amnesties for actions punishable by law may be granted by Federal law.

Article 94

(1) Judicial proceedings shall be kept separate in all stages from administrative legal proceedings.

(2) When an administrative authority has to decide upon claims under the Civil Law, any person who deems himself injured by the decision may, save as otherwise provided by law, seek a remedy against the other party through the ordinary legal channels.

(3) In matters connected with land reform (Article 12, paragraph 1 f) the right of decision is reserved exclusively to Commissions composed of judges, administrative officials, and experts.

FOURTH SECTION

LEGISLATION AND EXECUTIVE ADMINISTRATION OF PROVINCES

I. General Provisions

Article 95

(1) The legislative powers of the Provinces shall be exercised by the Provincial Diets. The members of these shall be elected by the equal, direct, secret, personal and proportional suffrage of all male and female Federal citizens who are entitled to vote

in accordance with the electoral ordinances of the Provincial Diet, and have their ordinary domicile in the Province.

(2) The electoral ordinances of the Provincial Diet may not restrict the active and passive electoral right more narrowly than the electoral ordinance for the National Council.

(3) The electors shall exercise their right to vote in electoral districts, each of which must comprise a self-contained area. The number of representatives for each electoral district shall be proportionate to the number of citizens. The electorate may not be split up into other electoral bodies.

Article 96

(1) The members of a Provincial Diet shall enjoy the same privilege of immunity as the members of the National Council; the principles of the provisions of Article 57 shall be applicable to them.

(2) The provisions of Articles 32 and 33 shall also apply to the sessions of the Provincial Diets and their Committees.

Article 97

(1) Every Provincial law must be adopted by the Provincial Diet, authenticated and countersigned in accordance with the requirements of the Provincial Constitution, and finally promulgated by the Provincial Governor in the Official Record of Provincial Laws (*Landesgesetzblatt*).

(2) In so far as a Provincial law provides for the co-operation of the Federal authorities in its execution, the consent of the Federal Government must be obtained for that co-operation. Until such consent is obtained, the Provincial law may not be promulgated.

Article 98

(1) The adoption of a law by the Provincial Diet must be communicated immediately after such adoption to the competent Federal Ministry before being sanctioned by the Governor of the Province.

(2) The Federal Government may, on the ground of danger to the interests of the Federation, enter an objection, supported

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by reasons, against the adoption of the law, within eight weeks from the day on which that adoption was communicated to the competent Federal Minister. In such a case, the law may be promulgated only if it is reaffirmed by the Provincial Diet, at least one-half of its members being present.

(3) Promulgation before the expiration of the period allowed for lodging objections shall be permissible only if the Federal Government expressly agrees thereto.

Article 99

(1) The Provincial Constitution, which shall be decreed by Provincial law, may be altered by Provincial law, in so far as the Federal Constitution is not affected thereby.

(2) A Provincial Constitution law shall require for its adoption the presence of one-half the members of the Provincial Diet and a majority of two-thirds of the votes cast.

Article 100

(1) Each Provincial Diet may be dissolved by the President of the Federation, on the motion of the Federal Government and with the assent of the Federal Council. The assent of the Federal Council shall require the presence of one-half of its members and a majority of two-thirds of the votes cast. The representatives of the Provincial Diet about to be dissolved may not take part in the voting.

(2) In the event of dissolution, fresh elections must be announced within three weeks, in accordance with the terms of the Provincial Constitution; the newly elected Provincial Diet must be summoned within four weeks of the election.

Article 101

(1) The executive administration of each Province shall be carried on by the Provincial Government elected by the Provincial Diet.

(2) The members of the Provincial Government shall not be members of the Provincial Diet. Nevertheless, no person may be elected to the Provincial Government unless he be qualified for election to the Provincial Diet.

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(3) The Provincial Government shall consist of the Governor of the Province, the requisite number of substitutes, and further members.

(4) Before entering into office, the Governor of the Province shall be sworn in by the President of the Federation, and the other members of the Provincial Government by the Governor of the Province.

Article 102

(1) The Federal executive administration within the territories of the Provinces shall, save where there are special Federal authorities (direct Federal administration), be carried out by the Governor of the Province and the Provincial authorities subordinate to him (indirect Federal administration).

(2) The following matters may be dealt with directly by Federal authorities within the limits of their spheres of action as laid down in accordance with the Constitution:

Defining of boundaries, foreign trade in goods and live stock, customs, Federal finances, monopolies, weights, measures, standards and gauges, technical experiments, justice, matters of trade and industry, patents, trade marks, patterns and other distinctive markings of goods, engineering and civil technology, transport, Federal roads, river and ship police, posts, telegraphs and telephones, mining, regulation and conservation of waters, construction and upkeep of waterways, hydrographic service, land surveying, labour laws, protection of labourers and employees, social insurance, protection of monuments, Federal police, Federal gendarmerie, military matters, care of persons who have served in the war and of their dependants.

(3) The Federation may entrust the Federal executive administration to the Governor of a Province, even in regard to the matters set out in paragraph (2).

(4) Special Federal authorities for matters other than those set out in paragraph (2) may be established only with the assent of the Provinces concerned.

(5) The extent to which the Governors of Provinces shall have control of the Federal police and Federal gendarmerie

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shall be regulated by the Federal legislation referred to in Article 120, paragraph (1).

Article 103

In matters of indirect Federal administration the Governor of the Province shall be bound by the instructions of the Federal Government and of the various Federal Ministers; in these matters, administrative appeals may be carried up to the competent Federal Ministers, unless otherwise expressly provided by Federal law.

Article 104

The conditions of Article 122 shall not be applicable to the arrangements for transacting Federal affairs in matters specified in Article 17.

Article 105

(1) The Governor of the Province shall represent the Province. In matters of indirect Federal administration he shall be responsible to the Federal Government, in accordance with Article 142. No immunity shall constitute any bar to the enforcement of this responsibility.

(2) The members of the Provincial Government shall be responsible to the Provincial Diet in accordance with Article 142.

(3) For the adoption of a resolution of impeachment within the meaning of Article 142, the presence of one-half the members shall be necessary.

Article 106

An administrative official versed in the law shall be appointed as Director of the Provincial Administration, to direct the internal administration of the Provincial Government. He shall also assist the Governor of the Province in matters of indirect Federal administration.

Article 107

Provinces may take joint action with one another only in

matters coming within their sphere of independent action, and such action must at once be reported to the Federal Government.

II. The Federal Capital, Vienna, and the Province of Lower Austria

Article 108

(1) The Provincial Diet of Lower Austria shall be divided into two Assemblies (Curiae). One of these (the Provincial Assembly) shall consist of the Deputies of the Province excluding those representing Vienna. The election of the other (the City Assembly) shall be regulated by the Constitution of the Federal Capital, Vienna.

(2) The number of Deputies to be allotted to each of the two Assemblies shall be proportionate to the number of citizens.

Article 109

Both the Assemblies shall meet together as the Provincial Diet of Lower Austria for the purpose of legislating on all matters connected with the former autonomous Provincial administration declared by the Provincial Constitution to be of common concern, including, in particular, the common Constitution of the Province.

Article 110

(1) In matters which are not of common concern, each of the two divisions of the Province shall have the status of an independent Province.

(2) In such matters the Municipal Council of Vienna and the Provincial Assembly shall function as Provincial Diets for Vienna and for the Province of Lower Austria respectively. The principles of Article 57 shall be applicable to the members of the Municipal Council of Vienna.

Article 111

(1) The Constitution of each of the two divisions of the

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Province and the election of members of the Federal Council shall be deemed to be matters which are not of common concern (Article 35).

(2) Similarly, legislation relating to taxation, in so far as it falls within the sphere of action of the Province, shall devolve upon the Municipal Council of the City of Vienna and on the Provincial Diet (Provincial Assembly).

(3) The raising of money for matters of common concern shall be governed by the common Constitution of the Province.

Article 112

The general provisions of this Section shall apply to both divisions of the Province. In Vienna, accordingly, the Burgomaster elected by the Municipal Council shall function as the Governor of a Province, the City Senate elected by the Municipal Council shall function as the Provincial Government, and the Magistrate-Director shall function as the Director of Provincial Administration.

Article 113

(1) Matters of common concern shall be administered by an Administrative Commission to be elected by the Provincial Diet from among its members by proportional representation.

(2) The Burgomaster of the City of Vienna and the Governor of the Province of Lower Austria shall be members of the Administrative Commission, and shall preside over it alternately.

Article 114

Vienna may be constituted a separate Province by laws passed in identical terms by the Municipal Council of Vienna and by the Diet of the Province of Lower Austria.

III. Communes

Article 115

The general State Administration in the Provinces shall be organized according to the following provisions on the basis of self-government.

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Article 116

(1) The administrative districts and self-governing areas into which the Provinces shall be divided shall consist of Local Communes and District Communes.

(2) The Local Communes shall be subordinate to the District Communes and the latter to the Provinces.

Article 117

(1) Local Communes with more than 20,000 inhabitants shall, if they so desire, be declared to be District Communes. In the case of such Communes the circuit administration (*Bezirksverwaltung*) shall coincide with the communal administration.

(2) Urban districts hitherto organized as towns with their own charters shall become District Communes.

Article 118

The Local Communes and District Communes shall also be independent economic corporations; they shall be entitled to hold and acquire property of all kinds and to dispose of it within the limits prescribed by Federal and Provincial laws, to carry on economic undertakings, to manage their own finances, and to levy taxes.

Article 119

(1) The public authorities of the Local Communes shall be the Local Communal Representative Council and the Local Communal Administration; the public authorities of the District Communes shall be the District Communal Representative Council and the District Communal Administration.

(2) Elections to all representative councils shall be by equal, direct, secret, personal and proportional suffrage of all Federal citizens ordinarily domiciled in the area of the representative council. Regulations as to the elections shall be prescribed by Provincial legislation; the active and passive electoral rights of citizens may not be more narrowly restricted by these regulations than is the case for the elections to the National Council. The electoral regulations may provide that electors

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shall exercise their electoral rights in electoral districts, each of which must be self-contained. No division of the electorate into other electoral bodies shall be permitted. The Judicial Circuit District shall constitute the electoral district for elections to the District Communal Representative Council. The number of representatives to be allotted to each electoral district shall be proportionate to the number of citizens.

(3) Only persons who are ordinarily domiciled within the area of the District Commune and who are eligible for election to the Provincial Diet shall be eligible to the District Communal Representative Council.

(4) The Councils may appoint from among their own number, on the basis of proportional representation, special administrative committees for the individual branches of the administration: and these committees may, when certain occupational groups or groups with special interests are under consideration, add representatives of such groups to their numbers.

(5) The directors of the District Communal Administrations must be administrative officials versed in the law.

Article 120

(1) The establishment of further principles for the organization of the general State administration in the Provinces according to Articles 115–119 shall be effected by Federal Constitutional laws; the application of these principles shall be effected by Provincial laws.

(2) The allocation of administrative affairs, to be dealt with directly or by way of appeal, between the Representative Councils, the Administrative Committees, and the Administrations, shall be determined by Federal and Provincial legislation within the limits of their respective constitutional competence.

(3) The Local Communes shall, notwithstanding the foregoing provision, be competent to deal in the first instance with the following matters:

a. Measures for the protection of person and property (Local Security Police);
b. Relief and life-saving services;

c. Measures for the upkeep of roads, streets, public places, and bridges in the Commune;
d. Local street police services;
e. Rural police services;
f. Market and food control police services;
g. Sanitary police services;
h. Building and fire police services.

FIFTH SECTION

CONTROL OF FEDERAL ACCOUNTS

Article 121

(1) The auditing of the administration of the general State finances of the Federation and of the administration of foundations, funds, and institutions administered by Federal authorities shall be conducted by the Court of Accounts. The auditing of the administration of enterprises in which the Federation is financially interested may also be entrusted to the Court of Accounts.

(2) The Court of Accounts shall prepare the final statement of Accounts of the Federation and lay it before the National Council.

(3) All documents relating to State debts (financial and administrative liabilities) shall, if they involve any obligation on the Federation, be countersigned by the President of the Court of Accounts; the legality and correct accountancy of the administration merely shall be vouched for by this countersignature.

Article 122

(1) The Court of Accounts shall be directly subordinate to the National Council.

(2) The Court of Accounts shall consist of a President and the requisite officials and assistants.

(3) The President of the Court of Accounts shall be elected

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on the motion of the Principal Committee of the National Council.

(4) The President of the Court of Accounts may not be a member of any public representative body, nor may he have been a member of the Federal Government or of a Provincial Government within the last five years.

Article 123

(1) The President of the Court of Accounts shall be answerable for the discharge of his duties on the same basis as members of the Federal Government.

(2) He may be removed from office by resolution of the National Council.

Article 124

(1) The official next in rank to the President of the Court of Accounts shall act as deputy for him.

(2) Where a deputy is acting for the President, the provisions of Article 123 shall apply to the deputy.

Article 125

(1) The officials of the Court of Accounts shall be appointed by the President of the Federation on the proposition and with the counter-signature of the President of the Court of Accounts; this provision shall apply also to the conferring of official titles. The President of the Federation may, nevertheless, empower the President of the Court of Accounts to appoint certain classes of officials.

(2) Assistants shall be appointed by the President of the Court of Accounts.

Article 126

No member of the Court of Accounts may take part in the direction or administration of enterprises which have to render account to the Federation or to the Provinces or which are in receipt of a subsidy from or under contract to the Federation or the Provinces. This provision shall not apply to enterprises

devoted to humanitarian purposes, or concerned with the economic position of public officials or their dependants.

Article 127

Provincial Constitutional laws may transfer to the Court of Accounts duties relating to the administration of the Provinces which are similar to the duties relating to the administration of the Federation which are entrusted to the Court by this law.

Article 128

Further provisions as to the functions of the Court of Accounts shall be prescribed by Federal legislation.

SIXTH SECTION

CONSTITUTIONAL AND ADMINISTRATIVE GUARANTEES

I. The Administrative Court

Article 129

(1) Any person claiming that his rights have been impaired by an illegal decision or decree of an administrative authority may, after carrying the matter through all the stages of administrative appeal, lodge a complaint with the Administrative Court.

(2) If the competent Federal Minister is of opinion that the interests of the Federation in matters specified in Articles 11 and 12 have been prejudiced by an illegal decision or decree of a Provincial authority, he may in the name of the Federation lodge a complaint of infringement of the law with the Administrative Court.

(3) No action for infringement of the law shall lie in any case where the authority is accorded, by the provisions of the law, free discretion as to the decision or decree and has exercised that discretion within the meaning of the law.

Article 130

In respect of matters in which a complaint may be lodged with the Administrative Court, the process of administrative appeal may be shortened by legislation by the Federation or by the Provinces as may be appropriate in accordance with Articles 10–15.

Article 131

The following matters are excluded from the jurisdiction of the Administrative Court:

(1) Matters falling within the jurisdiction of the Constitutional Court;

(2) Matters upon which the ordinary Courts are competent to decide;

(3) Matters which must be heard or decided by a joint Board (*Kollegialbehörde*), of which at least one member, in the first or later stages, must be a judge.

Article 132

A judge who has passed through the judicial or administrative service in the Province concerned shall normally be a member of any division of the Administrative Court which has to give judgement upon a disputed decision or decree of a Provincial authority.

Article 133

(1) An illegal decision or decree shall be cancelled upon judgement to that effect being given by the Administrative Court.

(2) The administrative authorities shall be bound in the issue of a new decision or decree by the legal opinion expressed by the Administrative Court.

(3) The Administrative Court may itself decide the action to be taken in any case, provided that the matter is not one which, in accordance with the provisions of the law, is left to the free discretion of the authorities.

Article 134

(1) The seat of the Administrative Court shall be in the Federal Capital, Vienna.

(2) It shall consist of a President, a Vice-President, and the requisite number of presidents of divisions and councillors.

(3) At least half of the members must possess the qualifications required for holding office as a judge.

Article 135

The President, Vice-President, and the members of the Administrative Court shall be appointed by the President of the Federation on the nomination of the Federal Government. As regards the President and one-half the members of the Court, the nominations made by the Federal Government must have the assent of the Principal Committee of the National Council; as regards the Vice-President and the other half of the members, the nominations must have the assent of the Federal Council.

Article 136

The administrative jurisdiction and the organization of the Administrative Court shall be determined by Federal Law.

II. The Constitutional Court

Article 137

The Constitutional Court shall give judgement upon all claims made upon the Federation, the Provinces, or the Communes, which cannot be decided by the ordinary judicial procedure.

Article 138

The Constitutional Court shall also have jurisdiction in all disputes as to competence:

(1) between the Courts and Administrative authorities;

(2) between the Administrative Court and the ordinary Courts, and more especially between the Administrative Court and the Constitutional Court itself.

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(3) between Provinces and also between a Province and the Federation.

Article 139

(1) The Constitutional Court shall give judgement as to the illegality of orders issued by any Federal or Provincial authority upon the motion of a Court, or, *ex officio*, when the order presupposes a finding by the Constitutional Court, and also on the motion of the Federal Government in regard to the illegality of orders issued by a Provincial Government, and on the motion of a Provincial Government in regard to the illegality of orders issued by the Federal Government.

(2) Immediately upon judgement being given by the Constitutional Court annulling an order as illegal, the competent authority shall publish notice of the annulment, which shall take effect from the day of publication.

Article 140

(1) The Constitutional Court shall give judgement in all questions as to the unconstitutionality of laws, in the case of Provincial laws upon the motion of the Federal Government, and in the case of Federal laws upon the motion of a Provincial Government, but *ex officio* when the law presupposes a finding by the Constitutional Court.

(2) The motion mentioned in paragraph (1) may be brought forward at any time; the authority responsible for the motion must immediately communicate it to the Provincial Government concerned or to the Federal Government.

(3) Immediately upon delivery of a judgement by the Constitutional Court annulling a law as unconstitutional, the Federal Chancellor or the Governor of the Province concerned shall publish notice of the annulment, which shall take effect from the day of publication unless the Constitutional Court fixes a period for the annulment. This period may not exceed six months.

(4) The provision of Article 89, paragraph (1), shall not apply to an inquiry into the constitutionality of laws by the Constitutional Court.

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Article 141

The Constitutional Court shall give judgement upon cases of disputed elections to the National Council, the Federal Council, the Provincial Diets and all other public representative bodies and, on the motion of any such representative body, upon a declaration of forfeiture of a seat by one of its members.

Article 142

(1) The Constitutional Court shall give judgement upon motions of impeachment of the supreme Federal and Provincial authorities for illegal acts committed in the exercise of their official functions.

(2) The motion of impeachment may be made:

a. When directed against the Federal President, on the ground of violation of the Federal Constitution—by decision of the Federal Assembly;

b. When directed against members of the Federal Government and authorities subject to the same constitutional responsibility in relation to them, on the ground of violation of the law—by decision of the National Council;

c. When directed against members of a Provincial Government and authorities subjected to the same responsibility by the Provincial Constitution, on the ground of violation of the law—by decision of the Provincial Diet concerned;

d. When directed against the Governor of a Province, on the ground of violation of the law or failure to comply with the decrees or other instructions of the Federation in matters of indirect Federal administration—by decision of the Federal Government.

(3) An adverse finding by the Constitutional Court shall involve removal from office, and also, in exceptionally grave cases, deprivation of political rights for a period; in respect of minor infringements of the law in the cases referred to in paragraph (2), section d, the Constitutional Court may confine itself to establishing the fact of a breach of the law.

Article 143

Proceedings against the persons mentioned in Article 142

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may also be instituted in respect of a criminal offence committed in the execution of official duties. In such cases the Constitutional Court shall have exclusive jurisdiction; any proceedings which may be pending in the ordinary Criminal Courts shall be transferred to the Constitutional Court. The Constitutional Court may in such cases apply the provisions of the penal law in addition to those of Article 142, paragraph (3).

Article 144

(1) The Constitutional Court shall give judgement on complaints of violation, by a decision or decree of an administrative authority, of rights guaranteed under the Constitution, after the matter has been taken through all the stages of administrative appeal.

(2) An unconstitutional decision or decree shall be annulled on judgement to that effect being given by the Constitutional Court. The authorities shall be bound by the legal opinion expressed by the Constitutional Court in the issue of any new decision or decree.

Article 145

The Constitutional Court shall give judgement upon violations of international law in accordance with the provision of a special Federal law.

Article 146

The Federal President shall be responsible for the execution of the judgements of the Constitutional Court.

Article 147

(1) The Constitutional Court shall sit in Vienna.

(2) It shall consist of a President, a Vice-President, and the requisite number of members and substitute members.

(3) The President, Vice-President, and one-half of the members and deputy members shall be elected by the National Council, and the other half of the members and deputy members by the Federal Council, and they shall hold office for life.

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Article 148

Further provisions as to the organization and procedure of the Constitutional Court shall be prescribed by Federal legislation.

SEVENTH SECTION

FINAL PROVISIONS

Article 149

(1) In addition to this Law, the following enactments shall be deemed to be Constitutional Laws within the meaning of Article 44, paragraph (1), subject to the alterations provided for by this Law:

Law of 21 December 1867, *Reichsgesetzblatt*[1] No. 142, on the public rights of State citizens for the Kingdoms and Provinces represented in the *Reichsrat*.

Law of 27 October 1862, R. G. Bl. No. 87, on the protection of personal liberty.

Law of 27 October 1862, R. G. Bl. No. 88, on the protection of domiciliary rights.

Decree of the Provisional National Assembly of 30 October 1918, St. G. Bl. No. 3 (*Staatsgesetzblatt* No. 3).

Law of 3 April 1919, St. G. Bl. No. 209, concerning the banishment and the taking over of the property of the House of Habsburg-Lorraine.

Law of 3 April 1919, St. G. Bl. No. 211, relating to the abolition of the nobility, the temporal orders of Knights and Dames, and certain titles and dignities.

Law of 8 May 1919, St. G. Bl. No. 257, relating to the State arms and State seal of the Republic of German Austria, with the alterations effected by Articles 2, 5, and 6 of the Law of 21 October 1919, St. G. Bl. No. 484.

Section V of Part III of the Treaty of St. Germain of 10 September 1919, St. G. Bl. No. 303, of 1920.[2]

(2) Article 20 of the Law of 21 December 1867, R. G. Bl.

[1] The official collection of laws.

[2] This section comprises the stipulations as to protection of minorities imposed upon Austria by the Allied and Associated Powers.

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No. 142, and the Law of 5 May 1869, R. G. Bl. No. 66, based upon that Article, are repealed.

Article 150

The transition to the Federal Constitution established by this Law shall be regulated by a separate Constitutional law which shall come into operation simultaneously with this Law.

Article 151

(1) This Law shall come into operation on the day of the first sitting of the National Council, save in so far as exceptions may be made by the Law mentioned in Article 150.

(2) Nevertheless the provisions of Article 50, paragraph (1), and of Article 66, paragraph (2), shall come into force on the day of the promulgation, the right of approval vested in the National Council being exercised by the National Assembly until the coming into operation of the other provisions of this Law.

Article 152

The State Government is entrusted with the execution of this Law.

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APPENDIX C

Austrian Governments, 1918–34

15 March 1919 to 17 October 1919, Renner. Coalition of Social Democrats and Christian Socialists.

17 October 1919 to 7 July 1920, Mayr. Coalition of Christian Socialists and Social Democrats.

7 July 1920 to 10 November 1920, 'Proporz' Cabinet.

10 November 1920 to 21 May 1921, Mayr. Christian Socialists.

21 July 1921 to 24 May 1922, Schober. Officials and Christian Socialists.

24 May 1922 to 8 November 1924, Seipel. Christian Socialists.

18 November 1924 to 15 October 1925, Ramek. Christian Socialists.

26 October 1925 to 4 March 1927, Seipel. Christian Socialists.

19 March 1927 to 3 April 1929, Seipel. Christian Socialists.

5 May 1929 to 25 September 1929, Steeruwitz. Christian Socialists.

26 September 1929 to 28 September 1930, Schober. Christian Socialists and Officials.

28 September 1930 to 30 November 1930, Vaugoin. Clericals and *Heimwehr*.

3 December 1930 to 12 June 1931, Ender. Christian Socialists.

18 June 1931 to 20 June 1921, Seipel. Christian Socialists.

21 June 1931 to 20 May 1932, Buresch. Christian Socialists.

20 May 1932 to 25 July 1934, Dollfuss. Christian Socialists.

Note. The German Nationalists as a rule supported the Christian Socialists.

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PRINTED IN GREAT BRITAIN
BY WESTERN PRINTING SERVICES LTD., BRISTOL

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THE REBIRTH OF AUSTRIA

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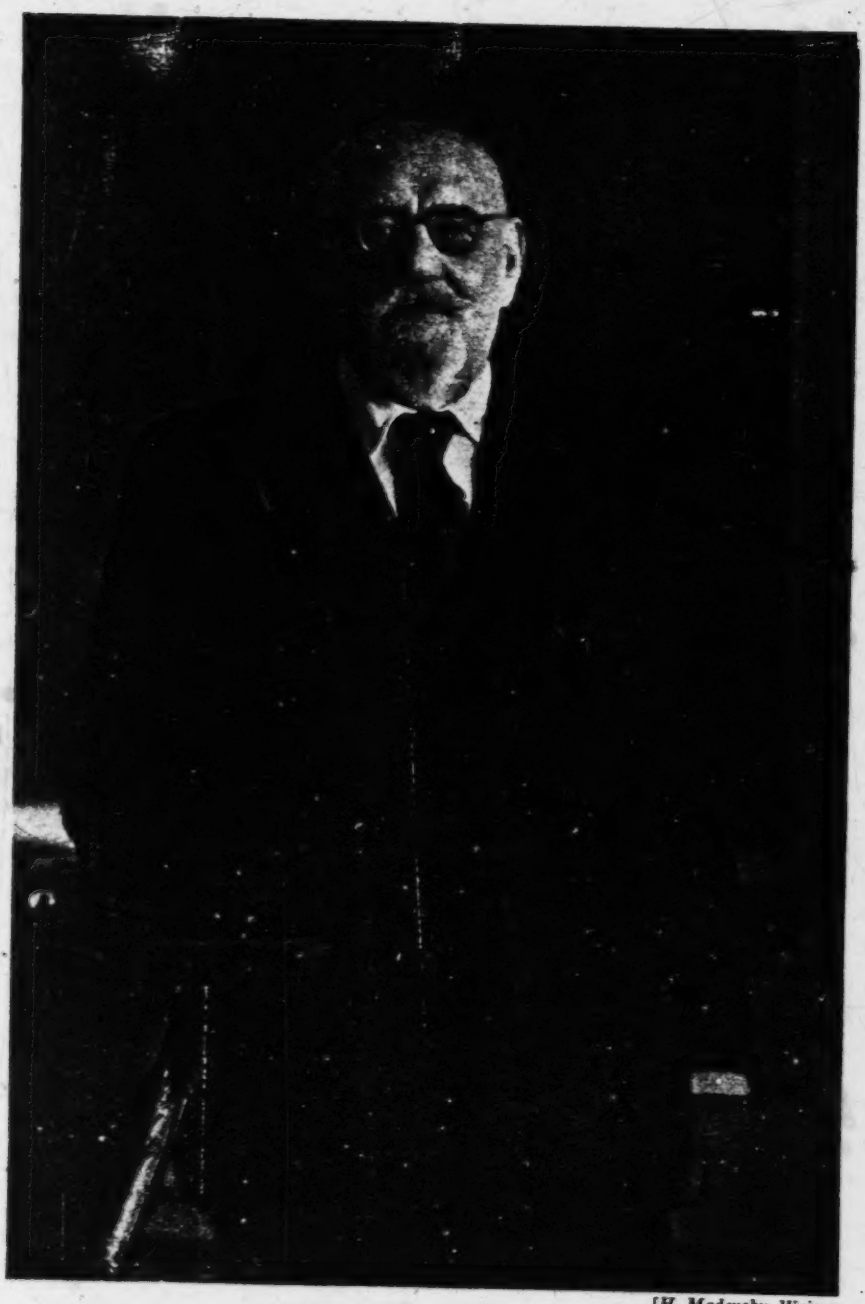

[H. Madensky, Wein I

DR. KARL RENNER

[facing p. iii]

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RICHARD HISCOCKS

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THE REBIRTH OF AUSTRIA

'. . . it was during the hours of the Austrian people's most fearful ordeal that their true character was most fully revealed to me.'

ANTON WILDGANS

GEOFFREY CUMBERLEGE
OXFORD UNIVERSITY PRESS
LONDON NEW YORK TORONTO
1953

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TO

DR. HEINRICH GLEISSNER, *Governor of Upper Austria*

AND

DR. ERNST KOREF, *Mayor of Linz*

IN ADMIRATION OF

THEIR EXAMPLE

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PREFACE

121 THE idea of writing this book came to me after a talk given early in 1951 to the Winnipeg Branch of the Canadian Institute of International Affairs. It was clear on that occasion that a well-informed group of Canadians knew little about Austria and that their potential interest in the subject was considerable.

As a student of international relations I have frequently felt the need of the kind of objective general study of contemporary conditions in another part of the world that this book sets out to be. If we keep moving in the right direction, the obligations of twentieth-century citizenship will extend increasingly beyond national politics. And political obligations, international in scope, can only be satisfactorily fulfilled on a basis of widening knowledge.

Post-War Austria is a subject both interesting in itself and typical of the troubled continent of which it is the geographical centre. Its importance to Europeans needs no emphasis, but it is a subject also of particular significance to the people of North America, who have emerged from the War with greater relative wealth and increased productive capacity.

Two things are required by the author of the type of study I have mentioned: versatility and leisure to do maximum justice to a moving scene. These I have not possessed in the measure in which they are needed. To present a balanced picture I have had to deal with subjects of which I have little technical knowledge, and I have had to combine the whole undertaking with my normal academic duties. In spite of these disadvantages, the absence of any general study of Austria since the war has encouraged me to make the attempt.

114 The chief difficulty in writing about recent events is the lack of reliable sources. Official documents may be inaccessible, and statistics are not always available. The fact that Austria is an occupied country makes the situation worse: the occupying

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114 Powers suffer from diplomatic reticence, and the Austrians themselves are under restraint.

000 From February 1946 to October 1949 I was working in Austria as British Council Representative. The many contacts I made then have been invaluable in the preparation of this book, and I owe a great deal to my Austrian friends and acquaintances. They have helped me in a wide variety of ways and have given encouragement and constructive criticism. I am particularly indebted to my colleagues at Vienna University and to many good friends who are engaged in educational and cultural work.

I want especially to express my deep gratitude to Dr. Leopold Figl, who has just laid down the burden of his memorable Chancellorship, Vice-Chancellor Dr. Adolf Schärf, and other members of the Austrian Cabinet who spared time last year to see me and answer questions. I am most grateful to Dr. Felix Hurdes, Former Minister of Education and now President of the National Assembly, and Dr. Leopold Zechner, President of the Vienna School Board, with both of whom my duties as British Council Representative brought me into frequent contact. Dr. Heinrich Gleissner and Dr. Ernst Koref, to whom this book is dedicated, and Professor Ludwig Adamovich, President of the Constitutional Court, have also been most helpful. I have been very fortunate in being able to talk to a large number of Austrian civil servants about the problems of their departments and to read many unpublished departmental papers.

114 Sources for the period of the Provisional Government, from April to December 1945, are particularly scarce. There was no Parliament, there were few newspapers, and comparatively little has been published on the subject. British and American documents covering the period are still 'classified', and the publication of the reports of the British and American Elements
124 had not started. I have therefore depended largely on information gathered in interviews with some of the Austrians and British who played leading parts in the events of that time. Some of my most reliable informants, however, spoke freely on the understanding that they would not be quoted.

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Any student of post-War Austria is fortunate in being able to consult the publications of the Austrian Institute for Economic Research. I owe a special debt to its courteous director, Dr. Franz Nemschak, and have made very large use of the statistics produced by the Institute. However, since they were not always in the form required to illustrate the text, I have occasionally drawn on other sources as well. I must therefore take full responsibility for the accuracy of the figures quoted.

I am very grateful to the Canadian Social Science Research Council and to the University of Manitoba for their support in the production of this book.

Finally, I wish to thank the many friends who have helped me in a variety of ways. I am especially indebted to those who have read and criticized all or parts of the manuscript, and to Dr. Hans Schwabl of Vienna, who kindly assisted me on points of fact while I was working in Canada.

The manuscript was completed shortly before the Austrian elections on 22nd February 1953. It was then held back for more than five weeks pending the formation of a new government.

RICHARD HISCOCKS

WINNIPEG, 7 *April* 1953

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PS 1

I

The Austrian Problem

THE popular conception of a Europe divided by the Iron Curtain makes no allowance for the position of Austria. On one side of the curtain are East Germany and the Soviet satellite States, with Berlin heroically maintaining its insularity and faith in the future. On the other side are the West European countries, including Yugoslavia, with Albania as a queer but harmless anomaly left isolated on the Adriatic by Tito's quarrel with Russia. Austria under Four-Power occupation, yet with a Federal Government of its own, does not fit into this over-simplified pattern. The Russian zone of Austria is not behind the Iron Curtain in the same sense as East Germany, but it cannot be included in Western Europe. 648

This aspect of the Austrian question is bound up with the conflict between Russia and the West. It is a post-War development and will become clear as the story of post-War Austria is told. The main problem presented by Austria in 1945 is more fundamental and can be understood only in the light of the country's history between the two World Wars.

When the Habsburg Empire disintegrated in the autumn of 1918, the bulk of its territory and population was taken over by the so-called Succession States. All that were left to form the new Austrian Republic were about seven million German-speaking Austrians and a group of provinces extending from Hungary to Switzerland without national or administrative cohesion. For some months it was doubtful if an Austria would survive at all. From the economic and political points of view there were strong reasons why it should not. 728 642

Economically the new State was an irrational fragment which would have the greatest difficulty in paying its way. In area it was little more than an eighth the size of the old Empire, 433

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433 and in population less than a seventh. Yet it contained Vienna, with over two million inhabitants, a great Imperial city that had lost its *raison d'être*. The capital's top-heavy administrative system and large governing class were a burden to the young Republic. The country had lost to the Succession States its main sources of food supply and the coal vital to its industries. Four-fifths of its wheat and between two-thirds and three-quarters of its coal had to be imported. It was not surprising that in 1922 Austria had to appeal for financial aid from abroad and to accept the supervision of a League of Nations Commissioner.

648 Politically the seven million German-speaking Austrians did not want to form an independent State. The Austro-Hungarian Empire had collapsed owing to the desire of its various peoples for self-government. In 1918 the idea of self-determination was in the air, and it was natural that the German-Austrians, who owed to it the loss of their dominant position in the Habsburg Empire, should wish to make the best of the situation by applying the principle to themselves. In Germany the military Imperialists had fallen from power. The great majority of Austrians, therefore, who disliked Prussian arrogance but felt themselves to be Germans, were in favour of an *Anschluss*, or union with Germany, whether they belonged to the Right Wing or to the Left. Even Dr. Karl Renner, the first Chancellor of the Austrian Republic, who, as a Socialist, had advocated a free federation of Danubian peoples under the Habsburgs, was converted to the *Anschluss* idea by the force of events.

The first name given to the remnant of the Habsburg Empire was not 'Austria' but 'German-Austria'. A Provisional National Assembly, which met in Vienna during November 1918, approved a constitutional law stating that German-Austria was 'an essential part of the German Republic'. This decision was confirmed by a Constituent National Assembly the following March. Otto Bauer, who was in charge of foreign affairs, drew up a treaty with the German Foreign Minister, laying down the manner in which German-Austria

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should be incorporated in the German Republic, in the event of the peace treaty permitting such a development. The Provincial Assemblies of Salzburg and the Tyrol decided to hold plebiscites on the subject, both of which resulted in overwhelming majorities in favour of union with Germany. In the Tyrol 144,342 votes were cast for the *Anschluss* and 1,794 against. In Salzburg the figures were 103,000 for and 800 against. 648

In spite of these clear indications of popular opinion, the victorious Powers opposed any increase in German territory. The Treaty of St. Germain, in September 1919, established Austria as an independent State and forebade any modification of its independence without the consent of the League of Nations. In 1931, when the economic crisis led the Austrian and German Governments to plan a Customs Union between the two countries, the project was forbidden as contrary to the treaty terms. C. A. Macartney's laconic statement that French fear of the Germans on the Rhine was 'an insufficient reason for condemning Austria to be alive' summed up the feelings of many Austrians.

In addition to its fundamental weaknesses, the Austrian Republic lacked the required conditions for successful democratic government. 641 665

A prerequisite of sound democracy is a sense of common purpose. Party rivalry is essential to the democratic system, but it must take place within the framework of loyalty to the State. On the whole, in the First Austrian Republic party sentiment was stronger than patriotism. Of the two main political parties, the Social Democrats were convinced, though moderate, disciples of Marx, believing in the international character of Socialism and not uninfluenced by Marx's theory of class dictatorship. The Christian Socialists, though made up of peasants and industrialists as well as clericals, were predominantly Catholic and traditionalist in sympathy, many of them with monarchist leanings. Both sides tended to attach more importance to realizing their political ideals than to establishing effective government in the new State.

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642 The Republican Constitution approved in October 1922 was itself a handicap. It was drawn up by a coalition government, in which the different views and mutual suspicions of the two parties did not make for clarity or simplicity of structure. Neither side could be described as experts in democratic practice, and the Social Democrats had an exaggerated fear of a strong executive. So the formidable political and economic problems facing the young State had to be tackled by a succession of weak governments which had no power to dissolve Parliament. As the system of proportional representation made for an even balance between the parties, a state of chronic instability prevailed. No real improvement was made in the Constitution until 1929, and even then reforms were limited to those on which the two main parties could agree, owing to the rule that any constitutional change required approval by a two-thirds majority.

665 The situation in the new Republic called for a concentration of political forces. But party feeling was such that the coalition lasted for only two years, and in the autumn of 1920 a long period of bitter and uncompromising conflict began. Attempts made on both sides to renew collaboration all ended in failure, and Dr. Renner, a consistent exponent of co-operation and compromise, had comparatively little influence.

665 668 Although universal suffrage had been introduced in the Habsburg Empire in 1907, the democratic immaturity of the Republic was revealed by the prevalent political methods. The Social Democrats first tried to establish control of the official army. When this attempt had failed, both parties organized private armies of their own, and thus showed that in the last resort they were prepared to use force as well as argument. The bad habit developed of using mass demonstrations for political purposes, an undemocratic technique, because it appeals to emotions and mass suggestion rather than to reason. Its full dangers became clear under the Nazis, but before then it had done great harm to Austrian political life. A mass demonstration in 1927 led to riots and savage repression and accentuated party antagonism. By 1934 Parliament had

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665 been suspended by the Dollfuss Government and the country
668 was on the verge of civil war. The Government's harsh and ill-considered decision to turn artillery on to the workers' dwellings may have cut short the conflict and suffering, but it was a final betrayal of democracy that no considerations of expediency can excuse.

721 In spite of the serious internal difficulties, it was in the end to external force that the Austrian Republic succumbed. On the 11th of March 1938 Hitler sent an ultimatum to Dr. Schuschnigg, the Chancellor. Within a few hours German troops had occupied the country and the *Anschluss* was a fact. The Austrian political parties have accused each other of preparing the way for this tragedy, but there were deep-lying causes for the growth of National Socialism and Fascism that were beyond their power to prevent. In the diplomatic circumstances of the time, even had Austria been a model democracy, it would have had no more chance of withstanding Hitler than had the courage, patriotism, and democratic example of the Czechs. As the only German country outside the Reich, Austria was the first object of Hitler's ambition. The opening page of *Mein Kampf* contains the sentence: 'German-Austria must return to the great German Mother Country'.

186 In fact, by 1938 the attitude of Austrians towards union with
648 Germany had changed considerably. Inside Austria nearly twenty years of enforced independence had inevitably left their mark: the people were acquiring a sense of pride in their achievement and hope for the future. Recent developments in Germany also had had a decisive effect.

433 Economically Austria had made important progress. In 1918 its position seemed hopeless. But the Austrian Government and people gradually accustomed themselves to the idea that their fate was in their own hands. By 1937 the country was producing three-quarters of its food. Valuable oil-fields had been discovered at Zistersdorf, north-east of Vienna, and oil production had risen from 73 tons in 1932 to 32,849 tons in 1938. The tourist industry had developed rapidly and covered over 80 per cent of the country's trade deficit. When the

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433 *Anschluss* took place, Austria already had a good chance of becoming a viable State.

657 Politically the main achievement had been in the field of social legislation. Nowhere in Europe did the Socialist ideal find more impressive realization than in the legislative programme initiated by Ferdinand Hanusch, the Austrian Secretary of Social Administration between 1918 and 1920, and in 367 the housing schemes carried out between the Wars by the Vienna municipality under Social Democratic control. These improvements gave the young Republic something to be proud of, something, moreover, which was associated with the difficult present rather than with the glorious past, and which 648 directed attention to the possibilities of the future. Another political event of importance was the appeal for financial help made to the Allies by the Christian Socialist Chancellor, Monsignor Seipel, which led to the appointment of the League of Nations Commissioner. He was accused of being a traitor by his opponents, but his action established an important precedent in international collaboration. It showed that it was possible to combine patriotism with the acceptance of international control, an innovation of great significance for a small State like Austria.

517 In culture and sport the period also brought great success. The triumphs of the Austrian football team, the Vienna State Opera, and the Salzburg Festival stirred the pride and enthusiasm of the harassed Austrian people.

186 Anton Wildgans' *Rede über Österreich*, which was written in 1929, reflected the development of Austrian patriotism and Austria's sense of identity as a State. This great speech was intended for a foreign audience. But it was also a noble expression of patriotic faith. Its enthusiastic reception in Austria was a clear indication that it summed up ideas that were germinating in many Austrian minds.

648 Austria's growing self-consciousness and sense of independence were stimulated by Hitler's rise to power. Austrian Socialists had been in favour of union with a Germany in which Socialism and democracy were strong, but they had no

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desire to link up with a totalitarian régime practising militarism and racial persecution. Their aversion was shared by many Right-Wing Austrians who had additional reasons for disliking Hitler's Germany. Dr. Dollfuss had been murdered by Nazis, and Dr. Schuschnigg had been insulted at Berchtesgaden. It was significant that shortly before the German ultimatum Dr. Schuschnigg held a successful conference with Viennese Socialists and Communists, although it was too late to have any effect.

Hitler himself provided the best proof that the majority of Austrians were opposed to his régime. The German troops crossed the Austrian frontier two days after Dr. Schuschnigg announced his intention of holding a plebiscite on Austrian independence. The Führer was well-informed on Austrian opinion, and decided he must act before the people could express their views.

A clear distinction must be made between the two meanings of the term '*Anschluss*'. In its more general sense of union with Germany it describes the aspiration of the great majority of Austrians after the First World War, an aspiration based on consent and rooted in the principle of racial self-determination. In the case of loyal Imperialists, it was the product of disenchantment and despair, the shattering of the foundations of their existence. With the Socialists it represented the international aspect of Marxism and the conviction that their political ideals could best be realized in alliance with the German Socialist Movement. But since 1938 the term has normally been used to describe Hitler's seizure of Austria in March of that year. In this sense it describes the first phase in the Nazi programme of expansion in Europe, which was carried out by force and threats without any regard for the real wishes of the Austrian people or any intention of respecting their cultural and historical identity.

In the absence of diplomatic support, Austria was powerless to withstand Germany. A minority of Austrians did not wish to do so either. They were tired of the economic struggle, disillusioned about politics, and impressed with German strength.

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648 Hitler's phenomenal success and his massive histrionic displays had their effects on an impressionable people. But one year's close acquaintance with National Socialism was sufficient to break the spell.

727 Austria was renamed the *Ostmark*, and its interests were systematically subordinated to those of the *Reich*. The most important Austrian banks and industries were placed under German control. To most Austrians it was intolerable that Vienna should become a provincial city and each of the ancient provinces a *Gau* controlled from Berlin. The difference between Prussian totalitarianism and the Austrian spirit became clear as never before, and one Viennese spoke for many when he said it was only an accident that Germans and Austrians spoke the same tongue.

When the War ended, the disillusionment of the Austrian minority was complete. Six more years of Nazi domination had confirmed the impression of the first twelve months. Failure and disaster had discredited a movement which was built up on practical success.

[186] More important was the transformation of the Austrian people as a whole. The change that started between the Wars was completed during the German occupation. By 1945 the name 'Austria', honoured by Hitler's disapproval, had gained a new significance. The Austrian people had acquired a will for independence. They had also learned much from their political experience and failures.

So when Austria was liberated by the Allied armies and the Second Austrian Republic was formed, the restored State faced the challenge of post-War problems in circumstances quite different from those in which the First Austrian Republic had confronted the problem of its existence after 1918.

Austria's difficulties in 1945 were formidable. Like most European countries, she suffered from War damage and economic dislocation. In her case were added the political and economic effects of seven years' subjection to Germany, during which there had been a complete break in administrative continuity, and industry and agriculture had been subordinated to

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Hitler's War needs. In politics, the Left-Wing parties had been banned since 1933, and the Right Wing carried the stigma of an authoritarian experiment. Finally, there was the Allied occupation, an unknown element at first, which was to provide the pretext for prolonged exploitation and obstruction by the Russians.

Under these exacting conditions the Austrian Republic was still required to prove that it was a viable State, capable of successful democratic government. But in approaching their tasks the Austrian people had two great advantages that they had lacked between the Wars: clear common objectives and faith in their country's destiny.

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II

Liberation

726 THE liberation of Austria was carried out from three directions very rapidly, the whole process being completed within a few weeks. On the 29th of March 1945 Soviet troops crossed the Austrian frontier from Hungary. At the beginning of May the British entered Carinthia from Italy and the Americans crossed the German frontier into the Tyrol. By the 13th of April the Russians were in control of Vienna, and before the end of the month large areas of Lower Austria and Styria had been freed. In the south and the west the British and the Americans met with very little resistance.

The speed of the liberation was due partly to the general situation. The morale of the Nazi armies was crumbling: on the 25th of April Berlin was surrounded and five days later Hitler committed suicide. But it was due also to the attitude of the Austrian people and to the work of the Austrian Resistance Movement. They made the Allied task easy and saved Austria from much damage.

727 Resistance groups had begun to form in Austria as early as 1938. During the Nazi occupation and the War the strength of
668 the opposition was shown by the large number of soldiers and civilians executed for desertion and 'treasonable' activities. The exact number will never be known, but it was probably between 15,000 and 20,000. At the Kagran rifle-range in Vienna the shooting of deserters was on the daily programme, and the number of victims reached thirty to forty a week. A chaplain who ministered to military prisoners in Vienna counted over 1,000 executions in his own area between 1940 and 1943.

These figures indicate both the strength and hazards of the resistance in Austria.

668 To organize opposition in Austria was particularly dangerous

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and difficult, owing to the language question. Austrians alone of Hitler's subject peoples spoke the same language as their rulers. Large numbers of Germans were therefore drafted into key positions, and Austrians not considered reliable, who had been spared the concentration camp, were transferred to Germany. So it was a risky proceeding to organize Resistance groups on a scale that could be attempted with a reasonable chance of success in France or Italy, where bilingualism was almost a necessary qualification for an informer. There was every chance that a large Resistance meeting organized in Austria, even in a remote place, would be followed by internal betrayal, wholesale arrests, and a series of executions.

Yet, in spite of formidable obstacles, a great deal was accomplished. It was not practicable to set up an elaborate organization and plan action comparable to that undertaken by the French Maquis. But large numbers of men and women throughout the country formed themselves into small groups, which in some areas developed into a loose informal network, with a capacity for co-operation varying with the general situation and the efficiency of the local Gestapo. This kept alive the spirit of resistance and led to the establishment of personal contacts that proved of great value during the liberation.

Members of the Austrian Resistance Movement developed a technique of their own, especially among the holders of administrative and staff appointments, and were thus able to make an important contribution to the common cause. Military doctors increased the length of convalescence for the sick and wounded and declared healthy men unfit for service. Censors of foreign mail suppressed information valuable to the Government and letters that might incriminate its opponents. Staff officers had the best opportunities of all. It was an easy matter for military bureaucrats to waste time intentionally, as well as unintentionally, and to think out simple and elaborate methods for reducing efficiency. Training programmes were deliberately upset. German instructors were replaced by Austrians whose political sympathies were known. During the last autumn and winter of the War a whole infantry

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668 division was virtually written off by staff sabotage. The division had been defeated on the Western front; its re-formation was repeatedly delayed by changes in the rendezvous and misdirection of reinforcements and equipment, and finally it was reported ready for action when its personnel was only at half strength.

668 648 Outside their own country Austrians fought with the Maquis in France and with Resistance groups in Italy. An Austrian battalion was formed as part of Marshal Tito's National Liberation Army. Many Austrians taken prisoner by the Allies asked that an Austrian fighting force should be formed to take part in the liberation of their country. But Allied consent was unfortunately delayed until April 1945, when it was too late to be of use.

During the last months of the War the enterprise and courage of a few individuals led to liaison being established between the Austrian Resistance Movement and the Allies. In the autumn of 1944 messengers with forged papers travelled to and fro between Austria, Switzerland, and North Italy. During October and November the Provisional Austrian National Committee, known as POEN, was set up in Vienna with its secret communications centre in the Grand Hotel, in order to provide a representative political organ through which the military Resistance Movement could make contacts abroad. After about four months most of its members were arrested by the Gestapo and the organization was destroyed. But not before it had fulfilled a valuable function. In February 1945 a representative of the Austrian Resistance went to Paris and established relations with the Allied General Staff, the French Foreign Ministry, American and British diplomatic representatives, and Russian liaison officers. He told them about the activities of the Resistance Movement and the existence of POEN, and asked them to give recognition to POEN, appoint liaison officers, and supply weapons and radio sets for the Resistance. The reactions of the Allies varied. The British showed caution, and the Americans were more ready to give practical assistance. Two American liaison officers were

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appointed, and two radio sets were smuggled across the frontier for use at Innsbruck and Salzburg. It was also arranged that the B.B.C. and the Voice of America should broadcast for POEN and the Austrian Resistance Movement. 668 648

In March, Fritz Molden, a young Austrian who had played a leading part in establishing relations with the Allies, visited the Allied Air Headquarters at Caserta. He took with him an appeal from the Resistance Movement, asking the Allies not to bomb civil objectives in Austria and pointing out that restraint on this point would make the task of the movement in organizing opposition easier. The Americans gave Molden, as the representative of POEN, the status of a special liaison officer with their forces in Italy.

The last Nazi effort to mobilize forces for the defence of Austria was the calling out of the *Volkssturm* in the autumn of 1944. This *levée en masse* of those that remained was doomed to failure from the start. All able-bodied men of military age had already been conscripted, and the hurried mobilization of the young, the old, and the unfit could only have succeeded had they been filled with a spirit of devotion to the cause. But this was almost entirely lacking. Drill and training in most cases were not taken seriously, often as the result of tacit understanding between officers and men. An Associated Press report from Buchs on the Austro-Swiss frontier towards the end of March 1945 estimated that 60,000 Austrians had fled to the hills to avoid the new form of service. During the liberation campaign that followed, not only members of the *Volkssturm* but whole units of the *Wehrmacht* under Austrian officers broke up and went home, changing their uniforms for civilian clothes. In these circumstances, Hitler's Wagnerian plan for a last stand in his 'Alpine fortress' at Berchtesgaden was abandoned. He chose for the final scene Berlin, where the details were less likely to escape his control. 726

In the brief battle for Vienna the general attitude of the population had a decisive influence. A group of army officers, led by Major Biedermann, who had established contact with the Russians, were betrayed and executed soon after fighting 668 726

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726

began. But this tragedy did not change the mood of the people. They were impatient for liberation, and many were prepared to do all they could to hasten it. Shortly before the Russians arrived, a meeting of the Resistance was held to consider the final plans, and its decisions were put into action successfully. The SS were hampered in every way; deserters were helped, and service in the *Volkssturm* was refused. Thousands of civilian suits were provided for troops, who were then given refuge in cellars. Even the Gestapo put the number of deserters at more than 10,000, and other estimates were much higher. Members of the *Volkssturm*, who were described by an observer as looking old and apprehensive, often threw away their weapons, if they could do so with safety. One army officer issued rifles from his store to members of the Resistance, who in turn opened fire on the SS at the barricades.

The Nazi leaders had planned a fanatical defence of 'fortress Vienna'. But in one of his last broadcasts Goebbels described the city as a stain on the German escutcheon. On the 13th of April, the day when the battle ended, Moscow radio announced that the Viennese had saved the honour of Austria and gained immortal merit by the part they had played in the liberation.

Apart from the few days' campaign in Lower Austria that preceded the battle for Vienna, there was much less fighting in the Austrian provinces than there had been in the capital. In Styria and Carinthia members of the Resistance took up arms at the end of March, but events in those provinces had little effect on the fate of Austria. The city of Salzburg was spared the possibility of serious damage by the action of the senior army officer in the city, who penetrated the American lines and surrendered on his own authority. In the Tyrol there was also little actual fighting, but the Resistance Movement was more highly organized than in any other part of the country.

The independent spirit of the Tyrolese had led to the formation of Resistance groups at an early stage in the Nazi occupation. The mountainous character of their countryside and its long, secluded valleys made it a comparatively easy matter for the groups to maintain themselves on a purely local basis.

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By the spring of 1945 there were more than twenty of them in existence. When Dr. Karl Gruber, the present Foreign Minister, arrived in Innsbruck from Berlin at the end of the first week in April, a number of groups chose him as their common commander, and he set about co-ordinating their activities. Gruber established his headquarters successively in a sanatorium, a café, and the premises of a mineral-water business. As he had been working as an engineer in a Berlin radio firm during the War, it was comparatively easy for him to establish wireless communication with the French and American armies. Under his unified command the Tyrol Resistance gained in confidence and strength. 668 726

A series of smaller actions culminated in the capture of a German general's headquarters on the Hungerburg, just outside Innsbruck, and in the occupation on the 2nd of May of a barracks inside the city which contained a large supply of weapons and ammunition. For about twenty-four hours before the Americans arrived, on the 4th of May, the greater part of the Tyrol was in the hands of the Resistance. This had the result of reducing destruction to a minimum and saving the all-important bridges.

With the moral support of the great majority of Austrians and the active help of the Resistance, the military task of the Allies in Austria was soon accomplished. But it was by no means the only problem that confronted them as liberators. The very speed of the campaign and the thoroughness of the Nazi defeat brought with them special difficulties. 726

Many Nazi officials left Vienna in a hurry and a spirit of reckless, indignant despair. Part of the German artillery had had no ammunition since leaving Hungary, and in spite of the exhortations of Goebbels and Himmler, those in authority realized the hopelessness of the military situation. They therefore took what they could from their stores and, when possible, destroyed or damaged what was left. Thus the Germans set an example of looting and wanton destruction, which was continued by the Russians and the Austrians themselves.

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726 A continuous stream of refugees had been crowding into Vienna from Czechoslovakia and Yugoslavia and the Austrian countryside to the east. They not only increased the number of mouths to be fed, but added dangerously to the irresponsible element in the city.

The last act of the retreating Germans will never be forgotten, nor quite forgiven, by the Viennese. St. Stephen's Cathedral, with its high-pitched roof and magnificent steeple, has dominated the centre of Vienna for centuries. Historically and spiritually it is the heart of the city. The cathedral had survived the severe air-raids of February and March 1945 with only minor damage and the loss of glass. But between the 8th and the 13th of April it was almost entirely burnt out after a long and at first successful struggle to save it. A combination of circumstances was responsible for the catastrophe: a minor bombing attack on the 8th of April, a wooden scaffolding foolishly left round one of the towers, and a wind causing a rain of sparks from surrounding fires. But two deliberate orders given by the retreating Nazis probably decided the fate of St. Stephen's. The whole fire brigade was withdrawn from the city, and shortly afterwards, on the 11th of April, German artillery opened fire on the cathedral, hitting the tower and tearing open the roof.

727 The Russian troops entered Vienna as victors after a long and arduous campaign. They remembered what their own country had suffered at the hands of the German invaders, and many of them did not know the difference between one German-speaking person and another. An outburst of looting and excess was therefore hardly to be avoided, so long as battle conditions continued. But the disappointment came when fighting troops were replaced by the army of occupation, and the second wave of soldiery was found to be worse than the first. The primitive behaviour of the Russians was a poor advertisement for twenty-five years of Communism. The Viennese were genuinely grateful for their liberation and prepared to greet the Russians as friends. But women, who showed their gratitude openly, soon learned to stay at home, and for many

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weeks it was considered rash to wear a wrist-watch out of doors. 727

Disillusionment was increased by the proclamations issued by the Soviet Commanding General. These emphasized that the Red Army was fighting against the German occupants of the country, not against the Austrian people, and that private property and the individual rights of citizens would be respected. They were, no doubt, sincere expressions of intention. But the contrast between the intentions of the Soviet authorities and the actions of the Russian troops was not reassuring.

During the ten days' battle for Vienna the great majority of Viennese lived in their cellars or at least remained at home behind bolted doors. But a good many Austrians also took part in the orgy of plundering that was going on at the time. In every big city there is a certain section of the population to which such behaviour comes naturally. The tragedy of the situation in April 1945 was that some quite respectable citizens, who would not normally dream of thieving, helped themselves to what they could get. This was an indication of the general demoralization of the time, the desperate want that prevailed, and the chaotic conditions that made it unlikely that the barest needs could be satisfied by ordinary means.

The position during that terrible period was made very much worse by the existence of large stocks of wine and *Schnaps*. The Russian troops soon discovered this and went round calling out for wine and breaking into the cellars, after which their behaviour became correspondingly worse. When the Viennese found out what was going on, they would have been less than human had some of them not taken part in the general scramble. The owners naturally preferred that their fellow-citizens should have what there was rather than that more and more Russians should become drunk in the vicinity. So it came about that respectable Viennese were to be seen carrying home bucketfuls of *Schnaps* and liqueur.

In such circumstances mishaps could not be avoided, and one of them led to a major tragedy. Russian troops were camping in the Burgtheater, the great State Theatre that had survived

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727 the War with only a small amount of damage. They lit a fire on the stage, which they failed to extinguish. The building caught alight and, in the absence of any fire service, was soon completely burnt out. Thus a great cultural centre was destroyed owing to the negligence of a few undisciplined soldiers.

These conditions led inevitably to famine. The normal system of food distribution had been interrupted by the fighting and lack of transport. The refugees had imposed a strain on existing supplies. Fire, destruction, and looting depleted the stores, while the uncertainty encouraged hoarding of what remained.

Finally the administration and public services broke down completely. The Nazi officials in charge of the city government fled with the retreating armies. The greater part of the police and gendarmerie, being Nazis, went with them, and the remainder dispersed to their homes. For some weeks there was neither gas, nor water, nor electricity; no communications and no public transport. Thousands of human corpses were left for days unburied, and the carcasses of horses lay putrefying on the streets. The fire brigade had been ordered to withdraw to the west, and abandoned fire-engines were found lying in the fields between Vienna and Linz, when the need for them in the city was greatest. In April 1945 Vienna experienced what anarchy means in practice.

642 In this crisis it was fortunate that the right men were available and willing to take the initiative in forming some kind of provisional administration. Since the banning of their party in 1934, a number of leading Viennese Social Democrats had been living in retirement, sometimes broken by spells in prison or concentration camps. Among them were General Körner and Dr. Adolf Schärf. On the 6th of April a group of Christian Socialist leaders were suddenly released from prison after spending weeks under the daily threat of death. They included Leopold Figl and Dr. Felix Hurdes. The only official organization that was functioning on the Austrian side was the Resistance Movement which had established its headquarters in

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the Auersperg Palace. The rapid co-operation of these three elements saved the situation in Vienna. Their efforts to set up a temporary municipal government received the full support and encouragement of the Russian military authorities.

The strength and bitterness of political feeling had rendered any effective collaboration between parties impossible in face of the Nazi threat before 1938. But seven years of German occupation had made a difference. In particular the contact that had been established between Schärf and Hurdes during the War proved of great value at this time.

Vienna had been a Social Democratic stronghold under the First Republic. On the 11th of April, therefore, the leaders of the Resistance Movement offered the post of burgomaster to a Social Democrat. On the 17th, after several days of negotiation between the Auersperg Palace and representatives of the party, the choice fell on General Körner, and was approved by the Russian Commandant. Körner was a widely respected figure; a convinced and selfless Socialist, who had been a Chief of Staff in the old Imperial Army and last President of the Republican Federal Council. His deputies were to be a Communist, Karl Steinhardt, and the Christian Socialist, Leopold Kunschak, former Federal Chairman of his party, who had distinguished himself by his staunch democratic loyalty and his consistent opposition to Fascism. Under this satisfactory leadership energetic steps were taken to re-organize the administration of the city. The municipal offices were divided, half going to the Socialists and a quarter each to the Communists and the Austrian People's Party, the newly named party of the Right.

In the meantime, valuable work was being done by Leopold Figl, former Federal Director of the *Bauernbund* or Farmer's Union. Since 1938 Figl had spent altogether sixty-eight months in prison and concentration camps, where he had already revealed the qualities of toughness and courage that later distinguished him as Chancellor. Within a day or two of his final release he began work with a few friends and former associates to re-organize the *Bauernbund* and the provincial

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government of Lower Austria, shortly afterwards becoming President of the Austrian *Bauernbund* and Governor of Lower Austria. At the same time he improvised measures for the relief of famine in Vienna. The Russian military authorities were persuaded to put two or three dozen lorries at his disposal. The drivers reported to him every morning, and, accompanied by volunteer civilian guides, were sent out into the countryside to collect supplies. In the evening they returned, and the food was handed over to the municipality for distribution. Figl was specially qualified to perform this service, because he had the confidence of the peasants.

While these developments were taking place in Vienna, a series of events had occurred in the country south-west of Vienna which were to have a decisive influence on Austrian history.

In the village of Gloggnitz, at the foot of the beautiful Semmering Pass, Dr. Karl Renner, senior and most respected member of the Austrian Socialist Party, had been living since his enforced retirement from active politics in 1934. In April 1945 he was seventy-four years old, but still strong and active in body and mind. Gloggnitz was not far from Köszeg, the point on the Hungarian border where the Russian troops first entered Austria. It was therefore one of the first villages to be occupied. Dr. Renner, having advised his fellow villagers to stay where they were and not run away from the advancing army, was disappointed at the rough house-searchings to which all of them were subjected. On Easter Tuesday, therefore, two days after the arrival of the Russians, he took his stick and, without bothering to put on a coat, walked down the street in search of the local command post, in the hope of convincing the officer in charge of the villagers' peaceful intentions and preventing further mistreatment. He was directed to the next village, a mile and a half away, and there by a fortunate chance found some officers who knew his name and past record. He was sent by lorry to higher headquarters at Hochwolkersdorf, where he was received with great respect and spent the evening in discussion with senior staff officers.

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Dr. Renner had entered the lorry under protest. He had left home with the intention of visiting the village command post and then returning. He was therefore concerned both about his family and about their anxiety for him. Nevertheless the evening's conversation and the talks that followed the next day with officers of even higher rank were of great significance for the future. The Russians agreed to assist Dr. Renner in taking the measures necessary for the re-establishment of democratic government in Austria. They assured him that they stood by the Three Powers' declaration at Yalta and that Austria, when liberated, would be free to solve its political and economic problems according to the people's will. Dr. Renner for his part made clear that there could be no question of his acting as a Russian agent. If he were to form a government his commission must come from the Austrian side. It was arranged that he should be given full facilities for his preliminary work first in Gloggnitz and later at some suitable place nearer Vienna.

After a few days at home, during which he worked on a series of declarations and pamphlets addressed to the Austrian people, Dr. Renner and his family were taken to a country house near Wiener Neustadt. Then, to their surprise, they were driven on the 21st of April direct to Vienna.

It was a remarkable accident that brought Dr. Renner into contact with the Russian authorities within a week of their entering Austria. His name was known to educated Russians as a pioneer Socialist thinker on the problem of nationalities, whose writings had influenced Stalin, while he was preparing his essay on *Marxism and the National Question* in Vienna at the beginning of 1913. But that he should have come upon Russian officers, in a remote village at that particular time, who realized his potential importance, was a stroke of fate, the full consequences of which it is impossible to assess. What would have happened had his meeting with the Russian leaders been delayed for some weeks can only be a matter of conjecture.

By character and experience Karl Renner was by far the best qualified man to undertake the formation of an Austrian

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643 government in the critical spring of 1945. He was sufficiently far to the Left in his opinions to be acceptable to the Russians and yet sufficiently moderate to be respected by all parties. He had been first Chancellor of the First Republic, and therefore had unrivalled knowledge and experience of post-War problems. He had also been President of the Austrian Peace Delegation at St. Germain. Furthermore, he combined strong political convictions with flexibility of method and willingness to compromise, a mixture of qualities which were to prove invaluable during the coming years.

[642] When he arrived in Vienna, Dr. Renner found, to his pleased surprise, that the political parties had already combined in many municipalities, including the capital, to set up provisional administrations. In Vienna General Körner and his [204] deputies were established at the Town Hall. Representatives of the three parties had joined together to found a new newspaper, *Neues Österreich*, the first number of which appeared on the 23rd of April, after the city had been without a newspaper for three weeks. A first meeting of trade unionists had also [467] taken place, which led to the foundation on the 27th of April of an Austrian Federation of Trade Unions on an all-party basis. Dr. Renner altered his plans to suit the unexpectedly favourable conditions. Calls to action were not required so much as leadership, organization, and the definition of objectives.

643 The Russians installed Renner in a house in the suburb, Hietzing, that was large enough to accommodate his family 648 and small staff and allow conferences to be held on the main 642 floor. The day after his arrival, the Russian colonel who was acting as liaison officer arranged for leading personalities from the different political parties to come and visit him. The first to arrive was Leopold Kunschak, to whose attitude Renner attached great importance. He was followed by General Körner and Adolf Schärf; the Communists, Ernst Fischer and Johann Koplenig, and others. Negotiations progressed so rapidly that within two or three days agreement had been reached on the membership and constitution of the Provisional

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Government. On the 27th of April, Dr. Renner as Chancellor designate and his proposed colleagues were received by Marshal Tolbuchin, who in the name of the Red Army gave the Government *de facto* recognition and promised it support. 643 648 642

The same day a proclamation was issued in the name of Renner and representatives of the three political parties, which contained a formal Declaration of Independence. It announced the restoration of the Austrian Republic, the nullification of the *Anschluss*, and the proposed establishment of an all-party provisional government with full legislative and executive authority, subject to the rights of the occupying Powers. On Sunday the 29th of April members of the new Government assembled in the council chamber of the Vienna Town Hall, and, after an exchange of speeches between Burgomaster Körner and Dr. Renner, proceeded, accompanied by the City Senate, to take formal possession of the half-destroyed parliament building nearby. There they were greeted by the Russian Commandant of the city, and Dr. Renner, among the ruins and the rubbish that there had been no time to clear away, reaffirmed his faith in the future of free Austria and the democratic resolve of his colleagues and himself. The ceremony concluded with the reading of a declaration to the people of Austria announcing the establishment of the Provisional Government and exhorting all citizens to play their part worthily in the restoration of the country. 642

The authority of the new Government extended in fact only to Vienna and those areas of Lower Austria, Burgenland, and Styria that the Russians had already freed. Provisional governments were established in the rest of Austria, as the liberation proceeded, and political authority was exercised either by the military governments of the occupying Forces or by Austrian Provincial Governments set up or approved by them. In Carinthia an all-party Government had been formed on Socialist initiative before the British arrived. In the Tyrol, the Resistance Movement, which had already achieved so much, established an Austrian Provisional Government Committee in the face of Nazi opposition: the American forces, whom the 642 648

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642 648 Resistance leaders had invited to cross the frontier from Bavaria, were given a formal and enthusiastic welcome when they entered Innsbruck on the evening of the 3rd of May.

648 Within a year or two of the end of the War a bitter joke was current in Vienna. Austria, it was said, might possibly survive a third World War, but it would certainly not survive a second liberation. Austrian disappointment was understandable. Dr. Renner pointed out in April 1946 that after the First World War Austria had waited six months for the invitation to St. Germain, and that the peace treaty had followed four months later: that was the treatment given to a defeated country, and it was indefensible that a liberated country should be treated worse. Yet, in spite of everything, the overthrow of the Nazi régime in the spring of 1945 was a liberation. Since then Austria has had a large measure of freedom in which to develop its own way of life. Though the continued restrictions on its liberty cannot be defended, against them can be set the considerable amount of material and moral help the country has received from some of the occupying Powers.

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III

Provisional Government

DR. RENNER'S task was to form an interim government 'broadly representative of all democratic elements in the population'. Those were the terms of the Yalta programme for the liberated peoples of Europe, and it was in that task that the Russians had promised to help him. His first problem was how to make the Government representative under existing conditions. Elections for some months were out of the question. When he arrived in Vienna, fighting was still going on, and, when opposition ceased, Austria was divided into four separate zones under the different armies of occupation. The country was almost entirely without means of communication, and the great majority of able-bodied men of military age were prisoners of war. 643 642

During his first conversations with the Russians Dr. Renner had proposed that, as President of the last National Assembly dissolved by Dollfuss in 1934, he should call together its surviving members or their official substitutes, replacing the Fascist representatives by Communists. But he finally decided against this plan. It would be a complicated, somewhat arbitrary procedure and would take time, when the circumstances demanded that a provisional government should be established immediately. As the main political parties were already re-forming under recognized leaders in Vienna, it would be more satisfactory if the party leaders themselves and their nominees combined to make up a government. Under the Austrian system parliamentary candidates were normally nominated by the party machines, so that the deviation in this case from the ordinary practice would be formal rather than real.

To ensure that the government chosen by this method should really have the confidence of the people great care was 642

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642 taken in its composition. No government was ever set up that more closely deserved to be called a coalition. There were representatives of all parties at each level of the administration. Of the thirteen main posts, four went to Social Democrats, four to the Austrian People's Party, three to Communists, and two to non-party men. In addition, in all Ministries, except the Ministry of Finance, two Under-Secretaries were appointed from the parties to which the Minister did not [645] belong. Dr. Renner himself, as Chancellor, was assisted by three Secretaries without portfolio, who with him constituted the Political Cabinet Council. This body, in addition to acting as an inner Cabinet, temporarily formed the supreme executive authority and carried out the duties previously performed by the President of the Republic. Its members, apart from the Chancellor, were Leopold Figl, Adolf Schärf, and Johann Koplenig.

The whole Government, including the Under-Secretaries, formed the Cabinet in the broader sense. From the point of view of taking executive decisions, this body was inconveniently large. But, on the whole, its size was an advantage. As there was no Parliament, it was executive and legislature rolled into one, and had to perform the functions of a Cabinet and of both parliamentary Chambers. It was therefore a good thing that it should be as representative as possible. Confidence in it as a legislative body was further increased by the principle of unanimity that governed its decisions.

643 In view of the severity of the party conflict in Austria be-
663 tween the Wars, it may well cause surprise that the three parties should have collaborated so closely and successfully during the seven months' life of the Provisional Government. It was due partly to the personality of Dr. Renner. By sheer force of character and political experience he exercised considerable influence over his colleagues in the Government. He was one of the few Austrian statesmen since 1918 who were able to combine lifelong adherence to a political creed with magnanimity and the ability to look beyond party to the needs of the country as a whole. In 1922 he wrote, 'Passion is

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a bad political counsellor', and during the remainder of his life 643
he acted in accordance with this precept. In a speech delivered
a few days before his death he spoke of the usefulness of 663
political differences, but emphasized that from the clash of opinions the right course should emerge and common action follow: party, the part, must not usurp the role of the general welfare, which is the whole.

Common suffering at the hands of the Nazis made a great 663
difference also. Political rivals came out of prison as close personal friends addressing one another by the familiar '*du*'. As Leopold Figl said, in the concentration camp a man did not ask his fellow-prisoner what party he belonged to, but whether he was an Austrian. Brave men endured hardship and torture in order not to betray other members of the Resistance, even if they did belong to another party. Adolf Schärf has described how by chance Felix Hurdes, once in a neighbouring cell to his own, was cross-examined about their contacts with each other. However strong party rivalry might subsequently become, such incidents as these could never be forgotten by those who had experienced them.

Another individual who contributed greatly to the success of 663
the Provisional Government by his action and his example was
Leopold Figl. In 1945 he was only forty-three, and he had 675
none of Dr. Renner's experience of Parliament and national politics. But he had great integrity and boundless energy. As a member of the Political Cabinet ~~Council, President of~~ the *Bauernbund*, and Governor of Lower Austria, he was rapidly becoming the most significant figure in the People's Party. His loyal and consistent collaboration with Dr. Renner was therefore of great importance. It meant that the leaders of the two main parties, whose rivalry had been so disastrous in the past, were now working together for the good of Austria.

Besides the strong central government that Dr. Renner and 631
his colleagues provided, the country needed a new administration. After the *Anschluss*, Vienna's functions as the administrative centre of Austria were transferred to Berlin. The city ceased to be a capital and became a province and, so far as the

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631 federal civil service was concerned, was left with neither offices nor officials. After 1918 Vienna had been compared to a heart from which the arteries had been severed: after 1945 Dr. Renner described it with good reason as no longer a breathing heart but a mere bundle of torn blood-vessels. Most of the local and provincial government offices survived, but had been largely filled with Nazis, many of German origin. They had either fled before the Allied armies, often burning the records before they left, or were suspended by the Allies after their arrival. The whole administrative machinery of the State, therefore, from the smallest village to the Supreme Court, had to be created anew.

663 The work of reconstruction was carried out in a spirit of devotion and enthusiasm under the supervision of Sektionschef Heiterer-Schaller, who was commissioned by Dr. Renner to re-organize the administration. In the early weeks it was largely a matter of improvisation and individual initiative. Personnel had to be re-assembled, premises found, and the most rudimentary equipment collected, like paper and typewriters. While the fighting was still going on, a few civil servants collected at the Chancellery in the Ballhausplatz and began clearing away the rubbish with their own hands. Then very gradually the work became more systematic. When the occupying Powers appointed committees to investigate the situation in September, it was found that a fairly adequate civil service was being built up, recruited mainly from those who had suffered under the Nazi régime and who had had previous administrative experience before the *Anschluss*.

The circumstances in which the task was undertaken could hardly have been worse. Apart from the famine and destruction, and the breakdown of all public services, the condition of the State finances was such that all officials, from the Chancellor to the office charwoman, received a salary of only 150 marks a month until the autumn of 1945. This would not have been enough to pay for the bare necessities of life, had they been available. Yet the spirit in which the task was carried out was excellent. It was a real labour of love performed from a sense

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of deep patriotism. In spite of the sordid conditions and immense difficulties, an atmosphere of happy adventure and exhilaration surrounded the whole operation. As one official who took part in it remarked: 'After all, it is not often that one has an opportunity to build up a State.' 663

In the work of political and economic reconstruction the Provisional Government received the support and assistance of the Russian military authorities. As will be seen, the Russians at this time were beginning to carry out the systematic confiscation of economic assets which was part of their post-War policy. But this was accompanied by a positive and helpful attitude towards the Government itself. It would be quite wrong to attribute to the Russians at this period the political obstruction they practised later. Buildings were made available for Government departments. There was no interference with the Cabinet's deliberations, and the laws were, with very few exceptions, given tacit approval. In fact, the Provisional Government felt free and unrestricted in the immense legislative task with which it was faced. After all, the Government was a Russian creation, and the Russians must be given credit for the selection of Renner. The fact that he turned out to be a better choice from the Austrian than from the Russian point of view is beside the point. 648

The Austrian Communists also, in their own way, furthered the work of the Provisional Government. In view of the key positions they held, this was really to be expected. With Russian support they had obtained much fuller representation in the Cabinet than their strength in the country warranted. In addition to providing Under-Secretaries and a member of the Political Cabinet Council, they held the all-important Ministries of the Interior and Education, which were responsible respectively for security and 'public enlightenment'. But the Communists also contributed to the success of the Government for another curious and surprising reason. 665

Very soon after the arrival of the Russians the chosen leaders of the Austrian Communist Party flew into Vienna in Russian aeroplanes: Ernst Fischer and Johann Koplenig from Moscow,

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and Franz Honner and Friedl Fürnberg from Yugoslavia. They came with a well-thought-out programme which was followed consistently during the lifetime of the Provisional Government. Two themes were to be stressed repeatedly: the idea of Austria and its national tradition and the need for democratic solidarity and a united front. As a result, Communist leaders were to be found saying and writing some unexpected things during the following months. At an all-party meeting in the middle of April the question of education in Vienna was discussed. Ernst Fischer spoke with such enthusiasm of the need for instilling patriotism and an appreciation of the great achievements of such historic figures as the Empress Maria Theresa and Prinz Eugene that Leopold Kunschak remarked drily to a friend afterwards that he thought at any minute Fischer might spring up and start singing 'Gott erhalte unsern Kaiser', the old Imperial national anthem. Many efforts were also made by the Communists to persuade the other parties to collaborate in the foundation of joint democratic or supra-party organizations, in which they hoped to exercise the controlling influence. The Socialists and the People's Party did not respond to these overtures. For example, on one occasion Dr. Schärf and Dr. Hurdes discovered that a poster had been printed without reference to them announcing the formation of an all-party youth movement, known as the 'Free Austrian Youth'. At the bottom of the poster their names appeared by the side of that of the Communist leader concerned. Their reply was to proceed with the formation of youth movements for each of their own parties. The 'Free Austrian Youth', however, now a Communist organization, still retain as their flag the Red-White-Red of the Austrian national colours, which their founder had hopefully given them.

The real implications of this programme can only be understood in connexion with the post-War record of the Communists in Central and Eastern Europe. But it had the temporary advantage of facilitating their co-operation with the Provisional Government's efforts to rebuild and re-unite

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the Austrian State. Certain Communist utterances at the time had a considerable appeal to Austrian sentiment. To the first number of *Neues Österreich* Ernst Fischer, who was the editor, contributed an article entitled 'With United Strength'. It ended as follows:— 665

And something more is necessary: that we Austrians awake to true national self-consciousness, that we have confidence in our own strength, as we have not always had in the past. . . .

Hard work lies ahead of us, but it is work for ourselves. After long years of servitude, we can work for ourselves again, for the happiness of our children, for the welfare of our people, for a free independent Austria. With united strength we will overcome all the accumulated difficulties and make of our homeland what it deserves to be: a land of peace, freedom and creative human endeavour. And when the drab needs of everyday life get a hold on us, our ardent faith in Austria will rouse us again to action.

Our great composer, Schubert, has bequeathed us his ever beautiful unfinished symphony. Everything around us now is unfinished: fragments, ruins, the sadness of destruction. Nevertheless we hear more clearly than ever before the urgent, admonishing notes of the unfinished symphony—Austria. We shall finish it.

It was an inspiring call. But there are no signs now that the symphony will be finished in the way Ernst Fischer had in mind.

The legal situation that faced the Provisional Government when it took office was very complex. The most urgent need was to define the constitutional position of the Government. This was done with the help of two constitutional laws that were approved on the 13th of May and made effective from the 1st of May 1945. The first of these declared that the Austrian constitution of 1929, as it stood on the 5th of March 1933, was again in force, and the second modified the first by stating that until the formation of a government based on free elections the Provisional Government was to exercise the supreme executive power in the State and the legislative authority previously held by the Federal Parliament and the provincial assemblies. It was of immediate importance also to settle the question of the legislation and decrees issued by the 642

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642 German Government since the *Anschluss*. They could not be repealed *en masse* without causing great confusion. A further constitutional law was therefore passed, that was also to be effective from the 1st of May, stating that all laws and decrees incompatible with a free and independent Austrian State and with a genuine democracy were annulled. The Government would, after investigation, give notice of those that were invalid. The remainder would for the time being have the force of Austrian law.

With these constitutional acts as a basis, the Provisional Government proceeded with astonishing speed to issue the wide range of laws and decrees necessary for the reconstruction of the Austrian State. When the Government was recognized by the four occupying Powers on the 20th October, over 200 had been promulgated.

643 This remarkable legislative achievement was due very largely to the energy, ingenuity, and legal capacity of Dr. Renner himself. The unanimity rule made the legislative process more difficult. But the Chancellor declared on a number of occasions that he would assume a resolution had been approved, unless its opponents within the Cabinet were prepared to back their opinions by resignation. Being accustomed to night-work himself, Dr. Renner would often call Cabinet meetings for nine o'clock in the evening. The less controversial measures would be taken first, and by about midnight, when most members were suffering from hunger and exhaustion, the more difficult matters would come up for discussion. In those days lack of food was a serious consideration in the lives of all Viennese, and it was customary for wine and sandwiches to be served at the end of Cabinet meetings. Critical faculties were damped, therefore, and the democratic process was considerably eased by Dr. Renner's arrangement. The Chancellor would then sit up far into the night drafting the legislation based on the Cabinet's decisions.

663 The administrative tasks that confronted the Provisional Government were endless. It would take many months before anything like normal civic life could be restored.

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Nevertheless a great deal was accomplished at every level; 663
by the Central Government itself, by the provinces, and by the municipalities. And it was not long before the results of their efforts could be seen. Following the example of Vienna, in some cases at the same time, the machinery of local government was set in motion in the villages and towns by the joint action of all parties. This work was carried out with the [648]
support of the Russian military authorities, who, however, did not attempt to exercise any undue influence. That this attitude should be taken by an occupying Power, in some cases while fighting was still in progress, is something for which the Russians deserve full credit. In Vienna, before the end of April, several tram services were again working, and gas and electricity were available in some parts of the city. At the beginning of May the first trains left Vienna for Klosterneuburg and Wiener Neustadt, and a restricted mail service was started again. At the end of the month the lighting of private houses was possible for short periods daily, and this was followed early in June by the restoration of street-lighting and a considerable relaxation of the curfew regulations that had been introduced in April. A very limited radio service had been opened in April, and on the 12th of June *Neues Österreich* announced proudly that for the first time for seven years the voice of Austria could be heard again by wireless in the outside world.

The two most serious matters to be settled were the problems of food and security.

The famine conditions in liberated Vienna could not easily 731
be overcome. The city's supply problem since 1918 had always been a difficulty, and the situation in the spring of 1945 made it infinitely worse. The breakdown of communications, the vast number of refugees, and the inevitability of the Russian troops living partly off the country, when they first arrived, led in May to the reduction of the ration to 350 calories a day. The Austrians made every effort to improve the situation, though with little success. Figl's improvised collection service has already been described.[1] But the previous year's stocks were almost exhausted, and the prospects for the new harvest could

[1] [Ct, cat. 116, p. 20 — Analyst]

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731 hardly have been worse. The fighting in Lower Austria had coincided with sowing time; horses and tractors had been carried off; men of military age were still away, and the forced foreign labour brought in by the Nazis had disappeared. Women dared not go out on to the fields, and their menfolk were unwilling to leave them alone at home, with Russian troops in the neighbourhood. In these circumstances the well-intended exhortations of the *Bauernbund* and the efforts of the Lower Austrian Government could have little effect. The only hope was Allied help, and this was fortunately forthcoming. In May the Russian Army began to release food from its own stocks, and in September all four occupying Powers joined in alleviating Vienna's supply problem.

625 648 The disintegration of the Austrian police that accompanied the liberation left the country without a force for the maintenance of law and order at a time when it was most needed. Joint Russian and Austrian improvisation, however, produced a reasonably satisfactory solution of this problem, though an increase of crime was inevitable under the exceptional conditions of the time.

The Russians first established groups of auxiliary police largely under Communist leadership in the Vienna districts and parts of Lower Austria. The Austrian partisan battalion from Yugoslavia, which arrived in Vienna on the 12th of May, was also installed as a kind of Communist party-guard in the Hofburg, the old Imperial Palace, which had become the Russian headquarters. But from the beginning loyal Austrian police officials were also working energetically for the re-organization of the police. They operated at first from the Auersperg Palace, the headquarters of the Resistance, and, as early as the 13th of April, contrived to get a poster printed calling on former members of the police who had not been Nazis before 1938 to present themselves at a rendezvous in the Kandlgasse. It was very fortunate that Oskar Helmer, the Socialist Under-Secretary in the Ministry of the Interior, was one of the strongest personalities in his party. He worked consistently to prevent the re-organized force from coming under

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Communist control and to emphasize the importance of professional training and experience. At his suggestion, on the 23rd of May, Dr. Pamer, a former Police President, replaced a Communist as Police President of Vienna. Finally, on the 13th of June, the whole force was formally taken over by the Police Directorate, a purely Austrian authority.

By July the Vienna police were nearly 7,500 strong, though only some 1,000 of them had had previous police experience and many still owed their position to their political opinions. In September, at British instigation, the first meeting of the Allied Public Safety Committee was called. From then on the Austrian police were under Quadripartite supervision, and the three Western Powers were able to counterbalance Russian influence.

Dr. Renner's main concern, after his first few months in office, was to ensure the real unity of Austria. The Provisional Government had announced the restoration of the Austrian Republic and declared itself to be the Government for all Austria. Yet *de facto* its authority still only extended to those parts of the country that were occupied by the Russians; that is to say, Vienna, Burgenland, Lower Austria, and parts of Upper Austria and Styria. The Chancellor's two aims were to obtain the recognition of the Four Powers for his Government and reintegrate the country under its control. The continued division carried with it real dangers. Economically, the position was absurd. In so small a country, each part was dependent on the others for its survival. But the iron of Styria was cut off from the engineering industries of the Russian zone. The salt and meat of Salzburg and the Tyrol could not be brought to Vienna, and the oil, grain, and potatoes of Lower Austria were not available to the West. It had always been difficult to feed Vienna. Yet the task had become impossible in a house, as Dr. Renner put it, 'where the larder was walled off from the kitchen by zonal frontiers'.

Since 1918 the mutual suspicion between Vienna and the provinces had been a menace to the country as a whole. The interests of the city and the rural areas were utterly different,

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369 631 and the contrast was accentuated by the fact that the capital was Socialist and the provinces largely Conservative. The isolation of Vienna from most of the provinces would therefore tend to revive an unhealthy animosity that years of common subjection to Berlin had done much to overcome. The Chancellor had every reason to fear such a development, because a movement for the formation of an Austrian government in the provinces occupied by the Western Allies had followed the liberation. This fortunately had failed. Had it succeeded, Austria might have shared the fate of Germany. Yet the attempt justified Dr. Renner's misgivings. Salzburg was the only province, outside Russian territory, that endeavoured to recognize the Provisional Government, and its overture to Vienna on the 24th of May led to a rebuke from the American Military Governor.

489 Conditions made it difficult to counteract separatist tendencies. The country was divided, and there were still no normal transport services between the different zones. It was easier to travel from Russian-occupied Austria to Czechoslovakia than to the Austrian western provinces; and easier to move between the cities of Salzburg and Munich, which were both occupied by the Americans, than between Salzburg and the Austrian capital. A messenger sent by Dr. Renner from Vienna to the Tyrol in May took seventeen days to make the journey and had to swim the River Enns, when he crossed the Russian frontier. An experienced member of the Resistance, well accustomed to travelling under difficulties, took a week to cover the same distance by car during the summer.

727 The Western Allies at first decided not to recognize the Provisional Government. They were suspicious of it as a Russian creation in which Communist influence was unduly strong. Fortunately events so developed that this decision was reversed.

On the 4th of July the Governments of the four occupying Powers reached an agreement in London setting up a Control Commission for Austria. It was to consist of an Allied Council, comprising the four Allied High Commissioners, an Executive Committee, and departmental staffs. Vienna was to be con-

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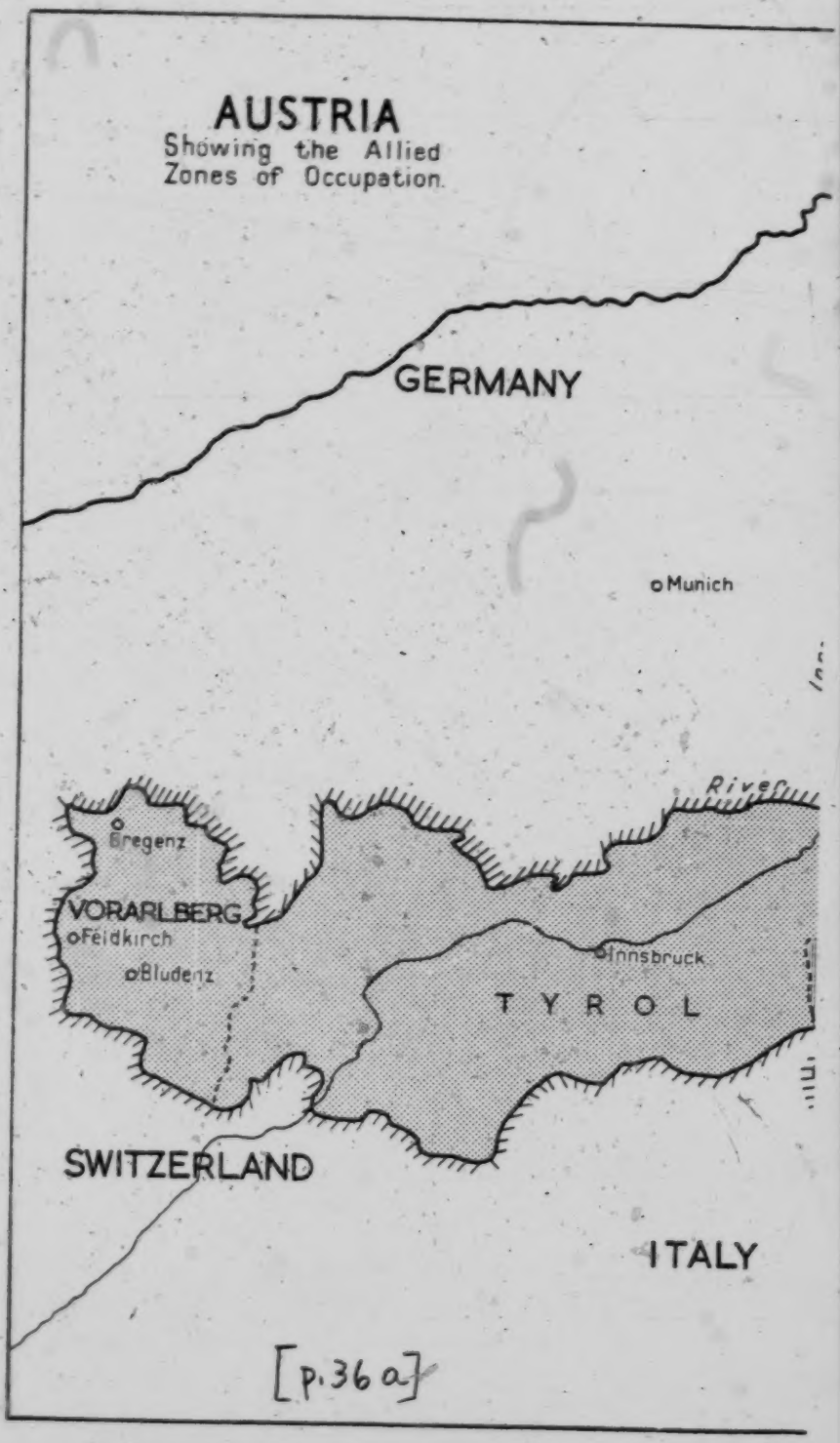

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727 trolled by an Inter-Allied Command, consisting of the four Military Commanders of the city. Thus a government for all Austria was set up, but it was not an Austrian government. More important from the Austrian point of view was the clause in the agreement describing the main objectives of the Commission. These included the establishment, as soon as possible, of an Austrian central administration and a freely elected Austrian government.

On the 9th of July a further agreement was reached defining the Allied zones of occupation and the districts of Vienna that were to be allotted to each Power. Russia was to have Burgenland, Lower Austria, and Upper Austria north of the Danube; the United States, Salzburg and Upper Austria south of the Danube; Britain, Styria and Carinthia; and France, Tyrol and the Vorarlberg. The districts of Vienna were to be divided amongst the Powers, except for the First District or Inner City. This was to be controlled direct by the Vienna Inter-Allied Command, within which, month by month, each Power was to provide the chairman in turn.

Following these agreements the Commanders-in-Chief of the Western occupying Powers arrived in Vienna during August with their staffs. After preliminary negotiations with the Russians, the first meeting of the Allied Council was held on the 11th of September and the first meeting of the Vienna Inter-Allied Command on the 19th. At the Council meeting an important proclamation was issued to the Austrian people. It announced that the Allied Council had assumed the supreme power in matters that concerned the whole of Austria. The intention of the Moscow Declaration to re-establish a free, independent, and democratic Austria was confirmed. The most pressing tasks were described as the unification and economic restoration of the country and the elimination of the consequences of war. And the Allied authorities undertook to allow the political parties freedom to make known their political views through the Press, the radio, and public meetings, as an essential preliminary to the holding of free elections.

The arrival of the Western Allies in Vienna was timely. The

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727 Russians had been in sole control for four months, and Western suspicion of their influence was growing. On the 19th of August a public ceremony took place that symbolized their position. Accompanied by the firing of hundreds of rockets, a memorial was unveiled in the Schwarzenbergplatz which represented a Russian soldier with flag and shield as the emblem of liberation. Though not objectionable in itself, its position in front of the beautiful Schwarzenberg Palace spoilt one of the finest city views in Europe. The Viennese resented its inartistic intrusion and called it the 'Unknown Plunderer'. One day, it is hoped, the Russians will transfer it to a more fitting site in the Prater, where the Red Army fought to free the city.

In spite of the proclamation of the 11th of September, the Western Allies wished to have three points settled before they recognized the Provisional Government. They wanted to be sure that it was a suitable government for the whole of Austria. They wanted to be certain it had the approval of the provinces. And it was necessary to settle between themselves and the Russians what the relationship of the Government to the Allied Council should be. Before the end of September the second point was established beyond doubt.

646 After the First World War a series of provincial conferences had been called to deal with the immensely difficult problems of the time. Dr. Renner had seen their value then, and he was convinced that they could make a valuable contribution again. Some senior Allied officers felt the same. So, with the approval of the Allied Council, whose permission was needed to allow the delegates to travel to Vienna, an all-party Provincial Conference was called for the 24th to the 26th of September. It was no coincidence that during the four previous days the People's Party held a provincial conference in Salzburg. Austrian opinion at the time was strongly in favour of country-wide co-operation.

The conference was held in the Provincial Chamber of Lower Austria in the Herrengasse. Leopold Figl, as Governor of the Province, greeted the assembled representatives by expressing the hope that they could prove to the Allies that

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they were worthy of directing the destiny of their country and their people themselves. He was followed by Dr. Renner, who gave a vivid description of the frustration and impotence that resulted from the division of the country. Certain differences revealed themselves in the course of the discussions. Dr. Renner himself had shown centralizing tendencies as head of the Provisional Government, and Dr. Gruber, as Governor of the Tyrol, had been inclined to take an independent line. There were problems, therefore, that had to be thrashed out. But the conference, on the whole, was a great demonstration of unity. Dr. Heinrich Gleissner, the past and future Governor of Upper Austria, set the tone that prevailed and expressed the feelings of the provincial representatives in a statesman-like speech, when he spoke of the sense of home-coming they had all experienced as they climbed the steps leading into the Vienna Town Hall.

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There were four immediate results. The Government was broadened to include representatives of the provinces, the most significant appointment being that of Dr. Gruber, as Under-Secretary in charge of External Affairs. A legal commission of the Provincial Conference was appointed to consider the suitability of the Provisional Government's laws for the provinces. The outlines of an economic programme were drawn up; and a recommendation was made that general elections should be held in November.

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Two more Provincial Conferences were held during October, at which the provincial delegates made further important decisions. The laws and ordinances passed by the Provisional Government were accepted. It was agreed that the legislative powers of the provincial chambers under the 1929 constitution should be restored. Recommendations were made regarding procedure at the coming elections, and the exclusion of former National Socialists was proposed. The Government's economic plans were endorsed, including an appeal for help to UNRRA. Most important of all was the moral support these further meetings gave the Chancellor in his vital negotiations with the Allied Council.

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When the Western Commanders-in-Chief first arrived in Vienna, the Provisional Government was not recognized by them, and they did not at first enter into official communications with it. Before long, however, the British and American Commanders interviewed Dr. Renner and apparently satisfied themselves that he was a suitable Chancellor and no mere puppet of the Russians. They were further reassured by the results of the first Provincial Conference.

Two of the conditions necessary for recognition of the Renner Government had therefore been achieved, and the Allied Council proceeded to consider what the relationship should be between the Control Commission and an Austrian Government. At its meeting on the 1st of October it decided to recommend to the Governments of the four occupying Powers that the Provisional Government's authority should be extended to the whole of Austria and recognized, subject to certain conditions. The most important condition was that some functions of government should be reserved to the Allied Council, and this was a point on which the Four Powers could not agree.

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On the 13th of September Dr. Renner had sent a note to the Allied Council requesting the unification of Austria, the recognition of his Government, and the holding of free elections. The Allies now decided on recognition without waiting for agreement on the question of reserved functions. During its meeting on the 20th of October Dr. Renner was summoned and informed of this decision. The main conditions of recognition were that the Provisional Government should exercise its functions subject to the guidance and control of the Allied Council as the supreme authority in Austria; that certain functions of government should be reserved to the Allied Council; that one of the main duties of the Provisional Government should be to hold free elections as early as possible, and not later than the end of the year; that the Provisional Government should be empowered to enact laws applying to the whole of Austria, provided that they were first submitted for approval to the Allied Council, and that nothing in the condi-

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727 tions should affect the validity of any Military Government
648 legislation then in force or afterwards enacted. The Allied
642 Commission also proceeded with the task of examining, and where possible approving, the laws and decrees issued by the Provisional Government since the 1st of May.

The formation of the Provisional Government in April had been Dr. Renner's first great service to Austria since his return to active politics. The Allied recognition of his Government marked the second stage of his achievement and was of incalculable importance to the future of the country. Without it the danger still remained that Austria might suffer lasting division and the fate of Germany. It is not surprising, therefore, that the British officer who went to fetch the Chancellor to the Allied Council meeting on the 1st of October noticed an unaccustomed nervousness on the part of this experienced, sophisticated, but deeply patriotic statesman.

666 The main task that faced the Provisional Government, after it had been recognized, was the organization of elections. An electoral law, after amendment by the second Provisional Conference, had been passed by the Government on the 19th of October and approved by the Allied Council on the 30th. It was based on the electoral law of the First Republic, modified to disfranchise Nazis and candidates for the Nazi Party, unless they could prove they had suffered political persecution under the Nazi régime. On the 27th of October the Government, in the name of all three political parties, issued an appeal to the Austrian people, calling on them in the traditional manner, as befitted a civilized and freedom-loving people, to cast their votes for one of the three democratic parties.

On the 25th of November the elections were held. They passed off in a most orderly manner, 93 per cent of the electors casting valid votes. It was generally agreed that the Austrian people were able to vote freely in accordance with their political opinions. By the end of the month no charges of fraud nor complaints from either parties or individuals had been lodged regarding the election. In view of the nature of some of the elections that took place in Central and Eastern

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666 Europe after the War, the fairness of the Austrian elections has caused some surprise, but this is largely due to a misunderstanding of Austrian conditions at the time.

In the first place, the influence of the Western Allies was exerted wholeheartedly in favour of freedom and impartiality, and, supported by them, the Austrian Government made sensible and efficient arrangements, including precautions against possible malpractice. A special commission was set up to supervise the elections, comprising two members of the People's Party, two Socialists, and one Communist, with Dr. Sommer, a Right-Wing Under-Secretary in the Ministry of the Interior, as Chairman. Polling day was fixed for November, before mountainous districts were likely to be snowed up, and the procedure was simplified so that ballot boxes, as far as possible, could be collected for counting before dark. Free expression of opinion during the campaign was possible through the newspapers of the three main political parties that had been started early in August.

Secondly, the Russians and the Austrian Communists cooperated to carry through the elections with reasonable fairness and had little temptation to do otherwise. There is every indication that the Austrian Communists were more optimistic than the outcome warranted and that the Russians were confident of a fairly favourable result from the Communist point of view. Some were convinced they would obtain 40 per cent of the votes. For several months before the elections senior Russian officers invited the leaders of the People's Party and the Socialists separately to meet them at the Imperial Hotel, when, amongst other matters, the election prospects were discussed. On one occasion the People's Party representatives pointed out that the Communists had the advantage of motor fuel from Russian sources; whereupon they were asked to name their party's needs and obtained an allocation of two tons the next day.

666 The elections resulted in the People's Party obtaining
665 1,598,444 votes and 85 seats, the Socialists 1,428,441 votes and 76 seats, and the Communists 174,387 votes and 4 seats. This

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was a striking proof of the persistence of party loyalties in Austria, in spite of all that had happened during the previous twenty-five years. Both in 1919 and 1930 the Right Wing had obtained the most votes and the Socialists had followed quite closely behind. In 1930 the Socialists had obtained just over 41 per cent of the votes, and the Communists, without the moral support of a strong occupying Power, less than 1 per cent.

For the victory of the Austrian People's Party there were three main reasons. The great majority of peasants were conservative; the party appealed to the country's growing patriotic sentiment, in contrast to the Socialist tendency towards Marxist internationalism, and the majority sympathized with Dollfuss and Schuschnigg in their insoluble dilemma and did not look upon them as Fascist betrayers of democracy.

On the other hand, the Social Democrats had as much reason to be satisfied with the result of an election, in which they had appreciably increased their proportionate strength. Their improved position was due to their strong party discipline and loyalty, the lasting value of their social achievement, and the fact that their party had never compromised in its opposition to Fascists and Nazis.

The Communist failure was of great significance. The Russians themselves were bitterly disappointed and offended by the election result and have never quite forgiven the Austrian Communists either for their failure or for their mistaken estimate of the position. But the Russians had only themselves to blame. There is no doubt that the Austrian workers, after their experiences under Dollfuss in 1934 and during seven years of Nazi domination, were ready for a complete change and genuinely welcomed the Russians as liberators. But the harsh and arbitrary record of the Red Army, the looting and bestial behaviour of some of the Russian troops, especially towards women, completely changed their attitude. If such things were the result of the Communist experiment, it was an experiment the Austrian people had no wish to make. Dr. Renner once remarked that Stalin had made only two mistakes: he had shown Central Europe

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to the Russians, and he had shown the Russians to Central Europe. The first error could be rectified by ensuring that the occupying troops did not stay long enough in Central Europe to feel at home. But the results of the second mistake will take many years to eradicate.

In Austria, in the spring of 1945, the Russians had the game in their hands, and from then on they played it very badly. A great opportunity was missed, as in the rest of the world, where a moderate and enlightened Communist policy, following Russia's heroic struggle against Germany, would have been irresistibly attractive to millions.

The results of the election became known on the 24th of November. Two days later the Provisional Government resigned. The Political Cabinet Council accepted its resignation, entrusted it with the temporary administration of public business, and at the same time called on the Austrian People's Party to nominate someone to form a government. The choice fell on Leopold Figl, who had for some months been Chairman of the party and, like Dr. Dollfuss, owed his influence in the party and the country to his work for the *Bauernbund*. During the election campaign all three parties had declared that they were in favour of further collaboration after the election. A Coalition Government was therefore formed in which there were eight representatives of the People's Party, six Socialists, and one Communist. The approval of the Allied Council was given on the 18th of December.

On the following day the new National Assembly met for the first time, and Dr. Renner presented a report on the work of the Provisional Government. At the same time, the Second Chamber, known as the Federal Assembly, which had been elected by the Provincial Chambers according to the constitution, held its first sitting. On the 20th of December the two Houses met in joint session and elected Dr. Renner Federal President by 204 votes out of 205, one member abstaining. The new President's first duty was to swear in the members of the new Government.

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It was a fitting gesture of recognition that a Socialist should have been chosen President by a virtually unanimous vote after an election in which the Right Wing had headed the polls. At the beginning of April Dr. Renner told the Russians that he had been preparing himself for the time when Austria would need him again. He rose to the opportunity with distinction, when it came. He gave order, when there was danger of anarchy, and he gave unity, when division threatened to persist. Throughout the seven months' life of the Provisional Government there was no strike and no political breach of the peace. Above all, Dr. Renner provided an example of political tolerance and co-operation in contrast to the conflict of the past. This set the tone for the reborn country in the post-War years.

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IV

Coalition and Quadripartite Control

645 LEOPOLD FIGL, the new Chancellor, was very different from his predecessor. He was considerably younger, and he lacked Dr. Renner's intellectual distinction and breadth of background. Yet the two men had certain qualities in common that are of importance in a prime minister: they both possessed the tact and magnanimity that enabled them to manage their colleagues and rise to the level of great responsibilities at a critical time. Figl was suited by nature to follow Renner's example of tolerance and co-operation. This was revealed in the skill with which he formed the Coalition and in his success in remaining head of it for more than seven years.

The offices in the new Government were distributed wisely, so that the two main political parties were satisfied with the result. Dr. Schärf, the Socialist leader, became Vice-Chancellor. The economic appointments were divided. The People's Party provided the Foreign Minister in Dr. Gruber and the Minister of Education in Dr. Hurdes, while the Socialists, Helmer and Maisel, took the Ministries of the Interior and Social Welfare, the latter being a post to which their party attached special importance.

The results of the election did not entitle the Communists to a seat in the Cabinet, but they were given one in order to propitiate the Russians and rally forces in the emergency. A Communist, Dr. Karl Altmann, was therefore made Minister of Energy and Electrification, an appointment especially created for his and his party's benefit.

642 From the constitutional point of view, the Provisional Government had been only a temporary expedient to tide over the transitional period until free elections could be held. After the elections, in order to legalize the position, legislative acts of the previous seven months had to be confirmed. One of the

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first decisions of the new Parliament, therefore, when it met on the 19th of December, was to adopt the constitution of 1929. Dr. Renner, in his New Year's Eve broadcast to the Austrian people, emphasized that the laws issued by his Government had been dictated by the force of circumstance and must now be verified by the people's representatives. 642

There were compelling reasons for having a coalition. In times of great emergency it is a healthy democratic instinct that brings political parties together to work in the common cause. Britain resorted to coalitions in both World Wars, and the First Austrian Republic had done so in the first two years of its life. The problems facing the country in 1945 were as difficult, if not so fundamental, as those that presented themselves in 1919. There was still an acute shortage of food and fuel. Although the country had gained a measure of unity since the recognition of the Central Government by the occupying Powers, the zonal frontiers remained, and each Power had special rights in its own zone. Moreover, seven years as part of the German Reich had left Austria no contacts of her own with the outside world. While his Government was still in process of formation, Leopold Figl summed up its main tasks as ensuring the necessities of life for the people, creating a unified Austria, and restoring her relations with foreign countries, especially with her neighbours. As gradual progress was made in the solution of these problems, a fourth objective of increasing urgency emerged which held the two main parties together in joint endeavour: the signature of a State treaty that would bring an end to the occupation and re-establish Austria as a sovereign State. [185]

Though these exacting tasks were sufficient to justify the existence of a coalition, there were other reasons for it which arose out of the nature and previous record of Austrian democracy.

The elections had shown that the two main political parties were closely matched in strength. The probable alternative to an alliance between them, therefore, would be tense political strife, which, in the circumstances of national emergency, 665

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665 would be suicidal. In 1950, after nearly five years' experience of the Coalition, Oskar Pollak, the Socialist editor of the *Arbeiter-Zeitung*, a man of the strongest party convictions, wrote:—

> When a democratic country owing to the class division of its people . . . is split into two great camps, two parties of approximately equal strength, this country cannot be governed by democratic methods against the will of one of the two parties. . . . History has shown that every attempt to rule such a country through one half of the population against the wishes of the other must lead to the jeopardizing and even to the annihilation of democracy.

Pollak, of course, had in mind the history of his own country between the Wars.

665 642 Memories of the bitter political conflict and division between 1920 and 1938 had a powerful influence on the course of post-War politics. After the First World War the coalition experiment had lasted for only two years, and it was clear in retrospect that this had been a mistake and that the statesmen who had worked to renew collaboration had been on the right lines. A particularly sinister aspect of Austrian party cleavage was the geographical aspect that has already been mentioned, Vienna since 1918 having been predominantly Socialist and the provinces mostly Right Wing in sympathy. Giving free rein to political rivalry, therefore, would have involved accentuating the division between the provinces and the capital that was already a serious danger.

Finally, the Coalition solved, as far as was possible, the problem of maintaining good relations with Russia and the other occupying Powers. Russian disappointment with the election results went deep, but it was some compensation that the Communists were given not only a seat in the Cabinet but membership of the parliamentary Main Committee as well. Figl described his new Government diplomatically as a 'government of concentration', and this point was seized on as something of a forlorn hope by Ernst Fischer, who in an article in *Neues Österreich* on the 18th of December 1945 emphasized the difference between a mere parliamentary

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'coalition' and a 'concentration of democratic forces' that applied to every level and category in the life of the State. 665 642

As the Austrian Coalition has survived for so long, it is important to understand its nature. It differs considerably from coalitions to which other democratic countries are accustomed, and the difference results from the special characteristics of the Austrian party system and the Austrian form of democracy.

In France the numerous political parties are distinguished from one another in some cases by almost imperceptible shades of political opinion. In the United States the two great political parties could simultaneously hope to win Eisenhower as their leader; while in Britain moderate leaders from opposite sides, like Baldwin and MacDonald, Eden and Bevin, can follow each other with little noticeable break in continuity. But the record of the Austrian Republic has, on the whole, been very different, though the contrast is in process of modification. On the one side are the Socialists, with their radical idealism, their materialism, and their admiration for the Marxian analysis; on the other side, the Right Wing, with its Catholicism, its respect for tradition, and its varying forms of nostalgia for the past. They differ from each other not only in temperament and in their views on the speed and method of political advance but, in many cases, in their whole attitude towards life and its purpose and towards the nature of society and the State. This fundamental contrast in *Weltanschauung*, or philosophy of life, has been one of the main reasons for the stability of party loyalties in Austria through the years. People are much less likely to change their allegiance if religious conviction and deep-rooted social attitude are involved, than if the alteration merely concerns the method of approach to a broadly similar ideal. 665

The contrast is sustained, and tends to be increased, by the dominance and rigidity of the party organizations in Austrian politics. Voting is according to the system of proportional representation and the party list, the whole country being divided into no more than twenty-five electoral districts or 665 666

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665 [666] constituencies. The elector does not vote for the man of his choice but for a list of candidates selected by the leaders of his party. There is therefore no personal contact between the member of parliament and his constituents, and even the politically minded citizen usually does not know the names of the members who represent him. Once in Parliament the member feels himself to be less a representative of the electorate than an official of his party, and the discipline of the party parliamentary club is strong. The club determines how he shall vote and sometimes how he shall speak. The opportunity for the individual to influence the democratic process outside the club is small, and the occasions are very rare when a parliamentary debate develops along lines unforeseen and unplanned by the party organizers.

The impersonal nature of the legislative procedure is increased by the rule requiring certain draft laws to be referred, 664 before submission to Parliament, to Chambers representing sectional interests of the community, such as the Chamber of Agriculture and the Chamber of Workers and Employees, in which party interests are often strong. In the case of Bills wholeheartedly approved by the interests concerned, the subsequent parliamentary proceedings tend to lose in significance.

665 The large part played by the party machines in the whole process of government accentuates political antagonism. Individuals have a greater capacity for compromise than organizations, and under the Austrian system the scope given to the human element is reduced to a minimum.

This state of affairs contributed much to the intensity and bitterness of the political conflict between the Wars. The opposing parties, with their utterly different ideologies, were so taken up with the trial of strength between them that they mistook the means for the end. They forgot that the true purpose of the democratic process is to find something out and, having come as near as possible to discovering the best course, to act upon it. Such qualities as humour, good nature, friendliness, and a capacity to live and let live make Austrians natural democrats. Yet these very qualities were squeezed

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out of political life by the ruthless working of the party machines. With a measure of justice Christian Socialists accused Social Democrats of putting party before country; of obstructing legislation during their long period in opposition, and of seeking to establish something like a dictatorship of the proletariat. With as much justice the Socialists accused the Right-Wing parties of the arrogant assertion of power; of undermining the democratic system, and finally of dispensing with Parliament and establishing a form of government on the Fascist model. 665

Such a party system and such a background of party strife mean that a coalition government in Austria is a very different thing from a war-time coalition in Britain or a working group of political parties in France. The Austrians learned much from the pre-War tragedy and much from the Nazi ordeal. But political memories are retentive and party differences deep-rooted, and the recollection of the between-War period, though salutary as a warning, still hangs like a curse over Austrian political life. There are very few Austrians who can speak or write of the time with anything approaching objectivity. It is therefore hardly surprising that the Coalition has had its ups and downs. There have been occasions in its existence when it has seemed on the verge of collapse. Yet its very precariousness has increased its value to the country. If politicians have a tendency to fly at one another's throats, it is all the more important, in a time of national emergency, that they should be held together to serve the common cause. 642 665

The inherent tension in Austrian political life has affected the nature of the Coalition in one particular way. There has been a common acceptance of the principle of what is called *Proporz*; that is, the principle that the proportionate strength of the parties in Parliament should be reflected not only in the allocation of Cabinet seats but in the distribution of public offices in general. Each party claims a right to a share of representation in the policy-making governmental committees, the boards of directors of nationalized industries, and even in administrative and industrial appointments at a lower level. The system has

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642 its advantages in a coalition where party rivalry runs high.
665 Occasions for friction are reduced to a minimum, because every party has its due share of influence. Ministers can surround themselves with officials of their own way of thinking in the knowledge that their colleagues belonging to other parties will do the same. On the other hand, in the long run the system has serious disadvantages as well. It is the mathematical *reductio ad absurdum* of the over-organized coalition. A great strain is placed on political sincerity when party membership is known to be the key to office. Political opinions come to be the main qualifications for appointments in which technical knowledge and experience should count for most. Above all, the party aspect of political life is continuously emphasized, when it is most important it should be played down, and an atmosphere of huckstering prevails in the appointment to offices where ability and devotion to the State service are the qualities most required.

Nevertheless, in spite of weaknesses, the Coalition has succeeded and survived. On the whole, it has been a healthy influence in Austrian political life. Its dangers have been less serious than unbridled political conflict. In 1945 eleven years of authoritarian government had created a gap in Austrian political experience. Some of the new leaders had had no parliamentary experience. Those who had were mostly old and nearing the end of their careers. The new generation of politicians, however, is accustomed to compromise and collaboration. It has grown up under a Chancellor and two Presidents who put party second to the State. It has been schooled by external pressure to appreciate the value of the heritage that all political parties share.

727 The Coalition, however, has never had full responsibility
642 for the government of Austria. It has been subject continuously to the authority of the Allied Control Commission made up of the four occupying Powers.

The system of supervision established on the 20th of October 1945, when the Allied Council recognized the Provisional Government, lasted for just over eight months. It involved

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very close control. Although the Allies could not agree on the functions to be reserved to the Council, the provision that all laws must be submitted for the Council's approval gave it the last word, so far as legislation was concerned. By the end of January 1946 nearly 300 laws and decrees of the Austrian Government had been considered and acted upon by the Allied Council, aided by its legislative committee. Of these the great majority were approved, though some were amended and a few rejected outright. A significant case of the Council asserting its authority was the demand in November 1945 that all laws and orders of the Provisional Government dealing with military matters should be annulled. The Government Declaration of the 27th of April had mentioned a modest defence force, and Dr. Renner's original Cabinet had included an Under-Secretary for Army Affairs.

This state of tutelage and subjection was tolerable only as a temporary expedient. It was in flat contradiction to the declared intentions of the Allied Powers. At Moscow, Churchill, Roosevelt, and Stalin had described Austria as a victim of Nazi aggression. At Yalta they had declared their intention of restoring to such victims their sovereign rights and self-government in accordance with the principles of the Atlantic Charter. The Austrian Government had every right to demand that this decision should be carried out, and the occupying Powers themselves would reveal the sincerity of their diplomatic convictions by the efforts that they took to implement it.

During the spring of 1946 a series of powerful pleas were made on the Austrian side for revising the system of Allied control. On the 5th of April Dr. Renner gave a lecture to the Austrian League for the United Nations entitled 'Austria, St. Germain, and the Coming Peace'. In it he made the comparison between Austria's position after the two World Wars to which reference has already been made. Two weeks before, Karl Seitz, the veteran Socialist leader, made a speech in Parliament in which the authentic voice of democracy was heard. He spoke of the power of veto in parliamentary history

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642 and the hesitation of even kings and emperors to make use of
727 it, because it brought them into conflict with the people. In Austria, however, laws now passed by the freely elected representatives of the people were subject to the sanction of authorities outside the State. After a great war against Fascism in Europe they could be proud that Fascism had been driven out, but the Allied champions of democratic rights were now claiming the right to approve laws passed by the Austrian Parliament. He ended:—

'We appeal to the democratic sense of the English, French, Russian and American peoples. We appeal to them: safeguard your own dignity by safeguarding the dignity of this small Austrian State and its parliament. . . . Democratic countries of Europe: protect your most important and your greatest idea, protect Democracy.'

727 Shortly afterwards the Vice-Chancellor, Dr. Schärf, accom-
648 panied by Dr. Pittermann, a fellow Socialist and member of Parliament, paid an unofficial visit to London, where they met members of the British Labour Party. Schärf took advantage of the opportunity to impress on Ernest Bevin the urgent need to improve the conditions governing the occupation of Austria. The British Government were willing listeners. The four occupying Powers were bound by their agreement of the 4th of July 1945 to decide on the new relationship that should exist between themselves and the Austrian Government after the elections had taken place. Even before the elections were held, in November 1945, the British Element of the Control Commission in Vienna had started work on a draft agreement, and early in 1946 Allied quadripartite discussions on the British draft had begun. Months of hard negotiations followed, and by June a revised occupation statute was ready for signature. It was perhaps fortunate that during that month the British, who had taken the initiative in the matter, occupied the chair in the Allied Council. The persuasiveness of Lieut.-General Steele, the new British Commander-in-Chief, overcame the final minor differences.

727 The New Control Agreement was signed by the occupying

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The New Control Agreement was signed by the occupying Powers on the 28th of June 1946. It is a document of great importance. Following the recognition of the Provisional Government in October 1945, it was the next great step forward in the rebuilding of the new Austria, and with minor modifications it has determined the nature of the post-War régime in Austria ever since. 727 642

According to the agreement the main structure of the Allied Control Commission remained unchanged. It was to consist of a Council, an Executive Committee, and departmental staffs. But the members of the Allied Council were now described as High Commissioners, and it was laid down that the departmental staffs were to be organized in divisions, corresponding roughly with the Ministries in the Austrian Government. The Allied Council had powers of supervision over the whole administration, but was to exercise it normally through the Central Government or the Austrian authorities concerned. The Commission could take measures to deal directly with the following reserved subjects: demilitarization; war criminals; security of the Allied occupying Forces; the care and restoration of the property of the Governments and citizens of the United Nations; disposal of German assets; the care and movement of prisoners of war and displaced persons, and the regulation of travel in and out of Austria, until Austrian controls could be set up.

In general, the authority and responsibility of the Austrian Government and civil authorities were substantially enlarged. The powers of the Central Government extended throughout the whole of Austria, subject only to the obligation to carry out the directions of the Allied Commission and to the reservation of the above subjects. Austria officially became an economic entity again. The function of the zonal boundaries was reduced to fixing the spheres of authority of the four occupying Powers, and in the provinces direct control of the military governments was replaced by watching briefs to ensure that the orders of the Central Government and the Allied Council were obeyed. Provision was made for the establishment of an Austrian customs and frontier control

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administration and for the transfer to it as soon as possible of such functions as would not interfere with the military needs of the occupying forces. The civil administration of the city of Vienna was to be handed over by stages from the Inter-Allied Command to the municipal authorities.

The legislative power of the Austrian Government was greatly increased. It was still obliged to submit all legislation to the Allied Council, but only constitutional laws required the Council's unanimous approval. In the case of all other legislative measures the rule applied that they went into effect if within thirty-one days the Government had not been informed of an Allied veto. As the veto had to be unanimous, this rule ensured that the great majority of laws became effective, even if they met with Russian opposition.

Agreements between the Austrian Government and one of the four occupying Powers did not have to be approved by the Allied Council, but the Council had to be informed of their existence. The Government was also allowed to establish diplomatic and consular relations with Governments of the United Nations without approval of the Council. The establishment of relations with other Governments was permitted, but only with the Council's consent.

In view of the persistent efforts of the Russians later to obstruct the legislative activity of the Austrian Government, it is surprising that they should have ever agreed to an arrangement that considerably increased the Government's legislative powers. It may be that they had not entirely given up hope of gaining control of Austria by the technique of democratic solidarity and national concentration. It is possible that Stalin was in favour of greater autonomy for the country where he himself had studied the problem of nationality, and that afterwards he changed his mind. But it is most likely that the Russian negotiators did not understand the implications of what they were doing. The original British idea was that all Austrian legislation should take effect that was not subject to unanimous Allied veto. The Russians objected to this. So a compromise was proposed, by which constitutional laws were

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put in a separate category. It is highly probable that the Russians did not fully appreciate the difference between constitutional and ordinary laws and imagined that much of the legislation they were likely to disapprove would fall into the constitutional class. 642 727

The last article of the New Control Agreement stated that within six months of signature the Four Powers should start discussions regarding its revision. Yet they have not so far succeeded in agreeing on anything to take its place, and it has remained the statutory basis of the Allied occupation ever since. The day after the agreement was signed, in a special Cabinet meeting, Figl summed up the Austrian attitude by saying: 'To our thanks to the Allies for the New Control Agreement we add the request that they will show us further proof of their confidence and give our country full freedom.' An arrangement which was welcomed by the Austrians in 1946 has, as the years have gone by, become increasingly the formula of their country's servitude.

Because the general pattern of Allied occupation in Germany and Austria was originally similar, with the Russians occupying the eastern parts of both countries and the capital in each case an isolated island in the Russian zone, there has been a widespread tendency to identify, and therefore confuse the situations of the two countries. Actually their positions since October 1945 have been fundamentally different. There has never been a government for all Germany since the War. When differences between Russia and the West led to the union of the American, British, and French zones to form Western Germany, its capital was established not in Berlin, but in Bonn. In Austria, on the other hand, there has been a Central Government in Vienna since the four Powers recognized the Provisional Government on the 20th of October 1945, and since the 28th of June 1946 it has had considerable, if restricted, powers. The Austrian Government is subject to the supervision of the Allied Control Commission, and the system of quadripartite control, after a fashion, does work. There are frequent differences between the Western Allies and 727

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[USIS, Vienna

THE INTERNATIONAL MILITARY POLICE PATROL facing [p. 58]

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the Russians, but these mostly reflect the different views of the Russian and Western Governments regarding the rights and status of Austria. The Allied Council meets every second Friday in Vienna, with each High Commissioner taking his turn in the chair. The Vienna Inter-Allied Command retains a watching brief over the city's administration. And, as the best-known symbol of the reality of the improbable, the International Military Police Patrol carries on its duties in the capital, with American, British, French, and Russian military policemen driving 'four in a jeep' together.

Austria provides proof in practice that representatives of Russia and the West can get on reasonably well together. Members of the Allied Council exchange jokes and social conversation over tea or vodka after days spent in verbal contest. Russian officers give and attend Inter-Allied and Austrian receptions, and, though fraternization at lower levels is more rare, it does occasionally take place. A Russian band and group of dancers were reported to have been received with enthusiasm at an 'Inter-Allied sports evening' that was held in Vienna early in 1952.

The Allied occupation has dragged on for more than seven years since the War ended. To use Dr. Renner's phrase 'the four elephants in the rowing-boat' have stayed aboard and impeded the small vessel's progress. The country has been burdened financially by occupation costs and economically by Russian confiscation of so-called German assets. The continued presence of the Allied armies is a by-product of the diplomatic conflict between Russia and the West, but it is indefensible in the light both of Austria's record and of the Allies' declared intentions.

On the other hand, there has been something on the credit side, so far as the Allies are concerned. For a long time the Western Allies, in Mr. Acheson's words, have 'wanted to go home', and, although it has not been possible for the four Powers to agree on the terms of a State treaty, the three reluctant occupants have done what they could to improve the situation from the Austrian point of view.

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727 In the first place, the burden of the occupation has been progressively reduced. During the course of 1946 the total strength of the occupying forces fell, in round figures, from 700,000 to 120,000. During the spring of that year the three Western Powers proposed that the maximum strength of troops in each zone should be 25,000. The Russians refused to agree and would not even discuss a proposal for more drastic reduction put forward in 1948. But the process of reduction nevertheless went on. In the autumn of 1950 it was estimated that the combined forces of the Western Powers totalled less than 25,000, while the Russians numbered some 44,000.

Occupation costs were cut correspondingly. During the first eighteen months of the occupation its cost was estimated by the Austrian National Bank at 3,600 million schillings, more than half of which had been incurred by the Russian Army. In 1952 the total cost was 453 million schillings, though the schilling was worth less than in 1946. This meant that the percentage of the total national budget spent on the occupation was less than half of that devoted to military expenditure in 1937. In June 1947 the American Government renounced its claim to occupation costs from the Austrian Government and undertook to pay in dollars for all services and supplies furnished by the Austrian economy for the maintenance of American troops. It also agreed to pay 308 million schillings in respect of outstanding obligations. Henceforth the American forces in Austria were justly described as 'paying guests'.

In 1952 a further step was taken by the Western Powers to aid the Austrian economy with the decision to build special accommodation for their troops. This enabled them to release requisitioned houses much needed by the people and hotels urgently required for the use of foreign tourists. The example was set by the Americans, when they planned to build a military town near Salzburg. It was followed by the French at Innsbruck and by the British at Zeltweg in Styria.

727 648 The restoration of Austrian sovereignty is dependent on the signature of a State Treaty, but the Western Allies meanwhile

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have done all that they can to restore normal diplomatic relations with the Austrian Government. All four occupying Powers had agreed to exchange political representatives with Austria before the end of 1945. During the next two years the Allied representatives in Austria were given full diplomatic status, and in 1950 the Governments of the three Western Powers announced that their diplomatic representatives had been appointed High Commissioners. This meant that each of the three Powers had separated the command of its Army of Occupation from the High Commissionership, and that the Western members of the Allied Council would in future be civilians.

The United States and Britain have also contributed a great deal to the industrial and agricultural revival of Austria. This subject will be considered in more detail in connexion with the country's economic recovery. But it is something that cannot be overlooked in dealing with the positive aspect of the Allied occupation. The presence of American and British economic experts in Austria during the post-War years has been of direct and indirect value to the country. In particular, the United States' responsibilities as an occupying Power have added realism and vitality to the execution of the European Recovery Programme in Austria.

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From December 1945 until February 1953 the Coalition Government of Figl and Schärf under quadripartite control gave stability and continuity to Austrian political life. Within this constant framework, however, significant changes took place.

In November 1949 a currency reform law was approved by the Cabinet in spite of Communist opposition. It was the first occasion since the formation of the Government on which the principle of Cabinet unanimity was abandoned, and Dr. Altmann, the Communist member, resigned. The Ministry of Energy and Electrification came to an end with his membership of the Government. Communist collaboration with the other parties in the Coalition had long been formal rather than real, so his resignation had little effect on Government policy.

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Probably the most important result was to make possible greater freedom of expression during Cabinet meetings. 645

The life of an Austrian Parliament is limited by the constitution to four years. Elections were therefore due to be held not later than November 1949 and actually took place on October the 9th 1949. There were two main differences between the political situation then and in 1945. First, the number of electors had increased by over 940,000. Of these more than 400,000 were 'less implicated' Nazis, to whom the franchise had been restored the previous summer, and the remainder were either returned soldiers or persons who had acquired Austrian citizenship since 1945. Secondly, a number of new parties had entered the scene. Of these only two, the Union of Independents and the Democratic Union, succeeded in polling more than 10,000 votes, but a new fluidity and vitality in political life were indicated by the fact that at one stage during the year over forty new parties had announced their existence. 666 665

In the elections 97 per cent of the qualified voters went to the polls, compared with 94 per cent in 1945. The People's Party increased its votes by 244,354, the Socialists by 188,626, and the Communists, reinforced with some extreme Left-Wing Socialists, by 35,809. The Union of Independents obtained 489,273 votes and the Democratic Union 12,059. As regards seats, the People's Party got 77, the Socialists 67, the Union of Independents 16, and the so-called Left Block 5.

The election was significant for two reasons. It justified the Coalition Government by showing that it substantially represented the people's view. At the same time it made clear that there were about half a million people who were dissatisfied with the programme of the two main parties and the Communists. They were likely to prove an important political force in the future.

On the 31st of December 1950, Dr. Renner died, only a few days after the celebration of his eightieth birthday. His greatest achievement for post-War Austria had been as Chancellor in the Provisional Government. But while Federal President during the next five years he had been a wise and stabilizing 643

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643 influence in Austrian political life and had won general respect as a dignified, impartial, and yet forceful head of the State. The tribute paid to him by the Chancellor the day after his death was of special value, coming from one whose political views differed widely from his own. During the five years of his presidency, said Figl, he was 'a teacher and friend, who stood above political parties, a man to whom one never went in vain for advice'.

643 666 In January 1951 Parliament decided unanimously that the new Federal President should be elected by the people of Austria, as laid down in the constitution of 1929, and not in accordance with the special procedure adopted in 1931 and 1945, when the election was carried out in a joint session of the two legislative chambers. The two main parties chose their candidates well. The People's Party's choice was Dr. Heinrich Gleissner, the much-respected Governor of Upper Austria, and the Socialists', General Körner, the popular and venerable mayor of Vienna. The worst criticism that could be made against each candidate was of comparatively minor importance. Gleissner had been a junior member of Dollfuss's Government. Körner was seventy-eight years old and had only accepted candidature reluctantly out of a sense of duty.

A presidential candidate requires a clear majority of votes to be elected. If in an election no candidate has the required majority, a further contest is held between the two candidates with the most votes.

For the first election, which was held on the 6th of May, the Communists put forward Gottlieb Fiala as a candidate, and Dr. Burkhard Breitner stood as a non-party independent. Breitner was a popular, somewhat eccentric Innsbruck surgeon with no real political experience and no serious claims to potential statesmanship. Gleissner obtained 1,725,695 votes, Körner 1,682,768, Breitner 662,559, and Fiala 220,012.

In the second election, on the 27th of May, Körner was elected President with 2,172,106 votes against Gleissner's 2,004,290, having evidently secured the Communist votes

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and a greater measure of independent support than was generally expected. 643

During the first campaign efforts were made with some success to keep the party aspect of the contest under control. But the second, through no fault of the two candidates, involved a good deal of party bitterness and personal animosity. Fortunately this lapse from the best post-War political standards was made good by the example of the new President and his chivalrous defeated rival. When the election result was announced, Gleissner at once telegraphed his congratulations and good wishes to Körner. President Körner himself responded soon after his election by visiting Linz, the capital of Upper Austria. At the official ceremony of welcome he announced that he had shown his personal esteem for Dr. Gleissner by addressing him with the familiar '*du*' as they drove together from the station. 666

After its success in the two general elections, the People's Party received a severe shock from its defeat in the presidential election, all the more so because its candidate was a strong one. As a result, a thorough re-organization of the party was carried out. Changes were made in the main party officials and in the party's representatives in the Government. 665

More significant for Austria as a whole was the increase in the independent vote. Without doubt many of those who had voted for the Union of Independents in 1949 and Dr. Breitner in 1950 were disgruntled ex-Nazis, whose opposition was mainly negative. The attitude to the Nazi problem of the Austrian Government and people in general was sensible, broad-minded, and Christian. Except in the worst cases they wanted as soon as possible to let bygones be bygones. They were unwilling to drive into implacable discontent the disillusioned and repentant party members who were ready to be converted in 1945 and had only become Nazis originally through a mixture of fear and economic necessity. Dr. Koref, Burgomaster of Linz, spoke for the great majority of Austrians in July 1946 when he said: 'We are all agreed that we should not use Nazi methods to bring about the last liquidation of

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665 National Socialism. . . . No one of good will should find his way back to the democratic community barricaded.' But under the vigilant eyes of the Allied Control Commission the Austrian Government was not able to carry out its denazification in its own way. The penalties of fine, disappropriation, and exclusion from office that were imposed were not always unduly severe, but they were applied in a mechanical, inflexible way that was perhaps inevitable, but caused hardship in individual cases, both to Nazis and to some of their original victims. This produced a hardened and embittered element in Austrian society. Reinforced by German-speaking refugees from Czechoslovakia and Eastern Europe, some of whom acquired Austrian citizenship, it provided the hard core of the new opposition to Government policy.

On the other hand, it would be misleading to suggest that the opposition was mainly negative in its attitude or Nazi and refugee in its origin. The new parties contained men of patriotism, originality, sincerity, and courage. Their programmes were a stimulating influence. Even the numerically insignificant Democratic Union, with its forlorn belief in diplomatic neutrality, was directed by the fertile intellect of Professor Dobretsberger, an ex-Minister and distinguished economist. The Union of Independents included able and constructive thinkers as well as the negative and less desirable elements.

668 The most significant of the new political movements was the Youth Front, which was started by a group of young politicians sympathetic to the People's Party. It was impatient of the leadership and critical of the organization of the party, although affiliated to it. The result of the presidential election seemed to justify the Youth Front's criticisms, and its members became more outspoken. In the summer of 1951 it was repudiated by the party, and shortly afterwards came to an end.

Though the Youth Front's existence was brief it showed a phoenix-like persistence. In November 1951 its leaders joined with some of Dr. Breitner's supporters and other kindred spirits to form the 'Action for Political Renewal'. The following spring discussions started between the 'Action' and the

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more moderate and positive elements in the Union of Independents, which led to the formation of a common Working Committee and the decision to fight the next election with a joint programme. 668

This new opposition was impatient of the leadership of the two main parties. It was determined to provide an alternative programme that would rival Communism in the effectiveness of its appeal and at the same time reflect the Austrian dislike of a totalitarian society. It accused the older parties of living in the past and failing completely to win the devotion of youth. It attacked corruption, bureaucracy, political indifference, and the place-seeking of the *Proporz* régime. It favoured free enterprise, a more personal system of political representation, and a dynamic society free from privilege of birth and property. Whether its claims to provide something better than existing creeds are justified, time and its own political record will show. It was, at any rate, a healthy sign that the different groups should come together in a common constructive effort and that the purely negative elements should lose weight.

In the autumn of 1952 a serious difference of opinion arose on economic policy between the People's Party and the Socialists, and on the 23rd of October the Government resigned. At President Körner's request it consented to remain in office until the following February, when it was agreed elections should be held. 665

In these elections the Socialists gained 6 seats, 3 from the People's Party, 2 from the Right-Wing independents, and 1 from the Communists. Though they had 73 seats to the People's Party's 74, they actually obtained 36,842 more votes. The serious increase in unemployment during the winter contributed to this result, as one of the main points in the Socialist programme was the maintenance of employment. The elections were a setback for the opposition. The Union of Independents, who had fought the campaign with the Action for Political Renewal, polled some 16,000 less votes than in 1949. The Democratic Union lost its identity and many of its 665 666

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665 more moderate adherents by merging with the Communists to form the 'People's Opposition'.

666 It was rightly held in Austria and abroad that the elections were a triumph for the forces making for stability and moderation and that the Austrian people had again expressed their confidence in the Coalition. The Federal President called on the People's Party to nominate their candidate for the Chancellorship, and Dr. Figl was asked to form another coalition government.

665 So far from solving the crisis, however, the result at first intensified the deadlock. The Socialists claimed that the electorate had pronounced in favour of their policy and demanded increased representation in the Government. The People's Party maintained that it had yielded too much influence to the Socialists in the past and that, as the parties of the Right had obtained 200,000 more votes than those of the Left, the Socialist claim was unreasonable. The party declared itself in favour of a three-party coalition, including the Union of Independents. To emphasize the parliamentary strength of its position it published a working programme that it had agreed to jointly with the Union of Independents.

642 Following weeks of hard bargaining Dr. Figl gave up his attempt to form a government just one month after the elections. The People's Party Executive unanimously chose their chairman, Julius Raab, as his successor. On the 1st of April, Raab succeeded in forming a coalition government consisting of the Socialists and People's Party only. In it the Socialists obtained two junior Ministries in addition to their previous representation. The new Coalition was based on a two-party understanding less comprehensive than in the previous post-War Governments. For example, the party truce did not extend to the provinces and the municipalities. It was significant that a provisional compromise budget that had been agreed on in the autumn of 1952 was extended to the end of the year.

During the course of the negotiations President Körner in a public speech made a surprising statement in which he implied

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that the Union of Independents was not a '*staatsbejahende*' party—that is to say, a party taking up a positive attitude towards the State. Out of deference no doubt to the President's age and past record, the two main political parties made little of this constitutional lapse. But the Union of Independents, with good reason, repudiated the statement emphatically. 642

Outside the People's Party Executive the full circumstances in which Figl gave way to Raab can at present only be a matter of conjecture.[1] But the nomination of Raab indicated the direction in which events were moving. The new Chancellor is a leading industrialist who was a member of Schuschnigg's Cabinet just before the *Anschluss* and has been President of the Austrian Business-men's Association and of the Chamber of Commerce and Trade since the War. He became Chairman of the People's Party during its reorganization after the presidential election. While the occupation lasts Austria still needs a coalition, especially since Stalin's death has renewed hopes that a treaty will be signed. But Raab is a typical Right-Wing leader and temperamentally less fitted for compromise than his conciliatory predecessor. His appointment marks a stage in the return to normal party politics. 643

From the point of view of Austrian democracy the political truce has already lasted too long. The discipline and restraint a coalition imposes are a good influence from time to time, but over a period of years they tend to be transformed into less desirable qualities. Compromise, when it becomes a habit, means loss of vitality, and in the long run no political party can survive without the stimulus of competition. 642

Yet the Coalition has served Austria well, and in a complex and critical situation the country has been fortunate to have it. It has given stability and continuity to Austrian policy at a time when weakness or vacillation might have been fatal. Much credit is therefore due to those chiefly responsible for its survival; to President Renner, President Körner, and Dr. Figl himself.

Since Austria became a republic no statesman has approached 643

[1] The above was written on the 7th of April 1953.

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643 Figl's record of remaining Chancellor for over seven years, and no Chancellor has gained so much respect and support both from the Right Wing and from the Left. There was a large element of accident in the events which caused a young and inexperienced politician to become head of the Austrian Government in 1945. But the choice of Figl was justified by his record in office. He provided the qualities of character and statesmanship that an unusual situation demanded, and his name will always be associated with a critical period in Austrian history in which he guided his country well.

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V

The Economic Legacy of the Anschluss and the War

AUSTRIA lost its economic identity as well as its political independence at the time of the *Anschluss*. As the Austrian provinces and Vienna itself were subordinated to the German Government in Berlin, so Austrian industry, agriculture, and forestry were absorbed into the German economy. 433 727

In war and defeat, therefore, Austrian economic life suffered with the rest of the Nazi Empire. The damage caused by actual hostilities was relatively less in Austria than in Germany. The campaigns on her actual territory were brief, and serious air attacks were limited to the main centres of industry and communications. On the other hand, Austria was a more sensitive and vulnerable economic unit. In 1938 she had only just begun to pay her way after twenty years of effort, while Germany was one of the most powerful industrial countries. The injury inflicted on the Austrian economy by the War in all its aspects was crippling and came near to being fatal.

In spite of Austria's relative freedom from air-raids, the destruction in the target areas was severe. The loss in buildings was estimated after the War at about four billion [1] schillings with the schilling at forty to the pound. The industrial city of Linz lost nearly a third of its 44,000 dwellings. Wiener Neustadt, home of an important Messerschmidt aircraft factory and other war industries, was the worst damaged of Austrian cities. It was hit by more than 50,000 bombs. Only eighteen of its houses were left intact, and its population was reduced from 45,000 in 1944 to 860 in April 1945. 727

[1] The term 'billion' is used throughout in the American sense of a thousand million.

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727 About 400,000 Austrians were killed or missing as a result of the War, and more than 300,000 were wounded. At the end of 1945 several hundred thousand men, who were badly needed in industry and agriculture, were still prisoners of war.

Certain aspects of the Allied occupation imposed a heavy strain on the Austrian economy. The wave of looting that accompanied the fighting was inevitable and temporary in its effects. But the widespread confiscations that followed were more serious. The heavy burden of occupation costs used up limited resources that were urgently required for the work of reconstruction. The division of the country into zones was a formidable obstacle to trade revival, and the splitting up of Vienna into districts resulted in inconvenience and absurdities. No actual barriers were maintained within the capital, as there were between the zones, but the system by which the city districts were allotted to the different occupying Powers stood in the way of a return to normal economic life. Two sides of the same thoroughfare might be under the control of two different countries, and at the end of 1945 the French Military Government insisted that a permit was required for sending goods from its own district on one side of the Mariahilfer Strasse to the American district on the other.

727 A further burden on the country was the vast number of displaced persons and refugees that flooded into it, mainly from
167 Czechoslovakia, Yugoslavia, and Eastern Europe. Their presence was not an unmixed disaster. The great majority of them were responsible and law-abiding, and many were skilled and able-bodied workers, who were to make a valuable contribution to agriculture and industry. But during the early post-War months there was also a reckless and disorderly element amongst them, which complicated the task of the police and sent the murder rate up to an alarming level. In spite of organized efforts to deal with the question, there were 550,000 registered displaced persons at the end of 1946, and there may well have been another 100,000 who had escaped registration. Two years later there were still over 400,000 of them left, the majority in the stateless category, and the government was obliged to spend approximately 150 million schillings a year on maintaining them.

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Government was obliged to spend approximately 150 million schillings a year on maintaining them.

The Austrian economy under the Nazis had been geared to make a maximum contribution to the war effort. When the War ended, the whole structure collapsed. Factories that had been converted to war production at great expense needed even more spent on them in many cases to fit them for peace-time production. As this situation was common throughout the world and industrial equipment and machine-tools were in very short supply, the process of reconversion could only be carried out slowly and at a high cost. Those industries that served a purely peaceful purpose had been very largely neglected during the War. Much of their equipment and machinery was worn-out and old-fashioned, and the process of replacement involved the same difficulties as the reconversion of war industries.

The railways provide an example of the kind of problem with which Austria was faced. Over a third of the total track mileage was out of action owing to war damage, and nearly 400 bridges had been destroyed. At the same time, the greater part of the locomotives and rolling-stock that were still available were due by pre-War standards for renewal.

A good indication of the War's effect on the Austrian economy is given by the estimated figures for 1946. When the year opened, the country had already had eight months in which to recover from actual hostilities, so the figures represented an injury of more than passing significance that could not be attributed solely to the results of the fighting or to the administrative breakdown that accompanied the German defeat. The total gross national production in 1946 was approximately 45 per cent of the 1937 figure. Agriculture reached only about 50 per cent and industry only 43 per cent of the amounts produced in 1937, while foreign trade was only about 8 per cent of the 1937 total. Of this modest aggregate production it has been conservatively estimated that some 30 per cent was required to meet the needs of the occupying Powers.

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Most of the economic difficulties that have so far been mentioned were shared in the main by Austria and Germany. They were the common results of a common struggle, in which Austria as a whole was an unwilling participant. Yet there were other ways in which Austria suffered more severely than her culpable oppressor. Some were primarily the responsibility of the Russians; others, of the Germans themselves.

Germany has lost territory in the east to Russia and Poland, and the area that remains to her has been divided politically into the Eastern and Western Zones. But the economic, as opposed to the political, effects of the post-War Russian occupation have been less serious in Germany than in Austria. The Russian zone of Austria is of more importance to the country as a whole than is the Russian zone of Germany to the whole German economy. Thanks to the great industrial resources of the Ruhr Valley, Western Germany is again a powerful economic force, while Austria, owing to Russian exploitation, is still dependent on American aid. Without the industry and mineral wealth of the Russian zone Austria cannot be a viable State.

Russia's control of Lower Austria, Burgenland, and a substantial part of Vienna gives her a dominant influence on the Austrian economy. The area includes the best grain-lands and vineyards in the country, the great oil-fields of the Zistersdorf region, and a high proportion of Austria's industry. In 1934, 65 per cent of those employed in industry and trade were to be found in the three provinces of Lower Austria, Burgenland, and Vienna. Even in 1948, when many industrial concerns had been transferred to the West, the figure was still about 50 per cent.

It is not suggested that the Russians have exploited the whole industry and agriculture of the area for their own ends. As an occupying Power, however, Russia has been able to take advantage in various ways of the economic resources available. In the early days a great deal was removed in the form of loot and war booty, and since then systematic confiscation on a vast scale has been carried out on the pretext that whatever was

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taken was a 'German asset', and therefore a legitimate form of reparation. The damage inflicted on the Austrian economy has been decisive in preventing its full recovery. 727 433

Russia's subjugation of East and South-east Europe has also been a severe blow to Austrian commerce. Not only has Austrian capital behind the Iron Curtain been confiscated; Austria also has very largely been cut off from her main market area. The Habsburg Empire in its economic aspect represented the material interdependence of the peoples of the Danubian basin. It was natural, therefore, that after the Empire had collapsed Austria should maintain her economic ties with the Succession States. In 1937, 27 per cent of Austria's exports went to the five eastern countries behind the Iron Curtain that are now known as the 'People's Democracies', and 31·5 per cent of her imports came from them. The corresponding figures in the summer of 1952 were 12·3 and 9·9 per cent. The decline is not due to any disinclination on Austria's part to maintain normal trading relations: in that year she signed trade treaties with both Poland and Hungary. Apart from foreign aid, Austria is dependent on her exports for the purchasing power with which to buy food and the equipment necessary for her recovery. Any serious contraction of her foreign markets involves a corresponding setback in her economic revival. 727 439

Austria's problems were further increased by her geographical position. After the War, Russia controlled the Danube and seized the steamers and barges belonging to the Danube Shipping Company. With no immediate access to the sea, therefore, Austria was entirely dependent on land communications and the availability of transport for her vital coal supplies and a large proportion of her food. She had less flexibility than better-placed countries like Germany in her search for new trading partners, when her industries gradually revived and she found her old markets closed to her. These difficulties were increased by the acute transportation crisis in Europe after the War, due to the shortage of locomotives, railway trucks, and road vehicles. [489]

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727 Other injuries from which Austria suffered were the result
433 of deliberate German policy. So long as the Nazi occupation lasted, Austria was treated as an appendage to the German economy, and her interests were subordinated to those of the Reich. She was no longer considered as an economic entity, and no attempt was made to maintain the balance of her economic life.

[133] About 57 per cent of Austria's total area is over 1,000 metres
[311] (3,281 feet) high, and 37 per cent is woodland. It is therefore hardly surprising that only 21 per cent is cultivated and that before the War, in spite of strenuous efforts, the country could produce only three-quarters of its total food requirements. At the same time it was essential that it should be as self-supporting as possible. To import even a quarter of its provisions imposed a severe strain on the balance of trade. Yet during the Nazi period efforts to increase Austrian agricultural production were relaxed. The self-sufficiency of a mere group of provinces was a matter of no significance to Hitler, and he preferred to depend for his food supplies on the conquered and dependent lands of Central and Eastern Europe. The *Ostmark* could be better used for other purposes.

Austrian farms therefore lost man-power to the army. Their livestock was reduced. Equipment grew old and could not be replaced. Owing to lack of fertilizer the quality of the soil deteriorated. In 1945 domestic food production reached less than half, and in 1946, when conditions were much less disturbed, only about two-thirds of the pre-War level.

[313] Austria's forests are one of her most valuable natural resources. Her timber industry, together with the paper and cellulose industries dependent on it, accounts for about 9 per cent of her national income and for a substantial proportion of her exports. During the War the forests were ruthlessly exploited, and it has been estimated that at least 10 million cubic metres of timber were felled in excess of the economic figure, the fellings mainly taking place in the most accessible areas. This meant that years of strict control would be necessary to restore the timber industry to a healthy condition. At a time when the country was struggling to rebuild its economy, one of its main sources of wealth was in a state of convalescence.

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one of its main sources of wealth was in a state of convalescence.

Highly skilled workers are one of Austria's chief economic 727
assets, and between the Wars consumer-goods and luxury 433
industries played an important part in her economic life. This [464]
side of her economy declined seriously during the German occupation. As part of the deliberate plan to turn the country into an arsenal, workers were diverted from secondary industries and agriculture to the large new war-production centres that were established.

The great Hermann Goering Iron and Steel Works were set 727
up at Linz, with their own coking plant. Sixty miles away at 327
Ranshofen near the River Inn a big aluminium plant was 328
built. There were several reasons for these developments. The 438
fundamental idea was to provide a reserve of vital war industries in a district less vulnerable to enemy attack. Just as the Russians transferred some of their main war industries to Central Asia, so Hitler wanted to have some of his production centres farther away from Allied bomber bases. Secondly, there were certain economic considerations in favour of the two sites. Both were on important waterways. Linz was some sixty miles from the iron ore of the Erzberg, or Iron Mountain, in Styria and not far away from the low-grade ore of Bavaria. Ranshofen was reasonably close to the Hungarian bauxite deposits and conveniently situated in relation to the Third Reich's electricity network, cheap current being the main consideration in the siting of an aluminium works. Further, there were reasons of sentiment and prestige for the choice of location. Hitler was born in Braunau, a few miles from Ranshofen, and went to school in Linz. It seemed fitting that the scenes of the Führer's youth should become centres of war production.

From the purely Austrian point of view, however, such developments were not so satisfactory. Hardly one of the considerations that influenced German leaders would have carried weight with an independent Austria. The strategic and sentimental arguments were both irrelevant. Neither Bavaria nor

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727 Hungary could be relied on to supply iron ore or bauxite, and
327 the existing iron and steel works at Donawitz in Styria were
328 better situated than Linz to handle ore from the Iron Mountain.
438 Ranshofen was not well placed in relation to Austrian supplies of electric power. Above all, the Hermann Goering Works were entirely dependent on the supply of hard coal for their coking furnaces, and Austria was already seriously short of this essential commodity. Whereas Hitler had the coal-fields of Poland and Czechoslovakia at his disposal, Austria in pre-War years had already been dependent on imports for two-thirds to three-quarters of her coal supply. The requirements of the Linz works made the position much worse.

727 The new developments implied a fundamental change of
438 emphasis in the whole national economy, and it was by no means certain, or even likely, that the change would be for the better. It would probably have been sounder for Austria to rely on the traditional skill of her workers in the consumer-goods industries than to attempt to compete with the most powerful industrial countries in basic production. The dangers might not be apparent in the immediate post-War years, owing to the inflated demand for iron and steel products, but they were likely to reveal themselves in the course of time. A serious depression in the world's basic industries or a failure to obtain the coal and raw materials on which Austria's basic industries depend might have very serious consequences on the country as a whole. The choice, however, was not Austria's own. The change that occurred was the main positive legacy of the period of Nazi occupation.

727 Two of Austria's chief natural resources are her mineral
315 oil and her hydro-electric power. These were developed by the Germans rapidly during the War, but in each case with little regard to Austrian interests.

Under happier conditions Austria's oil-fields would have raised her from a struggling country to a prosperous one. It is one of the hardest blows that have fallen on the Austrian people that such a gift of Providence should have been exploited successively by two unscrupulous foreign Powers and should

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never yet have been used for the benefit of the people themselves. Between 1937 and 1944 the annual production was raised from 33,000 tons to 1,200,000, but this result was only achieved by uneconomic and wasteful methods that were damaging to the oil-fields and would not normally have been employed.

Under German occupation hydro-electric power production was also developed considerably. Between 1937 and 1945 the potential output of current was raised by about 61 per cent. But the extra power made available was not intended primarily for Austria's benefit. The country was split up and incorporated in separate 'power regions' of the Reich, the Vorarlberg being allotted to Baden, the Tyrol to Bavaria, and the eastern provinces joined up with Bohemia and Silesia. There was no direct transmission line between the eastern and western provinces. This arrangement made it impossible for Austria to utilize to the full her hydro-electric current when the War came to an end.

In spite of the numerous disadvantages, however, the economic effects on Austria of the *Anschluss* and the War were not entirely bad. German energy and efficiency brought direct results that otherwise were unlikely to have been achieved so quickly. Austrian interests were not consciously regarded during the process, but when Austria was restored to life some of the results turned out to be good and some were of potential value.

Although hydro-electric developments in Austria had been considered by the Germans as part of a greater whole, the new plants available on Austrian territory after the War were a valuable national asset. In course of time the grid could be adapted to suit Austrian needs. Furthermore, the fact that the Germans attached so much importance to Austrian current underlined its significance in Austrian eyes as a potential major export. During the post-War years Austrian statesmen and economists have been more conscious than ever before of the value of Austria's vast hydro-electric resources to the country's economy as a whole.

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727 In the same way, against the ruthless and damaging methods
315 by which Austrian oil-fields were developed can be set the amount of capital expended and the value of the results achieved. A great new source of national wealth was opened up with exceptional speed. The exploitation of this wealth by the Russians is the largest debit item in the Austrian–Soviet account. But it was only an indirect, and by no means inevitable result of German action and the War.

727 In the basic industries also there were certain considerations
433 that offset the disadvantages and dangers of the change of emphasis in Austrian industry that the new developments involved. Had the Linz and Ranshofen works[7] been liabilities alone, they could have been dismantled and abandoned after the War. But large sums of money had been invested in them, which Austria on its own would have had the greatest difficulty in raising. The decision to keep them both going, so far as the supplies of raw materials, coal, and electric current allowed, reflected Austrian realization of their value.

[387] One major item in the economic legacy of the *Anschluss* period was an unqualified asset of great worth. A large nitrogen works suitable for the manufacture of artificial fertilizer was erected during the War at Linz. The site was chosen because the main substance required in the manufacturing process was coal-gas, and surplus gas was available in sufficient quantity from the Hermann Goering coking-plant. By November 1950 the works had produced a million tons of ammonium nitrate since the end of the War. Austrian agriculture had benefited considerably, and during the four years from 1947 to 1950 the export of artificial fertilizer had earned more than $25 million worth of foreign exchange. If foreign markets contract, experts consider that the whole production can be used with advantage in Austria. Food production would increase substantially as a result, and the scale of essential imports would be reduced.

433 Three times in a generation Austria has had to adapt her economy to radical territorial and political change. In 1918,

7 [Cf. category 116, pp. 75–76 — Analyst]

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as a political and economic fragment, industrially top-heavy, and cut off from essential supplies, she was condemned to an uphill struggle for self-sufficiency. In 1938, just when she had achieved a measure of success, she had to submit to incorporation in an empire, the whole economy of which was moulded ruthlessly to the needs of war, without regard for the traditions or individual claims of its component parts. In 1945, as a small unit, now conscious and even proud of her identity, she was set the task of rebuilding her independent existence and freeing herself from the traces of economic subservience.

To accomplish this third task Austria needed an economic plan that was based on the requirements of the future and the existing facts. Clearly the Nazi neglect of agriculture and the damage done to forests must be put right. A hydro-electric power scheme based on the country's own long-term needs was required. And a programme for industry had to be formulated which took account of Austrian tradition and craftsmanship and any features of the Nazi legacy that were of permanent value. The decision must be made as to what modifications were required in the heavy installations of the war economy in order that they might occupy a permanently valuable place in an economic structure adapted to the needs of peace.

It was difficult to form a correct judgement on this last point in the exceptional circumstances of the post-War years. Not only were world markets strongly influenced by demands for reconstruction programmes. On the one hand, American generosity made available in Austria much more investment capital than would normally have been the case. On the other hand, Russian confiscation deprived the country of many industrial products and one of its main natural resources. It was obviously wise for the Austrian Government to aim at independence of American support. Yet such an objective was very difficult to attain, so long as the oil-fields and many industrial installations remained under Russian control, and no one knew how long the control was to continue. This unknown factor was a serious obstacle to the formation of any

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000 long-term economic plan. A second unknown element was the kind of Europe in which Austria would find herself after she had regained her independence. If it was to be a continent divided up on the principle of economic nationalism, Austria must aim at making herself as far as possible self-sufficient. If it was to be a continent moving towards economic integration through a progressive extension and development of the Schumann Plan, quite different considerations ought to prevail.

Hitler has no claim to inclusion in the category of Hegel's World-Historical Persons, whose own particular aims and achievements expressed the tendencies of their age. He was blind to the significance of twentieth-century internationalism, and his brief but catastrophic impact on the world represented a reversion to past phases of history. Yet his attempt to emulate Hegel's heroes led him to think and plan on a scale transcending Germany's national boundaries. Examples of such planning in Austria are the unfinished *autobahn* between Munich and Vienna and the heavy industries that were dependent on coal and raw materials from Poland, Czechoslovakia, and Hungary. There is a happy incongruity in the fact that the legacy of Hitler, the arch-nationalist, will fit less readily into a continent of self-sufficient States than into a Europe that has achieved some degree of economic co-operation.

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[R81]

VI

UNRRA and Foreign Relief

THE most urgent economic problem in Austria after the War was the lack of food. It was a problem that could not be dealt with adequately by the first-aid measures that have been described.* The assistance given by the occupying Powers in the summer and autumn of 1945 led to a temporary rise in the ration scale, but in the spring of the following year the situation deteriorated. The normal consumer's ration was reduced during March to a theoretical level of 1,200 calories a day. In Vienna during May it amounted in practice to only 950 calories; 'too many to cause death and too few to sustain life', as one member of Parliament put it. 146 434 511

In October 1946 the Federal Chancellor stated in Parliament that Austria had the lowest rations of any country in Europe. According to the official history of UNRRA, Austria had a lower calorie level than any other country in receipt of UNRRA aid. What strained the patience of the Austrian people most severely was an announcement by the occupying Powers in Germany of a higher ration for the ex-enemy country. When this news was made known, food riots broke out in Vienna, and popular indignation was so strong that in November the Austrian Government announced a similar ration of 1,550 calories for Austria. It did so without the approval of the Allied Council and without consultation with UNRRA. There was therefore no guarantee that the necessary supplies would be forthcoming. But the combined efforts of UNRRA and the Governments of the United States and the United Kingdom were equal to the challenge.

The effects of the low calories scale were made worse by the nature of the rations available. They were particularly deficient in fat, animal protein, calcium, and certain vitamins. For two

* [Cf. category 116, p.20 — Analyst]

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146 to three months during 1945 in Vienna milk could only be
434 provided for infants in arms and the seriously ill. It was only
511 by gradual and progressive stages that the supply could be organized for children between one and twelve years of age. At the worst period only about 5,000 litres a day were being distributed in the capital, whereas the normal daily consumption in 1952 was approximately 700,000 litres.

[165] The infant mortality and tuberculosis rates in Vienna show the results of under-nourishment. For every thousand live births the mortality rate amongst infants was 191 in 1945, as opposed to 53 in 1938. New cases of tuberculosis numbered 2·87 a thousand in 1946 compared with 1·11 in 1940. The tuberculosis death-rate for the first half of 1946 was nearly double the pre-War figures and about three times as high as in Britain.

The food situation naturally varied a great deal between the country and the towns. In most parts of Austria there was little real shortage on the land, and the consumption of those engaged in food production probably averaged about 3,000 calories a day. In the small country towns, from which access to the farms was easy, official rations could usually be supplemented. It was in the large towns, above all in Vienna, that the position was very serious.

The emergency was aggravated and prolonged by the requirements of the refugees and displaced persons. The return of hundreds of thousands of Austrian prisoners of war during 1945 and 1946 also increased the scale of the problem.

434 One of the worst features of the whole situation in Vienna
511 was the acute shortage of fuel that accompanied the meagre rations. Gas and electricity were severely rationed, and the supply of both was unreliable and limited to a few hours a day. Fuel of all kinds, whether coal, coke, wood, or oil, for the average person was almost unobtainable. The official ration of coal per household during the winter of 1947–8 was 300 kilograms, and even this quite inadequate amount could not be
511 delivered in full. Yet a great many rooms in the city had broken windows, and glass was in very short supply and

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prohibitively expensive. The pathetic sight was common at the 511
time of an old woman trudging back from a long tramp into the Vienna woods with sticks under her arm and a rucksack full of twigs on her back. The load would at most provide a little heat for a few hours, and the extremity of the need was proved by the lengths to which people would go to produce such small results.

Vienna is a cold city in winter. There is no doubt that the [165]
combined effect of unheated houses and inadequate food was responsible for the death of many old and ailing people. It was also partly responsible for the very high suicide rate. In 1946 there were 933 suicides or attempted suicides in Vienna alone.

The figures given regarding the food supply have referred to 437
food coming from official sources. In Austria after the War 433
there was an extensive black market in food, fuel, and a large number of luxuries. It was the time now often described by Austrians as the period of 'The Third Man', after the well-known film with its unflattering portrayal of Viennese conditions. The rationing system was unreliable as well as inadequate. People were justifiably sceptical as to whether they would actually receive the quotas that had been officially announced. In these circumstances it was understandable that they should turn to the black market as an alternative source.

In August 1945, when the shortage was at its worst, black-market food prices in Vienna were about 264 times as high as the official rates. The exorbitant prices reflect the intensity of the need. And there is no doubt that there were many who paid them. Otherwise the health of the people would have suffered much more than it did. There were very few rich. But the majority of the working population had been able to save during the War, when most articles were scarce. Many members of the impoverished aristocracy and middle class parted with their valuables to avoid starvation.

There was a considerable difference between the black market in Austria and that in England. In England rations were

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sufficient, the black market was in luxuries, and the people, on the whole, were law-abiding. The problem therefore was primarily one for the police. In Austria rations were insufficient, the black market was in necessities as well as luxuries, and the consciences of the people were attuned to God and reason rather than to the law. The problem was thus rather a matter of economics, and in any case the Austrian police force was inexperienced and under strength.

The existence of the black market and the widespread use that was made of it were obstacles to the improvement of the food situation as a whole. The fact that foodstuffs were being sold at such extravagantly different prices made the farmers reluctant to increase their official deliveries. The black-market rates were excessive, but the official rates were beneath world levels and unfairly low for the producer. In spite of the efforts of the authorities, which included the threat of imprisonment, the farmers did little to help. Some of them dealt on the black market, and others found it more profitable to feed grain to their animals than sell it at the official price. During the difficult spring of 1946, the meat deliveries from the provinces to Vienna fell 90 to 100 per cent short of the allocations.

If the attitude of the farmers was neither helpful nor patriotic, it was the ineffectiveness of the whole system that was chiefly to blame. In these circumstances the Austrian Government's own measures to deal with the food problem were slow to show results.

There were two further reasons why the shortage persisted. Additional food supplies were required from abroad. But Austria's traditional sources of supply had been Hungary, Poland, and Yugoslavia, and immediately after the War these countries were not in a position to export foodstuffs. Hungary and Poland later fell increasingly under Russian economic influence. Secondly, Austria had not the resources with which to pay for imports. In terms of exports grain now cost nearly twice as much as before the War, and such foreign exchange as was earned was required to buy raw materials and equipment for industry. A vicious circle was in operation: exports

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were a pre-condition for the purchase of food from abroad, 433
and undernourishment stood in the way of industrial recovery. 439

The food problem remained serious for at least three years. 433
In 1947 it was often found impossible to honour the inadequate 146
basic ration scales of 1,500 to 1,600 calories, and medical inspections established that nearly 50 per cent of Viennese school children were under-nourished. Until 1948, when Austria had its first good post-War harvest, the population as a whole remained noticeably under-fed. By then most people's savings had already been spent and their mental and physical powers of resistance had been seriously weakened.

In spite of this melancholy story, great efforts were made to deal with the situation. Had this not been the case, the prolonged deprivation and distress of the Austrian people would have ended inevitably in political disaster.

In the autumn of 1945 it was decided to invite the United 648
Nations Relief and Rehabilitation Administration to organize 657
a supply programme for Austria. The way had been prepared in August, when the UNRRA Council had decided that as Austria was a liberated country there was nothing to prevent relief and rehabilitation operations being undertaken there, provided the occupying Powers approved. At the time, however, the necessary funds were not available. In November the immediate initiation of an UNRRA programme was urged, particularly by the United Kingdom, and before the end of the month an UNRRA Working Party had arrived in Vienna to obtain preliminary information regarding requirements. In December UNRRA headquarters, following a request from the Allied Council, authorized negotiations for an agreement with the Austrian Government, subject to the Council's approval. Brigadier R. H. R. Parminter, who had been serving since September as chief of the UNRRA Displaced Persons Operations in Austria, took over the duties of Chief of Mission on the 1st of January 1946 and conducted the negotiations. An UNRRA Bureau was set up in the Austrian Federal Chancellery early in the New Year to co-ordinate the transport, administration, and distribution of UNRRA supplies. On the

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648 5th of April a formal agreement covering the relief programme
657 was signed by Brigadier Parminter and the Austrian Minister for Foreign Affairs.

Although it had originally been hoped that UNRRA would be in a position to start operations on the 1st of March, this estimate proved too optimistic. It was finally decided that the organization should assume its responsibilities by three stages in April, May, and June, the beginning of June being the date on which it should be responsible for the actual delivery of supplies. To make this programme possible the Chief of Mission obtained the promise of each of the four occupying Powers to do its best to make available one month's food supply for its own zone from stocks already in the country. Even in June UNRRA had to borrow supplies from the American and Soviet Elements.

Allied help, which had first been given in the summer of 1945, was thus continued in order to tide Austria over the transition period. Throughout the whole winter and spring the country was dependent on the Allies for food and other essential supplies. At the end of 1945 the Russians agreed to the export of food from their zone into Western Austria. Coal was brought in from Germany. Raw materials, vehicles, clothes, and medical equipment were provided. Military stores belonging to the German army were handed over to the Austrian Government.

The UNRRA administration in Austria lasted from the spring of 1946 until the end of June 1947. Its main work was the supply and distribution of food. From June 1946 until October, when the Austrian harvest became available, 80 per cent of the rations of the non-agricultural population were provided or paid for by UNRRA, and UNRRA supplies formed a substantial part of the rations so long as the administration lasted. The total value of the food supplied amounted to $81,206,600, in addition to $20 million that were paid to the Allied military authorities for food provided by them.

648 The second largest item on the UNRRA budget was in
433 respect of agricultural supplies. After food itself, aid to increase

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food production was Austria's most urgent need. When 648
UNRRA started operations the prospects were not at all good. 433
A large part of the seed reserves had been used up as food. Practically no artificial fertilizers were available. There was a lack of farm implements and tractors, all of which had been worked hard during the War. In the chief grain-growing areas of the Soviet zone there was a serious lack of livestock, most of the horses and cattle having been driven west by the Germans before the advancing Russian army. UNRRA spent [457]
$18,818,600 on agricultural supplies: about $4·5 million on machinery, $2 million on fertilizers, and more than $10 million on seeds.

After these two main items had been covered, comparatively little money remained over for other requirements. $6,492,400 were spent on industrial rehabilitation, mostly on raw materials, transport, and communications; $1,789,400 on clothing, and $1,706,200 on medical supplies.

UNRRA'S main effort in Austria was spent on short-term 648
needs. The emphasis was on relief rather than rehabilitation, when the country's fundamental need was to build up its food production and purchasing power. Yet, given UNRRA's limited resources, the choice made was inevitable. The non-agricultural population was on the verge of starvation, and the health of the people as a whole was the essential condition of further progress towards recovery. The second stage in Austria's economic revival was a matter of long-term planning and was made possible by Marshall Aid. UNRRA laid the necessary foundations.

By the autumn of 1946 it became clear that UNRRA aid 648
could not last much beyond the end of the year. In November
the Federal Chancellor sent a letter to the Allied Council 457
asking for foreign credits to help meet the deficit for 1947, which the Government estimated at $178 million.

The first country to respond to this request was Britain. Towards the end of 1946 the British Government agreed to make available £8,500,000 sterling for relief and reconstruction and a further £1,500,000 as a commercial credit for the

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648 purchase of raw wool. During the course of 1947 about
457 £4 million worth of surplus British military supplies was also handed over to Austria.

That Britain set an example at this critical juncture is a fact that has not been forgotten by Austrian statesmen. Yet it was clear that the United States alone had the resources to provide assistance on the scale that was required. Generous American help was soon forthcoming. In the first place, a special War Department grant, intended for the American zone, was made available for the whole of Austria. In February 1947 Herbert Hoover visited Vienna to investigate the food situation as President Truman's Special Representative. In a subsequent report he recommended a post-UNRRA relief programme lasting until July 1948, and Congress voted special funds for the purpose. Over $15 million worth of surplus American military supplies was also made available to the Austrians. The help received by Austria from the United States under all these headings during the course of 1947 reached a total of over $100 million, and it was continued during 1948 until the beginning of Marshall Aid.

The Canadian Government provided assistance to the value of $3,400,000, and valuable consignments of food were also received from the Norwegian and Irish Governments.

Austria was thus dependent on supplies direct from the Allies both before and after the period of UNRRA administration, and the greater part of them were provided by the United States and Great Britain. The importance of this contribution to the Austrian economy can hardly be exaggerated, the amount supplied being considerably more than the total UNRRA deliveries. In 1947 only 1 per cent of the rations of Austria's non-agricultural population was covered by commercial imports, although nearly two-thirds of them were imported. Over 60 per cent therefore came from outside sources, and UNRRA itself had ceased operations in Austria by the middle of the year.

434 During the post-UNRRA period the ration situation considerably improved. In the second half of 1947 the basic ration

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was raised successively to 1,600 and 1,700 calories a day. In 434
June 1948 it went up to 1,800, and the following September to
2,100. Between December 1947 and December 1948 black- 435
market food prices fell from 64 per cent to 15 per cent of the
figures for January 1946. This meant that it was at last reasonable to devote a smaller proportion of foreign aid to foodstuffs
and a greater amount to economic rehabilitation. Of the 457
£8,500,000 provided by Britain, less than £1,500,000 was 454
spent on food, about the same amount on agriculture, £2
million on coal, and over £3 million on the most urgent industrial needs. Of the American Congress aid allocated for the first half of 1948 just under 60 per cent was devoted to food and just under 40 per cent to agriculture and coal, which was of such vital importance to industry.

The administrative responsibilities of the British and 727
Americans in Austria made them highly sensitive to the country's needs. In spite of the obvious drawbacks of the occupation, there were certain advantages for Austria during the first precarious post-War years in the presence of the Western Allies on her territory. Without them the process of rebuilding the administration and economy after the collapse of the Nazi system would almost certainly have been accompanied by even more acute material shortages than those that were actually experienced.

Though the Austrian basic ration did not rise above 1,600 146
calories a day until November 1947, the minimum physiological needs of the normal consumer have been estimated at 2,160 calories. It might have been expected, therefore, that the results of so long a period of under-nourishment after the strain of the War would have been far worse than they actually were. One reason why they were not has already been mentioned: a large number of people resorted to the black market. But there were two other explanations.

During 1947 there were approximately 5 million Austrians 146
in the rationed, as opposed to the self-supplying, category. Of 434
these only about 2 million were normal consumers in receipt of basic rations. All the rest, either as employees, workers,

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146 heavy workers, children, or nursing and expectant mothers,
434 were entitled to additional or special rations. Children had less calories, but received a special allocation of milk. In the case of employees the addition was small, but for workers of all categories and for nursing and expectant mothers it was considerable, though the minimum requirements were correspondingly greater.

648 The second explanation was the widespread and well-organized relief work undertaken by a large number of foreign organizations, mostly on a private and voluntary basis.

Of the countries that had themselves been engaged in the War, the United States and Britain took the lead in providing voluntary relief for Austria. By the beginning of 1947 a group of British societies, pooling their resources and working with the British Red Cross, had, together with the Irish Red Cross, delivered over 5,000 tons of food, 400 tons of medical supplies, and forty tons of clothing to Austria. During the summer of 1946 the British Forces in Austria organized a highly successful Searchlight Tattoo, the proceeds of which, amounting to 400,000 Austrian schillings, were handed over to the mayor of Vienna for the benefit of the children of the city. By the beginning of 1947 various American charitable organizations had delivered to Austria over 9,500 tons of food and 320 tons of clothing. A large-scale relief scheme had been organized, known as the Co-operative American Remittances to Europe, which was happily abbreviated to the word CARE. Throughout the post-War years the arrival of large food parcels, known as CARE packets, was a cause of much happiness and gratitude amongst a great many individuals and institutions in Austria. The Quakers of both countries, in addition to distributing food and clothing, made a special contribution by organizing holiday homes for young people.

Of the neutral countries, Switzerland and the Scandinavian nations made the outstanding contributions.

The first help from Switzerland arrived in the Tyrol and the Vorarlberg as early as May 1945, and by November provisions and medical supplies had begun to reach Vienna. During the

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following year the Swiss Relief Organization provided substantial midday meals for 9,500 children between the ages of six and fourteen in the most distressed districts of Vienna. Holiday homes for children were organized and improved, and food and other forms of relief were provided for old people. One of the most typical and imaginative of Swiss welfare activities was a scheme by which every month 200 children, who were considered to be in danger of tuberculosis, were taken from Vienna for a four weeks recuperation period in Switzerland. By the summer of 1948 over 30,000 tons of foodstuffs, clothing, shoes, and medical supplies had been sent by the Swiss to Austria.

In February 1946 a large-scale relief scheme for Vienna was put into operation by the Swedish Committee for International Relief, acting through the Swedish Red Cross and Save the Children Fund. It was arranged to provide extra nourishment over a period of six months for the 54,000 children in the city between the ages of three and six. They were divided into three groups of 18,000, each of which in turn was fed for a period of two months and provided with extra milk for the remaining four months. The food for the purpose was brought from Sweden by road and distributed under Swedish supervision. In this way a substantial contribution was made to the health of Vienna's children. Swedish relief work was carried on until April 1949 amongst Viennese children, and was gradually extended to the whole country, especially to 6,000 needy students at Austria's three universities. Altogether 5,651 tons of food and 447 tons of clothing were brought by Swedish organizations to Austria.

Danish and Norwegian societies played an important part in Austrian relief work, bringing in 1,671 tons and 1,550 tons of supplies respectively. The Danes had a share in the relief work amongst children and old people. The Norwegians paid special attention to those suffering from tuberculosis, and invited to Norway as guests children of the victims of Nazi concentration camps.

Charitable societies in Canada, South Africa, Holland, and

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648 Belgium also made contributions to Austrian relief. Help was given by various international religious organizations, the International Red Cross, and the International Children's Emergency Fund, usually known as UNICEF.

The combined effect on the Austrian people of the foreign relief work was considerable. It reduced their suffering, raised their morale, and restored their faith in a shaken civilization. It was undertaken on a generous scale by such fortunate neutrals as Switzerland and Sweden. But a great deal was done by countries that in varying degrees had themselves suffered during the War. Against a background of post-War disillusionment and cynicism this example of spontaneous and efficient international altruism was an encouragement and an inspiration.

The first journey that Leopold Figl made abroad after becoming Chancellor was in the summer of 1948 to Switzerland, where he expressed the thanks of the Austrian people for Swiss aid. In 1950 the Chancellor and Vice-Chancellor together paid visits to Sweden, Norway, and Denmark, and thanked the Scandinavian nations for their help. In his reply to Figl's speech of thanks in Berne the Swiss Federal President summed up the significance of foreign relief to Austria as follows: 'According to an ancient Christian custom the receiver is not indebted to the giver; on the contrary, the giver owes the receiver thanks for providing him with the opportunity to obey the command to be charitable. Your prisoners and needy children have made it possible for us to hold high the torch of western culture in days when it was being obscured.'

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VII

Marshall Aid and Economic Recovery

IN his speech at Harvard on the 5th of June 1947 the American Secretary of State, Mr. George Marshall, gave an invitation and a challenge that resulted in the European Recovery Programme. He said that the confidence of the European people in their economic future must be restored and that the initiative in drawing up the necessary plan must come from Europe. The United States would be prepared to help, but any assistance the American Government might give henceforth 'should provide a cure rather than a palliative'. He was clearly dissatisfied with the piecemeal manner in which American aid had been given to various countries in the past. What was wanted was a well-considered long-term programme.

Up to the summer of 1947 Austria's political leaders had not been able to look very far into the future. They had been too concerned with the problems of the immediate present. A starving or semi-starved man has no objection to piecemeal help, and has neither the physical nor the mental energy to work out long-term plans. The success of UNRRA and foreign relief, however, had prepared Austria for the second stage in post-War recovery.

On the 3rd of July Britain and France invited all European countries except Russia and Spain to attend a conference in Paris on the Marshall offer. The Austrian Government accepted, and the Federal Chancellor informed the Allied Council accordingly. The decision had been made separately by each of the two main political parties, and at a subsequent Cabinet meeting the single Communist member concurred in making it unanimous.

Mr. Marshall had made clear that his offer included Russia. No invitation to the Paris Conference had been sent to Russia,

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648 because the British, French, and Russian Foreign Ministers had already met in Paris at the end of June, and Mr. Molotov had declared that the Soviet Union would not take part in the proposed European Recovery Programme. Russia also made it clear that she would consider attendance at the Paris Conference as an unfriendly act. As a result, the invitation was finally declined by all the East European countries under Russian influence, including Czechoslovakia, which had already accepted, and Poland and Finland, which had showed signs of wishing to do so.

Austria's decision to participate in the European Recovery Programme, therefore, had far-reaching diplomatic consequences. When the choice was made, it appeared likely that Czechoslovakia would follow suit. But, with the sudden reversal of the Czech attitude, Austria was left in a precarious position. She alone of the countries under Russian influence had come to an independent decision. In fact, so far as economic policy was concerned, the middle ground between East and West to which Austria really aspired no longer existed, after Russia had rejected the Marshall offer.

In the Allied Council's meetings in Vienna during July and August the Soviet High Commissioner repeatedly attacked both the Marshall Plan and Austria's decision to take part in it. He accused the American Element of the Control Commission of taking advantage of Austria's economic difficulties to render the country entirely dependent on the United States. The agreement signed between Austria and the United States covering Austrian participation in the European Recovery Programme, he said, imposed on Austria conditions incompatible with her sovereignty. It gave the United States control over Austria's production, trade and customs policy, budget and finances, and the general direction of her economic development. Austria became subject to a régime of capitulation under which American dealers and business-men would have unlimited right to make themselves masters in Austria. The Austrian Government was warned that the Soviet Command held it responsible for all consequences arising from the

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acceptance of such conditions. The United States High Commissioner replied by declaring that he would welcome aid to Austria under similar conditions from any other Powers, and that the American wish was for Austria to become independent of United States assistance as soon as possible. 648

The attitude of the Austrian Government in face of the implied Russian threat was courageous and firm. It informed the Soviet High Commissioner that some of the precautionary conditions in the agreement of which he complained were made necessary by the extra-territorial practices indulged in by the industrial enterprises in Austria under Soviet administration. These made it impossible for the Austrian Government to give assurances that American relief supplies would go exclusively to meet the needs of Austrians and not 'those of other Governments'. It was confident that the United States would be ready to withdraw the conditions as soon as the assurances could be given, and suggested that a good first step in that direction would be for the Soviet administration to begin conducting the industries under its control in accordance with Austrian laws and regulations.

Although the Paris Conference to discuss the Marshall offer met on the 12th of July 1947, the European Recovery Programme did not go into effect until the 3rd of April 1948, when the United States Government finally approved the first instalment of the necessary funds. By that time Austria had had almost three years in which to recuperate after the War. Before considering the contribution of Marshall Aid to Austrian recovery, therefore, it is necessary to examine briefly the state of the Austrian economy at the beginning of 1948.

Apart from the disastrous legacy of the War and the hand-to-mouth economic policy forced on the Austrian Government by lack of food, Austria had to contend with two other difficulties during 1946 and 1947. They were both unusually dry years, and there was a crippling shortage of coal. 731

Rainfall means a great deal to Austria, partly owing to its dependence on hydro-electric power, and partly because the climate of the chief grain-producing area is only just wet

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731 enough for grain production. The effects of the drought at this time were particularly unfortunate. Agriculture, from which much had been hoped, made no contribution whatever to [433] recovery. Food production in 1947 did not even reach the low level of 1946. Similarly, though hydro-electric current production was potentially over 60 per cent greater than in 1937, the total current produced in 1946 was only 24 per cent higher than in 1937. The following year it rose by about 2 per cent, but this was due entirely to the increased production of steam-driven power-stations. The amount of hydro-electric current actually fell.

316 There were several reasons for the coal shortage. Europe as a whole was short of coal. Austrian consumption had risen 433 owing to the new iron and steel works at Linz, the development of steam-driven power-stations, and the needs of the occupying forces. The country had not the foreign exchange to pay for the coal needed from abroad, and the coal provided by the Western Allies from Germany was restricted by lack of transport.

433 For several weeks at the beginning of 1947 Austrian industry practically came to a standstill owing to what were euphemistically described as 'fuel and power holidays'. Finished-goods industries were completely closed down. The paper industry for a time virtually ceased to operate, and even some firms classed as essential had to suspend work. Such a stoppage was a major disaster for an economy struggling against odds to get on to its feet.

The 1947 production figures for some of Austria's key industries give an idea of the position of the Austrian economy when Marshall Aid began. It must, however, be remembered that the situation at the end of the year was better than at the beginning, and that in the case of most industries it continued to improve during the first three months of 1948. The position, therefore, was somewhat better in April 1948 than the figures indicate.

In each case, except for agricultural produce, the production by weight is given as a percentage of the 1937 figure:—

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Pig-iron	56·15	Leather Goods	62·80
Raw Steel	54·89	Textiles:—	
Raw Aluminium	104·36	(*a*) Yarn	32·48
Magnesite	56·09	(*b*) Fabric	39·49
Electric Motors	21·54	Total Agricultural Produce (by value reckoned in terms of 1937 prices)	44·00[1]
Paper	48·76		
Cellulose	24·62		

Since 1918 foreign trade has been of vital importance to Austria. Before the War her foreign trade quota per head of population was one of the highest in Europe, and after the War it was of urgent importance that this state of affairs should be restored. The country was dependent on imports for most of its coal, for an essential part of its food supplies, for the raw materials for some of its key industries, and for much of the machinery and equipment necessary for its economic revival. Foreign exchange for the purchase of these imports had to be earned by Austria's own exports. This was clear to the country's political leaders as soon as the Government was formed, and every effort was made under the most difficult conditions to revive foreign trade with the least possible delay.

During 1946 a series of primitive barter agreements were signed with foreign countries, starting with immediate neighbours. On the 11th of February the Allied Council approved such agreements with Czechoslovakia and Italy. In June a contract was made between Austria and Poland by which 45,000 tons of Polish coal were to be exchanged for Austrian scythes and sickles. In November an important trade agreement came into force between Austria and France which provided for the exchange of specific goods and defined the arrangements for payment. As time went on, the barter type of arrangement gave way to more normal commercial agreements. By the end of 1947 Austria had signed treaties, in

[1] Of all Austrian economic statistics those for agriculture are the least reliable As regards actual produce, in contrast to produce for which the farmers submitted returns, the above figure is probably too low.

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439 addition to those that have been mentioned, with Switzerland, Great Britain, Belgium, Holland, Sweden, Hungary, Bulgaria, Rumania, and the British–American zone of Germany.

During the War Austria had been cut off completely from the outside world. So it was natural that in the immediate post-War years the bulk of her foreign trade should be with her neighbours. In 1946, 64 per cent was with Switzerland, Czechoslovakia, and Italy, as opposed to 23 per cent in 1937, and only 7 per cent with overseas countries, in contrast to 17 per cent in 1937.[1] The following year Switzerland easily headed the list, followed by Czechoslovakia, Italy, West Germany, and Great Britain.

With a view to stimulating foreign trade, the Vienna Fair of Austrian manufactured goods was revived in May 1946. It was held again in October, and henceforth became a regular feature of Austrian economic life. The Spring Fair was a success. It aroused foreign interest in trading possibilities with Austria and produced orders from abroad. The Autumn Fair was visited by a million people, including 5,000 foreigners, and was a great stimulus to exports.

In spite of these efforts, improvement in Austria's foreign trade was slow. Commercial imports and exports in 1947 amounted to only 24 per cent and 26 per cent respectively of the 1937 level, after allowance had been made for the changed value of the schilling. The situation was made more serious by the alteration of the terms of trade to Austria's disadvantage. The foodstuffs and raw materials that Austria imported had become more expensive, while the finished goods she exported had become cheaper. Consequently, in 1947 Austria would have to export nearly twice as many finished goods as in 1937 to pay for the same quantity of grain. On the other hand, the improvement in foreign trade during the course of 1947 had been considerable, the figures for the second half of the year

[1] These figures refer to commercial foreign trade only. They do not include imports brought in by UNRRA or under the official or voluntary relie schemes of foreign States.

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being about 68 per cent better than for the first half. This was due partly to the fuel crisis in January and February, but it represented also a fundamental change for the better. 439

Such briefly was the state of the Austrian economy shortly before Marshall Aid began.

A long-term programme for Austrian economic recovery could have only one aim: to achieve self-sufficiency on a lasting basis. Yet the statement of such a simple objective in 1948 was a very small contribution to the solution of the problem. The situation at the time was so critical and exceptional as to make the quiet pursuit of a long-term plan neither desirable nor practicable. Austria's first requirements were food and the raw materials and equipment necessary to rebuild her industries and her export trade. These needs had to be met at all costs and to a large extent took precedence over the consideration of priorities for the future. The future itself was so uncertain as to make too much regard for it foolish. There were three major questions which no one was in a position to answer, however confidently he might speculate. How long was Russia to control Austrian oil? How soon was Austria to regain her political independence? And what kind of Europe would she find herself in when she was free? The enigma of the future is the whole world's burden. But at present it centres round the division of mankind into two great camps, and those on the dividing line between them are especially conscious of it. 185

In these circumstances the natural tendency to take the short-term rather than the long-term view, to prefer economic tactics to economic strategy, could be justified in some measure on rational grounds. Certainly, in drawing up an ERP[1] plan for Austria, the American authorities, on the one hand, and Austrian statesmen and economists, on the other, took full account of existing circumstances and of the urgency of present claims, sometimes inevitably at the expense of long-term considerations and of the well-conceived ideas of theoretical economists.

[1] European Recovery Programme.

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185 Some of the points that carried weight with those responsible for planning Marshall Aid for Austria deserve attention.

The geographical position of the various industries played a large part in determining their position in the recovery programme. Neither the Americans nor the Austrians wanted to see American capital invested in the Russian zone. An overwhelming proportion of it was therefore allocated to the three Western zones. This course was made easier by the fact that Austrian industrialists had the same attitude, and a transference of industry from Lower Austria and Vienna to the West had already begun, in so far as new developments and reconstruction programmes made such a movement possible. The labour question, so far from presenting an obstacle to this tendency, helped to accentuate it. The transference of population from East to West has been one of the characteristics of the post-War years, due partly to war damage in Vienna, but much more to the fact that refugees from East Austria did not always return, and to the large number of German-speaking refugees from Eastern Europe that crowded into the Western provinces.

A second consideration that had great influence with the planners was the extent to which industries were easy to control and would fit conveniently into so vast a project as the recovery programme for Austria.

The Americans were in closest contact with the industries in their own zone. Here economic supervision had been their responsibility since 1945. They were aware of the needs, the potentialities, and the standard of efficiency of the various concerns, and in many cases had already done a great deal to set them on their feet. It was a matter of understandable pride to the American element that its own zone should play a leading part in the recovery of the country as a whole.

As a general rule large enterprises were the most suitable recipients of Marshall Aid. The United States Congress had not voted billions of dollars in order that an army of administrators and inspectors should travel round Europe considering the needs of small concerns. The purpose was to make a

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decisive contribution to a continent's recovery, and this could best be done by giving aid to the major industries of every country concerned. This fact alone was of great significance for the Austrian economy, with its tradition of skilled craftsmanship and its preponderance of small businesses. 185

In 1946 and 1947 the Coalition Government agreed on the nationalization of the banks and a number of key industries. These included coal, iron and steel production, the mining and smelting of other metals, the nitrogen works at Linz, certain sections of the machine and light-metal industries, the manufacture of locomotives and rolling-stock, the electrical industry, and the production of electric power. There were a number of reasons why both parties approved so large a measure of nationalization. The railways, the post office, and the sale of salt and tobacco had been nationalized under the Habsburgs, and there were compelling arguments for the extension of State control at this stage. Some of the industries now nationalized had been seriously damaged during the War. Some were in process of development on a grand scale but were incomplete. Others again were essential to the national economy but could not be run at a profit. The capital and over-all planning necessary to deal with the situation could not be provided by private enterprise, but part of it at least might be provided by the State. Whatever was done must be part of a co-ordinated plan. The aluminium works at Ranshofen, for example, would become a white elephant unless the necessary electric current were available. These considerations brought the People's Party into accord with the Socialists and Communists. 471

The effect of nationalization was to bring a large section of the Austrian economy under unified control. The nationalized industries were of vital importance to the country. Their success had become the immediate concern of the Government. They therefore had a strong claim to substantial support, and their privileged position ensured that they would get it. No industries were easier to control or would fit more naturally into the national recovery programme.

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439 A further point that weighed with the planning authorities
185 was the state of the European and world markets at the time. The main demand was for investment goods with which to carry out reconstruction programmes. Few countries had much to spend on anything but bare necessities. The prices of primary goods were therefore high, while secondary goods were relatively cheaper. The pre-War Austrian economy, with its emphasis on consumer-goods production, would have been in a weak position in the post-War world, and for the time being the war-time transformation proved a blessing. Pig-iron was one of the main exports in 1947 and 1948, and iron goods headed the list of exports in 1948.

185 Closely connected with the question of markets was the problem of the large industrial plants left behind by the Nazis. Some held that the heavy industries endangered the country's economic future, and that Austria's true destiny was to concentrate on the development of her natural resources and on the craftsmanship and design for which she was already famous. Money spent on the development of heavy industries would in the long run be wasted, because the Linz works could not hope to compete with the industries of the foremost industrial countries, which were better placed from the point of view of transport and raw materials and had greater scientific and financial resources behind them. Others maintained that Austria's iron and steel industry should be concentrated in its traditional home. Donawitz in Styria already had the impressive plant of the Alpine Montan Company. It was closer to the ore of the Iron Mountain and to such coalfields as Austria possessed. Any capital available should be spent on the development of Donawitz. The country did not require and could not afford two different centres.

The position of the nitrogen and aluminium works was different. The whole output of artificial fertilizer could, if necessary, be absorbed by the home market. In the case of aluminium production, the determining factor was the availability of electric current, and the potential supply in Austria was more than sufficient.

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In making up their minds with regard to the Nazi legacy, the planners were influenced by all the various considerations that have just been described: the iron and steel works and the nitrogen plant at Linz, the aluminium works at Ranshofen were all in Western Austria and in the American zone; they were large nationalized industries, and their products were in great demand under post-War conditions. In addition, they were modern, they represented a large capital outlay, and they employed between 10,000 and 15,000 men. Closing them down, therefore, in deference to any long-term economic theory, could not seriously be considered. In determining the lines on which they should be developed, however, the future balance of the Austrian economy would have to be borne in mind. 185

Austria benefited under the European Recovery Programme in three different ways: through 'direct aid', 'indirect aid', and the use of the 'counterpart fund'. Every year the United States Government allocated to Austria a sum of money in dollars to cover the import of essential goods against dollars from the Western hemisphere. This was known as 'direct' or 'unconditional aid'. In special cases, dollars allotted in this way could be used for obtaining goods from countries not taking part in the recovery programme—for example, coal from Poland. Secondly, Austria was granted drawing rights to import goods from other European countries with which she had an unfavourable balance of trade, on the understanding that the country concerned would obtain payment in dollars from the United States. This was known as 'indirect' or 'conditional aid'. Its object was to stimulate trade between the participating countries and enable them to resume commercial contacts with their traditional suppliers and customers. Thirdly, goods brought into Austria with the aid of ERP dollars were paid for by the recipients in Austrian schillings, which were handed over to the Government and paid in to a special 'counterpart' account with the National Bank. The schillings that accumulated in this way could be used for two purposes only: productive investment for the benefit of the Austrian economy 457 457 652

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and measures for the stabilization of the currency. Proposals were put forward by the Austrian Government, but required the approval of the Economic Co-operation Administration, the highest administrative authority controlling the European Recovery Programme, which had its headquarters in Washington.

Under this whole system the greater part of the dollars made available by the United States were used to provide Austria with essential food and raw materials. At the same time a large proportion of the schilling equivalent of the dollars could be devoted to long-term projects that would strengthen the country's economy.

In dealing with the recovery programme in detail, it will be convenient to divide up the Austrian economy under eight main headings and treat each of the following separately: (i) agriculture, (ii) forestry and dependent industries, (iii) heavy industries, (iv) other manufactures, (v) fuel and power, (vi) minerals not covered under (iii) and (v), (vii) communications, (viii) the tourist industry. The division is rough and arbitrary, and the headings imply some overlapping, but it is an over-simplification convenient for dealing with a large and complicated subject in a limited space.

As has been seen, Austrian agriculture was in a lamentable state when Marshall Aid began. If food production could be increased and Austria became less dependent on imports, a considerable contribution would be made to improving her trade balance. Yet for several reasons agriculture was not a branch of economy that could easily be improved by foreign assistance. The great majority of the farms were small. The peasants were conservative and difficult to influence. Two of their main problems were lack of labour and the low level of agricultural prices, and these were problems that had to be solved by the Austrian Government itself.

The target was set, however, of restoring production to the pre-War level by 1953. Seeds, farm machinery, and feeding-stuffs were to be supplied. Above all, a much greater use of artificial fertilizer was to be encouraged. Before the War

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Germany used thirteen times as much per acre as Austria; Holland sixteen times as much. There was great scope, therefore, for increased use. Austria now had her own production plant, and the price of imported fertilizer had scarcely risen half as much as food prices. The programme suggested that by 1953 over four times as much should be used as in 1937, and even then the economic optimum point would nowhere near have been reached.

The significance of Austria's forests is shown by the fact that between the Wars they provided a livelihood, directly or indirectly, for about one-sixth of the population. Lumber exports amounted in value to over 10 per cent of the country's total and, together with the exports of the dependent paper and cellulose industries, just about paid for Austria's most important food imports. After the War the forests were suffering from the excessive felling that had been carried out systematically during the past few years and from the fact that it had taken place in the more accessible areas. This double injury could only be put right by a policy of restraint extending over a number of years: by reducing cutting, and by concentrating on the less accessible, and therefore the less economic areas. In consequence the fundamental cure was, to a great extent, beyond the scope of the recovery programme. But the timber, paper, and cellulose industries had one feature in common: their equipment was very largely out-of-date and inefficient. Judged by modern standards, the methods employed in forestry and the timber industry were still primitive. The sawmills were mostly on a very small scale and could not be compared in efficiency with large up-to-date enterprises in other countries. The consumption of coal in Austrian cellulose factories was about one ton for every ton of cellulose produced, whereas a good Swedish factory used less than a third of the amount. Much of the equipment in the paper-mills was so obsolete that the competitive power of the Austrian paper industry in world markets was being undermined. Here ERP resources could be of great assistance, and funds were allocated for the introduction of modern equipment and modern methods into all three industries.

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185 Austria's heavy industries included, in addition to the Nazi
433 legacy, the iron and steel works at Donawitz and the important Steyr–Daimler–Puch Company, which produced tractors, automobiles, motor-cycles, cycles, and ball-bearings. Some of the general considerations have already been mentioned that caused the planning authorities to look favourably on the Linz and Ranshofen enterprises.[1] Apart from the fact that Donawitz was not in the American zone and that the Steyr–Daimler–Puch Company was not nationalized, these considerations applied to all the heavy industries. Furthermore, for a number of reasons, each of the industries required the expenditure of a large amount of capital in order that its potentialities might be utilized fully for Austria's benefit.

In the first place, the concerns that had come into existence during the War were still incomplete when the War came to an end. Secondly, heavy industries were amongst the main targets for Allied air attacks, and some of them were very severely damaged. The nitrogen works at Linz were hit by about 800 bombs, and the main Steyr–Daimler–Puch plant at Steyr was almost completely destroyed, the total damage suffered by the Company's installations in the Steyr and Graz areas being estimated at over 220 million marks. After the War the destructive work of bombs was completed by systematic dismantling and confiscation. A large quantity of vital machine-tools was seized, and at Donawitz the steel-rolling plant was taken down and removed by the Russians, before the British occupied Styria. The third reason why capital expenditure was required was the need to transform and develop the various industries so as to comply with the future demands of the Austrian economy. The process of adaptation from war-time to peace-time production itself involved large-scale replacement of equipment. Even more important were the measures required within the heavy industries to restore the health and balance of the country's economic life.

If Austria was to maintain large plants for the production of iron, steel, and aluminium, it was at least desirable that the processing of these metals should be carried sufficiently far to

[1] [Cf. category 116, pp. 102-103 — Analyst]

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provide the country's metal-finishing industries with the sheets, rods, and other forms of metal that they required. In this way the producer-goods industries would contribute to the success of the consumer-goods industries, which would become independent of imports and would give Austria's traditional skill and craftsmanship the opportunities they required. The benefit to the whole economy is indicated by the fact that a given weight of finished aluminium products has on an average five times the value of a similar weight of raw aluminium. An Austrian member of Parliament pointed out in 1947 that no skill would be required in Austria to buy 10,000 wrought-iron candlesticks, but that it might well be difficult to get hold of a handful of nails. Such a state of affairs would in the long run be inexcusable in post-War Austria, and it was one of the duties of the E.R.P. planners to make it impossible.

The Hermann Goering iron and steel works in Linz, which became the Vereinigte Österreichische Eisen- und Stahlwerke (United Austrian Iron and Steel Works) and are usually known as VÖEST, were planned for a total output of a million tons of iron and steel a year. Before the War ended five of the six blast-furnaces were completed, while the annual production of steel only amounted to 250,000 tons. It was important that the output of steel and sheet-metal should be greatly increased. With this end in view a large outlay of capital was planned for the installation of steel production plant and rolling-mills at Linz and for replacing the rolling-mill at Donawitz. The ERP long-term programme aimed at decreasing the value of pig-iron exports from $9 million to $5 million within four years and at simultaneously increasing the value of rolled steel products from $25 million to $34 million. At Ranshofen finishing works were planned that were capable of handling 15,000 tons of aluminium a year, a figure based on the estimated home consumption.

The nitrogen works at Linz were to be developed and adapted so as to produce 40,000 tons of sulphuric acid a year and 100,000 tons of ammonium sulphate. This would give to their products greater variety and competitive power in world

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185 387 markets, ammonium sulphate being more valuable and more suitable as a fertilizer for certain climates than ammonium nitrate.

185 398 The Steyr-Daimler-Puch Company was to be assisted in its programme of concentrating on products of special value to the national economy. The production of motor-cycles, cycles, and ball-bearings was continued, but at its main Steyr works the chief output consisted of diesel trucks, tractors, and omnibuses. An arrangement was made with the Italian Fiat Company by which Fiat passenger cars were to be assembled at Steyr, but no attempt was made to embark on the highly competitive passenger automobile production.

185 457 This comprehensive programme for the heavy industries involved a very large expenditure, and it was not surprising that in 1949 and 1950 nearly half the counterpart funds allotted for industrial purposes were devoted to the iron and steel industries alone.

Compared with the very significant help given under the European Recovery Programme to the heavy industries and the paper industry, Austria's other manufactures, most of which produced consumer goods, were, with the exception of textiles, largely neglected. Before the War about 75 per cent of Austria's industrial workers were employed in concerns in which there were less than 100 employees. Large enterprises played a bigger part in the country's post-War economy, but one of the reasons why the consumer-goods industries were neglected was that they were mostly still on a comparatively small scale. It was therefore difficult to organize assistance for them, and at the same time they lacked effective champions. Another reason was that they had, on the whole, suffered less from war damage. Apart from textiles, the manufactures that came off best were the electrical industries, which had lost a high proportion of their equipment from dismantling and had subsequently been nationalized. The ERP plan for Austria set out to raise the production of heavy industries in four years to 160 per cent of the 1937 level, while the target for consumer-goods industries was only 110 per cent of the 1937

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figure. By the autumn of 1951 the small crafts, which employed nearly as many people as industry, had received only 14 million schillings from the counterpart fund, which was only 0·4 per cent of the total.

There was no branch of the Austrian economy in which the need for capital investment was greater than in fuel and power. Nor was there any branch to which the allocation of available funds would be the subject of less controversy. The Austrian Republic's shortage of coal, which had always been serious, was more acute than ever, owing to the development of the iron and steel industry. And Poland and Czechoslovakia, Austria's traditional suppliers, were now in the Russian orbit, and charged excessive prices for such coal as they were prepared to deliver. At the same time the country had vast potential sources of hydro-electric power, which only required capital for their development. It was most important that the development should take place both to economize consumption of coal and to satisfy the growing demands for electric current of Austrian industry and the Austrian people.

Austria's oil-fields were her main resources in mineral fuel, but, being under Russian control, they did not fall within the scope of the recovery programme. Her coal-mines, which produce 95 per cent lignite, could only satisfy between 25 and 30 per cent of her requirements in 1948 and 1949. As a result of forced production during the War and neglect of new development, the coal was difficult and expensive to work, and the output per miner was only three-quarters of the pre-War level, although the miners' own record had been excellent.

The production of hydro-electric current increased steadily during the War, until in 1944 it had more than doubled. In 1945, owing to the serious disorganization that accompanied the end of hostilities, output fell off considerably, but between 1945 and 1948 it rose from 2·51 billion kilowatt-hours to 4·45 billion. The steam-driven power-plants, so important for the maintenance of winter supplies, had suffered severe damage during the War, especially at Linz, and were not back in full production by 1948. Meanwhile the growing importance of

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433 electricity to the Austrian economy was shown by the fact that
377 domestic consumption per household had increased by 60 per cent between 1938 and 1947. In 1947, also, Austria exported nearly a quarter of its total current production and stood second amongst European countries as an exporter of electric power.

433 Substantial ERP funds were allocated to the coal-mines for
457 new development and modernization of equipment with the object of increasing productivity. Aid was also given in the reconstruction of the damaged steam-driven electric power-stations, and in the building of new stations in the neighbourhood of the lignite fields. But the bulk of assistance in the sphere of fuel and power was naturally devoted to the development of hydro-electric resources.

185 Austria's total potential hydro-electric power production is
371 estimated at not less than 30 million kilowatt-hours a year,
457 more than five times the present output. The possibilities were already realized in some measure before the end of the nineteenth century, and development between the Wars was help up mainly owing to lack of domestic and foreign capital on the large scale required. The European Recovery Programme offered a great opportunity, which was not likely to recur, and at the Paris Conference which considered the Marshall offer in the summer of 1947 the Austrian delegation began at once to consider proposals for electric power development. By the following year a general plan had been drawn up that aimed at doubling production in the ten years starting with 1948.

ERP support was limited to four years, but provided for the generous allocation of counterpart funds both for the completion of plants under construction and for the initiation of new works. The programme covered projects in all of the six provinces under the Western Allies, but was confined to them. The great plant planned at Ybbs-Persenbeug on the Danube in Lower Austria, with a potential output of a billion kilowatt-hours a year, had to be left out, because it was in the Russian zone. Major projects in Western Austria included those on the Ill in the Vorarlberg, on the Drau in Carinthia, and on the Enns, the Inn, and the Danube in Upper Austria. The new

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works begun at Braunau on the Inn and at Jochenstein on the Danube were undertaken in collaboration with Western Germany. Most important of all were the power-stations dependent on water stored in great mountain reservoirs, such as those at Achensee in the Tyrol and at Kaprun in Salzburg. This type had the great advantage of being able to reserve its major output for the winter months, when hydro-electric current was in short supply. If they were developed on a sufficiently large scale, it would be possible to reduce the number of steam-driven plants, and so economize coal.

Of all the hydro-electric projects in process of construction, Kaprun was the most significant for the Austrian economy as a whole. Three great reservoirs were to be created at different levels by the construction of a series of dams, the top two reservoirs being connected by a conduit through the mountains nearly twelve kilometres long. When the work is completed, the annual production of current will be 620 million kilowatt-hours, of which 460 million will be produced in winter.

After iron, oil, and coal, the most valuable of Austria's mineral resources at present being utilized is magnesite. The magnesite industry did not suffer seriously from the War, and after a temporary setback, owing to the coal and power shortage in 1946–7, had regained the pre-War level of production by 1948. The greater part of the magnesite produced was exported, some of it to the United States. As a dollar-earner, therefore it was important that the efficiency of the industry should be maintained and its production increased. The bulk of the capital required for modernization was provided by the industry itself, though an allocation was made from counterpart funds as well.

Austria also has small deposits of copper, lead, zinc, and subsidiary metals. Under normal conditions their development could hardly be justified economically in competition with the world's main sources of supply. But for two reasons a good deal of attention has been paid to them since the War: they provide materials essential for the important electrical industry, and Austria has not had the foreign exchange necessary to

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316 buy freely in the cheapest market. The main purpose of the
457 counterpart funds allotted to the development and modernization of mines and refineries, therefore, has been to save foreign exchange, with the possibility of increasing the exports of finished products as a secondary incentive.

497 The railways have always played a part of special significance in the Austrian Republic's economy. When the Habsburg Empire fell apart, Vienna remained an important centre of communications linking up Western Europe with the Succession States and the Balkans. Between the Wars the international transit services carried out by the Austrian railways between East and West, and North and South, were an important source of national revenue. After the tourist industry they were the main means on which Austria relied to reduce her trade deficit.

After the Second World War the amount of transit traffic through Austria fell off considerably for two main reasons. In the first place, there was a sharp decline in trade and travel between the Iron Curtain countries and the West. Secondly, war damage, lack of coal, wholesale confiscation of rolling-stock by the Russians, and the failure of Hungary and other satellite countries to return trucks sent across the border seriously reduced the efficiency of the services the Austrian railways could offer. Traffic between Switzerland, on the one hand, and Poland and Czechoslovakia, on the other, was diverted from Austria to Germany.

The Austrian railways have come in for a good deal of criticism since the War, and from a first glance at their annual balance-sheets the criticisms appear to be justified. A series of losses culminated in a deficit of approximately one and a half billion schillings in 1951, which meant that every Austrian would have to pay about 200 schillings to make up the deficiency. Yet a superficial judgement in this case is unfair. The railways unquestionably required to be reorganized and rationalized. But, apart from the losses and damage resulting from the War, they were suffering from a number of adverse circumstances that were not always taken into account.

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The German authorities raised the number of employees to over 100,000 during the War, compared with 57,000 in 1937, and owing to the difficult conditions of the immediate post-War years, this excessive figure was only slowly reduced. By 1950 it was down to about 80,000, but only at the expense of increasing the number of pensioners, who in that year actually exceeded the employees by nearly 4,000. This disproportionate burden in respect of pensions, which accounted for nearly a third of the budget, was due to the political changes both in 1945 and 1918, no less than 15,000 of the pensioners being German-speaking employees who were dismissed when the Habsburg Empire broke up. 497

The railways also suffered from the competition of road, river, and air transport, all of which were in receipt of large, mostly concealed subsidies in the form of road construction and repairs and the building and maintenance of wharves and aerodromes. The rivalry of road vehicles was particularly severe, the number of lorries and trailers in the autumn of 1949 exceeding the 1937 figures by nearly 300 and 900 per cent respectively. [494]

A third factor that contributed to the heavy deficit was the comparatively small increase in fares that had occurred since before the War. In the summer of 1951 the passenger and freight fares were only 195 per cent and 285 per cent of the 1937 figures, whereas the rise in the general price level amounted to about 700 per cent. As the railways were subsidized directly, and road transport indirectly, in neither case was the principle respected that those who use transport services should pay for them.

In spite of the serious position of the Austrian railways after the War, they remained by far the greatest single economic enterprise in the country, and their potential contribution to the balance of trade in happier times was considerable. A substantial allocation was therefore made to them from counterpart funds. It was to be used for two main purposes: to repair war damage and to extend electrification. The electrification programme of the between-War period had resulted in 990 497 457

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497 kilometres of track being electrified and in the annual saving
457 of 300,000 tons of hard coal. The new programme worked out under the stimulus of ERP aid would mean saving a further 700,000 tons of imported coal. Quite apart, therefore, from the possibility of recovering transit traffic in the future, the new developments would lead to a substantial economy in foreign exchange.

727 In 1936–7 about 80 per cent of Austria's trade deficit had been covered by the earnings of the tourist industry. After the
484 War some years were to elapse before the number of foreign visitors approached the pre-War figure. There were several reasons for this. The total war damage suffered by the industry was estimated at 270 million schillings in terms of 1937 prices and at about 1,500 million schillings with the schilling at its 1950 value. Out of 200,000 beds available for tourists in 1937, 80,000 were lost, of which half had been suitable for foreign visitors. Accommodation for a further 30,000 was requisitioned by the occupying Powers in the early post-War years. In addition, serious obstacles were presented by the food shortage and the difficulty of obtaining passes for entering the country and for crossing the zonal boundaries.

484 Efforts were made both by the Austrians and the Western Allies to establish the conditions necessary for the revival of
457 the industry. In October 1946 an Austrian organization was established for this purpose. In 1947 arrangements were made by which food was purchased abroad in order to provide foreign tourists with rations on a basis of 4,600 calories a day without depleting the limited Austrian supplies. The following year the Austrian Government was made responsible for the issue of visas to intending visitors, and the visitors, once in the country, were free to move about between the different zones. Yet, in spite of these measures, progress was slow. In 1947–8 the volume of foreign tourists, measured both in numbers and length of stay, amounted to only about 12 per cent of the 1936–7 figure, and in terms of foreign exchange earnings the comparative value was considerably less.

The ERP planners recognized the vital importance of the

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tourist industry in Austria, though it was not until 1950 that a substantial allocation of counterpart funds was first made. Help was needed for the rebuilding and modernization of hotel accommodation, for the construction of ski-lifts and cable railways in mountain resorts, and for the establishment of publicity offices and information centres abroad. The number of tourists from East and South-east Europe had fallen off considerably, while visitors from Italy, Western Europe, and North America were increasing. This meant that post-War tourists from abroad, on the whole, expected a higher standard of comfort and amenities than had been available in the past.

From an economic standpoint no country had a greater need than Austria for the assistance made available under the European Recovery Programme. In few countries, moreover, was the establishment of a sound economy as important from a political point of view. That these two considerations were appreciated by the Economic Co-operation Administration in Washington is shown by the fact that during the first year of Marshall Aid, Austria received a higher allocation per head than any other country. In the second year its share per head was exceeded by Holland only.

The establishment of the counterpart account made it possible for Austria to embark on a much larger investment programme than had previously been possible, at a time when war damage and the legacy of incomplete heavy industrial plant made such a programme particularly desirable. In 1937 only 6 per cent of the national income had been devoted to investment, while in the ERP years the percentage varied between 17 and 21. In the allocation of funds preference was given to projects which promised to improve Austria's trade balance within a short space of time, but this main principle had to be combined with the need to round off and complete, as far as seemed expedient, the great installations that had been left unfinished at the end of the War.

Direct aid was used at first mainly to import food and the raw materials necessary to enable domestic industry to resume production. As the general situation improved, it was possible

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457 to increase the proportion of raw materials imported and to
439 help production by bringing in machinery and industrial equipment.

The following figures show the total assistance given up to the end of June 1952 under the three categories and some of the main purposes [1] to which it was directed:—

	$1,000
A. Total Authorizations under Direct Aid [2]	632,401
Actual imports under Direct Aid include:—	
Food	248,579
Agriculture	64,047
Including:—	
Corn for Feeding	54,168
Fertilizers	5,642
Industry	148,083
Investments (Machinery)	50,042
Raw Materials	98,041
Including:—	
Wool	5,012
Cotton	41,161
Hides	8,707
457 B. Total Drawing Rights Granted under Indirect Aid	277,300
454	

	Millions of Schillings
C. Total Releases from the ERP Counterpart Account [3]	8,036·3
Allocations include:—	
Government Investments	1,451·9
Including:—	
Federal Railways	796·4
Post and Telegraph Services	203·7
Roads and Bridges	174·4
Agriculture and Forestry	52·7
Federal Forests	32·6

[1] Only details relevant to this chapter have been chosen.

[2] Prepared by the Austrian Institute of Economic Research from statistics of the Central Bureau for ERP Affairs; 31 March 1952.

[3] Figures prepared by the Austrian Institute of Economic Research.

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	Millions of Schillings
Allocations include (*contd.*):—	
Industrial Investments	4,113·1
Electric Power	1,424·3
Coal-mining	226·0
Other Mining	25·7
Primary Iron and Steel Industry	827·7
Non-ferrous Metals Industry	126·2
Electrical Engineering	85·1
Chemical Industry	174·4
Secondary Iron and Metal Industry	215·1
Textile Industry	214·0
Woodworking Industry	121·3
Paper Industry	533·2
Leather and Leather Goods Industry	6·9
Special Recovery Programme	1,467·0
Agriculture	719·7
Forestry	156·3
Tourism	256·7

In May 1948 an ERP Central Office was set up in Vienna and made responsible to the Minister for Foreign Affairs. In December 1949 the economist, Professor Wilhelm Taucher, who had been Minister of Trade before the War, was put in charge of it, and the office then became part of the Federal Chancellery.

It became clear to all those responsible for administering Marshall Aid in Austria that the fundamental need of the Austrian economy was to improve the efficiency of production, or increase 'productivity' in the specialized sense of the term. Only in this way could Austrian goods compete successfully in world markets. It was therefore decided in April 1950 to establish an Austrian Productivity Centre with the task of doing everything possible both by study and practical measures to increase productivity in all branches of the Austrian economy. Professor Taucher became president of the Centre.

The productivity of the whole Austrian economy after the War was lamentably low. In 1947 it was estimated to be

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647 between 50 and 55 per cent less than the 1937 level. There were
433 certain obvious reasons for this state of affairs: war damage, out-of-date equipment, lack of fuel and raw materials, and the influence of food shortage on the physical and mental efficiency of the workers. But as conditions improved it became evident that there were other factors contributing to the same result that could in some measure be mastered by the education and endeavour of the Austrian people themselves. Years of rationing and controls had weakened the competitive sense in Austrian industry. The severity of the post-War crisis, uncertainty as to the future, combined with the occupation and the arrival of foreign help, led many to assume that salvation could only come from outside and in no way depended on themselves. A good system of social legislation and a liberal allowance of public holidays on religious and secular occasions added a false sense of security and even a touch of recklessness to the prevailing attitude.

647 The Productivity Centre, which was supported both by the trade unions and the employers, worked by three main methods. It maintained a staff of experts who made systematic studies of productivity problems, carried out investigations of actual enterprises, and recommended improvements in method. With ERP help it arranged for foreign technical experts to visit Austria and organized study tours of Austrians in the United States and other countries. Perhaps most important of all, it initiated a publicity campaign to make the Austrian people conscious of the productivity problem. Two series of booklets were published dealing with specific aspects of the productivity campaign as it affected Austria, and an illustrated periodical entitled *Der Schlüssel* ('The Key') kept the public informed regarding the activities of the Centre and the efforts made in other countries to raise productivity.

The main aim of the Centre's educational work was to drive two points home: that it is worth while for the individual to increase his income and standard of living by means of better work and achievement, and that Austria's future prosperity would depend upon a co-operative effort by everyone concerned to increase the efficiency of all branches of the national economy.

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cerned to increase the efficiency of all branches of the national economy. 000

Marshall Aid resulted almost at once in a marked acceleration in the rate of Austrian recovery. Whereas industrial production was only about 43 per cent of the 1937 figure in 1946 and only rose to 56 per cent in 1947, in 1948 it jumped to 92 per cent, in 1949 to 123, and in 1950 to 145. After this the rate declined, partly because the return to more normal conditions made any further acceleration impossible and partly because the outbreak of the Korean War, by increasing the price of raw materials, reduced by a third the real value of ERP dollar payments to Austria. 433 457

By the end of 1951 the extent of Austria's recovery was impressive, and it could not possibly have been achieved without the steady, well-planned assistance on a vast scale that Marshall Aid implied.

The Austrian gross national product in 1951 had more than doubled since 1946 and was approximately 18 per cent above the pre-War level. Industrial production had risen to 165 per cent of the 1937 figure, while agricultural production, having risen from 56 per cent in 1947 to 90 per cent in 1950, remained at about the same level in 1951. Industrial productivity was more than doubled between 1947 and 1951, and in the winter of 1951–2 stood approximately at the 1937 level. 433

These figures taken on their own, however, are somewhat misleading. For two reasons the real per capita income and the standard of living of the Austrian people were still slightly short of the pre-War level at the end of 1951, although probably about three times as high as they had been immediately after the War. The population had increased by more than 2 per cent, and there were therefore more mouths to feed than there had been in 1937. In addition, a much higher proportion of the national income was being invested than before. After four years of Marshall Aid the average Austrian was eating little more than a third of the quantity of meat eaten by the average American. 434

If the different branches of the Austrian economy are 000

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433 If the different branches of the Austrian economy are
241 considered separately, the record of agriculture is the most disappointing, although the rise in population and food prices since before the War made it vitally important that agricultural production should at least regain its pre-War level.

The disappearance of the black market and the progressive adjustment of internal food prices since the end of the War had improved the situation from one point of view. The conservatism of the farmers and the prevalence of small holdings in Austrian agriculture were features that could scarcely be altered. But there were several aspects of the problem that were susceptible to treatment and in which more could have been done both by the Government and by the ERP authorities.

[464] The number of paid agricultural employees, not counting the farmers themselves and members of their families, dropped by nearly a quarter, from 285,600 in 1937 to 217,000 in 1951. In view of the man-power available, more speedy and energetic steps should have been taken by the Government to counteract this tendency. The plan that has been drawn up to deal with it will be considered later. The loss of labour was balanced to some extent by mechanization, carried out largely with Marshall Aid. The number of tractors increased by 850 per cent between 1939 and the end of 1951. But the supply of artificial fertilizer and feeding-stuffs from abroad fell far short of essential needs, and agriculture's share of counterpart funds was less than the allocation to the primary iron and steel industry, which did not employ a tenth of the number of men on the land. It was not until the summer of 1952 that increased imports of feeding-stuffs and an adjustment of prices by the Government made it possible to fix the cost of bread-grains at 25 per cent above that of maize for feeding, and so stimulate farmers to increase their bread-grain production.

433 Austrian forestry and its dependent industries responded well to ERP assistance. During the first three years of Marshall Aid lumber exports increased fivefold, and in 1951 they amounted to 17 per cent of Austria's total exports. By 1951 paper industry production had risen to 113 per cent, and cellulose

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production to 102 per cent of the 1937 figure. These results, however, were achieved by continued excessive felling, which was only partly offset by the introduction of more economic methods, including the use of the remoter areas. Special attention was paid to reforestation with quick-growing kinds of timber, but the fact remains that a period of restraint will be necessary if the Austrian forests are to regain what they have lost.

The privileged position given to Austria's heavy industries in the European Recovery Programme is reflected by the fact that in 1951, whereas consumer-goods production was only 128 per cent of the pre-War level, investment-goods production reached 175 per cent. Stimulated by the post-War demand for capital goods and by the installation of such fine new plant as the blooming-mill at Donawitz and the blooming-and-slabbing-mill at Linz, both provided by Marshall Aid, the production of the heavy industries went rapidly ahead. If the emphasis on this branch of the economy had been overdone, it was not to become apparent until a later date.

The production in 1951 of pig-iron, raw steel, and sheet metal amounted to 270 per cent, 158 per cent, and 149 per cent respectively of the 1937 figures. Iron and steel exports in 1951 were valued at $57 million. Aluminium output rose from 13,357 tons in 1948 to 26,380 tons in 1951, and in addition, thanks to the installation of a rolling-mill at Ranshofen, the production of sheet aluminium and half-finished goods started in 1950. By 1951, 27 per cent of Austria's aluminium production was being exported, some of it to the United States, and at the same time internal consumption had risen sharply, so that Austria had become the fourth largest consumer of aluminium per head of population in the world. The following year aluminium output went rapidly ahead owing to the increased availability of electric current. The export of artificial fertilizer from the Linz works rose to 274,152 tons in 1951 and to 188,135 tons in the first six months of 1952. The number of tractors, lorries, and buses produced by the Steyr–Daimler–Puch Company in 1952 amounted to 11,765.

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THE LIMBERG DAM AT KAPRUN

[facing p.122]

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433 In contrast to these impressive results the record of Austria's comparatively neglected consumer-goods industries was much less satisfactory. Of the two industries that received most ERP help, the electrical industry, after at first suffering from high import requirements and excessive production costs, finally responded to treatment by raising the value of its exports by nearly 400 per cent between 1949 and 1950. In 1951 textile production just managed to exceed the 1937 level. But the export of finished goods as a whole in the first half of 1951 was only two-thirds of the 1937 figure, and during the subsequent twelve months showed a tendency to fall.

The high proportion of counterpart funds spent on fuel and power was justified by results. In 1951 Austrian coal production at 5·2 million tons reached a record level and was 48 per cent above the highest pre-War figure. Output per man and shift rose by 27 per cent between 1948 and 1950. The steam-driven power-station at Linz was restored to full productive capacity, and such good progress was made with the power-stations being built in the vicinity of brown-coal deposits that the total current produced by steam-driven power-stations in 1951 amounted to 1·68 billion kilowatt-hours. The production of hydro-electric current rose from 4·45 billion kilowatt hours in 1948 to 5·66 billion in 1951. In September 1951 the Limberg [312] dam, the first and greatest of the Kaprun dams, was officially opened in the presence of the Federal President. This great engineering achievement, which is the largest curved dam in Europe and one of the largest in the world, makes possible the storage of 86 million tons of water and the annual production of 160 million kilowatt hours of winter current.

As regards other minerals, under the stimulus of ERP support magnesite and copper production went rapidly ahead, while the output of lead, in spite of the exhaustion of the more accessible deposits, has nearly regained the pre-War level. By 1951 the production of copper had risen to 308 per cent of the 1937 level, and the production of raw magnesite to 167 per cent. The figures for the main magnesite products varied between 191 per cent and 248 per cent.

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496 With the help of counterpart funds the war damage suffered by the Austrian railways had practically been made good by the end of 1949. Steady progress was also made with the programme of electrification. By December 1952 the electrification of the main line between Vienna and the Vorarlberg was complete, and 22 per cent of Austria's whole railway system, or about 1,350 kilometres of track, had been electrified. During 1951 receipts for international transit services carried out by the railways covered 6·8 per cent of the country's total trade deficit (including imports under ERP).[1]

484 The tourist industry recovered rapidly with ERP assistance and the return of more normal conditions. In 1951 Austria was visited by about 1,200,000 foreigners, and the number of nights spent in the country by foreign tourists rose to 5,712,023 from 920,555 in 1948. The increase continued the folllowing year. The industry was stimulated considerably in the summer of 1951, by the decision of the Western Allies, in conjunction with the Austrian Government, to allow the entry of Germans into Austria from the West German Republic without special documentation. As a result, West Germany provided by far the most tourists in 1951, and it was followed by Britain, Italy, Switzerland, and France. Interesting developments about the same time were the increasing number of visitors from the West to Vienna and resorts in the Russian zone and the rise in the number of tourists from Yugoslavia.

Although the total volume of foreign tourists measured in numbers and length of stay amounted in the tourist year 1951–2 to about 93 per cent of the 1937 figure, the total earnings in foreign exchange were about $22·5 million, compared with $41·1 million in 1937, when the real value of the dollar was about twice as much. The industry thus covered only 19 per cent of the country's total trade deficit compared with 80 per cent in 1936–7. This unfavourable disproportion in receipts was due partly to a change in the type of tourist,

[1] The deficit in Austria's balance of trade in 1951 was:—

4,392,425,000 schillings (ERP included),
1,649,723,000 schillings (ERP excluded).

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484 partly to the low Austrian prices, which themselves had contributed to the revival of the tourist industry, but even more to
457 the black-market dealings in foreign exchange, often carried out by the wealthier tourists, which cheated the country of its legitimate earnings.

439 The ultimate test of Austrian recovery, however, was the extent to which the country had approached national solvency. The success of Marshall Aid could best be measured by its effect on the revival of Austria's foreign trade.

Since 1950 the level of Austrian exports has been much more satisfactory than during the preceding three years. Between 1947 and 1951 the volume of exports expressed as a percentage of the 1937 figure rose from 26 to 110. During the same period the volume of commercial imports increased from 24 to 87 per cent of the 1937 level. During the second half of 1950 there was for the first time a surplus of exports over commercial imports, although commercial imports did not nearly cover Austria's total needs, which were still in a large measure satisfied by ERP deliveries.

These results were achieved only as a result of strenuous Austrian efforts in the face of great difficulties.

One of the chief obstacles to trade revival was the loss of markets in East Europe. In the past, Austria's East European customers had been happy to take her consumer goods in return for such vital Austrian requirements as food and coal. But since the War they had been unable to provide Austria with the food that she needed, and, as part of Russia's economic plan for the area, had been endeavouring to build up their heavy industries at the cost of renouncing all imports but basic necessities. In 1937 they had taken nearly half of Austrian textile and clothing exports. In 1950 they took only 7 per cent. What they wanted were such things as steel, aluminium, and cellulose, for which Austria had little difficulty in finding markets and which she was only willing to deliver in return for such goods as food and coal.

Thus Austria had to find markets for her finished products elsewhere. It was not easy to do so in Western Europe, where

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competition was strong. She therefore made a determined effort to develop trading relations with overseas countries, more especially with North and South America, Asia and the Middle East. Commercial treaties were negotiated with the Argentine, Brazil, Uruguay, India, Pakistan, Indonesia, and Turkey, and a trade mission was sent to the Far East. Between 1947 and 1951 Austria's exports to non-European countries just about doubled, and in 1951 amounted to approximately 20 per cent of her total exports. 439

Yet, in spite of the general improvement, to which Marshall Aid had greatly contributed, Austria's foreign trade position was still far from satisfactory. Every year there was a substantial deficit in the balance of trade. In 1951 it amounted to $201,300,000, and in the first half of 1952 to $121,700,000. The deficits were covered in the early years of Marshall Aid by ERP payments, but, as these payments decreased, this was no longer the case. Furthermore, as has been seen, such invisible exports as the earnings from the tourist industry and railway transit services were very much lower than in pre-War days. 439 457

In common with other countries, Austria began to experience difficulties with her export trade in 1951. During the first half of 1952 the volume of her exports dropped by 10 per cent to approximately the level of 1937. This was due partly to the import restrictions imposed by foreign governments, but the main reason was the considerable rise in Austrian costs of production and prices, following the fifth Price-Wage Agreement of July 1951, while prices in other countries remained relatively stable. According to the index drawn up by the Austrian Institute of Economic Research, the prices of Austrian exports rose by 15·8 per cent between June and December 1951, whereas the average rise in export prices of other European countries during the same period, according to United Nations statistics, was only about 7 to 9 per cent. Even more sinister and significant was the fact that the share of Austrian exports in total European exports fell from 2·2 per cent in 1937 to 1·5 per cent in 1950 and 1951. 439

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464 The decline in exports was accompanied by a fall in the production of almost all consumer-goods industries during the first half of 1952. This in turn was accompanied by a rise in the number of unemployed.

During the early post-War years there was virtually no unemployment in Austria. During the winter of 1949–50 unemployment first became a real problem, when the number of unemployed in February 1950 rose to 195,000, or nearly 10 per cent of the insured labour force in the country. This figure taken alone, however, is misleading. A high proportion of the total was due to seasonal unemployment in the building trade, in which owing to post-War reconstruction needs nearly four times as many were employed as before the War. An increasing number of women also had been registering at employment exchanges in the hope of supplementing the family income in difficult times. At the same time the total number of insured persons employed in the winter of 1951–2 exceeded 2 million, and this represented an increase of nearly 50 per cent on the pre-War level.[1] The serious development in 1952 was that the high February total of 215,000 unemployed did not yield normally to seasonal improvement, and that throughout the summer there were never less than 115,000 unemployed.

The original European Recovery Programme was intended to come to an end in 1952. It was a great disappointment, after four years of planned aid on such a generous scale and after so large a measure of success, that these disquieting tendencies should have begun to reveal themselves in the Austrian economy. It was equally disappointing to the Austrians that in 1952 they had not regained the independence that the Moscow Declaration had given them every reason to expect. Had they had control over the industries administered by the Soviet authorities and over even a part of their oil, the economic position of the country would have been very different.

[1] The increase was due partly to the growth of population, partly to the increase in the proportion of people seeking paid employment, and partly to the decrease in the number of independent, uninsured workers.

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Austria was clearly not in a position to pay for her essential needs without foreign help, and it was of vital importance that she should not be subjected to economic strain that would threaten her political stability. The United States Government therefore decided to continue its assistance, though on a reduced scale. Direct Aid amounting to $70 million was promised in two instalments for the financial year 1952–3. The release of funds from the counterpart account was made conditional on the Austrian Government taking adequate measures to balance the budget and check inflation.

At the same time a growing body of expert and informed opinion in Austria was becoming convinced that the situation demanded a new outlook and a new policy. Austrians had acquired the habit of looking abroad for their economic salvation and blaming the Allies for the lack of a State Treaty. But the continuance of the occupation, which was the result of the conflict between Russia and the West, was Austria's heavy share of a burden borne by many countries. Against it could at least be set the sustained moral and material support of three of the occupying Powers. In the circumstances the only healthy attitude was to take energetic steps to strengthen Austria's economy and free it from dependence on foreign help that was being progressively reduced and could not last indefinitely. Such a policy would not have been feasible in the early post-War years, but conditions had so much improved after four years of Marshall Aid that there was now no real alternative for a people with pride in its past and faith in its future.

There were three aims about which there was little controversy: to stabilize the currency and prices, to encourage private saving, and to strengthen the competitive power of Austrian consumer goods in world markets.

There had at first been good reasons for the policy of controlled inflation on which the Austrian Government embarked after the War. But the reasons became progressively weaker the longer the policy was pursued, and, as has been seen, the fifth Price-Wage Agreement in 1951 had serious effects on

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Austrian exports. The continuous devaluation of the schilling discouraged private saving. It also prevented stabilization of prices, because producers, who had to count on increasing costs of production, were reluctant to part with their goods. To restore faith in the schilling strong measures were required.

Private savings must be encouraged owing to the country's need of capital. The investment rate of the Marshall Aid years could certainly not be maintained, but in a highly competitive world Austria's industrial plant would have to be modernized and renewed, and hydro-electric development and the electrification of railways were vital to her future. International loans and foreign investment could be relied on to some extent, if conditions remained stable, but a high proportion of capital needs must be provided by the Austrian people themselves. In addition, the possibility of saving without loss would be an incentive to effort and increased efficiency.

Opinions differed as to the extent to which the consumer-goods industries had been neglected since the War, but there was general agreement that they deserved more attention in future. Austria's characteristic industrial asset is the quality, taste, and variety of her craftsmanship and the finished goods it produces. As the world returns to normal, the demand for these specifically Austrian products will grow and foreign countries' requirements of investment goods will be satisfied where they can be most cheaply produced.

Two further aims were subjects of considerable controversy: to economize drastically in State expenditure and to encourage competition in Austrian economic life.

On the one hand, it was maintained by the Right-Wing parties and the majority of professional economists that the budget should be rigidly examined and controlled, the whole administration overhauled, and the number of civil servants reduced. These measures, some held, should be combined with giving greater scope to the competitive elements in industry and reducing the influence of vested interests of all kinds. This last point of view was greatly stimulated by the issue in December 1951 of a Report by Mr. H. W. Johnstone

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of the Economics Division of the American High Commissioner's Office. This document, which was entitled 'The Restraint of Competition in the Austrian Economy', strongly criticized the various forms of restraint, such as cartels, political associations, and organized group interests, and recommended the education of public opinion on the merits of a competitive régime. 185

On the other hand, the Socialist Party, while accepting the need for economy and self-help, was opposed to any reduction in social services; preferred government, to private, investment; was more conscious of the evils than of the merits of competition, and stressed the dangers of unemployment rather than the dangers of renewed inflation.

In November 1951 Dr. Franz Nemschak, Director of the Austrian Institute for Economic Research, emphasized the significance of Austria's economic problems for the country as a whole, and recommended that in working out a solution the Government should take the advice of experts rather than allow themselves to be influenced by sectional interests. He deplored particularly the tendency for economic policy to be determined by considerations of party politics.

Dr. Nemschak's warnings and recommendation were justified. By giving full consideration to the views of independent experts, it might well have been possible to agree on an economic policy for the country. As has been seen, there was common acceptance of some of the main objectives, and on the controversial points a degree of compromise was possible. To aspire after the ideal expert solution, however, is a tendency characteristic of democracies and one that is almost invariably disappointed. The circumstances in which party considerations finally confused the issue were not free from an element of accident.

Members of the People's Party held the three key Ministries of Finance, Trade, and Agriculture. The second instalment of the Party's reorganization, following its defeat in the presidential election, took the form of replacing the three Ministers in question in January 1952. Dr. Kamitz, the new Finance 645 665

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645 665 Minister, was a financial and economic expert who believed that the budget could only be balanced satisfactorily by stringent economy in national expenditure. The new Minister of Trade, Herr Böck-Greisau, was an experienced industrialist, with a special interest in export problems, who believed in free enterprise, and shared Dr. Kamitz' view on the need for economy. Both men were convinced exponents of the new policy of self-reliance and self-help.

453 Before the end of 1951 the Coalition Government's efforts to establish financial stability had already met with success. To restrict credit expansion the bank-rate was raised from 3½ to 5 per cent on December the 6th, while the trade unions and the employers collaborated to keep prices down. During the 454 first four months of 1952 savings-bank deposits rose by 538 million schillings, compared with an increase of only 77 million schillings during the whole of 1951.

645 665 One reason why the People's Party appointed the new Ministers was that it wished to strengthen its representation in the Cabinet. But it believed also that their policy was what Austria needed at the time. A natural result of its action, however, was that the policy tended to become a party issue, although it had virtually been started before the Cabinet changes took place.

645 652 665 The new Ministers were energetic and uncompromising in carrying out the measures in which they believed. Within a few months of his taking office Herr Böck-Greisau was with difficulty dissuaded from relinquishing his post on a question of principle. During the autumn party differences came to a head over Dr. Kamitz' proposals for an economy budget. The People's Party was mainly interested in a deflationary policy to maintain the value of the schilling. The Socialists wanted bigger expenditure on public works and new housing projects in order to keep up employment. No agreement could be reached, and so, as has been seen, the Government resigned. Pending the elections a temporary compromise budget was accepted by both sides.

652 Before the elections took place the new economic policy

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had achieved considerable success. The currency had been stabilized. Between December 1951 and December 1952 wholesale prices had dropped 6·4 per cent and the cost of living 1 per cent. With unimportant exceptions wages had remained constant. Total savings during 1952 amounted to over a billion schillings, compared to the 77 million in 1951. Although the gross national product only just kept up to the level for the previous year, the foreign trade position improved substantially. Figures available in February 1953 showed a drop in the balance-of-trade deficit from 4·3 billion schillings in 1951 to 3·1 billion in 1952, while the balance-of-payments deficit fell from $176 million to $100 million.

The Ministers of Trade and Finance deserved great credit for this achievement. But it must be remembered that they were members of a coalition government and that the policy of stabilization had begun before their appointment. Furthermore, the policy depended for its success on the voluntary action of both industrialists and trade unions in keeping down prices and wages.

During the election campaign a large measure of agreement on economic and financial policy was revealed between the Socialists and the People's Party, but the gap between the two points of view, which had made elections necessary, could not be closed entirely. The serious deterioration in the employment situation accentuated the differences on this vital issue. At the end of 1952 there were nearly 100,000 more unemployed than there had been in December 1951, and throughout 1952 the average number of unemployed had been 158,000, compared with 117,000 the previous year.

The deadlock that followed the elections and delayed the formation of a new Government for more than five weeks was proof of the stubbornness of the differences. The replacement of Figl by the industrialist Raab made it clear that a long-term compromise could not be expected: the Coalition survived, but for external, not for internal reasons. It was, nevertheless, encouraging that Austria's two main political parties should have

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revealed such strong convictions about the country's economic future. The contrast between this attitude and the listless indifference that was common in the immediate post-War years was one practical indication of the achievement of Marshall Aid.

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VIII

Currency, Prices, and Wages

FOR those with no personal experience of rapid and uncontrolled inflation the full significance of the Austrian Government's post-War measures to regulate currency and prices is not easy to appreciate. The average Austrian found them complex and even mysterious, but he had no doubt about their importance. Between 1945 and 1951 the Government passed three major laws dealing with the currency and approved five agreements regulating wages, prices, and cost of living. Apart from their financial and economic results, these measures had considerable social and political implications. In fact, their effects on political life and society are likely to be the more lasting. 652 436

Immediately after the liberation Austria was faced with two major financial problems: she had no national currency of her own and the banks were virtually empty. The need to establish an Austrian currency was urgent. The country was being flooded with German mark notes from Czechoslovakia and Hungary, where they were considered valueless, and the occupying Powers were temporarily printing their own money, which soon reached a total of about a billion schillings. Almost all the banks' cash had been removed by the Russians, and their main 'assets' were in the form of valueless German Government Bonds. It was for this reason that the Provisional Government was unable to pay any public servant more than 150 marks a month. It was only able to do as much because the Russians made available as a 'loan' 600 million marks taken very largely from the sums that they had seized.

The Government decided that it could take no steps to establish an Austrian currency until the country was united. But on the 3rd of July 1945 the so-called *Schaltergesetz*, or Counter Law, was passed, covering withdrawals from banks. 652 454

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652 454 This law amounted to a modified moratorium and was restricted to the area occupied by the Russians, in which the Provisional Government's authority was recognized. In the Western zones monetary transactions remained free.

Holdings were to be divided into two categories, funds deposited before the 5th of July being known as 'old accounts' and those deposited from the 5th of July onwards becoming the 'new accounts'. The latter were to be completely free, whereas 60 per cent of the 'old accounts' were to be blocked, the remaining 40 per cent being available under certain conditions. If the need were proved, 150 marks a month could be drawn per household as a subsistence allowance from either the blocked or the unblocked portions of the 'old accounts'. So far as the unblocked 40 per cent were concerned, transfers between banks could be made without permission, and the money could be used with a permit for a number of essential purposes, such as payment of wages, salaries, rents, insurance premiums, and maintenance during sickness. With the Finance Ministry's special approval, funds from the blocked 60 per cent could be employed for particular projects, such as economic enterprises of urgent importance to the country.

Complaints were afterwards made that during the next two years the Ministry allowed too many releases of blocked funds and that certain favoured and influential individuals were able to utilize the whole of their 'old accounts'. A number of officials were accused of partiality and corruption in consequence.

The Counter Law catered for the poor by its provision of subsistence allowances. It also laid down conditions under which the well-informed and the ingenious could employ at least a proportion of their funds for their own purposes. Those who came off worst were the thrifty, the aged, and the lonely, who were dependent on their savings, were unacquainted with the details of the law, and were not fortunate enough to have active and altruistic advisers. This weakness is no doubt characteristic of most currency legislation. It was certainly common to the three main currency laws passed in post-War Austria.

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The recognition of the Provisional Government by the Western Allies in October 1945 and the elections in November cleared the way for the re-establishment of an Austrian national currency. On the 30th of November the interim Government, without waiting for the formation of the Figl Cabinet, announced its approval of a 'Schilling Law', and one of the first acts of the new Parliament on the 21st of December was to pass this measure. 652 436

The law replaced the German mark and pfennig by the Austrian schilling and groschen at the rate of 1 for 1. All German currency except for denominations lower than ten marks was to be exchanged for the new Austrian schillings, and the same applied to the Allied Military Schillings which had been issued as a temporary currency. Everyone received 150 schillings in cash and the rest was credited to his account. Marks in lower denominations were exchanged for schillings during February and March 1946.

The second main purpose of the Schilling Law was, in general terms, to extend the provisions of the Counter Law from the area occupied by the Russians to the whole of Austria. The details were inevitably complicated owing to the different situations in each part of the country and owing to the decision to place in a separate category funds deposited between the 1st and the 22nd of December 1945. Roughly, however, the division of accounts continued into 60 per cent that was blocked and 40 per cent that was conditionally free, although minor alterations were made in the conditions under which the free funds could be used. Deposits made after the 22nd of December 1945 could be used without restriction. 652 454

Some disappointment and bitterness were felt in Russian-occupied Austria that 60 per cent of the 'new accounts' were now blocked, as the people had been given to understand that deposits made on or after the 5th of July 1945 would be freely at their disposal. On this assumption, after the Counter Law was passed, the public had confidently continued to use the banks for their savings.

Subject to Allied supervision, the Schilling Law gave back to 652

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65-2 Austria her financial independence. It also acted as a stimulus to trade and a check, though a purely temporary check, on inflationary tendencies. Dr. Renner has described how the legislation re-establishing the schilling lay for weeks in his drawer awaiting the re-unification of the country. So long as uncertainty regarding the currency continued, merchants preferred to hold on to their limited stocks of goods, and trade was restricted. So long as Austria continued to use German money, marks flowed across the frontier and prices were inflated. An immediate result of conversion was a substantial fall in the black-market prices of commodities and foreign currencies.

65-2 454 The provisions of the Counter and Schilling Laws blocking 60 per cent of the 'old' and 'new accounts' were interim, in so far as no indication was given as to the final fate of the blocked credits. This question was settled by the Currency Protection Law of the 19th of November 1947.

65-2 458 By the autumn of 1947 serious inflationary tendencies had begun to reveal themselves. There was a growing belief that currency reform was necessary, and rumours that it was imminent made the situation worse. Goods were hoarded, prices rose, and holders of capital showed anxiety to invest at any cost. In introducing the Currency Protection Law the Government's main purpose was to stabilize the schilling by reducing note circulation and finally liquidating the blocked accounts, from which there had been increasing demands for releases during recent months.

65-2 454 The law in its full details was very complex. But its main provisions were as follows. The existing currency was to be replaced. Every individual could exchange his note-holdings on the basis of three old schillings for one new, although each person was allowed 150 schillings at the rate of 1 for 1. Blocked accounts were forfeited to the State, and the unblocked portions of the 'old accounts' were converted into 2 per cent Government bonds. All free accounts, which included deposits made between the 23rd of December 1945 and November 1947, retained their full value, but, in so far as they exceeded 1,000

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schillings, half of each account was to be blocked for six months, and a quarter for a further three months.

Some attempt was made to distribute the burden in accordance with capacity to pay. Those in need were allowed to retain limited amounts from their blocked accounts up to a maximum of 3,500 schillings, and under this provision payments amounting to about 500 million schillings were in fact made in monthly instalments to 300,000 people. A capital levy was also announced, for which the necessary legislation was passed the following July. It imposed graduated taxes on capital and capital increment which were to be spread over a number of years.

The essence of successful currency legislation is that it should be introduced unexpectedly and implemented immediately, so that no one should have time to take evasive action. Such procedure was not possible in Austria in 1947 owing to the provision of the Allied Control Agreement which laid down that laws went into effect, if not vetoed, thirty-one days after they had been submitted to the Allied Council. Nevertheless, the Austrian Government might have handled the situation with greater skill. In the end, it secured Soviet approval of the Defence Protection Law at the heavy price of accepting the Russians' terms for the settlement of their 1945 'loan'. With Allied consent the law then went into effect ten days ahead of the normal time. It would have been worth paying an even heavier price to obtain Russian approval in advance, so that the three weeks' delay between the publication and execution of the law could have been avoided.

As it was, the situation during the three weeks' interval was grotesque, and the effectiveness of the law itself was seriously diminished. Evasive action was carried out on the widest scale, the most quick-witted and unscrupulous coming off best. Nobody was anxious to sell anything for money that was about to be devalued, and, in spite of Government regulations to the contrary, many shops could not be persuaded to remain open. People revealed a sudden enthusiasm for paying debts, and creditors could hardly refuse payment in a currency in

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which the debts themselves had been incurred. The Government received payment not only for taxes that were already due but for taxes that were to be levied during the coming year, though it naturally gave notice that it could not accept payments in advance. The Austrians appreciated the comic side of the situation, but many realized that the comedy was being played at the expense of their country's interests. It was estimated that evasion and manipulation reduced the deflationary effect of the law by over a billion schillings.

Apart from the way in which it was introduced, the Defence Protection Law was no final solution of the inflationary problem. It was not accompanied by the strong financial measures necessary to ensure financial stability and restore full confidence in the schilling. Little or no inducement was given to the Austrian people to resume the habit of saving. But in the winter of 1947–8 the time had not yet arrived for a more comprehensive settlement. Austria's political situation was uncertain; her economic position still precarious. It is probable that the law, though a half-measure, went as far as was reasonable at the time.

The immediate result was a decisive check to inflationary tendencies. On the 7th of November the note circulation and the free accounts at the National Bank amounted to 9 billion schillings in all. Immediately after the law went into effect the combined total had fallen to 5·6 billion schillings, and at the end of January it had only risen by 100 million schillings. For many Austrians the currency reform marked the beginning of real recovery, in spite of the financial sacrifices it had imposed. Goods became more plentiful and prices fell. By Easter 1948 new signs of hope could be seen in the faces of the long-suffering Viennese. The following October, less than ten months after the reform became effective, black-market food prices, which in November 1947 had been about twenty-three times as much as the official prices, were only three to five times as high. In the case of luxuries, such as cigarettes, the black-market and official prices were very close to each other. These developments brought new confidence and had a

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stimulating effect upon trade. There is no doubt that the currency reform made a substantial contribution to the economic revival associated with the beginning of Marshall Aid. 652 458

The social results of the reform were less fortunate. The law, as has been seen, made limited concessions to the needy, but they were of small help to many who were dependent on their savings and whose earning days were past. On the other hand, the treatment of the well-to-do was very uneven. The holders of large bank balances came off worst, while the owners of real estate and valuables, in spite of the capital levy, were more fortunate. The most unfair feature of all was that industrialists, who were in the best position to renew their wealth, could retain it most easily in the form of stored goods. When currency adjustments become necessary, they are always accompanied by injustice, and the results mentioned were, to some extent, the inevitable consequences of inflation. But more might have been done by the Government to help those least able to make their influence felt and to help themselves. 652

Throughout the years from 1945 and 1951 the Austrian economy was subject to persistent inflationary pressure. It was checked very temporarily by the Schilling Law and restrained for the best part of two years by the currency reform. But the forces making for inflation were never absent, and the political and economic climate was such that the Government did not consider itself in a position to attempt a fundamental cure. The schilling steadily lost value, until in 1951 it was worth about one-seventh of what it had been in 1945. The following table[1] shows the rise in the cost-of-living index between 1945 and 1951:— 458

1945	April	100·0
1946	April–December	125·7
1947	,, ,,	248·1
1948	,, ,,	378·0
1949	,, ,,	484·3
1950	,, ,,	547·7
1951	,, ,,	700·1

[1] Prepared by the Austrian Institute of Economic Research.

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458 Such conditions, combined with the hardships that have
435 already been described, carried with them the danger of serious
465 unrest, and it is fortunate that a method was worked out in 1947 by which wages as a whole could keep pace with the steadily rising prices. The method, which was used each year between 1947 and 1951, had its good and bad sides. On the one hand, it contributed to the steady and controlled nature of the inflationary process and ensured the harmonious settlement of the wage question. On the other hand, after the first two years, when its effects were predominantly good, it accentuated inflationary tendencies.

The system involved the co-operation of the Government, the trade unions, and the Chambers of Industry, Agriculture, and Labour. The representatives of the employers and the employees in the Chambers and the trade unions worked out, in consultation with the Government, a general agreement covering the prices of basic necessities and the wages of the different classes of workers in all branches of the economy. The proposals were then submitted to Parliament for approval.

This procedure was only possible owing to the spirit of co-operation and conciliation called forth by the emergency. Austria would not have recovered as soon as she did from the post-War economic crisis had her revival been held back by serious industrial disputes, and the political consequences of such disputes would have endangered the country's unity. The Coalition Government fully realized the position, and its broad composition fitted it well for a mediatory role. The employers' representatives and the trade unions were also aware of the dangers. The common sense and intuition of the Austrian people led them to support their leaders.

467 The country was fortunate both in the organization of its trade unions and in the nature of their leadership at the time. The fact that the Austrian Federation of Trade Unions had been established on an all-party basis in 1945 was of decisive importance in the price-wage negotiations. It meant that in spite of the Socialist preponderance among union members every party was represented on the workers' side in the dis-

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cussions. Herr Johann Böhm, President of the Federation, revealed himself as one of the big personalities in post-War Austria. Like Ernest Bevin in war-time England, he combined loyalty to the workers whom he represented with breadth of outlook and courageous patriotism. 467

Between the spring of 1946 and the summer of 1947 wages followed prices upwards in a dangerous spiral movement, though they lagged slightly behind prices and were in reality still farther behind owing to the need to purchase food on the black market. Yet the prices charged for such public utilities as gas, electricity, and transport were below the level that production costs justified. And official food prices were unreasonably low, whether judged by world levels or by the cost of producing home-grown food. The two main purposes of the First Price–Wage Agreement were to check the spiral movement, which showed signs of getting out of control, and to make an adjustment in wages to allow for the higher food prices and public utility rates that were approved at the same time. 458 435 465

The Agreement took effect on the 1st of August 1947. Food prices were raised on an average by 58 per cent, while the rise in public utility rates varied from 50 to over 100 per cent. Wage and salary increases varied considerably between different categories. But, on the whole, salaried employees obtained less than wage-earners, and skilled workers less than unskilled; that is to say, the poorer paid received the greater proportionate increases. In addition, on the 1st of August the Government decided on certain tax-relief measures for those with small incomes. This levelling tendency was a characteristic of all the Price–Wage Agreements except the last. It was justified as a protective measure, when the total supplies available to the Austrian people were scarcely sufficient to cover their basic needs. But it reduced incentive to workers to earn promotion to a higher wage category by their own efforts and became less defensible, as economic conditions improved. 435 465

By the terms of the Agreement, individual trade unions renounced their right, while it lasted, to take independent action

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435 465 to increase wages. But it was recognized that the Federation of Trade Unions could terminate the Agreement, and demand higher wages, if at any time the cost-of-living index should rise more than 10 per cent above the wage-rate index. Actually this state of affairs occurred within three months, but currency reform was then imminent, and the trade unions decided to continue the Agreement. In the end it lasted for just over a year and performed a valuable service at a critical time.

When the year was over the cost of living had risen by an additional 15 per cent, and the Government was anxious to abolish some of its food subsidies, a procedure which would have the effect of raising it still farther. There had, however, been some progress towards economic recovery, and the national income was rising. In order that wage rates should keep pace with these two tendencies, the Second Price–Wage Agreement was made in September 1948. Government subsidies for meat, milk, and fats were removed. At the same time wages and salaries were increased by 6 per cent. A flat-rate food bonus of thirty-four schillings a month was given to every employee by his employer, and a family allowance of twenty-three schillings a month was paid for every child by the State. The policy of equalizing incomes was much less marked than in the First Agreement, but the introduction of the flat-rate bonus carried the levelling process one step farther.

The Third Price–Wage Agreement of May 1949 was due to the danger of a serious budget deficit. It was a much more complicated measure than the first two and involved the introduction of additional taxes and of an important piece of social legislation.

Railway and tram fares, postal charges and the cost of gas and electricity were all increased. Social insurance contributions were raised and higher taxes imposed on income, capital, and purchases. Government subsidies on coal, potatoes, and grain were abolished.

[745] To gild the pill as far as possible and offset in some measure the rise in living costs a series of concessions were made. An adequate system of old-age pensions for workers was introduced.

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duced. In place of the food bonus a flat-rate increase in wages and salaries of thirty groschen an hour or sixty schillings a month was introduced, on top of which there was to be a further 4½ per cent rise. Children's allowances were to be raised to thirty-seven schillings a month. The combined effects of the increased taxes and the various concessions, on this occasion, were strongly levelling in tendency. Medium incomes were particularly hard hit, and in some cases net incomes were actually reduced at a time when the cost of living went up by at least 14 per cent. But nobody came off very well. Even in the case of the average worker's family the net rise in wages was little more than half the percentage increase in the cost of living.

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The comprehensive nature of this Agreement and the fact that it was the third in three years suggested the danger that it was a device to which the Government might resort to solve all its financial problems. Certainly at this stage the economic disadvantages of the system began to outweigh the advantages. The Agreements regulated, but did not check, the inflationary process, and producers and consumers now began to reckon on rising prices. The habit of saving, which heavy taxation had already made almost impossible, was thus positively discouraged.

For a short period during the first half of 1950 prices began to fall, but with the outbreak of the Korean War in June rising prices again became a problem. There were two other reasons for the Fourth Price–Wage Agreement, which was approved in September 1950. In preparation for the end of Marshall Aid in 1952 the Economic Co-operation Administration wanted to remove the ERP subsidies on Austrian imports. Secondly, the farmers justifiably demanded that a higher price should be fixed for bread-grains, which were being sold at two and a half times the pre-War price, although the cost-of-living index was nearly five times as high as in 1938. The demand was not popular, as the farmers on the whole had suffered a good deal less than other sections of the community. But unless some adjustment were made there was no hope of increasing home

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production of bread-grain, and the farmers would continue to feed it to their animals.

The Agreement came into force on the 1st of October. ERP subsidies were reduced by more than a half, and higher prices were fixed for wheat, rye, and sugar-beet. To compensate for the increased cost of living, all wages and salaries were raised by 10 per cent, with a minimum rise of 100 schillings a month for the lower categories; pensioners received an extra fifty schillings a month and children's allowances went up to sixty schillings. This time special provisions were again made for the lowest-income groups, and it was intended that the main burden should fall on industry and the State.

The fifth and final Price–Wage Agreement was made in July 1951 and was one of the most comprehensive of the series.

In the first place, it carried a stage farther the programme of the previous Agreement. The new prices fixed for agricultural produce in 1950 were the result of a compromise and still did not prevent farmers from using bread-grains as feeding-stuff. Increases were approved in the prices of wheat, rye, and milk, and these in turn led to a rise in the cost of butter, cheese, and flour. ERP subsidies on imports were removed altogether. One of the general results of the Price–Wage Agreements had been to bring Austrian prices nearer to world price-levels. This process was not yet complete, but in future such subsidies as were retained were borne by the Austrian budget and were therefore in no danger of being taken for granted by the Government.

The Agreement raised the rates charged by most public utilities, including railway and tram fares, postal and telephone charges. Social insurance contributions were also increased.

As compensation for the higher cost of living, wages were raised by 10 per cent, with a minimum rise of 140 schillings a month. Children's allowances went up to 105 schillings, and pension rates were increased.

The slight levelling tendency of these adjustments was more than offset on this occasion by certain provisions of the Agreement, which attempted to restore in some measure the former

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differentiation between wages and salaries that previous Agreements had progressively diminished. The increase rate for salaries at 12 per cent was slightly higher than that for wages. Furthermore, something was at last done for the long-suffering class of administrative Civil Servants, whose vital contribution to Austrian recovery had so far been rewarded only by measures discriminating against them. Their salaries were raised by rates varying from 28 to 58 per cent, with the highest increases going to the senior officers. But it must be remembered that these gross increases would be considerably reduced, especially at the higher levels, after taxation had been deducted.

All the Price–Wage Agreements had one thing in common: they tried to redistribute an inadequate national income during a period of inflation and at the same time give rise to a minimum of discontent. But the fact remained that there was not enough to go round, even judged by the low standards of the difficult years between 1918 and 1945. Each of the Agreements achieved something of value, especially the first two, but each was a kind of conjuring trick in which the Government tried to make everyone happy when the conditions for material satisfaction were absent. The trick was never more than temporarily successful, and it grew stale with repetition. Furthermore, the audience, who had no alternative but to watch, began to take precautionary measures that progressively reduced the conjurer's chance of a successful performance.

This weakness became unmistakably clear during the months that followed the Fifth Agreement. The increase in salary and wage rates very soon led to an alarming rise in prices at a time when world prices had become comparatively steady. Between the outbreak of the Korean War and November 1951 the cost-of-living index in Austria rose by about 50 per cent, compared with about 11 per cent in England and Germany, 9 per cent in the United States, and 7 per cent in Switzerland. In fact the attempt made in the Fifth Price–Wage Agreement to combine the removal of subsidies with raising incomes all round simply did not make sense. The higher wages and salaries soon led to a further rise in prices, and within a few

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months the real incomes of most Austrians were slightly lower than they had been before the Agreement. Such a development was the inevitable result of the abolition of foreign subsidies, and no amount of conjuring could prevent it. The Agreement did, however, have the harmful effect on Austrian exports that has already been described and that could have been avoided.

This situation was part of the background against which many Austrians decided that the time had come for the Government to adopt a new economic policy and against which the new Ministers of Trade, Finance, and Agriculture took office. The only way for Austria to raise her standards of living, now that foreign aid was coming to an end, was to produce more and strengthen the competitive power of Austrian goods in world markets by increasing productivity.

Yet a final judgement on the Price–Wage Agreements cannot be reached if they are regarded from an economic standpoint only. Their social and political consequences were of no less importance.

On Austrian society as a whole the Agreements had both good and bad effects. Their general tendency to equalize incomes by a levelling-up process was reasonable in the circumstances. At a time of desperate national shortage something had to be done to ensure that the barest needs of the lowest-income groups were satisfied. So far as organized workers were concerned, this result was achieved. But there were other poorly paid categories whose needs were largely or entirely neglected, such as young professional men and women and retired civil servants with small pensions. In December 1948, after the first two Agreements, the incomes of unskilled industrial workers had risen by 350 per cent since April 1945, while the figures for retired civil servants varied between 51 and 114 per cent. These anomalies, together with the injustices resulting from the currency laws, were not only wrong in themselves but, on a long view, constituted a threat to the whole structure of Austrian society.

The political results of the Agreements can be assessed more

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decisively. With all their faults, they ensured the smooth transition of the economy through an exceedingly difficult period. Production and the slow, laborious process of recovery were not held up by strikes. Nor were the opponents of true democracy in Austria given any encouragement to hope that Austrian workers would turn to totalitarian solutions through desperation. The relationship maintained by the Agreements between the cost-of-living index and the wage-rate index was a fiction, because basic necessities could not all be bought at the official prices on which the cost-of-living index was based. But in the circumstances it was a necessary fiction, and the workers were at least justified in their belief that the Government, the employers, and the trade unions were working together to achieve the justest solution possible. Perhaps most important of all, the Agreements were made possible owing to a sustained joint effort between Right and Left, between trade unions and employers, which was in marked contrast to the bitter hostility of pre-War years and was an educative experience of incalculable importance for the political future of the country.

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IX

Social Change

178 565 BETWEEN the two World Wars the whole structure of Austrian society was radically transformed. The social pyramid, culminating in the great aristocratic families and the Emperor, began to disintegrate when the Habsburg power collapsed and Austria, from being the centre of a great cosmopolitan Empire, became a poverty-stricken fragment struggling to make ends meet. The process of disintegration was completed by the post-War inflation and the economic crisis of 1930–1. When the Second World War broke out, the most glaring inequalities of the years before 1914, with the glamour and the squalor that accompanied them, had largely disappeared.

745 During the period of transition a new social order was built up in Austria which was one of the most advanced and en-
466 lightened in the world. The origins of Austrian social legislation go back as far as the years 1882–8, when laws were passed regulating labour conditions and introducing compulsory insurance against accident and sickness for certain limited classes of industrial workers. This was followed during the first decade of the present century by measures establishing pensions for salaried employees on a contributory basis. On these foundations, after 1918, a whole series of laws was passed under the influence of Ferdinand Hanusch and Dr. Joseph Resch, the first Austrian Minister of Social Welfare. Subjects covered included unemployment insurance, holidays with pay, the extension of accident and sickness insurance, the eight-hour day, the abolition of night work for women and juveniles and of all work for children, and the introduction of Works
362 Councils and factory inspectors. During the same period Vienna was attracting world attention by its radical improvement of the housing conditions of its workers through the

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construction of great blocks of flats. By 1938 a social revolution had taken place, though it lacked the dramatic and catastrophic features that have made some less successful revolutions more famous. 362

Under the German occupation Austrian social legislation was replaced by the National-Socialist system. In spite of its authoritarian nature, this system had certain advantages. It included old-age pensions of a kind and much better provisions for agricultural workers. On the other hand, in many respects it was not up to the Austrian standard, and it shared the unreality common to most of the benefits bestowed by Hitler. The total reserves of the Austrian social insurance administration were taken over by the German Government and used for war purposes, so that in 1945, with nothing but worthless German bonds to their credit, the Austrians had to start again from the beginning. Only on the basis of funds provided by the Government was the revived Austrian Ministry of Social Welfare able to make any payments at all. 745

After 1945 the situation was too critical and the administrative problems too pressing for any restoration of the Austrian system of social insurance to be practicable. The public and the officials concerned were used to the German methods, and it would have been asking for trouble to add in any way that could be avoided to the almost intolerable burden already resting on the authorities. It was therefore decided to replace the authoritarian features of the German system by democratic methods and retain it for the time being. A modernized Austrian system of social legislation was to be introduced step by step, after the necessary preparatory work had been done.

Since the War a series of measures have been approved which have had the effect of filling the gaps in the imposing legislative structure built up after 1918 and of improving it in certain respects. In July 1947 a law was passed which greatly improved the conditions governing paid holidays for workers and brought them close to those applicable to salaried employees. Whereas previously two weeks were the maximum that a worker could obtain, the new law gave him the right to 466

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466 three weeks' paid holiday after five years' service and a month after fifteen years. The Agricultural Labourers' Law of June 1948 extended to workers in agriculture and forestry the conditions and privileges assured to industrial workers by previous laws. This much-needed piece of legislation is one of the most important measures that have been passed since the War. It covered labour contracts, working hours, overtime, holidays, protection against accident, employment of women, inspection of working conditions, and workers' representation. As has 745 already been seen, the Third Price–Wage Agreement, in May 1949, introduced an adequate old-age pension scheme for workers for the first time. During the German occupation old-age pensions were covered by the Invalid Insurance, a classification typical of the National Socialist attitude towards old age. But the sum of forty marks a month paid under this system in 1945 was quite inadequate to cover the barest necessities. The new scheme provided for pensions of 282 schillings a month—a substantial improvement, even allowing for the devaluation of the schilling. This meant that wage-earners at last had a pension scheme comparable to that in force for salaried employees. A law passed one month later widened the scope of unemployment insurance to include certain categories that had previously been left out and did away with the means test for those in receipt of unemployment benefit.

466 The Works Council Law of March 1947 was of special significance, because it took a tentative step in the direction of the system that has since become well known in Germany as *Mitbestimmung*, or co-determination, by which the workers in certain industries actually take part in the management of the concern in which they are employed. The law of 1919, which set up the Austrian Works Councils, provided that they should concern themselves with the economic, social, and cultural interests of the workers and employees. The new measure laid down that a Works Council could make suggestions and recommendations to the management of an enterprise concerning efficiency and productivity, in the general interests of

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the enterprise and its employees. Its participation in management and administration was limited to an advisory role, but, in the event of its advice being disregarded, it could, in the case of larger concerns, appeal to a State Economic Commission to be set up by the Government. The law provided also that the Works Council should be consulted when workers were engaged, transferred, or given notice to leave, and made special provisions protecting the position of members of the Council. 466

In contrast to these impressive developments, there has been one post-War problem of vital importance which social legislation has failed to settle: the very serious shortage of housing. In Austria it is a problem of great complexity, which political controversy and party prejudice have so far rendered insoluble. The spirit of patriotic co-operation that has on the whole inspired the Coalition has proved inadequate to bridge the gap between Right and Left on this question. 362

Before 1914 the living conditions of a large number of city-dwellers were miserable and rents were high. This state of affairs led to the great Viennese building programme between the Wars and to the Rent Restrictions Act of 1922. Since the Act was passed, the majority of rents have been low, but Government controls, though sufficient to check private enterprise in building, have not been sufficient to prevent serious injustice. Between 1926 and 1946 the percentage of a tenant's expenditure devoted to rent, in dwellings covered by the Restriction Act, varied between 1·9 and 5·48, and in 1946 was 3·76, compared to over 17 per cent in 1914. On the other hand, there was a chronic shortage of housing, and the lot of tenants differed widely. Some rents were restricted, and some were not. In the case of restricted dwellings, a sub-tenant might have to pay a much higher rent; in some cases far more for a single room than the main tenant paid for the whole flat. From a new tenant a large lump sum might be demanded for the privilege of moving in, or proof required that he was a member of the dominant political party. These injustices were not confined to any one social class, and, in the circumstances, [427]

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362 it was most unfair that the building of new low-rent flats was heavily subsidized by taxation to which everyone contributed.

Under such uncertain conditions there was a strong tendency for those with good accommodation at a low rent to stay where they were at all costs. People whose place of work changed retained their dwellings at considerable sacrifice in tram-fares and wasted time. Ageing couples and widows remained in flats that were much too large for them, because anything smaller that was available might be more expensive. Such anomalies contributed to making the housing shortage worse.

The extent of the need is shown by the fact that Vienna required between 40,000 and 50,000 new dwellings after the War, in addition to the repairs necessary to the 150,000 that were damaged. The degree of overcrowding in the existing dwellings can be imagined when it is realized that over 73 per cent of them consist of only one room and a small kitchen and that 80 per cent have no separate lavatories.

Since the War large subsidies have been given to housing from public funds and Marshall Aid. But the expenditure has not been economical. Building contractors are not much concerned to keep down costs, when dealing with public authorities. The most substantial achievements, in proportion to the population, have been in Linz and Wiener Neustadt, two of the worst-damaged cities. Yet Austria's actual construction has not compared well with other countries. In 1950, for example, West Germany, in proportion to its population, built over four times as many dwellings as Austria.

The height of the Coalition Government's legislative achievement with regard to housing was the Rent Law and the Housing Law of September 1951, which bear all the marks of an unsatisfactory compromise. Rents were raised substantially, but on conditions that gave no incentive to private building, and substantial housing subsidies were to be provided by employers and the State as compensation.

A solution to the housing problem will not be easy to find. The prerequisites for doing so are clear thinking, political courage, and a willingness to face the issues objectively.

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Neither the present system nor reliance on free enterprise will be sufficient. But the following four principles might provide the basis for a successful policy: that private ownership of dwellings is no worse than any other form of private property, provided it is not abused; that such State controls over rents and housing as are necessary should be impartial, efficient, and complete; that private enterprise, including building societies, can make a valuable contribution to any building programme, and that the allocation of dwellings to the homeless on party grounds is an arbitrary and undemocratic abuse of political power. 362

Apart from this one failure, which has been tolerated owing to the low rents paid by the majority, the social services provided in post-War Austria have maintained a very high level. According to statistics prepared by the International Labour Organization, on the basis of 1949 figures, Austria devoted a higher percentage of her national income to social purposes than any other country, except the Saar and West Germany, where the high proportion of refugees made conditions exceptional. This state of affairs, together with the Price-Wage Agreements, has been responsible for the peaceful development of the country under the most difficult conditions and for the complete failure of Communism to make progress in a society which between the Wars had been strongly influenced by the doctrines of Marx. 657

A number of social changes can, however, be observed in post-War Austria, though in some cases it is not yet possible to see whether they are of permanent or temporary significance. 167

The most obvious of these was the influx of a large number of refugees and displaced persons and the absorption of a proportion of them into Austrian society. The temporary effects of their arrival, during the months immediately following the War, have already been considered. By the end of 1951 UNRRA and the International Refugee Organization, which took over this problem from UNRRA in 1947, had helped more than a million refugees and displaced persons

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167 in Austria to find new homes abroad or to return to their own countries. More important for Austria's future were those who remained behind. By the end of 1951 citizenship had been granted to over 214,000 of them, of whom the great majority were German-speaking. That still left nearly 360,000 whose fate was undecided, though 60,000 had been granted residence permits, a necessary preliminary to obtaining citizenship.

The main burden of maintaining camps for displaced persons fell on the Austrian Government, in spite of a $7 million grant from the International Refugee Organization. But the expense was offset from the beginning, when labour was short, by the contribution made to the national economy by the many who worked. The balance-sheet for those who became Austrian nationals must include political and cultural, as well as economic factors.

167 The new citizens have, on the whole, played a valuable part in the national life. Their decision to seek naturalization 563 implied, in many cases, a desire to remain in Austria, and it was natural therefore that they should wish to make good in the country of their choice. A large number have found employment on the land and have thus helped to alleviate the serious shortage of agricultural man-power. Others, especially the Sudeten Germans from Czechoslovakia, are industrious and highly skilled workers, and their arrival has enabled Austria to inherit Czechoslovakia's reputation for fine glass-ware, successful glass factories having been established with Sudeten German labour in Salzburg and Upper Austria.

Their political value to Austria is more questionable. The so-called *Volksdeutsche*, or Germans from Central and Eastern Europe, whose cause had, in many cases, been championed by Hitler, undoubtedly include a strong Nazi and ex-Nazi element, as well as exponents of the Greater Germany idea. The *Volksdeutsche* have not only produced disgruntled opponents of the Coalition: they have played a noticeable part in such industrial trouble as has occurred. On the other hand, it would be unfair to generalize. The experiences of some of them have brought final disillusionment both about National

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Socialism and German Imperialism. Most of the *Volksdeutsche* are not only of German stock but come from the Succession States, and therefore have traditional cultural links with Austria. If the Second Austrian Republic provides them with the homes they want and masters the main difficulties with which it is faced, they may yield willingly to its catalytic influence. 167 563

A most serious tendency that has become apparent in Austria since the War has been the steady transference of population from the country to the towns—the so-called flight from the land. Not only did the number of insured agricultural workers drop by over 68,000 between 1937 and 1951. In June 1952 the Minister of Agriculture and Forestry pointed out that during 1950 on an average two farmers, five farmers' children, and sixteen labourers left their farms every day to seek work in the towns or in other branches of the economy. This indicated that the general trend was affecting the farmers and their families, as well as the paid workers. Moreover, the drop in the number of labourers would have been far worse had not over 60,000 refugees and displaced persons sought work on the land. 166

The significance of the tendency can only be appreciated in relation to the economic position of Austria as a whole. Even a highly industrialized State like England, with a record of great success in the past, is being compelled by world conditions to force up its food production. Austria has not the resources necessary to concentrate on industry, and in present circumstances cannot afford to allow any branch of its production to fall below its proved capacity. The loss of man-power can in some measure be counteracted still further by mechanization, but the possibilities in this direction are strictly limited in a country where the farms are small and the countryside mountainous.

Migration to the towns is a world phenomenon, and some of the causes of it are common to the many countries concerned: the glamour of city life, the more regular working hours, and above all the greater social opportunities that a

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166 town offers. But there were a number of special reasons to which the post-War trend in Austria can be attributed. The comparative neglect of Austrian agriculture by the Nazis and the discriminatory nature of Austrian social legislation, before the Law of 1948 was passed, have already been mentioned. In addition, the accommodation provided for agricultural labourers was most unsatisfactory. On the majority of farms there were no dwellings at all for married workers, and the rooms provided for single men were frequently quite inadequate. Agricultural wages lagged far behind those paid in industry. At the end of 1948 they varied between 127 and 203 per cent above the 1945 level, while the wages of an unskilled industrial worker had risen 350 per cent. It is true that the farm worker had virtually no food problems and also received payments in kind, but the comparison with industry was a natural cause of discontent. Furthermore, the boom in building and construction work due to war damage and the large undertakings financed by ERP funds provided attractive opportunities of alternative employment, often near enough to agricultural areas to attract the labourers' notice.

645 The Ministry of Agriculture and Forestry realized the danger of the situation and evolved, somewhat tardily, a comprehensive programme to deal with it. The new Minister, Herr Thoma, who took office in January 1952, brought fresh energy to his department and issued a forceful memorandum on the subject the following summer.

466 The first important step taken was the Agricultural Labourers' Law of 1948. It did a great deal to raise morale and, by strengthening the workers' organization, ensured that their point of view would be heard. The establishment of Agricultural Workers' Chambers in most provinces contributed to the same result. The price increases for agricultural products approved by the Fourth and Fifth Price-Wage Agreements also improved the general situation.

362 Between 1947 and 1951 Government and ERP subsidies amounting to 55 million schillings were spent on agricultural housing, and 10,371 dwellings were completed, including

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3,013 married quarters. During the summer of 1952 further legislation was under consideration dealing with accommodation and technical training for agricultural workers. 362

The Ministry[1] also worked on a number of schemes in conjunction with the provinces and the Ministry of Social Welfare for helping displaced persons to settle on farms, inducing unemployed to work on the land, and persuading town-bred youths to give agriculture a trial. 464

As a result of all these efforts the flight from the land has been checked, though not stopped. Between November 1951 and November 1952 the number employed in agriculture and forestry fell by 6,500 compared with 9,400 the previous year. The fact that during the winter of 1952–3 there was a certain amount of unemployment on the land, due largely to increased mechanization, does not mean that the problem has ceased to be serious. Until agricultural production has at least regained the pre-War level, any further reduction in the number employed must remain a cause of great concern. It is a national problem which, like the drive to increase productivity, requires co-ordinated effort and a programme of public education for its solution. 464 166

A less obvious but no less dangerous trend in Austrian society since the War has been the progressive deterioration of the economic position of certain sections of the community, limited in number, but of value and importance to the nation out of all proportion to their numerical strength. The categories in question are university professors, school teachers, the administrative ranks of the civil service, and certain highly qualified groups in industry and the professions. They differ widely from one another, but there are certain common causes of their depressed condition. 565

The different categories belong, on the whole, to the so-called middle class, with its tradition of thrift and careful conservation of possessions and its deep-seated reluctance to take part in any organized public complaint about its condition. Such private property as they or their families possessed, including personal articles of value, had very largely disappeared

[1] [i.e. the ministry of Agriculture and Forestry - Analyst]

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565 during the inflation and devaluation that followed the two Wars. But until quite recently their dislike of any organized protest remained.

During the whole series of Price–Wage Agreements, except the last, these people were discriminated against consistently. In the grave national emergency it was right that the better paid of them should be called on to make great sacrifices, though the process was carried too far, but in the case of the worse paid the discrimination was never just. The wage-earners were catered for adequately in the circumstances. The incomes of landowners and industrialists participated, in varying degrees, in the inflationary process, and their earning powers remained. But the categories in question suffered both from devaluation and State neglect. The situation therefore arose in which a young surgeon or research worker might receive a fraction of the income of a wage-earner of the same age whose hours of work were considerably less.

875 465 The incomes of academic workers were so low by world standards that there was the strongest temptation for them to emigrate, and it was almost impossible to persuade foreign professors to fill Austrian chairs. At the end of 1951 the net salaries of Austrian professors varied between 3,489 schillings ($163.34) a month [1] for the most senior and 1,866 schillings ($87.31) for the lowest paid. The Privatdozent, or lecturer, member of a traditionally neglected class in Austrian and German universities, got no salary, but received lecture dues amounting on an average to 540 schillings ($25.28) a year, which might just cover his tram-fares. The starting salary of school teachers in 1951 was less than three times the 1937 figure and the final salary less than twice the amount, which meant that the teacher's standard of living had fallen by more than 50 per cent since pre-War days.

647 465 As regards administrative civil servants, in March 1951, before the Fifth Price–Wage Agreement, the increase in their net salaries since 1946 varied between 120 and 180 per cent,

[1] Calculated at the commercial rate of 21·36 schillings to the dollar. The foreign visitor to Austria normally obtains 26 schillings to the dollar.

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while the cost of living had risen during the same period by more than 400 per cent. This state of affairs applied not only to the top ranks, but to those with salaries of less than 1,000 schillings a month, who were therefore in lower-income groups than many wage-earners who had been adequately cared for by the Price–Wage Agreements. 647 465

Two examples will illustrate the position of certain highly qualified groups in industry and the professions.

The discrimination against some salaried industrial employees with most valuable technical qualifications has been carried to foolhardy lengths, especially in the nationalized industries, and has aroused the indignation of enlightened managers and directors, whose political opinions put their loyalty to the principle of nationalization beyond question. In one of Austria's greatest industrial enterprises the engineer in charge of the main productive process, who has saved the management millions of schillings a year by his technical knowledge and initiative, was earning less in 1952 than a number of his own labourers. Were such a man to emigrate even to Western Germany he could easily obtain many times his present salary. He is only prevented from doing so by patriotic sentiment, interest in his work, or sheer lack of money to cover the cost of moving. But Austria's need of such men is as great as any country's in the world. 465

A second example is provided by the case of the 'guest doctors' in Austrian hospitals. The title was given to newly-qualified doctors in need of experience, who were employed by hospitals without any remuneration. This form of exploitation was possible owing to the large number of medical students, but in the many cases where the 'guests' played an essential role in the running of the hospitals it was quite inexcusable. In 1947 there were several hundred 'guest doctors' in Vienna, and by the summer of 1951 the number had risen to 700. The salaries received by young doctors were at best very low, and as a result there was a tendency for some of the ablest of them to emigrate. The loss of outstanding talent in this way is especially damaging to a country whose capital in 759

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759 the past has had a great reputation as a centre of medical studies.

During the last two or three years an increasing number of Austrians, belonging to both the main political parties, have become aware of the danger of these developments, and certain palliative measures have been taken on a piecemeal basis.

759 In 1950 the salaries of qualified medical assistants were raised from the miserable scale of 200 to 300 schillings ($9.36
465 to $14.04) a month to the still quite inadequate scale of 310 to 390 schillings a month, and very small extra payments were made for night work. In the summer of 1951, as a result of determined protests and a public demonstration by the 'guest doctors', the Minister of Finance agreed to fifty of them being taken on as paid medical assistants in Viennese hospitals.

875 University professors were given allowances for the pur-
465 chase of books and certain minor concessions regarding taxation. Lecturers obtained research allowances of 165 schillings a month. And in connexion with the Universities of Vienna, Graz and Innsbruck special accommodation was built to relieve the housing shortage from which many professors were suffering. Since the War students' fees at Austrian universities have been extremely low and until recently averaged between 160 and 200 schillings a year. To increase the normal remuneration of the professors, the Government agreed in the autumn of 1952 that the fees should be trebled, and, in deference to the students' protests, undertook temporarily to bear the whole cost, until a final settlement could be negotiated for the following summer semester. Yet, in spite of these various measures, the net salary scale for professors at the beginning of 1953 ranged from 4,530 to 2,255 schillings ($212.08 to $105.57) a month. The net monthly salaries of school-teachers varied between 2,561 and 1,079 schillings ($119.89 to $50.51).

647 As has been seen, the Fifth Price–Wage Agreement improved
465 the position of the administrative civil servants. By the summer of 1951 the cost of living had risen by over 470 per cent since 1946. The civil servants asked that their salaries

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should be brought up to 350 per cent above the 1946 level, but owing to the opposition of the Finance Ministry and the trade unions the increases they were given by the Agreement only amounted to a 270 per cent improvement on the 1946 figure and within a few months were largely offset by the substantial rise in prices that followed. The 12 per cent increases received under the Agreement by salaried employees in industry, compared to the 10 per cent increases given to wage-earners, made very little difference to their depressed condition.

In fact, although these various measures revealed a changing attitude on the part of the authorities towards the whole problem, they were quite insufficient to bring an end to the inherent dangers of the situation. Neglect of the economic position of civil servants and academics is a common disease of States in the twentieth century. But few States are suffering from it so seriously as Austria, and fewer still are so vulnerable to its effects. Austria is faced with complex and stubborn political problems. Her cultural and economic contribution to the world since 1918 has been based on quality, not quantity. It is therefore of vital importance to her future that her civil service should continue to attract men of great ability and that her high intellectual standards should be maintained. The pride and devotion of her public servants and academic class have been exemplary in recent years, but they cannot without deterioration stand up indefinitely to the inordinate strain that is being imposed on them.

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BAROQUE LANDSCAPE

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X

Cultural Revival

000 THE role Austria is best suited to play in Europe is that of a cultural Switzerland. Like Switzerland, Austria is a country of great natural beauty, ideally fitted to be a tourist centre. Like Switzerland, her interests and characteristics mark her out for a neutral part in international affairs. She is not powerful enough to exert much diplomatic influence; her natural resources are not sufficiently extensive to arouse the greed of her neighbours, and European stability would be greatly strengthened by the extension of the traditionally neutral area from Switzerland to the Hungarian frontier. But, without under-estimating the unique contribution of Switzerland to modern civilization, it is true to say that Austria in addition has something special of her own to offer to the world, and particularly to those who visit her, largely owing to her imperial history and great musical heritage.

The word 'culture', that is used perhaps too readily in America and too reluctantly in England, is not an entirely satisfactory term. It has a pretentious flavour and is commonly used in a narrower sense than the German word, '*Kultur*'. Yet it is a word that cannot be avoided in attempting a general description of Austria. Anyone who has sensed the atmosphere of Vienna, seen the beauty of Salzburg's buildings and setting, and observed how baroque and Gothic architecture and the national dress of the people merge naturally into the Austrian landscape, knows something of the country's great civilized tradition. It is a tradition that the Austrians themselves tend to take for granted, but of which in a quiet and inoffensive way they are deeply proud. There could be no better proof of the strength of their pride and of their determination to maintain the tradition than the extent of the cultural revival in Austria since the War and the speed at which it has taken place.

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Austrian cultural and intellectual life suffered great damage during the seven years of Hitler's occupation. The Nazi régime in Austria, as in Germany, was accompanied by systematic vandalism. Books were destroyed, teachers regimented, and intellectual effort discouraged amongst students. Certain kinds of art and music were banned, either owing to the race or nationality of the artist or composer, or because the style was classified as decadent. Musicians, authors, artists, and scholars were driven into exile owing to their race or political opinions. And finally the destructive process was completed during the last year of the War by bombs and gunfire. In addition to St. Stephen's Cathedral and the Burgtheater, the Vienna State Opera was almost completely destroyed. Schönbrunn, the Belvedere, the Albertina, the Schwarzenberg Palace, and the Museum of Art History were all damaged in varying degrees. A bomb fell through the dome of Salzburg Cathedral.

Furthermore, so cosmopolitan and receptive a people as the Austrians suffered severely from the intellectual isolation that the occupation and the War brought with them. Engaged in a struggle in which most of them did not believe, for the sake of a creed that most of them despised, the Austrian people were victims of cultural claustrophobia. In spite of the severe penalties for doing so, many of them listened regularly to foreign broadcasts throughout the War, and when the B.B.C. broadcasters in German visited Austria afterwards they were received like popular heroes.

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The Allied occupation helped to bring an end to the isolation in several ways. The presence of foreign troops contributed to this result, as the majority of soldiers from the West soon showed themselves to be friendly disposed towards Austria. The four occupying Powers also maintained efficient Information Services with the dual purpose of counteracting the effects of Nazi indoctrination and providing news and information about themselves and their ways of life. Each Power published a daily German newspaper in Vienna, ran a broadcasting service of its own, and set up libraries and reading-rooms in Vienna and its own zone,

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and its own zone. In addition, the occupation furthered the development between Austria and the Allies of the cultural diplomacy that has made such rapid progress in recent years. Leaders in this field were the French with their well-organized *Division des Affaires Culturelles* in the French Foreign Office. Its headquarters in Austria was the magnificent Lobkowitz Palace in Vienna, and a very active French Institute was also set up in Innsbruck. The British Council opened an office in Vienna towards the end of 1945, and later established branches in Graz, Klagenfurt, and Innsbruck. The Russians worked mainly through 'The Society for the Cultivation of Cultural and Economic Relations between Austria and the Soviet Union', which was started soon after the end of the War. While the Americans, though concentrating entirely on their Information Services at first, finally sent representatives of the Cultural Affairs Branch of the State Department to Austria.

The presence of foreign cultural organizations in their country stimulated the interest of Austrians in a form of diplomacy to which they are well suited by temperament and tradition. As will be seen, the French and British cultural representatives furthered the development of relations between Austria and their own countries in a wide variety of ways. But the Austrians, without any special organization of their own intended for the purpose, undertook a series of major ventures in cultural diplomacy which made a great impression in many European countries and in North America. A series of cultural conventions were also signed by the Austrian Government; with France in 1947, with Italy and Great Britain in the spring and autumn of 1952, and with Belgium early in 1953.

The damage done by the Nazis to the Austrian educational system was a most serious threat to the country's future, because the damage was spiritual as well as material. A systematic attempt had been made to pervert the minds of teachers and pupils. Fortunately its effects were modified considerably by home influence and by the anti-Nazi convictions of many

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teachers, who were obliged in varying degree to conform outwardly to a system which they inwardly rejected. Nevertheless drastic measures were necessary to ensure that post-War Austrian education would develop on healthy lines. Nazi text-books had to be destroyed and convinced Nazis rigidly excluded from the teaching body. 871 727

In 1945 Austrian schools were faced with four major problems of a material nature: shortage of accommodation due to destruction and damage; lack of text-books and other supplies; lack of teachers, and the physical condition of the pupils. In the whole of Austria, 95 schools were completely destroyed, 176 were heavily, and over 1,000 slightly damaged. In Vienna at the end of the War only 214 out of 421 school buildings were considered fit for use. In some cases at first it was necessary to give instruction in shifts to three classes a day in the same room. Even in the classrooms used there were often broken windows or damaged doors and, as fuel was scarcely obtainable, during the winter months the children, frequently ill-clad themselves, would sit and shiver through the period of instruction. The main reason for the shortage of teachers and text-books has just been given. To begin with there was also a serious shortage of such basic materials as paper, pencils, pens, and ink. It was difficult to find substitutes for the teachers who had been dismissed, because hundreds of thousands of young men were still prisoners of war. In Vienna immediately after the liberation there were only 2,400 teachers and directors available out of the total of 5,500 that were required. The physical condition of the children was a problem owing to the acute shortage of food and clothing during the immediate post-War years. [875]

In their efforts to overcome these difficulties the Austrian authorities were both hindered and helped by the Education Divisions of the four elements of the Allied Control Commission. It was no doubt irritating to have to submit many matters for approval by the occupying Powers, and in some cases—for example the question of text-books—inter-Allied differences of opinion led to unnecessary delays. On balance,

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871 however, the part played by the Education Divisions was rather
727 a help than a hindrance. They realized the vital importance of education in post-War Austria. There were problems, on which the Austrians were not always united, about which they could give valuable advice. Above all, they could offer very real assistance in obtaining the necessary materials for rebuilding and for producing the much-needed text-books.

The economic situation of the country made a quick solution of the accommodation problem impossible. By the end of 1949 it was estimated that about a quarter of the necessary funds had so far been made available and that the reconstruction programme could not be completed until 1958. However, strenuous efforts were made to relieve the serious overcrowding of 1945. By the beginning of 1952, 250 new school buildings had been erected, and many more had been repaired and re-equipped. During the following summer the new Minister of Education, Dr. Kolb, was able to express reasonable satisfaction with the progress of the primary and elementary schools, which are the responsibility of the provinces, the municipalities and the parishes, but had to admit that the condition of the secondary schools, which, like the Universities, are the financial responsibility of the State, was in some parts of the country, owing to lack of money, still very bad.

The urgent need for text-books was satisfied by emergency measures which produced impressive results. The Ministry of Education set up a 'Text-Book Commission' that worked in conjunction with the Association of School-book Publishers, the Allied Control Commission, and the Ministry of Trade, which arranged for the necessary supplies of paper and other materials. At the end of 1947, 4,212,000 copies of 118 different text-books had already been produced, and two years later 10,009,000 copies of 418 books. The centralization and standardization involved in this system have obvious disadvantages, but in the circumstances were justified by success.

875 The shortage of teachers was met in 1946 by employing students in their final year at teachers' training colleges as

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assistants. Subsequently the situation improved, as an increasing number of returned prisoners of war became available and some relaxation was allowed in the law excluding all former National Socialists from teaching.

The shortage of food was so general that the educational authorities were not in a position to make special arrangements for school-children, but, as has been seen, much was done for them by Swedish, Danish, and Swiss voluntary relief organizations. During the winters that immediately followed the War it was only possible to heat a proportion of the schools, the 'winter schools', as they came to be called; and then the already large classes doubled up or the shift system was intensified. The acute fuel shortage at the beginning of 1947 led to so-called 'coal holidays'.

The Allied cultural and educational organizations played an important part in breaking down the intellectual isolation from which the teachers had suffered so long and of which the best of them were acutely conscious. The French and British ran summer schools for teachers in Austria each year, which were also attended by teachers from France and England; and visits for Austrian teachers were arranged to England, France, Switzerland, and the United States. A limited number of Austrian school-children were also enabled to travel abroad. With the active co-operation of foreign countries, the Austrian Ministry of Education revived some of the schemes for exchanging teachers which had been in operation before the *Anschluss*.

Education is one of the subjects on which there are strongly felt differences between the People's Party and the Socialists. Since the War the differences have been accentuated by the fact that for more than five years Dr. Hurdes, the Minister of Education, was also General Secretary of the People's Party, and by the fact that the Vienna School Board was under Socialist control. The main subjects of difference are religious instruction, private schools, and the best method by which a ninth year could be added to the period of compulsory schooling. There is agreement on the principle of extending the

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871 665 period of schooling, but party conflict prevents the necessary law being passed.

In spite of this impasse, a great deal has been accomplished in Austrian schools since the War under most difficult conditions. Both parties have been agreed on the validity of three guiding principles which were to be emphasized in the new educational era, according to a directive issued in September 1945: Austrian patriotism (*Volks- und Staatsbewußtsein*), democracy, and humanity. Their experiences between 1938 and 1945 have brought home to Austrians the value of the first two principles more clearly than ever before. The third is deeply embedded in the Austrian nature and tradition.

874 727 Austria's three universities and her other institutions of higher learning suffered some material damage during the War, especially the University of Vienna and the Technical Institutes at Vienna and Graz. Their work after the War was also severely hampered by the shortage of fuel and food. But the most serious problems that faced them were lack of staff and lack of money.

[875] Some of Austria's finest scholars had gone into exile during the German occupation. Of those that remained many of the younger had been called up for military service, and a number of the ablest and most influential were excluded from teaching as incriminated Nazis. Germans, who had been appointed to Austrian universities under Hitler, returned to Germany. Some of the gaps could be filled by bringing back professors who had been forced into retirement by the Nazis and had remained in Austria. But there were still many vacancies for which it was very difficult to find the right men. The younger generation of university teachers had suffered severely from the War, and it was rarely possible to persuade Austrian exiles, who had settled down happily in other countries, to return to Austria under the prevailing economic and political conditions and at the low salaries that were offered. For more than two years after the War, Vienna University was even unable to fill its chair of English.

Lack of funds not only kept down salary scales; it made it

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impossible to replace books and instruments that had been damaged and destroyed or to modernize equipment after years of neglect. Under such conditions serious research in many branches of science was impossible. To give one isolated example, in 1948 the Department of Astronomy at the Technical Institute in Vienna received a total monthly grant for books and equipment of 50 schillings—that is to say, $2.00 to $5.00, according to whether the black-market or official rate of exchange is taken. Such expensive new apparatus as was received by the universities and technical institutes often came, in one way or another, without payment from the United States.

In spite of these formidable obstacles, the war-weary and elderly professors set about the task of building up the academic life of their country with devotion and idealism. In the middle of April 1945, while fighting was still going on, members of the staff of Vienna University met together to consider what could be done to rebuild their university on true Austrian lines. Before the end of the month they had elected a Senate and Rector to take charge of the work of reconstruction.

There has been no lack of students since the War in Austrian universities. Young Austrians, including many ex-servicemen, have been anxious and impatient to equip themselves for some useful and constructive occupation after years of war and misdirected effort. So it has come about that the student body has shown a considerable increase on the pre-War level and for several years has exceeded 20,000. In the winter term of 1950–1 it numbered over 22,000, which was 43 per cent above the 1937–8 figure. Austrian universities continue to attract hundreds of students each year from Eastern Europe, and the number of students from the West, including the United States, has been increasing.

Foreign cultural organizations in Austria have done what they can to help. French and British professors and lecturers have visited Austrian universities. Austrian scholars have been invited to England and France, and scholarships given to Austrian students for foreign study. Harvard University has

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874 organized an international seminar in Max Reinhardt's mansion
near Salzburg, where American, Austrian, and other European
648 students have studied together. Most important of all, from the point of view of its long-term effects, a large-scale and stimulating exchange between Austrian and American universities has been made possible under the Fullbright Law.

The fact remains that academic work in Austria is being carried on under great difficulties. Learning and scientific research have always been dependent in some degree on wealth and patronage, and in the present highly technical age this applies more than ever before. Austria's universities and technical institutes will only flourish again by international standards when the country's economic position is stronger than it is today or as a result of foreign endowments on a scale
874 that can hardly be expected.

In addition to its schools and universities, Austria before the War had a very active adult education movement, which reflected the social ideals of the First Republic. After the War the difficulties in the way of restoring the vitality of the adult education centres throughout the country were considerable. They suffered from the same troubles as the universities and schools: material damage, lack of fuel, and shortages of staff, books, and supplies. Moreover, because they were voluntary, they tended to come off worse under the exacting post-War conditions, which made so many demands on people's energy and resilience. So far as the public authorities were concerned, the schools and universities had to have priority. Yet, after an inevitably slow start, the idealistic drive behind the movement asserted itself. During 1949 there were over 35,000 registrations for courses at Vienna's adult education centres, which compared favourably with pre-War figures, and the revival was reflected in the provinces, where attendances increased and new centres were founded. In Lower Austria an interesting development took place at the suggestion of the Ministry of Education. An association was founded to encourage co-operation between all groups and organizations engaged in adult education in the widest sense of the term, such as educa-

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tion centres, people's libraries, folk-song and folk-dancing clubs and art societies. The example was soon followed in a number of other provinces. 874

An important part in the adult education movement was played by the so-called people's libraries, from which books could normally be borrowed without charge. Some were run by the villages and municipalities, some by the churches, some by trade unions, and others by political parties or voluntary associations. Their number rose within two years from a low level of 400 in 1945 to 1,257 in 1947.

The lack of books was one of the main cultural problems in post-War Austria. The intellectual isolation and severely restricted literary diet of the Nazi régime were followed by a period of dangerous uncertainty after Hitler's power had collapsed. A great deal would depend on how the mental and spiritual void was filled which had been left by the failure and exposure of the whole Nazi system. 214 727

Austrian journalism rose bravely to the occasion, but in the early days Austria's own contribution to the solution of the problem was limited by economic dislocation, shortage of paper, and absence of the conditions conducive to creative effort. The Allied Information Services did a great deal, and two British organizations took the lead in remedying the lack of books. By an imaginative stroke Mr. Ernest Bevin gave orders for two aeroplane loads of English books to be flown over to Austria early in 1946. This enabled the British Council to hold a highly successful book exhibition in Vienna during March, as a result of which nearly all the 20,000 books were sold within a short time and a large number of additional orders were received by London publishers. The British Foreign Office and Treasury made arrangements by which the Austrians could buy the books with their own currency and the British publishers were paid in sterling. Henceforth the main restriction on the supply of English books in Austria was the limited numbers available in Britain itself, where the paper shortage was still acute. The following year the British Council organized six further book exhibitions in provincial 214 648

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214 648 centres, and thus extended to the whole country the opportunities already given to the capital. The British Information Services also made arrangements to print in Austria special cheap editions of a selected number of English books. As a result of these various efforts Austrians were given access to the Western ideas from which they had been cut off for more than seven years and were able to acquire some of the most modern medical and scientific text-books. The process of restoring normal intellectual contacts was carried one stage farther by gifts from the United States, Britain, and France to Austrian university libraries.

214 As conditions gradually improved, Austria's own book production revived, until in 1952, judged by the number of new works published, she had become one of the world's half-dozen leading book producers. For some years the revival was held back by a ban on the sale of books and periodicals between Austria and Western Germany, which greatly limited the potential market for books written in German, but this obstacle was finally overcome, and in 1952 representatives of the Austrian and West German book trade made arrangements to hold exhibitions in each other's territory.

517 The position of music, the theatre, and the arts in Austria is difficult for anyone to understand who has not lived in a country with a past tradition of lavish royal patronage. For the Austrian Republic has inherited the sense of responsibility towards the arts in the widest sense, which was first shown by the most enlightened and discriminating of the Habsburgs and maintained as part of the Imperial dignity by other members of the family.

545 The origins of the State Opera and the Burgtheater go back to the first half of the seventeenth century, when the earliest music dramas were performed in the Hofburg, and to the year 1776, when the Emperor Joseph II decreed that the theatre next to the Hofburg should become the 'German National Theatre'. During the second half of the nineteenth century the two institutions were given the magnificent new homes on the Ring which are still amongst the most impressive of

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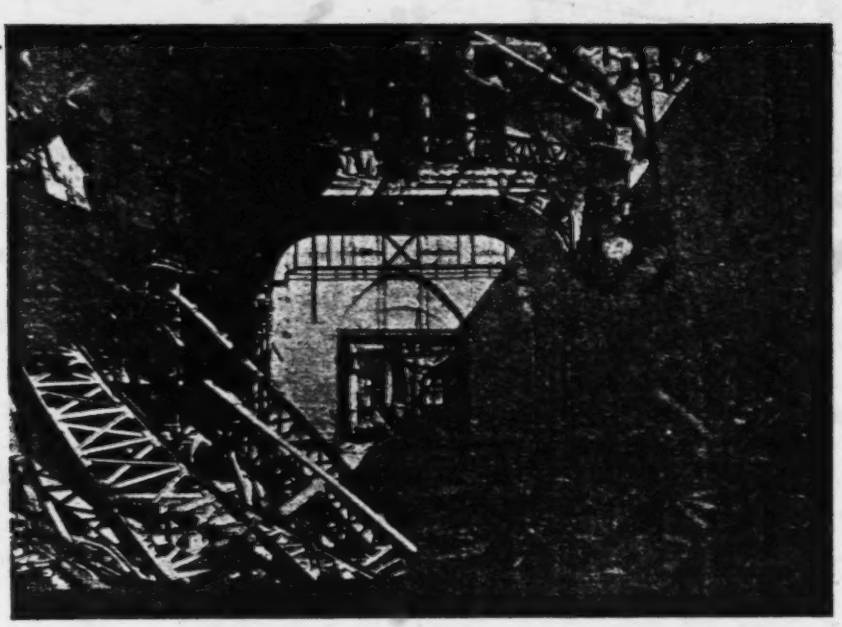

THE VIENNA STATE OPERA IN 1945

THE VIENNA STATE OPERA IN 1952

[facing p 173]

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Viennese buildings, in spite of the damage they have suffered. When the Empire fell, the significance for the Austrian people of the State Opera and the Burgtheater was shown by the fact that they were both taken over by the new State and that the poverty-stricken Austrian Republic provided them with the subsidies for which they had previously depended on Imperial patronage. That their significance has not declined is proved by their remarkable revival under the adverse conditions of the recent post-War years.

During the War performances continued in the State Opera and Burgtheater until the summer of 1944. Then on the 1st of September all theatres were closed owing to 'total war'. Except for those engaged in making films, actors were called up for military service, and actresses for work in factories.

Up till then the two buildings were intact. But the Burgtheater was destroyed by fire, after the Russians had entered Vienna, in circumstances that have been described. The Opera was hit by bombs on the 12th of March 1945, and after a fire lasting for three days was almost completely burnt out. It has been said that an American bomber was ordered to destroy the Vienna South Station and mistook the long roof of the Opera for it, but, if this story is true, it implies a standard of marksmanship rare in the bombing of cities.

True to Austria's strong theatrical and artistic traditions, a meeting took place in the Vienna Town Hall on the 23rd of April 1945, before the War had ended and before the Provisional Government had been formed, to discuss measures that should be taken to get the cultural life of the city going again. As regards the theatre and music it had remarkably quick results. There was still no street-lighting and no public transport. The streets were strewn with rubble, dead bodies, and the putrefying carcasses of horses. Yet actors and musicians, old and young, who lived in and near Vienna, came together at once to start rehearsals. The Burgtheater opened, on the 30th of April, in the borrowed Ronacher Theatre, with a performance of Grillparzer's 'Sappho'. On the 1st of May the State Opera gave Mozart's 'Marriage of Figaro' in the Volk-

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545 soper, conducted by Joseph Krips, who had been banned from performing by the Nazis during the previous seven years. The famous theatre in the Josephstadt opened on the same day, and first performances followed in the German People's Theatre and the Academy Theatre on the 10th and 15th of May.

All this activity took place in face of great technical difficulties. Scenery and costumes often had to be improvised. Between two of the first performances of 'Nathan der Weise' by the Burgtheater the costumes were removed by Russian soldiers who were attracted by the rich colours, and substitutes had to be put together at the shortest notice. Performances began during the late afternoon, so that they would be over before dark. As the theatres were unheated, both audiences and actors were cold as well as underfed. In the case of Paul Hörbiger, who played the lead in Nestroy's 'Mädel aus der Vorstadt' for the Burgtheater soon after being released from prison, it was noticed that, though his humour was up to standard, his hair was still short. Those who attended the early performances by the Burgtheater agree that one of their most vivid memories is of the powerful stench that pervaded the theatre, though opinions differ as to whether it came from the corpses outside on the streets or from the disinfectant for which the theatre had been used as a store.

In spite of these conditions, performances at the opera and the theatre were sold out. Food, clothing, and cigarettes were scarcely obtainable, so the public spent their money on good entertainment. There is something characteristically Austrian about this state of affairs. Amidst political uncertainty, material destruction, and deprivation, actors and musicians gave their best with strong official encouragement, and the people left their cold, damaged homes and empty larders to enjoy the good things that life still had to offer.

As there was no hope of the State Opera and Burgtheater buildings being fit for use for some years, these two great institutions had to work out a method of existence that would see them through a long transitional period.

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The State Opera took over the Volksoper building from the Vienna municipality and the Theater an der Wien. The beautiful Redoutensaal in the Hofburg was also utilized for occasional performances. The Volksoper was used primarily for classical operettas, and the Theater an der Wien for the more serious works. The Theater an der Wien had limited seating capacity and a small foyer, but it had a large stage and was hallowed by great traditions. It was there that Beethoven had conducted the first performance of 'Fidelio' and some of the earliest performances of 'The Magic Flute' had taken place, as well as the first performances of operettas by Johann Strauss and Franz Lehar.

In addition to the destruction of its great home, the State Opera lost all its scenery and nearly all its costumes. To help in improvising for the early post-War productions, an appeal was issued to the public for costumes, irons, and electric-light bulbs. Old military searchlights that had been found lying about on the streets played their part in the stage lighting.

A year after the War ended the repertoire of the Opera was still restricted, but the musical standard was already very high, thanks largely to the devoted work of Joseph Krips, the conductor, and Dr. Egon Hilbert, who after seven years in concentration camps took over the direction of the Federal Theatre Administration at the beginning of 1946. The repertoire was gradually expanded, and the standard steadily improved, as more singers and conductors became available and international travel became easier. Judged by its own greatest days, the Vienna Opera since the War has been weakest on the production side. But its musical level has probably been the highest in the world, and its *ensemble* much superior to that in such great opera-houses as the Metropolitan and Covent Garden.

The Burgtheater has been handicapped by having to perform in the Ronacher Theatre, which was intended for variety shows and is much less suited to straight plays. But the management also had at its disposal the smaller Academy Theatre. The level of performance in both theatres has gradually

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545 improved, and the Burgtheater since the War has been worthy of its great tradition. The varied achievements of the artistic and discriminating Theatre in the Josephstadt have also maintained a consistently high standard.

Vienna's concert life suffered much less than did the opera and the theatre. The two buildings which house the main concert halls were comparatively little damaged. By great good fortune the famous bodies of musicians known as the Vienna Philharmonic and the Vienna Symphony Orchestras, apart from the loss of a number of instruments, escaped practically unscathed.

The Philharmonic Orchestra's last concert in Vienna before the liberation was given on the 1st and 2nd of April, 1945, under Clemens Krauss. During the performances the audience could hear the sound of artillery in the distance. At such a time very few able-bodied men could obtain exemption from the Nazi *levée en masse*, and in March the members of the orchestra had been called up. Quite apart from the danger of death and disablement, this meant that they might be dispersed and that it might be difficult to bring them together again. In face of this emergency, as one member of the orchestra put it, 'a typically Viennese solution was found'. A certain good-natured major, on whom fell the responsibility of deciding their fate, turned the orchestra as a body into an ambulance company, and allocated them for duty to the Grosser Musikvereinsaal, their artistic home. Fritz Sedlak, one of the leading violinists, was put in command, as he had been an officer in the First World War, and by a great stroke of luck he could speak some Russian.

At no time in its history did the orchestra's corporate spirit reveal itself more strongly. The members decided to hold together at all costs, and about the 5th of April they took up quarters in the Grosser Musikvereinsaal, many of them accompanied by their wives and children, with their instruments and with such bedding and food supplies as they could collect. For ten days they lived in cellars, first under the Grosser Musikvereinsaal and later under the Burgtheater and

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the fire-station in the square known as *Am Hof*. Some of their instruments were damaged or destroyed, when the Burgtheater was burnt, but on the whole members of the orchestra were fortunate to come through the ordeal as well as they did. 545

A day or two after they emerged plans for concerts were already being discussed. The Russian military authorities were anxious that the Philharmonic Orchestra should play as soon as possible. The first concert took place on the 27th of April, again under Clemens Krauss. The orchestra's appearance and performance were greeted with tremendous enthusiasm, partly out of thankfulness for its survival and partly because the restoration of Austria's own cultural life had begun. The programme consisted of Beethoven's Leonora III Overture, Schubert's Unfinished Symphony, and Tschaikowsky's Fifth Symphony. After seven years of Nazi music censorship one of the first comments of a leading Viennese music critic was 'At last, Tschaikowsky again!'

The first concert under Clemens Krauss had to be repeated several times, and during the first few weeks following the liberation the orchestra was called upon to give many performances, in addition to its work with the State Opera. Its concert experiences were similar to those of the opera and the theatres. The tickets were normally sold out, but the conditions were sometimes very difficult. During one concert the electric current failed, as it quite often did in those days, and the hall was left in complete darkness. The orchestra completed what it was playing from memory, and at the end of the piece one of the musicians remarked that he would be interested to know if the conductor had also continued to conduct.

Concerts had to be held in the Konzerthaus at first owing to minor damage to the roof of the Grosser Musikvereinsaal and to the presence of an unexploded shell in the organ gallery, but the most famous of Viennese concert halls had been repaired by October 1945, and in that month the *Gesellschaft der Musikfreunde* was able to give its first post-War concert there. Soon afterwards Vienna's concert life was again in full swing. Regular performances were given by the Philharmonic

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545 and the Symphony Orchestras, and as the months went by the best of the 'implicated' Austrian and German conductors were allowed to perform again, and an increasing number of foreign musicians came to perform in Austria.

Some of the foreign musicians who have visited Austria since the War did so on the spontaneous invitation of the Austrians themselves. In other cases the visits were arranged through the mediation of the cultural organizations of the countries concerned. Amongst the outstanding groups of artists and musicians that have been to Vienna are the Comédie Française, the Paris Opera, the Sadler's Wells Ballet, and the Hallé Orchestra. Many of the finest conductors and soloists from Italy, Switzerland, France, England, the United States, and other countries have also performed in Austria. During the summer of 1945 a group of outstanding Russian dancers and musicians visited Vienna on the invitation of Dr. Renner, and were given a warm and appreciative welcome. Earlier in the year a Russian military band had aroused enthusiasm by playing Strauss waltzes on one of Vienna's main squares, and after a concert given by Russian troops early in May the newspaper *Neues Österreich* had written: 'The Germans could only occupy Vienna. The Russians, who freed Vienna, are beginning to conquer the hearts of the Viennese.' Unfortunately the Russians have since given up this wise method of winning Austrian favour and have resorted to cruder ways of asserting their influence. No doubt the judicious use of cultural methods by the Russians would further the growth of Communism in Austria, but it would be a form of Communism with which the whole Western world could have greater hope of making constructive contacts.

In the other direction the Austrian State Opera, the Vienna Philharmonic Orchestra, and the Vienna Boys' Choir have made a series of foreign tours which have won the gratitude and admiration of music-lovers in the countries they have visited. The opera has visited Italy, Switzerland, France, England, Holland, Belgium, and Western Germany. The Philharmonic Orchestra, in addition to the part it has played

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in the tours of the State Opera, had a touching and triumphant reunion with Bruno Walter at the Edinburgh Festival in 1947, and has also paid visits to London, Paris, Western Germany, and Switzerland. The Vienna Boys' Choir has made a number of tours in Europe, North and South America, and South Africa. The foreign tours of these three bodies have constituted a major effort in cultural diplomacy, and have brought home to many different countries something of the nature and extent of Austria's artistic contribution to the world. 545

Although Vienna's influence is dominant in the musical and artistic life of Austria, the provinces have shared in the cultural revival that has taken place since the War. In the first place, there has been a noticeable development in their normal musical and theatrical life, especially in the provincial capitals. The original stimulus came from the presence in the provinces of actors and musicians who for one reason or another had left Vienna or one of the larger German cities as a result of the War and post-War conditions. But its effects continued to be felt after most of the artists concerned had left. Secondly, the festival idea has been revived and expanded since the War ended. In Vienna itself, the *Konzerthausgesellschaft*, in 1947, organized an International Music Festival which was devoted mainly to modern music and has been repeated every year since, except in 1950. In Bregenz and Graz new developments of the idea have taken place, though the Graz Festival has not maintained the impetus given to it by the British occupation in 1946. In Eisenstadt and St. Florian—places closely associated with Haydn and Bruckner—special performances of the works of these two composers have been given, and during the summer and autumn of 1946, when post-War shortages were still at their worst, a series of concerts was arranged in St. Florian, Linz, and Vienna, in connexion with the fiftieth anniversary of Bruckner's death, at which all his major works were given fine performances. Most important of all was the restoration of Salzburg during its summer festival to its pre-War position as one of the world's great music centres.

There could scarcely be a more striking example of the

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545 resilience of musical life in Austria than the fact that a festival was held in Salzburg in August 1945, even before the country had been reunited under the Provisional Government. This was primarily the achievement of the Salzburg Festival's venerable President, Heinrich Puthon, to whom has largely been due the restoration of its great tradition since the War. The American Occupation Forces also assisted generously with food, fuel, transport, and accommodation. The 1945 Festival was only a shadow of the festivals that preceded and followed it. But in the circumstances it was astonishing that anything could be organized at all. Most of the artists were collected from Salzburg itself and from the villages of the *Salzkammergut* where they were living in retreat. A production of Mozart's 'Die Entführung' was staged with an excellent cast; a series of concerts was given by the reinforced orchestra of the Mozarteum and by the Vienna Boys' Choir, and the famous serenades in the Riding-School were revived. The 1945 enterprise paved the way for succeeding festivals, which gradually climbed back to the pre-War level, as conditions in general improved.

545 658 The restoration of musical and theatrical life in Austria was only possible with the aid of substantial Government subsidies, which imposed a heavy strain on the financial resources of the Second Republic. The theatre and concert boom that characterized the immediate post-War period was succeeded by a slump in 1948, when the black market and the currency reform had swallowed up savings, and more food and clothing were available. To defray part of the necessary expenditure the Government resorted to two special devices. A small extra charge was added to every cinema ticket purchased, to be devoted to artistic and educational purposes. The greater part of the receipts went to the Provincial Governments, and the remainder to the Federal Ministry of Education. The Ministry imposed a levy for the same purpose on all owners of radio sets amounting to one month's radio licence fee. The fact that the Government imposed these taxes in support of art and education and that the public accepted them as a matter

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of course reveals the attitude of the Austrian people towards cultural matters. There are countries that pride themselves on their standards of civilization and enlightenment in which the authorities completely lack the Austrian Government's sure sense of comparative values in relation to different kinds of entertainment.

The museums of Fine Arts in Austria had special need of support from public funds, because the buildings themselves had suffered more than their share of damage. Considerable expense was also involved in bringing back the State art treasures from the salt-mines in the *Salzkammergut*, where they had been concealed during the War, carrying out the repairs that were necessary, and rearranging them, first in temporary, and later in their permanent new quarters.

By great good fortune, the magnificent State Art Collection, apart from one or two minor losses, survived the War intact. With Allied help the works of art that had been removed to Germany by the Nazis were brought back to Vienna. Those that had been sent to the *Salzkammergut* were saved from destruction at the hands of fanatics by the courage and resource of members of the Resistance movement.

The museum authorities were therefore faced with the problem of what to do with an art collection for which there was no adequate accommodation. Decisions had to be made involving both temporary improvisation and well-thought-out plans for permanent reorganization. In these circumstances the Government decided to appoint a General Director of the State Art Collections to co-ordinate the planning. Its choice fell on Hofrat Dr. Alfred Stix, formerly Director of the Albertina and of the Museum of Art History, who had been forced into retirement by the Nazis as politically unreliable at the time of the *Anschluss*.

It was fortunate that Hofrat Stix had the necessary stature for the task that confronted him. For the decisions that he made, in addition to their immediate results, were likely to determine the main lines along which Austrian museums would develop for many years to come.

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217 While still in retirement the new General Director had been considering a comprehensive programme for the future of Austrian museums, and as early as August 1945 he informed the Government of the broad lines of his plan. He set himself three main objectives. First, the reorganization necessitated by the War provided an excellent opportunity to rectify some of the weaknesses in the past arrangement of the State collections. Stix advocated the creation of a special museum for Austrian art, in order to convey a clear impression of its character and quality. He also recommended assembling in one place the various examples of antique sculpture that had previously been scattered. Secondly, realizing that the restoration of the museum buildings would take a number of years, he considered it essential, after seven years of Nazi philistinism, to re-establish contact with the public after the least possible delay. He therefore made a number of concrete proposals for important temporary exhibitions selected from the State collections. Thirdly, he laid down the main principle on which he believed the management of Austrian museums should in future be based. Museum directors should not cater primarily for art historians and specialists, but should so arrange the exhibits as to attract the attention of the general public and help them to appreciate works of art for their own sake. In this connexion a comprehensive programme of lectures and conducted tours should be introduced for schools, factory workers, and casual museum visitors. Only in this way could the museums fulfil their true social function in the twentieth century.

Measures were soon taken to further the first and last of these objectives. It was decided that the Museum of Austrian Art should be housed in the Belvedere, Prince Eugene of Savoy's magnificent baroque palace, and, without waiting for the building repairs to be completed, a director of the new museum was appointed. Courses were organized for training museum guides and lecturers, and, pending the establishment of a special department for public education in the arts, which the General Director advocated, an official was put in charge of the educational activities of the State museums.

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As regards the organization of temporary exhibitions, the programme proposed by Hofrat Stix in August 1945 was received with scepticism by the American and British Monuments and Fine Arts Officers who came to Vienna as members of the Control Commission. They considered it madness to expect a people suffering from acute material want to attend art exhibitions in unheated galleries. But Stix's energy and optimism were justified. A whole series of exhibitions was arranged by the Albertina Gallery from its permanent collection of prints and drawings, the first of which, 'From Ingres to Cézanne', was opened in October 1945 literally amidst the ruins of the heavily damaged building. A lecture in French held during December in connexion with this exhibition was overcrowded, although the hall was entirely unheated. The exhibition was afterwards sent on tour to the provincial capitals. In November 1945 a large number of the State art treasures were brought back to Vienna with American help, and the following month an exhibition, consisting of eighty-nine of the best of them, was opened in the Hofburg by the United States Commander-in-Chief, General Mark Clark. As regards quality, this was one of the finest groups of paintings ever assembled in any country, representing as it did the choicest works of art from one of the world's greatest collections. It attracted large numbers of people to the bleak but stately rooms of the old Imperial Palace. The following year the outstanding exhibition amongst many consisted of Austrian works of art from the Middle Ages to the present, a foretaste of the new museum to be created in the Belvedere.

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During the immediate post-War years, owing to the enterprise and receptiveness of the Austrian museum authorities, a whole series of foreign art exhibitions was held in Vienna and the provinces, the majority of them coming from France and England, due to the efforts of the *Division des Affaires Culturelles* and the British Council. In 1946 the big decision was made to send a large and representative exhibition of Austrian pictures and other art treasures to Switzerland. The next year it went on to Brussels, Amsterdam, and Copenhagen; and finally,

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543 after certain changes had been made in its composition, to England, the United States, and Canada. This was probably the greatest collection of works of art that has ever been sent on tour. Though no accurate assessment of its value can be made, it was estimated in the United States at $80 million. In European countries the impression it left was complementary to that made by the visits of the State Opera and the Philharmonic Orchestra, and it extended to North America the field of Austria's most effective achievements in cultural diplomacy. It is arguable that no avoidable risks should be taken with the world's greatest works of art and that those who wish to see them must travel, but it was a most generous gesture on the part of the Austrian Government to share with other countries some of their finest art treasures during a period when they could not be adequately exhibited in Austria.

658 346 The reconstruction of the actual museum buildings was not the responsibility of the museum authorities, but was carried out as part of the Government's programme for the restoration of public monuments and buildings. Remarkable progress was made with this programme within a comparatively few years. By 1952 the main repairs were either complete or far advanced in the case of Schönbrunn, the Belvedere, the Albertina, the Museum of Art History, and St. Stephen's and Salzburg Cathedrals, the work in some cases being finished a good deal earlier. Considerable progress had also been made in rebuilding the State Opera and the Burgtheater, though the opera was given priority and had the additional advantage of some Russian, as well as substantial ERP support.

It might well be considered that too much effort was put into the restoration of public buildings of a monumental character, in view of the acute housing shortage, and that the resources used should have been devoted to the construction of private dwellings. On the other hand, the labour and materials used for the two purposes were quite different. The vital tourist industry was stimulated by the rebuilding of the great public monuments. And the psychological effect on the

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Austrian people during a most trying period was of considerable value. 658 346

In any case, these three considerations seem to have determined the policy of the Government. Even the stately but purely ornamental 'Gloriette' in the grounds of Schönbrunn Palace, which had been badly damaged, was rapidly put in order. In 1947 the main dome of the great monastery of Melk on the Danube in Lower Austria was destroyed by fire. The British Element of the Control Commission was unofficially approached for assistance in obtaining the large amount of copper required for its reconstruction. The reply was that part of the British Government's sterling grant had been used for the purchase of copper, that copper was also urgently needed in the manufacture of electric motors for export, and that the Austrian authorities must decide for themselves as to how their supplies should be used. Within a short time the necessary copper had been found somewhere, and the noble building had been beautifully restored by skilled local labour.

Any foreigners who are inclined to criticize these actions should consider their sentiments towards their own national monuments or towards any expensive features in their own countries' public life. In a materialistic age the jealous maintenance of traditional beauty and dignity cannot lightly be condemned as a fault.

Two of the major undertakings in the rebuilding programme were the restoration of St. Stephen's and Salzburg Cathedrals. Both operations were carried out under the same supervision, but with very different results.

The main dome of Salzburg Cathedral is the central architectural feature of the very beautiful city that lies at the foot of the Hohensalzburg, the imposing rock on which the Prince-Archbishops of Salzburg once lived in their great castle. Owing to a serious error of judgement during its reconstruction, the new dome has lost the symmetry and beauty of its lovely Early Baroque predecessor, and the whole architectural effect is thus marred. In terms of needlessly damaged beauty, there can have been few more costly mistakes in the whole history

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ST. STEPHEN'S CATHEDRAL

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658 346 of European architecture. Salzburg, indeed, is in urgent need of a strong and discriminating voluntary society to protect the wonderful heritage of natural and architectural beauty that belongs to the world and is too little cared for by the local authorities. For the injury to the cathedral is only one of a series of mistakes made since the War that have detracted from the city's pre-War charm. Only with difficulty has a project been quashed for erecting a large hotel in a position so prominent as to rival the magnificent dominance of the Hohensalzburg.

The restoration of St. Stephen's had happier results, although the work involved was on a much greater scale. The total cost amounted to 30 million schillings, and every province in Austria made itself responsible for some part of the reconstruction. Towards the end of 1948 the nave was reopened for public services, and by the spring of 1952 the choir was also ready for use. Though the aim of the restorers was to rebuild the cathedral, as far as possible as it had been before the fire, so far as the interior was concerned, this result could only be achieved within limits. The lovely old choir-stalls could not be replaced, and the atmosphere of the old St. Stephen's has gone for ever. But the new cathedral has a beauty and freshness of its own, and in its decorative details and general effect reveals the skill and devotion of the craftsmen and architects who were responsible for the restoration. Seen from the outside, St. Stephen's, with its fine old spire and high-pitched roof, remains the familiar centre of old Vienna, differing noticeably from the old building only in the vivid colouring of the new glazed roofing tiles.

346 The replacement of St. Stephen's great bell, known as the 'Pummerin', was the gift of the people of Upper Austria. The new bell was cast at St. Florian, and the 26th of April 1952, the day when it was brought to Vienna and the choir was reconsecrated, turned into a great public festival. Vast numbers of people turned out to see it as it passed slowly along the main road from Linz to the capital. Dr. Gleissner, the Governor of Upper Austria, handed it over to Cardinal Innitzer amidst

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346 demonstrations of great popular enthusiasm. The 'Pummerin' was dedicated to the Virgin Mary, and the inscription on it in Latin, 'To the Queen of Austria', had a significance for non-Catholics as well as Catholics. It symbolized the strength of spiritual values in a country whose cultural revival would not have been possible under conditions of great material hardship without strong faith in non-material ideals.

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XI

Negotiations for a Treaty

727 BY the summer of 1952 Austria had been occupied longer by its 'liberators' than by the Nazis. This state of affairs came about as the result of a long process of delay and disingenuous diplomacy, and there has been a widespread tendency throughout the world to take it for granted as an inevitable concomitant of the situation in Germany. But the Austrian people had had every reason to suppose that their country would be in a very different position seven years after the War ended.

727 648 By the Moscow Declaration of the 1st of November 1943 the Governments of the United Kingdom, the United States, and Soviet Russia agreed that Austria, as the first free country to fall a victim to Hitler's aggression, should be liberated from German domination, and announced that they wished to see a free and independent Austria re-established. Later in the month the Free French authorities at Algiers concurred with this declaration. At the Potsdam Conference in the summer of 1945 the three Powers also agreed that reparations should not be exacted from Austria. Yet the occupation has continued, and Austrian statesmen have complained with justice that their country has been treated as an ex-enemy rather than as a liberated victim. In fact, the lot of the ex-enemies has, on the whole, been preferable, because by 1952 peace treaties had been concluded with Italy, Hungary, Roumania, Bulgaria, and Japan. In a broadcast statement delivered in January 1952 Dr. Figl expressed himself in the following vivid but unexaggerated terms: 'When a criminal has served his term, he is allowed to go free. It has solemnly been declared, not only that we have committed no crime, but that we have fallen a victim to a criminal. And yet we have been deprived of our liberty.'

727 As has been seen, the Allied occupation has had certain direct

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and indirect advantages for Austria: it has saved her the expense of maintaining defence forces; it has brought home forcibly to the United States the extent of her economic needs, and it has produced political solidarity in face of the emergency. Yet Marshall Aid would in some measure have been forthcoming, and the lessons of the Coalition to some extent have been learned, had a treaty been signed in 1946. On the whole, the disadvantages of the occupation have greatly outweighed the advantages. Austria has carried the burden of occupation costs, and she has had to endure the wholesale exploitation of her oil and industry by the Russians. Above all, a liberty-loving people have had to submit to supervision and interference with their domestic affairs. The presence of the Western Allies has been appreciated in some degree as an antidote to the Russians. But even the most friendly disposed of foreigners can never really be welcome as members of an occupying force. Hotels and dwellings have been requisitioned by all four occupying Powers. Americans as well as Russians have caused trouble for the Vienna police by their propaganda. In the summer of 1952, after the United States had been strongly advocating Austrian independence for six years, considerable resentment was felt at American opposition to the Austrian Government's proposed political amnesty laws. It was quite reasonably considered that this attitude constituted unwarrantable interference in Austria's internal affairs. 727

As Austria was only involved in the War as part of Hitler's Empire, the treaty that is to restore her independence has, by general consent, always been described as the State Treaty, not the Peace Treaty. That is to say, no Peace Treaty is needed between the four occupying Powers and Austria, because a state of war has never existed between them. What is required is a State Treaty laying down the terms on which an independent Austrian State is to be reconstituted after its forcible extinction by Hitler. 728

The story of the negotiations to bring about such a treaty extends over the period from 1946 to the present time. It has been confused by the complexity of Russia's obstructive

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technique, which successfully prevented a treaty from being signed, in spite of substantial concessions by the Western Allies, but was accompanied by constant protestations of goodwill as well as bitter accusations against Austria and the West. As a result, the negotiators had met 258 times by the spring of 1951 and were still as far as ever from their declared objective. For the sake of clarity, the negotiations will be considered in four rather arbitrarily defined phases. But before this is done it will be relevant to consider the Austrian part in the discussions leading up to the Italian Peace Treaty.

After the First World War, Italy was given the South Tyrol, including over 200,000 German-speaking inhabitants, as a reward for joining the alliance against Germany. The Germans in the province constituted a large majority of the total population, and its transference from Austria to Italy was therefore a flagrant breach of the principle of self-determination. The very principle which had led to the dismemberment of the Austro-Hungarian Empire should have prevented the separation of South Tyrol from the new Austrian Republic.

During the Second World War Italy had been Hitler's ally, while Austria had been a victim of German aggression. When the War ended, therefore, Austrians felt that the moment had arrived for an act of great international injustice to be rectified, and impressive all-party demonstrations for the return of South Tyrol were held in Vienna and every provincial capital. Austrian feelings were shared by many informed persons in other countries, including a number of enlightened and liberal-minded Italians. Sympathy for Austria's point of view was sufficiently strong for her Foreign Minister to be invited in August 1946 to present his country's case at the Paris Conference which was meeting to consider the Italian Peace Treaty. In spite of the inherent strength of the case, which was appreciated particularly by the French and British representatives, the conference decided against Austria, and South Tyrol remained Italian. Italy had a large Communist minority, and neither Russia nor the Western Powers were prepared to risk driving her into the opposite camp by alienating her sym-

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pathy. However, Austria and Italy were encouraged to make a separate agreement on South Tyrol, which was incorporated in the Italian Peace Treaty.

By the terms of the agreement that was reached on the 5th of September 1946 the equal rights before the law of the German-speaking and Italian-speaking peoples of the region were guaranteed, 'in order to protect the nationality and cultural and economic development of the German population'. The German-speaking inhabitants were also ensured education in their mother tongue and equality of treatment in appointment to public offices and in the use of their language in the public administration. The region was to be given a degree of legislative and administrative autonomy, and the discriminatory measures taken by Mussolini and Hitler against the German inhabitants were to be reversed. In addition, the two countries agreed to take steps to facilitate travel and intercourse between Italian South Tyrol, on the one hand, and Austrian North and East Tyrol, on the other.

Dr. Gruber has been criticized by some of his countrymen for acquiescing in the loss of South Tyrol and for making the Paris Agreement, without the whole matter being referred to the Austrian Parliament. But Austria was in a weak bargaining position in relation to the Powers represented at Paris, and he and the Austrian Government were probably wise to take the opportunity offered to ensure that a favourable settlement of the South Tyrol problem received international sanction by incorporation in the Italian Peace Treaty. On the Austrian side there has been some dissatisfaction with the political, as opposed to the cultural and economic results of the Paris Agreement, but on the whole it has worked out fairly well. Certainly the position of the German-speaking inhabitants is very much more satisfactory than it was at any time between the Wars, and there is hope for the future.

The discussions that resulted in the South Tyrol settlement took place during the negotiations leading to the Italian Peace Treaty and before the Austrian State Treaty had been placed on the Allied agenda. Nevertheless, the problem concerned

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728 Austria quite as much as Italy, and the Paris Agreement was really an anticipation, in one field, of the Austrian Treaty.

The first phase in the negotiations for an Austrian State Treaty lasted until December 1947. It was characterized by delay and deadlock, and when it came to an end no real progress had been made, apart from the definition and clarification of differences. The diplomatic background to this period, which largely explains its negative character, was Russian disappointment with the result of the 1945 Austrian elections and Russian success in strengthening its hold on Central and Eastern Europe.

In May 1946, at a meeting of the Allied Foreign Ministers in Paris, the United Kingdom and the United States representatives declared themselves to be in favour of the immediate discussion of an Austrian treaty which would make it possible to bring an end to the occupation. Soviet Russia, however, was unwilling to proceed with the treaty until other outstanding matters had been settled. The following October Mr. Ernest Bevin said in the House of Commons that the British Government was disappointed that Soviet opposition was delaying the Austrian treaty, and would continue to take every possible opportunity to press for an early discussion of the subject. At the Foreign Ministers' Conference in December 1946 it was finally agreed that the Austrian treaty should be included on the agenda of the Moscow Conference that was to be held in March 1947 and that meanwhile preparatory work should be carried out by the Foreign Ministers' Deputies, who were to meet in London during January and February.

During the London meetings a draft treaty was prepared consisting of a preamble and fifty-nine articles, on about half of which there was unanimous agreement. On certain vital issues, however, there were wide differences of opinion, and these held up progress during the remainder of the year. The main problems were the Yugoslav claims to reparations and frontier revision and the question of German assets.

Yugoslavia claimed from Austria as reparations $150 million and all Austrian property in Yugoslavia. She also demanded

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the cession of nearly 1,000 square miles of Southern Carinthia, including Klagenfurt, the provincial capital, and the important town of Villach, together with smaller areas of Southern Styria. The territorial claim was originally based on ethnic considerations, although a plebiscite held after the First World War had shown the area to be overwhelmingly Austrian in race and sympathy. The ethnic argument was later dropped and frontier rectification demanded as a reward for Yugoslavia's contribution to the War. Yugoslav claims were formidable, chiefly because they received strong Russian support. 728

At the Potsdam Conference it had been decided that Austria should pay no reparations, but it had been agreed that Germany's external assets should be used as part of her reparation payments. Soviet Russia had been assigned the German assets in the Soviet occupied zone of Austria. Disputes arose, however, over the meaning of the term 'German assets', which the Potsdam Agreement had left undefined. The Western Powers considered that only such property, rights, and interests should be considered German assets as had belonged to the German State or German nationals before the *Anschluss* or had been acquired since then on fair terms without any compulsion. But, in addition to assets in these categories, the Russians took possession of the Austrian State property that had been taken over by the German Government in 1938 and many enterprises which the owners had given up against their will or which had, like most of the oil-fields, been developed by the Germans during their occupation. The Russians refused to discuss their actions in detail and were intransigent on the question of principle. During the whole course of the treaty negotiations no agreement was ever reached between the two sides as to what constituted 'German assets'.

The Moscow Conference, which met on the 10th of March 1947, ended in complete failure, so far as the Austrian negotiations were concerned, on the 24th of April. The small Austrian delegation, which had been invited to attend, estimated that it spent 716 out of its 720 hours in Moscow in the rooms of its hotel. The negotiations were then handed over to a special

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728 Austrian Treaty Commission which was set up by the four Powers in Vienna. It met eighty-four times between May and October 1947, and made no progress on the points under dispute. In fact, the disagreement on the question of German assets was intensified.

By this time Austrian patience was wearing thin. Dr. Gruber, the most outspoken member of the Government, had already described the Moscow Conference as a flagrant violation of Austrian interests, a contradiction of the Allies' own arguments, and had declared that his Government saw no moral justification for prolonging the occupation. During the autumn a number of Austrian statesmen, perhaps emboldened by the independent line their country had taken over the Marshall Plan, made a number of forthright speeches demanding the restoration of Austrian independence and sovereignty. The Four Powers decided that the Austrian problem should be considered again by the Conference of Foreign Ministers that was to meet in London in December.

The London Conference marked the beginning of the second phase in the treaty negotiations which lasted until the end of 1949 and led to a considerable measure of apparent success. Progress was facilitated by a French plan to break the deadlock, by the breach between Yugoslavia and Soviet Russia, and by the Austrian Government's desire to have a treaty at almost any price, provided Austria's full political independence was guaranteed.

The French proposals submitted to the Foreign Ministers in December 1947 accepted the fact that no agreement could be reached on the definition of German assets. They suggested instead that Russian claims to German assets should be given up in return for compensation. Russia would receive a lump sum in dollars from the Austrian Government and certain rights respecting Austrian oil production and the property of the Danube Shipping Company. The French plan was supported by Great Britain and the United States, and Russia indicated that it might be acceptable as a basis for discussion.

The new proposals and Russian counter-proposals were

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considered by the Foreign Ministers' Deputies who held meetings in London between February and May 1948. Some progress was made on the question of German assets, but in the end the negotiations were adjourned indefinitely, owing to Russia's continued support of Yugoslavia's territorial and financial claims against Austria. 728

At the request of the Austrian Government, the negotiations were resumed in February 1949, at first by the Deputies, and in May and June by the Foreign Ministers themselves. Further substantial progress was made, and on the 20th of June a statement was issued announcing the agreement of the Ministers on certain clauses of the treaty. It was also made known that the Deputies were to resume their work in order to reach a final agreement on the draft treaty as a whole not later than the 1st of September 1949.

The compromise decisions that were made during the Foreign Ministers' meetings in May and June really settled the main points of dispute between the two sides. Following Yugoslavia's expulsion from the Cominform in June 1948, relations between Marshall Tito and Soviet Russia deteriorated rapidly during the spring of 1949, and Russia withdrew her support for Yugoslav claims against Austria. The Four Powers agreed that Yugoslavia should be allowed to retain Austrian property on her territory and that the treaty should contain a clause requiring Austria to safeguard the rights of her Slovene and Croat minorities. As regards German assets, the Foreign Ministers agreed in detail on the compensation the Soviet Union was to receive in return for relinquishing her general claims. This settlement represented a compromise between the original French proposals and the Soviet counter-proposals. Austria was to pay the Soviet Union $150 million in convertible currency by quarterly instalments spread over six years. The Soviet Union was also to receive 60 per cent of Austrian oil production for a period of thirty years, 60 per cent of the oil prospecting rights for eight years, and the former property of the Austrian Danube Shipping Company in Hungary, Roumania, Bulgaria, and Eastern Austria.

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728 Dr. Gruber had been assured repeatedly by Soviet spokesmen that the last obstacle to the conclusion of the State Treaty would be removed as soon as the Soviet claims regarding German assets were satisfied. During the summer of 1949, therefore, hopes were high in Austria and the West that the treaty would be signed before the end of the year. The terms that had been agreed on were onerous and had been approved by the Western Powers only because the Austrian Government had made clear that it was prepared, if necessary, to accept heavy economic burdens in return for political freedom. Austria would have great difficulty in making the regular dollar payments to the Soviet Union and could hardly do so without help from the United States. However, the alternative of continued servitude and uncontrolled economic exploitation by Russia was worse.

The Deputy Foreign Ministers were unable to complete their task in the time allotted, but talks continued during the autumn, and by December agreement had almost been reached. A new deadlock then developed. The Soviet representative insisted on the satisfaction of claims for compensation put forward by the Soviet Union in respect of services and relief supplies furnished to Austria since the end of the War. This ended the hopeful and constructive phase of the negotiations.

The third phase lasted from December 1949 until the beginning of 1952. Throughout this period it became progressively clear that the Soviet Union had no intention of reaching an agreement, and in fact was determined, on one pretext or another, to prevent the signature of a State Treaty.

In the course of 1950 a whole series of Four-Power meetings took place at which the Austrian Treaty was discussed but no advance made towards the objective. To the claims for compensation for post-liberation services and supplies the Soviet representatives added accusations against Austria for violating the principles of denazification and demilitarization, and demands that discussions on the wholly irrelevant problem of Trieste should precede further consideration of the treaty.

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The various points raised by the Russian delegates had two things in common: they were intended to prevent progress, and they did not reveal the real reasons for Soviet obstruction. On the only occasion during 1951 when the representatives of the Four Powers dealt with Austria they decided to adjourn the discussions indefinitely. 728

The motives of Russia's obstructive tactics are a matter for conjecture. The draft Austrian Treaty provided for the withdrawal of all occupying forces within three months of ratification. The Peace Treaties with Roumania and Hungary lay down that Soviet troops in the two countries shall be withdrawn once there is no further need of them to guard the lines of communication with the army of occupation in Austria. It has therefore been suggested that Russia's main motive in delaying the Austrian Treaty is the desire to maintain military control of Hungary and Roumania. But, as Soviet political influence in those countries is so strong, this explanation is not entirely satisfactory. A more powerful reason for the Soviet attitude is probably the realization that once the occupation of Austria has come to an end Western influence in the country will be predominant. Russia wishes to maintain her present position by the most obvious means. Vienna still has great prestige in the Succession States, who have looked to her traditionally as a cultural and intellectual centre, and Russia's propaganda in Eastern Europe will suffer a setback if Vienna can no longer be represented as within its sphere of influence. It should be remembered that Soviet obstruction of the treaty negotiations was revived shortly after the Austrian elections of October 1949 had confirmed the crushing defeats suffered by the Communists in 1945. In addition, the occupation is a source of steady and considerable economic advantage to the Soviet Union.

The fourth phase of the treaty negotiations began in January 1952, and has not yet come to an end. It opened with a determined effort on the part of Britain, France, and the United States to get things going again. Both Austria and the Western Powers set out to make quite clear where the responsibility for

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728 past failures lay and to mobilize world opinion in support of the Austrian case.

In September 1951, in a communiqué issued from Washington, the Foreign Ministers of the three Western Powers had announced their decision to make a new and resolute effort 'to fulfil the long-overdue pledge to the Austrian people'. At the meeting of the United Nations Assembly in November both Mr. Acheson and Mr. Eden had referred to the urgency of the Austrian problem. Action was finally taken when invitations were issued to a meeting of the Austrian Treaty Deputies to be held in London in January 1952. The Soviet Government made its participation dependent on Western willingness to discuss Trieste and alleged Austrian remilitarization, and the Soviet representative did not attend. The Western Powers therefore proceeded to draw up new proposals on their own.

The fresh proposals were forwarded to Moscow on the 13th of March 1952. They consisted of a new and abbreviated draft treaty accompanied by identical explanatory notes from the three Western Powers. The notes recalled that Austria had not yet received the full independence promised her by the Moscow Declaration nearly nine years before; stated that the responsibility for this state of affairs lay 'squarely on the Soviet Government' and that 'a heavy and unnecessary burden' had in consequence been placed on the Austrian people, and recommended the Soviet Government to give careful consideration to the new draft treaty, which contained the essentials required to re-establish Austrian independence. The draft treaty itself, in eight short articles, re-established Austria as a sovereign, independent, and democratic State, with the frontiers of January 1938, declared that no reparations should be exacted from her, and provided for the evacuation of Austria by the Allied forces within ninety days of the treaty coming into force and for the restoration to Austria by the Allies of all property 'of whatever description held or claimed by them as German assets or as war booty in Austria'.

The abbreviated draft treaty was significant for two main

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reasons. Its brevity and clarity left no doubt that its sole purpose was to restore the independence of Austria, in accordance with the terms of the Moscow Declaration: any Power that rejected it would have great difficulty in persuading public opinion inside and outside of Austria that it was really in favour of Austrian freedom. Secondly, the omission of clauses in the previous draft treaty relating to German assets implied that the Soviet Union, after three years of obstruction and continued economic exploitation of Eastern Austria, had forfeited its right to the very favourable terms previously conceded by the Western Powers.

Meanwhile the Austrian Government and people made their own attitude quite clear. At the opening of the Vienna Autumn Fair in 1951, Dr. Figl, in a typical phrase, described occupied Austria as standing 'in the centre of Europe as a sort of fossilized monument to the Second World War'. In February 1952 President Körner gave a dinner-party in Vienna to the Governors of all the Austrian provinces as a demonstration of Austrian unity and solidarity. The President spoke of the way in which the Austrian provinces had grown together organically during the previous six years. In his reply on behalf of the provinces, Dr. Gleissner of Upper Austria said that in future there must be no mention of Eastern Austria and Western Austria, but only of a single unified State. 'The zonal frontiers cut through the landscape,' he added, 'but they do not cut through our hearts.' Finally, on the 2nd of April, after a series of speeches protesting against the continuance of the occupation, the Austrian National Assembly passed the following resolution with the unanimous support of all parties except the Communists:—

'The National Assembly voices the deep-felt indignation of the Austrian people and protests anew against the continuation, in violation of international law, of the occupation of Austria by alien armies; against the maintenance of military jurisdiction in all zones of occupation; against the spoliation of economic resources and against the persistent interference of the Occupation Powers in the internal affairs of Austria. The

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[USIS, Vienna

MR. DEAN ACHESON IN VIENNA WITH DR. GRUBER[1] AND MR. WALTER J. DONNELLY, AMERICAN AMBASSADOR, JUNE 1952

[1] [Foreign Secretary — Analyst]

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728 National Assembly vehemently protests against the unlawful activities of Allied business enterprises within the Republic of Austria, which operate with a disregard for (Austrian) economic laws and which fail to pay Austrian taxes.'

This national demonstration was followed by the passing of similar resolutions by all the provincial legislatures, which met in extraordinary sessions to express the Austrian people's desire for freedom.

The visits of Dr. Figl to Britain, the United States, and France in May 1952, and of Mr. Acheson and Mr. Eden to Vienna in June and September, were of significance in connexion with the treaty negotiations. The Chancellor obtained assurances from the three Western Foreign Ministers that Austria would not be forgotten during future international conferences, and Mr. Acheson and Mr. Eden, while they were in Vienna, expressed the deep concern of their Governments for the restoration of Austrian independence. Mr. Eden pointed out that he had himself signed the Moscow Declaration in 1943 and that it was the British Government which had raised the Austrian question at Moscow.

The Western Powers received no reply for five months from the Soviet Government to their proposals of the 13th of March, in spite of a reminder sent off on the 9th of May. Finally, after a further reminder, an answer was despatched on the 14th of August in which the abbreviated treaty was criticized because it did not 'guarantee democratic rights and freedoms to the Austrian people'. This was followed on the 29th of August by a violent attack on the Austrian Government from the Soviet High Commissioner in the Allied Council in Vienna. The Austrian constitution and administration were criticized as anti-democratic, bureaucratic, and reactionary, and the Austrian Government was accused of retaining 'hundreds of reactionary laws' introduced by the Hitler régime. There was no serious foundation for these accusations, which had obviously been thought out as a new method of playing for time. They were refuted in detail by the Austrian Government on the 11th of September. In reply

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728 to the Soviet note of the 14th of August, the Western Powers stated that in their opinion 'democratic rights and freedoms' were guaranteed by the Austrian constitution, but, to meet the Soviet objection, they were prepared to incorporate in the abbreviated draft treaty guarantees taken from the earlier draft treaty, which the Soviet Union had already approved. The Soviet Government was also invited to send a representative to a meeting in London on the 29th of September, at which it was proposed to resume consideration of the Austrian Treaty. No Soviet representative appeared, and in its answering note of the 27th of September the Soviet Government, in addition to dragging in such matters as denazification and Trieste, which had bedevilled previous negotiations, showed clearly its concern about the omission from the abbreviated treaty of the economic concessions made previously in its favour and its desire to return to the earlier draft.

The Austrian Government had meanwhile been proceeding with a plan of its own to bring its case before the United Nations. The idea went back as far as the summer of 1946, when, one month after the signature of the New Control Agreement, the Austrian Parliament had adopted unanimously a resolution asking permission to send a delegation to acquaint the United Nations with the position of the Austrian people. Following the stagnation of the treaty negotiations in 1950 and 1951, the plan was revived on a bigger scale, and during the first half of 1952 references by Austrian statesmen to a possible appeal to the United Nations became frequent. At the end of July the Austrian Government sent a well-documented memorandum to all countries that were members of the United Nations calling their attention to the injustice that was being done to Austria and asking them to use their good offices to persuade the four occupying Powers to evacuate Austria and restore its independence. At the same time Dr. Gruber was visiting Brazil, and a few weeks later it was announced that Brazil had decided to bring the question of the Austrian State Treaty before the General Assembly of the United Nations.

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728 The Austrian case was submitted to the Political Committee of the General Assembly on the 17th of December 1952. The resolution introduced by the Brazilian delegate called upon the Governments concerned to renew the efforts that were so urgently needed to come to an agreement on the terms of an Austrian Treaty so that the occupation of Austria could be brought to an end and her full sovereignty restored. After a series of warm speeches in Austria's favour and none against her, forty-eight countries voted for the resolution in the Political Committee and later in the General Assembly itself, while no votes were cast in opposition.

The result was a considerable moral victory for Austria and represented a mobilization of world opinion in her support. The appeal to the United Nations was opposed by some friends of Austria as untimely and likely to prove ineffective. But, though no immediate practical results could be expected, such an impressive demonstration of sympathetic impatience was unquestionably preferable to silent acquiescence in the continued occupation.

It seems unlikely that agreement will be reached on an Austrian State Treaty until there is some kind of *détente* between Russia and the West. But Austria is a region where the two sides could come to an agreement without sacrificing any major interest or principle. It may be, therefore, that the Austrian genius for conciliation, which has always been favoured by geography, has its greatest victory ahead.

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XII

Russian Obstruction

AFTER the Four-Power compromise on the question of German assets in the spring of 1949 the responsibility for delaying agreement on the Austrian treaty lay clearly with the Soviet Union. Inside Austria also Soviet policy was the main obstacle to the country's progress towards political freedom and economic self-sufficiency. 727

The Control Agreement of June 1946 provided that negotiations for its revision were to begin within six months, and made quite clear by implication that the revision was intended to increase the Austrian Government's powers. Yet the Russian authorities soon left no doubt that they were not going to fulfil the spirit of the agreement and that they wanted in a number of respects to restrict the powers that had been granted. In fact, without the energy and persistence of Austrian leadership and the vigilance of the Western Powers even the measure of freedom already gained would not have been preserved. The difference of opinion between Russia and the West regarding the Austrian Government's authority has persisted ever since. The American High Commissioner's Report for the third quarter of 1950 pointed out that negotiations in the Allied Council were less concerned with helping Austria to self-sufficiency than with whether she should be allowed to retain the degree of sovereignty she had achieved.

One respect in which the Russians failed to fulfil their obligations was in their attitude towards the zonal boundaries. The agreement laid down that all controls over the movement of goods and persons within Austria should come to an end, except those prescribed by the Allied Council and those that were necessary in frontier areas for the effective regulation of international traffic. Soon afterwards the Americans and the British began the progressive relaxation of zonal controls, and

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727 were later followed by the French. But the Russian authorities still maintain road and rail controls over their zonal boundaries at the present time.

More serious and insidious was the attempt made by the Soviet element to limit the authority of the Allied Control Commission and extend the clause of the Control Agreement which provided that agreements between the Austrian Government and one of the four occupying Powers did not require to be approved by the Allied Council. Had this attempt succeeded, the Austrian Government would have been subject in many matters, not to quadripartite supervision, but to the authority of a single occupying Power. The Soviet representatives cleverly raised the matter in connexion with a law passed by the Austrian Parliament in 1946, to implement a dollar credit agreement between Austria and the United States. The Quadripartite Finance Directorate unanimously recommended that the law should be approved by the Allied Council. But the Russian member of the Council took up the position that the Council could not discuss the question, and that the Austrian Government should be notified that agreements and legislative measures concerning one of the four Powers should not be submitted for consideration by the Allied Council. The three Western representatives fortunately saw the wider implications of this suggestion and insisted on the distinction between an agreement and legislation arising out of an agreement. All Austrian legislative measures, they maintained, had to be submitted to the Allied Council.

727 205 There were a number of matters in which the Western Allies wished to alleviate the burdens and restrictions resting on the Austrian people and in which the Soviet authorities pursued a policy of complete or partial obstruction. As has been seen, the Russians refused to consider two proposals for reducing the occupying Forces put forward by the Western Powers. Postal communications between Austria and the rest of the world were progressively restored until December 1948, when letters were allowed to be sent to Japan, the last country on the list. But the Russians held up this process by opposition

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on such trifling matters as the categories of mail permitted, and at certain stages in the restoration of postal facilities with Germany and Japan 'printed matter' and registered letters became subjects of discussion between the High Commissioners. All four occupying Powers had broadcasting stations under their control, but the Russians, being in possession of RAVAG, the main Vienna station, could cause most inconvenience to the Austrians. In 1950 the Soviet authorities gave orders that the despatches of the Russian news service, known as TASS, were to be broadcast in full, as part of the Austrian news, without being attributed to their source. After a Communist official had punched the director of the Austrian news bureau on the nose, the Austrians maintained their right to do as they wished with their news broadcasts. During the same year a Western proposal that a Viennese television station should be approved was dropped owing to Soviet insistence on conditions that would have led to its falling under Soviet domination. The Russians also did all that they could to hinder the development of Austrian civil aviation, and a Department of Civil Aviation in the Austrian Government that was established with Western support in 1947 has been able to accomplish very little. On a higher level, the Soviet authorities consistently opposed Austria's applications to join the specialized agencies of the United Nations, and their efforts were only thwarted owing to Austrian determination and world-wide support for her membership.

On the two questions of censorship and the police the Soviet policy of obstruction was particularly stubborn. In the light of Russia's record in its satellite countries, the choice of these subjects for special treatment is a cause of no surprise.

The origin of the Allied censorship in Vienna goes back to the autumn of 1945, when a Quadripartite Signals Committee was formed to supervise such restrictions on civil communications as were necessary for security reasons, until the Austrian Government assumed normal responsibility. A quadripartite censorship was set up in the Schillerplatz in Vienna which controlled all telegrams and telephone calls between Austria

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and foreign countries and censored all foreign mail going in and out of Vienna and the Russian zone. The committee laid down that all communication developments undertaken by the Austrian Post and Telegraph Administration required the unanimous approval of all four occupying Powers, and informed the administration at once that the construction and allocation of communication lines between Vienna and the outside world were subject to the unilateral agreement of the Soviet Command. As these lines would all have to pass through the Russian zone, this was a natural arrangement to make in the days before there was a serious rift between Russia and the West. Since that time the Soviet authorities have consistently refused to give up the powers allotted to them in these circumstances.

The Austrian Government has made numerous requests that the Allied censorship restrictions shall be raised. These have been supported by the Western Powers, who have abolished censorship in their own zones. But the Soviet High Commissioner has refused to alter the existing system, and he even suggested in 1948 that foreign mail for the whole of Austria should be subject to centralized censorship in Vienna. A Western proposal for the censorship of telephone calls near the frontier was turned down. So the absurd system continues by which a 10-kilometre call between Feldkirch in the Vorarlberg and Buchs in Switzerland has to be routed through Vienna over 500 kilometres away. On one occasion the Russians took exception to a short technical telephone line in connexion with a river power-station, on the grounds that one end was in Austria and one in Germany, and maintained that all calls on it should be diverted to Vienna for censorship.

The existing system gives the Soviet authorities a hold over Austrian communications with abroad which they show no sign of relinquishing. The Western Powers only take part in it in order to prevent it coming entirely under Soviet control. In June 1950 it was revealed that the Russians had their own tapping arrangements in the Schillerplatz in addition to the official quadripartite censorship, when a Soviet officer ill-

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advisedly came up from the basement to the switchboard to complain that he could not hear a certain international call that was in progress. During the same year the Russians ordered the disconnection of three transit telephone circuits between adjoining countries which pass through Austrian territory without connecting into the Austrian system. They also arbitrarily disconnected the Yugoslav Government's teleprinting station in Vienna.

In December 1951 the Austrian Government's impatience with these proceedings caused the Chancellor to send a note to the Allied Council announcing the Government's intention to substitute the name 'Allied Censorship Agency', for 'Austrian Censorship Agency'. 'Censorship in Austria', he wrote, 'is exclusively performed according to the instructions of the occupying Powers. In no way does it serve Austrian interests. On the contrary, it runs counter to them.' The Government also announced its decision to dismiss all the 863 employees under contract with the Censorship Agency. Yet, in spite of this protest, the censorship continues. The Austrian Government defrays three-quarters of the cost. The work is still carried out by Austrians, who are mostly Communists chosen for the purpose by the Russians in 1945. And the cumbersome and wasteful procedure gives no satisfaction to anyone except the Soviet authorities and those for whom it provides employment.

In the months immediately following the liberation it was the clear intention of the Russian military leaders to establish control over the Austrian police. As many Communists as possible were introduced both into the ranks of the active police force and into the most responsible administrative positions. The effects of these efforts were still noticeable six years later. But Russian influence was checked when the Western Powers arrived in Vienna, and it ceased to be preponderant after the 1945 elections. From then on the object of Soviet policy was to limit both the numbers and efficiency of the police.

The Austrian Government repeatedly asked the Allied

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Council for permission to arm the police on an adequate and uniform scale. Its requests were supported by the Western Allies and turned down regularly by the Soviet Element. Appeals for modern radio equipment met with a similar response. The results were particularly serious owing to the high incidence of violent crime after the War and the fact that the criminals were aware of the deficiencies in police equipment. In the autumn of 1948 the Soviet authorities closed down four training-schools for *gendarmerie* in the Russian zone and refused to allow the transfer of students to other schools. When the matter was referred to the Allied Council, the Soviet High Commissioner refused to discuss it and justified his position on the ground that the Council had failed to limit the size of the police. His attitude was echoed by the Communists in the Austrian Parliament, who shortly afterwards opposed budgetary provisions for strengthening the police.

Supported by the Western Allies, the Austrians went quietly ahead with reorganization and re-equipment. As the Allied Council could not agree, the work was carried out on a zonal basis, and the police in Austria as a whole soon reached a high level of efficiency. In fact, the negative Russian behaviour eliminated central restrictions as well as central aid. But there has been no more revealing evidence of the Soviet Government's attitude towards the Second Austrian Republic than the changing policy of its representatives towards the police.

The Russian attacks on the Austrian Government, which were made at convenient stages in the treaty negotiations, were also useful to justify the Russian policy of obstruction carried out within Austria. The Austrian denazification programme was violently criticized, and as late as 1950 the Soviet representative in the Allied Council demanded that the Austrian Government should establish concentration camps for the imprisonment of implicated Nazis. In April 1950 the Soviet High Commissioner alleged that the Austrian *gendarmerie* in the Western zones was being organized, armed and equipped, in violation of existing Allied Council agreements,

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to provide a basis for a future Austrian army. In September of the following year this charge was repeated and expanded, when the High Commissioner stated that Austria's war industries were being re-established in the Western zones and that aeroplane plants and rocket factories were being built to serve Western re-armament. During his refutation of these charges the United States High Commissioner invited General Swiridow, his Soviet colleague, to come and see the imaginary installations for himself. The invitation was not accepted.

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All the forms of obstruction that have so far been mentioned related to the Allied Control Commission and affected the Austrian Federal Government. But Soviet political interference attracted most attention in the Russian zone and the Russian districts of Vienna.

It would be misleading and unfair to assume that the numerous and serious cases of interference that occurred were typical of day-to-day administration in the Russian zone. The whole atmosphere in Eastern Austria is different from that in the Western zones: more buildings are requisitioned, there are more troops, and there is an underlying feeling of uncertainty and insecurity. But Austrian and Allied officials, who have been in close touch with the Russian authorities, agree that on the whole they have adhered to their written agreements regarding the political administration of occupied Austria. Their relations with the police have normally been co-operative and correct. It is possible for an Austrian to live in the Russian zone, and for a foreigner to move about in it, and yet scarcely be aware of anything unusual in the situation. The local government is Austrian, and the laws enforced are the enactments of the Austrian Federal Government. The gloomy pictures of political conditions in the Russian zone that are often painted in foreign countries and the rest of Austria are due mainly to the Soviet Government's attitude towards Austrian independence, its record in Eastern Europe, and the excesses of Russian troops immediately after the War. The conditions are unpleasant compared with those in the free countries of the West and in Western Austria, but they

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727 are incomparably better than in Eastern Germany or in the Russian satellites behind the Iron Curtain. Although the Second Austrian Republic is subject to varying degrees of unwelcome supervision, it is a unit very largely under Austrian control.

The most blatant examples of interference in the Russian zone have been the many cases of arrest and kidnapping. The new Control Agreement provided that the Allies could take direct action to ensure the security of the occupying Forces. All four Powers took advantage of this provision, but, whereas the Western Allies did so to a limited extent and kept the Austrian authorities informed, the Russians carried out arrests on a wholesale scale, and often by arbitrary and secret methods. For example, in 1950, out of a total of 320 Allied arrests, there were 20 American, 7 British, 14 French, and 279 Russian. The next year the Western Allies arrested 28 people and the Russians 137. In 1951 the Chancellor complained that the Soviet authorities had instructed individual Austrian policemen to carry out arrests on their behalf and forbidden them to report their actions to their superiors. Such procedure, he pointed out, would lead to chaos in the police administration. On previous occasions, arrests had been made by Soviet troops, and neither the Austrian police nor the relatives of the victims had been informed. These methods reduced measures that might have been legitimate in themselves to the level of common abduction or kidnapping. The arrested persons in many cases simply disappeared, and no information could afterwards be obtained regarding their whereabouts. In 1951 State Secretary Graf of the Ministry of the Interior said that over 700 people had vanished in this way and that in only a few cases did their subsequent fate become known. Many of the victims were nationals of Soviet-dominated countries, whose right of asylum was thus violated. But the most sinister arrests were those in which the main motive was political intimidation. Outstanding amongst these were the cases of Inspector Marek, a senior official of the Ministry of the Interior, and a policeman named Kiridus, both of whom were arrested during the summer of 1948, apparently while them-

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selves conducting investigations into a recent series of kidnappings. The Austrian Government protested vigorously, and the matter was taken up a number of times by the Allied Council, but it was not until over three years later that the Soviet Foreign Ministry revealed that Marek was serving a twenty-five years' sentence in the Soviet Union for 'organizing espionage against Soviet occupation troops'. In 1948 Frau Dr. Ottillinger, an important official in the Ministry of Economic Planning, was actually arrested on the frontier between the Russian and American zones, while in the company of her Minister, Dr. Krauland. 727

Although Russian relations with the local police have generally been reasonable, there have been isolated exceptions to the rule. 727 625

The Soviet authorities could scarcely interfere with the measures taken by the Minister of the Interior to ensure the loyalty of the police as a whole, and early in September 1947 Dr. Duermayer, the Moscow-trained Communist chief of the Vienna State Police, was transferred to a similar office in Salzburg, where, in the heart of the American zone, he would be comparatively innocuous. Within six weeks the Police Chiefs of St. Pölten, Baden, and Wiener Neustadt, three of the most important towns in the Russian zone, were dismissed by the Soviet authorities on what the Austrian Government considered to be unsubstantiated grounds.

The worst cases of interference with the police occurred during and after the Communist attempt to organize a general strike in the autumn of 1950. The Soviet authorities forbade certain movements of police in Vienna and the Russian zone, and so hindered the re-establishment of law and order at a critical time. After the disturbances were over a number of police officials were dismissed or retired by the Austrian authorities for their behaviour during the crisis. The Russians ordered their reinstatement, and the tragi-comedy that ensued had not ended at the beginning of 1953. The police chiefs in two districts of Vienna were held in office by Russian orders and were at the same time treated as pensioners by the Austrian

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727 625 Police Headquarters which communicated with the District Offices concerned through the Assistant Chiefs. There could be no better example of the curious division of authority in occupied Austria nor of the persistence of the Austrian Government in maintaining points of principle.

The systematic confiscation, during the Christmas holiday 1952, of the rubber truncheons belonging to the police in the Russian zone was a measure that might well have been prevented by the Soviet propaganda department. The justifiable annoyance that it caused was somewhat modified by the Austrian sense of humour.

727 As regards the political administration in the Russian zone, there was little open interference by the Soviet authorities except in minor matters. Cases in which local officials were arrested were not unknown, and town and village burgomasters were subject to the expressed or implied threats of Russian military commanders in the areas where they were stationed. But, on the two occasions when the Soviet authorities appeared to be contemplating interference on issues of major importance, they either thought better of it or received countermanding orders from above.

In the spring of 1950 the Russians expressed their disapproval of the provincial laws which provided for the holding of local elections in Lower Austria and Burgenland. Under the terms of the Control Agreement there was no reason why their disapproval should have any effect, and the Austrians proceeded to hold the elections. The voting took place without incident, and in the parishes, municipalities, and sectional chambers the Communists were crushingly defeated. In the parish and municipal elections in Lower Austria the Communists got less than 6 per cent of the votes, and all the Communist mayors that had been put in by the Russians in 1945 were replaced.

During the autumn of 1952, when the election campaign was beginning, the Minister of the Interior informed Parliament that Soviet officers had given orders to two different Austrian authorities banning the Union of Independents in the Russian zone. He added characteristically that he saw him-

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self 'compelled to instruct the Austrian authorities to ignore the orders'. Shortly afterwards the Minister's statement was denied by the Soviet Information Service, which explained that an officer at Soviet military headquarters had merely declared that Nazi and militarist propaganda would not be tolerated in the Russian zone. It appears that in face of a strong stand by the Austrian Government the Russians felt bound to respect the electoral procedure of a true democracy, different as it is from the parody to which they have themselves become accustomed.

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An irritating form of interference with Austria's political freedom was the Russian invitation to various Communist international organizations to hold meetings or establish headquarters in Vienna. The World Federation of Trade Unions was expelled from Paris by the French Government in April 1951. The following month it transferred its headquarters to the Russian-controlled Coburg Palace in the heart of Vienna. Later in the year the International Organization of Political Persecutees and the World Peace Council held meetings in the Austrian capital, and in the autumn of 1952 the World Peace Congress met there. These events took place against the wishes of the Austrian Government and people, and in October 1951 the Government declared the presence of the World Federation of Trade Unions to be illegal. But its efforts to expel the non-Austrian members were prevented by the fact that they were living in the Russian districts of Vienna or the Russian zone. The great majority of the Viennese revealed their feelings unmistakably by silently ignoring the demonstrations organized by the World Peace Congress.

In spite of the many examples of Russian political obstruction in Austria, both at the centre and in the Russian zone, their general effect did not compare in harmfulness with the diplomatic obstruction that delayed signature of a State Treaty. But economic interference was practised by the Soviet occupation authorities on a scale and with a ruthlessness that made it one of the two main debit items in the balance-sheet between Austria and the Soviet Union.

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727 During the period between the liberation and the Potsdam Conference, Russian troops carried out widespread looting, and the Soviet military authorities organized the systematic dismantling and confiscation of industrial equipment, vehicles, and rolling-stock. Vital installations like the Donawitz rolling-mill and the main turbines of the Vienna power stations were dismantled before the Potsdam decisions gave such actions a measure of legality. No exact figures can be given for the value of Soviet depredations, but the loss to the Austrian economy through confiscation of installations and equipment before and after Potsdam has been reasonably estimated at over $200 million.

Since the Austrian electorate's first decisive vote against Communism the Soviet Government has, in a number of ways, deliberately hampered Austria's economic revival. Whatever may be the merits or demerits of nationalization in normal circumstances, the Government's nationalization programme was necessary, on the whole, under post-War conditions to co-ordinate industrial recovery. The nationalization laws were strongly opposed by the Soviet representative in the Allied Council, and have never been recognized by the Soviet authorities in their own zone. The Russian representative also violently attacked Austrian participation in the European Recovery Programme. Most revealing of all, in September 1946 a Soviet proposal came before the Allied Council to restrict Austrian production of various items for the next ten years. The proposal not only included armaments and strategically important materials, but recommended fixing the basis of industrial production at the level reached before the *Anschluss*.

The Soviet Government's main economic programme in Austria was the exploitation of her natural and industrial resources on the pretext of exacting reparations from Germany. This served the dual purpose of hindering the country's recovery and substantially benefiting the Soviet economy.

727 471 As has been seen, the term 'German assets' which was used at Potsdam was vague, and the Four Powers never succeeded in agreeing on a definition. During the German occupation of

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Austria, apart from State property having been taken over by the German Government, most of the leading industrial enterprises had been absorbed in one way or another by the big German concerns. The absurdity of the situation resulting from Potsdam was made clear in May 1946, when a member of the National Assembly pointed out during a session that the Parliament building did not belong to the Austrian people, but was a 'German asset'. Dr. Renner summed up the position by saying: 'If all the concerns that were stolen or swindled from us by Germany are taken away, Austrial will . . . be incapable of an independent economic existence.' More recently, in December 1951, Dr. Klaus, Governor of Salzburg, suggested that had Austria enjoyed the full income from the 'German assets' seized by the Russians it could have dispensed with Marshall Aid. The validity of historical 'ifs' can never be proved, but Austria's total losses to the Russians, including dismantling, evaded taxes, and the products of industry and the oil-fields, have been approximately equal to her gains from the United States under the European Recovery Programme.

The Austrian oil-fields were the largest single asset taken over by the Soviet Authorities.

Before the *Anschluss*, Austrian oil production was largely in the hands of two concerns financed by British and American capital: the 'Britol' Oil Company, later to become the Richard K. van Sickle Deep Drilling Enterprise, and a joint undertaking of the Shell and Vacuum groups, known as RAG. In 1938 a number of German companies entered the field and, in addition to undertaking extensive new developments, forcibly took over some of the oil-fields and refineries owned by British and American companies. As production rose from 32,849 tons in 1937 to 1,213,036 in 1944 under the stimulus of German effort, there was a *prima facie* case for the Austrian oil industry being largely a 'German asset'. On the other hand, human enterprise is only one element in oil production: the oil itself is at least as important. The fact that Germans had ruthlessly exploited Austrian oil to satisfy their war needs gave the Russians no right to confiscate one of Austria's most

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727 valuable natural resources under the pretence that it was
382 German property.
471 The Austrian Nationalization Law of 1946 included the oil industry, but, so far as oil in the Russian zone was concerned, it never went into effect. In the summer of that year the Soviet High Commissioner announced that all the German-controlled oil-fields had been taken over as 'German assets'. The Soviet Mineral Oil Administration (SMOA) was set up to manage them.

The Soviet authorities did recognize British and American ownership of certain oil-fields and refineries that had not been taken over by the Germans. They are still under British and American management, but are subject to various measures of Soviet control. The producing companies are required to sell their crude oil to SMOA. The refining companies have to buy this oil from SMOA and resell to it the refined product. Payments are made to the British and American concerns in Austrian schillings, after the deduction by SMOA of arbitrary sums for administrative expenses. The disposal of the oil remains in Soviet hands, and the concerns are not able to export it, as they might wish. This limited recognition of foreign rights does not therefore benefit the Austrian trade balance in any way.

727 Exact statistics are not available for the Austrian oil industry since it has been under Soviet control. But it has been esti-
382 mated by the best-informed authorities that production rose
433 from 846,600 tons, to which it had declined in 1946, to about 3,200,000 tons in 1952, and is thus now probably the highest in Europe.[1] This increase indicates the anxiety of the Russians to extract all they can from the Austrian oil-fields while they have them under their control. The result has been achieved by extensive new boring and by the employment of damaging and uneconomic methods that would normally never be used.

It is significant that the expansion has practically been confined to the ex-German enterprises under purely Soviet control, which have had full freedom of action and exploration.

[1] Reliable figures for Roumania, its only possible rival, are not available.

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During the past few years the proportion of the total yield produced by British and American concerns fell from about 15 per cent to less than half that amount. It is even more significant that the 60 per cent of the oil-fields and the prospecting rights that the Soviet authorities suggested should be retained by them under the terms of the draft treaty of 1949 have proved, as was suspected at the time, to be by far the most productive and promising areas. Had the draft treaty been signed and the Soviet allocations accepted, the proportion of oil production now in Soviet hands, on the basis of 1952 figures, would have been 92 per cent instead of 60. The proportion of known oil reserves would have been even more favourable to the Russians. 727 382 433

Soon after the War ended the Russians suggested to the Provisional Government that Austria and the Soviet Union should share the installations and rights in the oil-fields on a 50–50 basis. Dr. Renner had the foresight to reject this offer, which would have given the Russians a permanent footing in the country and had serious political implications. But since then Austria, though so large an oil-producer, has not even been able to purchase from the Soviet Oil Administration enough petrol and other forms of oil from its own production to satisfy its modest needs. It has had to resort to imports from the United States, and on at least one occasion is said to have bought from Western Germany Zistersdorf oil sent by the Russians to Eastern Germany and then exchanged with Western Germany for industrial products. The quantity of oils allotted for home consumption has increased annually with total production since 1949. In 1951, for the first time, domestic needs were practically satisfied. But Austria during the whole post-War period has been allocated no more than about a third of her total oil production. The remainder has been sent eastwards by the Russians, chiefly to Czechoslovakia, East Germany, and Poland.

This state of affairs has of necessity been accepted by the Austrian people. But a welcome demonstration of impatience was given by the National Assembly when a resolution was 727 382

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727 382 passed by the People's Party, the Socialists, and the League of Independents, in November 1952 calling upon the Minister of Finance to enter into negotiations with the Soviet occupation authorities to ensure that Russia shall pay full compensation to the Austrian Republic for all petroleum removed from her oil-fields since 1945 and meet all its obligations with regard to taxes and customs dues, as required by Austrian law.

727 471 The remainder of the enterprises, large and small, that have been seized by the Russians as so-called 'German assets' have been administered by one vast organization known as USIA—the initials of the Russian title meaning the Administration of Soviet Property in Austria. The Soviet authorities decided for themselves what they were going to take over as reparations and announced the list during the summer of 1946. The Soviet High Commissioner would allow no discussion of the subject in the Allied Council and made clear that he considered himself the only authority. As the Potsdam Conference had allotted German property in Eastern Austria to the Soviet Union without definition, the Western Powers had no alternative but to accept the decision.

The USIA concerns being entirely under Russian control, full information and statistics regarding their organization, production, and equipment are not available. But a fairly accurate general impression of their extent and method of working can be obtained from reliable sources. The Austrian Minister of Finance stated in Parliament in August 1951 that 471 USIA enterprises were listed with the Treasury, of which 351 were commercial, 100 agricultural, and 20 mixed or doubtful, and that altogether about 60,000 insured persons were employed in them. Since the War USIA has been the largest landholder in Austria. In 1951, a total of 115,980 hectares [1] of land were held by the occupying Powers for aerodromes, military purposes, agriculture, and forestry. Of this area no less than 112,747 hectares were in Russian hands. Some had been taken over soon after the War to produce food for the Soviet forces, and the remainder had been seized as 'German

[1] A hectare equals 2·471 acres.

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assets', although a good deal of it was Jewish property that had been 'aryanized' by Hitler. At the beginning of 1953, 54,000 hectares of agricultural and forest land alone were under USIA's control. 727 471

The key positions in USIA have been concentrated increasingly in Soviet hands. In the central administration Russian influence is dominant, and the Austrians who remain in it are either technical experts or Communists. Until 1952 the head of the USIA selling organization was an Austrian, but he and his wife then escaped to France after a disagreement with the Soviet authorities. Two Russians thereupon became managing director and deputy. In the individual firms the management depends on the importance of the enterprise. Some are run entirely by the Russians, while others are under purely Austrian control. Between these two extremes there is every kind of mixed management. All accounting is done through the central administration, and, to maintain secrecy regarding USIA's affairs, every enterprise deals with the Soviet Military Bank, which was organized for the Russian zone of Austria with its head office in Vienna. 727 471 475

Some USIA products are sold on the Austrian market. But the greater part of them are sent by rail or river to Soviet Russia and Eastern Europe. They are a dead loss to the Austrian economy, because no imports are received in return. The USIA concerns pay wage taxes and the ground tax levied by the local government authorities. But they do not pay income tax, profit tax, or the property tax due to the Federal Government. The Russians maintain that they do not pay these taxes because Austria will not transfer the titles of the USIA properties to them. The Austrian Government, backed by the Western Allies, does not recognize the Soviet right to the properties, and maintains that a legal transfer would be possible only if the companies were dissolved and the shareholders handed over the assets to the Soviet Union. The losses to Austria up to the end of 1952, in respect of USIA exports and unpaid taxes, have been estimated at nearly $200 million and $30 million respectively.

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Austria's indirect losses owing to USIA's activities are also very considerable. Raw materials and finished industrial products go in and out of Austria as Soviet property without payment of customs duties. Quite apart from the financial loss this entails, USIA exports are thus able to undercut Austria's legitimate industries in East European markets. At the same time the equipment and efficiency of USIA factories are gradually being allowed to deteriorate, as little or no attempt is being made to renew and modernize plant. When the concerns are eventually returned to Austrian ownership their value will be much lower than it was when they were taken over.

A most damaging and sinister aspect of USIA's work has been its entry into retail trade during the past few years. At an early stage USIA imported cigarettes from South-east Europe without payment of duty, and sold them in large quantities on the black market at the expense of the Austrian exchequer. This was followed by the establishment of retail shops in Vienna and the Russian zone. Two hundred of them were opened between the summer of 1950 and the summer of 1952. Like other USIA concerns, they pay only a proportion of the federal and local taxes due from them. In addition, they pay no customs, excise, licence dues, or monopoly taxes on the goods sold, and are thus able to undercut legitimate retail businesses and at the same time make a good profit. The Government makes every effort to discourage people from patronizing them, but the low prices are a temptation difficult for the poor to resist. The shops also are varied and inconspicuous in character, and many purchases are made in them without the customers knowing what they are doing.

In contrast to the enterprises taken over as 'German assets', the establishment of the USIA retail shops had no legal justification whatever. There can have been only two motives for setting them up: a deliberate attempt to undermine the Austrian economy and a desire to make profits at Austria's expense, in particular, to offset losses on inefficient management in the main USIA concerns.

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Austrian political leaders have attacked the USIA retail businesses repeatedly. The Minister of Justice has made clear that Austrians found guilty of evading customs and excise by dealing with USIA will be punishable under Austrian law. The Soviet authorities themselves have shown some signs of embarrassment at this branch of their activities. After the first two years its expansion slowed down considerably. A strong trade union protest against USIA shops remaining open until ten o'clock at night was followed by their compliance with normal closing hours. 727 471 475

In fact, Soviet policy in Austria, in spite of its ruthless economic exploitation of the country, has shown repeatedly a capacity for compromise and the unexpected conciliatory gesture. The Austrian Government has been firm, bold, and insistent in the assertion of its rights, and the Soviet authorities have shown themselves to be very sensitive to public criticism, especially on issues in which popular privileges have been involved. In spite of everything, the impression remains that the Soviet Government has never entirely forgotten the importance of considering its reputation with the Austrian people. 727

On the economic side, the best example of the flexibility of Soviet policy is provided by the attitude of the Russians towards the navigation of the Danube. 727 505

The importance of the Danube to Austria as a means of communication requires no emphasis. Between the Wars the ownership of the Danube Shipping Company, the largest concern engaged in Danube traffic, was shared between the Federal Government, the Credit Anstalt Bank, and various Italian interests, the majority of the shares being held in Austria. As the Austrian holdings came under German control during the War, in February 1946 the Soviet authorities assumed ownership of the company, and at the same time took possession of two smaller companies. The Western Powers pointed out that these assets were of doubtful ownership and that the companies operated in more than one zone. They maintained therefore that the whole subject should be 471

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727 considered in the Allied Council. But the Soviet representative
505 refused to discuss the matter, and the Russians proceeded to
471 take over all the property and installations of the Danube Shipping Company in Eastern Austria and South-east Europe.

727 During the fighting in Austria the greater part of the
505 company's shipping was destroyed, but about 40 per cent of it managed to reach Linz, mostly in very poor condition. There it remained under American protection, and during the early post-War years the company concentrated on putting the remnant of its fleet in order. Owing to the Russian attitude, river traffic ceased between Upper Austria and Vienna, and such ships as were available were employed on the stretch between Linz and South Germany. The freight carried by the company between Linz and Regensburg in 1950 reached a total volume of 690,000 tons, the cargoes consisting mainly of Ruhr coal for the VÖEST works, pig-iron, sheet metal, timber, and grain.

The first Russian concession in the direction of opening up the Danube appears to have been made from ulterior motives. After its breach with the Soviet Union, Yugoslavia was in a strong position as regards Danube navigation, because, at the Iron Gates, it could control river traffic between the Russian satellite States, if it so wished, just as Russia controlled traffic between Vienna and the West. Yugoslavia's freedom of navigation was therefore ensured, and in 1950 it started a service between Belgrade, Vienna, and Regensburg. To provide rivalry for Yugoslav ships the Soviet authorities in Austria began to issue licences for Austrian barges to travel between Vienna and Linz. During 1951 more than 73,000 tons of oil were carried in Austrian vessels from Vienna to Linz, and a smaller quantity of grain in the same way from Regensburg to Vienna. Cargoes for the year carried by Austrian ships on the Danube amounted to more than a million tons.

In June 1952 the Soviet High Commissioner informed the Federal Chancellor that, in the interests of the Austrian people and in order to improve Austria's economic position, navigation on the Danube within the Russian zone would hence-

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forth be free. On the 12th of July the first passenger ship travelled between Linz and Vienna. In September an agreement was made between Austria and Hungary for the resumption of river traffic between the two countries in which each was to share equally. The reasons for these further concessions can only be surmised. But the motives almost certainly went beyond rivalry with Yugoslavia. One purpose may have been to please Austrian opinion. Another reason was probably a belated realization of the wastefulness of previous Soviet policy. The contrast between the enterprising developments in Western Austria and the economic deterioration of the Russian zone was becoming increasingly clear, and could only have a damaging effect on Soviet prestige.

Russia's attitude regarding the Danube, however, cannot be regarded as characteristic. The most hopeful indication for Austria's future is that the Soviet economic policy within Austria appears to be based on short-term considerations. The ruthless exploitation of the oil-fields and the failure to invest capital in the USIA enterprises both point in the same direction. It is a measure of Austria's economic suffering at Soviet hands that comfort has to be drawn from exploitation and neglect.

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XIII

The Communist Challenge

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AFTER their defeat in the elections of 1949 the Austrian Communists could have little hope for their future as a parliamentary opposition. But in neighbouring Soviet satellite States Communist minorities had obtained power by force, misrepresentation, and ingenuity. Such methods had possibilities for the Austrian Communists themselves. An opportunity for experimenting with them was not long in presenting itself.

In the summer of 1950 there was much discontent in Austria. The Third Price–Wage Agreement had imposed all-round sacrifices but failed to stop inflation. The cost of living was rising again, and was bound to rise still further. On the 22nd of September, after weeks of severe bargaining, the Fourth Price–Wage Agreement was approved by the Government, the trade unions, and representatives of industry and agriculture. It was a compromise that none of the negotiators liked. The people as a whole had lost faith in such agreements.

The Communists chose this time to try out their new methods and challenge the Government's authority. Two weeks of crisis and disorder were the result. The immediate aim was a general strike. The pattern of activity was everywhere very much the same. The terms of the new Agreement were grossly misrepresented, and workers were called upon to strike in protest. Force was used to undermine trade union authority and disorganize public services. Railways, roads, and tram-lines were blocked. Rumours were put about of sympathetic forces in reserve. Czech troops were said to be ready at the frontier. The Communist Party's slogan, 'It is only 60 kilometres to the People's Democracies', acquired a new and sinister meaning.

In Vienna the main disturbances occurred on the 26th of

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September, backed by unscrupulous propaganda through the radio and the Press. Tram services were obstructed, and some of the main railway lines to the provinces were temporarily blocked. Flying squads made raids on gas works, power-stations, and other vital points. The trouble culminated when thousands of strikers from USIA factories, having been taken to the centre of the city by lorry and bus, assembled with others in a crowd 6,000 strong before the Federal Chancellery in the Ballhausplatz. They listened to speeches by Ernst Fischer, Franz Honner, and other Communist leaders, and demanded that the Chancellor should receive a deputation immediately. Dr. Figl, who had remained in his office, refused to grant an interview under pressure, but agreed to see the deputation the following day. Soon afterwards the crowd began to disperse. In the course of the day there were some unpleasant episodes between the Communists and the police, and the task of the police was made much more difficult by the fact that the Soviet authorities refused to allow reinforcements to be moved from Russian districts to other parts of the city.

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On the morning of the 27th the Chancellor, in the presence of the Vice-Chancellor, received the demonstrators' deputation and promised to refer their grievances to the Cabinet and the Trade Union Federation. But after the 26th the most critical moment was past. The trade unions had had time to counter with sober facts the wild rumours regarding the terms of the new agreement. When the Viennese workers had an opportunity to consider the real issue, the great majority of them remained loyal to their chosen leaders and rejected the Communist bait.

In the provinces, apart from isolated cases in Salzburg, the main trouble occurred in Upper Austria, Lower Austria, and Styria. The chief industrial centres in Lower Austria and Styria were in varying degrees affected. In Graz a number of Communist leaders smuggled themselves into trade union headquarters and tried to organize strikes by telephone in the name of the provincial trade union authorities, until this typical piece of deception was brought to an end by the police.

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665 668 In Upper Austria the position was aggravated by the presence of a high proportion of discontented refugees and displaced persons amongst the industrial workers and by the strength of the Union of Independents in some of the Works Councils. One of the biggest and longest strikes took place in the Steyr works of the Steyr-Daimler-Puch Company. In the Works Council of VÖEST, fourteen out of twenty-eight members belonged to the Union of Independents and two more were Communists, while additional agitators were sent there at the critical moment from Vienna and Lower Austria. As a result, Linz was one of the worst trouble centres in the whole of Austria.

On the 26th of September the workers of VÖEST and five other Linz concerns, together with the tram-drivers and conductors, went out on strike. About 15,000 demonstrators assembled on the main square, and some penetrated to the Mayor's office in the Town Hall. Officials of the Communist Party and Union of Independents then made speeches from the Town Hall balcony. The next day 1,000 strikers assembled before the Chamber of Workers' building, and some forced their way inside. They seized the seventy-six-year-old President of the Chamber, pushed him on to the balcony, and forced him to resign by threatening to throw him into the street.

For a day or two the situation was really dangerous. At Linz the Danube is the boundary between the American and Russian zones, and it was clear that the proceedings were being organized from the Russian side of the river. Firm action by a joint committee of the city and provincial authorities led to order being restored. Police reinforcements were brought in from the country, and the workers' elected leaders reasserted their authority. Within a week the strikers had all returned to work. Even the Union of Independents, which had been partly responsible for the trouble, sent a representative to the joint committee's meetings.

Between the 26th and 30th of September about 120,000 workers went on strike, including 40,000 employed by USIA,

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who had little freedom of choice. This was only about 8 per cent of the total number of industrial workers. But, in spite of the failure of their first offensive, the Communists made open preparations to renew the attack. On the evening of the 27th of September, when most of the strikes had already petered out, the order was given to the workers by radio to return to work the following day but await the decisions reached by the All-Austrian Shop Stewards' Conference, which was to meet on the 30th of September. 665 668

This Conference was a purely Communist idea, and duly met in Florisdorf, a suburb of Vienna in the Russian zone. Its purpose was to give to future Communist action an appearance of approval by workers' representatives on a national scale. But it in no way represented the workers as a whole, and the Trade Union Federation called upon its members not to attend. Most of those who appeared at Florisdorf chose themselves and were adherents of the Communist Party or League of Independents, some of them shop stewards and some of them not. The conference declared that unless the Government dropped the new Price-Wage Agreement by the 3rd of October a general strike would begin on the 4th. Some seductive but quite impracticable proposals were put forward as an alternative to the Agreement.

The Government and the trade unions took their own measures to prepare for the future and settle the past. The Trade Union Federation and the Socialist Party, in announcements to their members, dissociated themselves from the Communist action and made clear that the Communist statements about the Price-Wage Agreement were deliberately untrue: the real issues at stake were democracy and freedom. The Government suspended members of the police force who had failed in their duty, threatened to expel from the country any *Volksdeutsche* who assisted the trouble-makers, and called on the police to maintain order and stand firm against threats. A call to the Austrian people issued by the Government on the morning of the 3rd of October contained the following passage: 668

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668 'Defend the freedom of the country. Do not allow yourself to be intimidated by acts of violence. The power of the State is sufficient to check terrorist action at the start, so no one should yield to Communist pressure.'

727 In the Allied Council on the 29th of September the United States High Commissioner, who was in the chair, accused the
668 Soviet element of having contributed to the recent disorders and lawlessness by encouragement and aid. He charged the Russians, amongst other things, with the following specific acts, violating quadripartite agreements: transporting rioters about Vienna in Soviet Army vehicles; blocking a railway line by means of a Soviet tank; interfering with the maintenance of law and order by stopping the movement of police, and preventing the police from checking rioters at St. Pölten railway station through the intervention of a Soviet official. The British and French representatives supported the American charges. The Soviet Deputy High Commissioner, in rejecting them, made the curious but typical statement that the unrest had been due to the indignation and bad living conditions of the Austrian workers resulting from the Marshall Plan.

665 Before the 4th of October it was already clear to the trade union leaders that an overwhelming majority of workers was
668 opposed to a general strike. The Socialist Party had called conferences of Socialist shop stewards in all parts of the country, and their opinion on the subject was almost unanimous. Outside Vienna and the Russian zone the only strikes that occurred were at Hallein in Salzburg, and at the Steyr works in Upper Austria, where the workers had been out since the 26th of September. In Vienna itself there was scarcely a single strike of importance outside the USIA organization, though the news that thirty censors had stopped work at one of the post-offices caused some unexpected satisfaction. This did not prevent the Communist Strike Committee from announcing publicly that the strike in Vienna was practically complete. More serious were the organized attempts at blocking tramways and railway lines and erecting barricades and traffic obstacles in the streets. These were only mastered

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because the great mass of the people were on the side of law and order and turned against the Communist gangs that were trying to cause trouble. On the evening of the 4th of October Burgomaster Körner called on the Russian Military Commander and complained of what was happening. The commander replied that he was against interference in Austrian internal affairs on principle and opposed to the use of force by either side.

The worst trouble occurred in the Russian zone. Even here the number of strikers was comparatively small. In fact the total for the whole of Austria on the 4th and 5th of October was about 35,000, in addition to 40,000 USIA workers, not all of whom went on strike. But in the industrial centres of Lower Austria terrorist methods were employed. The Soviet authorities interfered with the police; railway lines were blocked; public services were threatened, and gangs of Communists used force and intimidation to compel workers to strike.

The most serious events occurred in Wiener Neustadt. There the terrorist methods against industries had only a limited measure of success, some of the workers, especially in the radiator factory, showing great spirit under attack. But the situation became critical when the Communists seized the post-office and telephone exchange. The city is in the heart of the Russian zone, only twelve miles from Soviet Military Headquarters, and the local police were not strong enough to restore order on their own. After understandable hesitation, the Minister of the Interior made the bold decision to send reinforcements from Vienna, and with this strengthening the police restored order and regained control of the post-office. The local Russian commander then intervened, ordering the restoration of the *status quo* within ten minutes and the withdrawal of the reinforcements. The position was finally righted by the general course of events.

Apart from Wiener Neustadt the Communist action throughout Austria had collapsed by the evening of October the 5th. The Florisdorf Conference decided that the strike

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665 should come to an end on the 6th, but its decision had been
668 anticipated by the Austrian workers.

With commendable speed and determination in defence of
668 its rights, the Government sent a note to the Allied Council
727 on the 5th of October, complaining of the Russian action in Wiener Neustadt. On the same day the Foreign Minister despatched a telegram in a similar sense to the Foreign Ministers of the four occupying Powers. The three Western Allies replied with notes in which they expressed their sympathy with the Austrian Government's point of view and their approval of the measures it had taken. They later made official protests to the Government of the Soviet Union.

The Government also issued a proclamation in which it
668 thanked the Austrian people for defending their country by their courageous attitude and for proving to the world that Austria would never become a 'People's Democracy'. On the 6th of October a demonstration took place in Wiener Neustadt, where 20,000 people celebrated the victory over Communism and were addressed by the Minister of the Interior and the Minister of Justice, who travelled down from Vienna especially for the purpose. The following day Burgomaster Körner and President Böhm of the Trade Union Federation attended another large victory demonstration before the Vienna Town Hall.

727 There are two questions that arise in connexion with the whole series of disturbances. What was the Communists'
668 real intention? And how far did they receive Russian support?
665 The answer to the second question throws light on the problem raised by the first.

There is no doubt that the accusations of the United States High Commissioner against the Soviet Element were justified. At the same time there was some truth in the reply of the Russian Military Commander in Vienna to the Burgomaster's protest. That is to say, the Soviet authorities wanted to ensure that the Communists had full scope for their activities, and were prepared to take limited measures in their support, such as making vehicles available and preventing movements of the

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police. But they did not intend to give active aid to the demonstrators, and it is likely that such instances of it as occurred were due to the over-enthusiasm of individuals. Many people were injured in the disturbances and two men died of shock. Yet there was not a single case of violent death throughout the whole period of crisis. Such a result would have been inconceivable had the Soviet forces been active in support.

It is probable, therefore, that the Communist intention was to exploit popular dissatisfaction in order to bring about a general strike and, by so doing, to get control of the trade union movement. Had this intention been fulfilled, some modification in the Government might have followed, and the way would have been prepared for a further advance. The ultimate aim of the Communists, in which they could count on Russian support, was to turn Austria into a 'People's Democracy'. The 1950 action was a preliminary trial of strength.

The fundamental reason for the Communist failure was the Austrian people's attitude. But effective leadership and organization also played a vital part. Dr. Figl and Herr Helmer, the Minister of the Interior, were at their best at such a time. The Government acted with energy, courage, and persistence. The police, as a whole, were efficient, good-tempered, and loyal. The employees of the threatened public services were disciplined and reliable. Most important of all, the trade union leaders were unwavering in their attitude, and the great mass of the workers responded to their call. It was a fine proof of statesmanlike maturity that, in face of the Communist threat, the trade union movement stood staunchly by the Price–Wage compromise that none of its members really liked.

The Communist challenge had two important results. In spite of its failure, there had been a real trial of strength between two rival ideologies. The Communists had in their favour the initiative, the choice of time, and uncertainty regarding the extent of Soviet support. The victory of the Government and

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the trade unions increased the authority and confidence of both. In self-defence they took measures on which they had never ventured before, and their success strengthened their courage and resolution for the future.

Even more significant was the revelation of Communist aims and methods. The Austrian people were given a full-scale demonstration of tactics about which most of them had previously only read. The difference between Russian and Western conceptions of democracy and freedom was made clear beyond any doubt. If a small minority could cause so much trouble by employing the Communist technique, for the sake of Austria's freedom and independence it was imperative that the minority should not be allowed to grow. Since the excesses of the Russian troops immediately after the War nothing within Austria has done more than the events of September and October 1950 to bring Austria closer to the West.

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XIV

Austria Turns West

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THE Austrian people are deeply convinced that their true role in Europe is to mediate between East and West. The conviction is based on historical, political, economic, and diplomatic considerations. It has been held and expressed by most of Austria's leading statesmen in the Second Republic.

The Habsburg dominions were held together by a policy of conciliation. Vienna, once a Roman frontier fortress and later an outpost of Western Europe against the Turks, could never have become the centre of a cosmopolitan Empire, comprising Germans, Slavs, and Magyars, had the Habsburgs not practised toleration and compromise. Conciliation, which for the rulers was a matter of expediency, serving a strictly dynastic purpose, was adopted by their subjects as a habit and an ideal. The Austrian people's belief in it was intensified by events between the two World Wars, when uncompromising nationalism led to world disaster.

Austrians have a strong sense of history and tradition. Their main cultural links are with the West, but they have never lost their sense of affinity with the Succession States and their desire to remain on friendly terms with them.

History, according to Anton Wildgans, has taught Austrians 'service to an idea', and he had in mind the supranational and universal idea. Both the main political parties in Austria today serve great ideas and advocate a mediatory and conciliatory role for their country in international relations. The People's Party, though non-confessional in principle, is strongly influenced by Catholic universalism and the Habsburg cosmopolitan tradition. The Socialists, while rejecting Communism, still believe in the international character of their movement.

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439 From the economic point of view Austria needs the markets and supplies provided by her natural trading partners in Eastern Europe. She produces goods which they cannot easily obtain elsewhere, and they are a source of some of the fuel and food that she herself requires. Under normal conditions Polish and Czechoslovakian coal would be a natural exchange for the Austrian oil and oil-products that are now being confiscated by the Russians. The low cost of transport in trade between neighbours is an important consideration.

648 Diplomatically Austria is best suited to be a conciliator. Her size and exposed position both point to the same conclusion. The weight she could add to either side would not be sufficient to prevent hostilities. In any war between East and West she would be one of the first to suffer.

These considerations are appreciated by every Austrian statesman. One of the most striking speeches on the subject was made by President Renner shortly before his death. On the 23rd of October 1950, in an address to the Youth Section of the Austrian League for the United Nations League he said: 'More than any other European the Austrian can understand the peoples of Eastern Europe to whom he has been closely linked by many centuries of economic, intellectual, and social relations. It is the responsibility of Austrian youth to see that this advantage is used in the service of ourselves and of the whole of Europe.' President Körner expressed his convictions in actions as well as words. While Mayor of Vienna he accepted an invitation to Russia to attend the celebration of Moscow's 800th anniversary in September 1947, though he went as the city's representative, not as a private individual.

In spite of the intense disappointment caused in Austria by the Soviet attitude and policy since the War, for about five years the Austrian Government showed great patience and reluctance to take sides. Public complaints against the Soviet Element were usually expressed in general terms that might apply to any of the occupying Powers. A clear proof of the Government's point of view was its willingness in 1949 to

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make sweeping concessions to Russia in order to obtain a State Treaty by common consent. 648

The change that eventually occurred in the Austrian attitude was the result of Soviet policy in Austria and the developments in Eastern Europe and the West.

As has been seen, Russia's planned exploitation of the Austrian economy grew steadily worse as the years went by, and culminated in the establishment of USIA retail shops and the ruthless stepping-up of oil production. Soviet political pressure and interference showed no signs of being modified after five years of occupation. The Communist action in the autumn of 1950 was based on Soviet encouragement and support.

No less significant were the developments in the international situation. The suppression of democratic freedom and national independence in the countries of Eastern Europe had a decisive effect on Austrian opinion. Between 1945 and 1949, Poland, Roumania, Czechoslovakia, and Hungary succumbed one after another to the Communist technique. Communist minorities were converted by trickery, threats, and terror into Communist Governments dominated by Russia, and diplomatic and trading relations with Austria became increasingly difficult. The greatest shock was the Communist *Putsch* in Prague of February 1948. Czechoslovakia's desire to maintain good relations with both Russia and the West was beyond doubt. After her treatment at Munich she turned naturally to the Soviet Union for diplomatic support, but the Czech people retained their admiration for Western culture and their belief in Western democracy. The events of February 1948 proved that a small country could carry conciliation and impartiality too far, when the Soviet Union was one of the parties. For the second time within a decade, at tragic cost to herself, Czechoslovakia served as the touchstone of a dictator's intentions.

These events, in addition to their direct impact on the Austrian people, provoked strong reactions amongst the Western Powers, which in their turn influenced Austria.

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648 The subjugation of Eastern Europe and Russia's rejection of the Marshall Plan convinced the nations of the West that defensive measures were necessary. With the Brussels Treaty of March 1948 the Western Union idea took definite shape, and a year later the North Atlantic Treaty followed. The division of Europe into two rival groups was an unintended consequence of the Marshall offer. The rivalry was emphasized by the two defensive alliances.

Austrian statesmen have stated repeatedly that their country has no intention of joining a military alliance either before or after the State Treaty is signed. Before the treaty such action would endanger Austria's unity. After the treaty she would prefer to pursue her own policy of neutrality and conciliation. Yet since 1948 it has been increasingly difficult for the Austrian Government to sustain its attempt at impartiality. Russia's attitude towards Marshall Aid first drove Austria into association with the West, and subsequent events have emphasized the alignment.

As Dr. Renner put it, psychologically Austria has been won for the Western Allies. Her statesman have been increasingly firm in maintaining their country's right and increasingly frank in voicing their resentment and their gratitude. In many different ways the Austrian people have given expression to their sympathy for Western ideals and the Western way of life. Only a small minority made up of Communists and their associates in the People's Opposition opposed the general trend.

Austria's new attitude has been reflected in the frequent visits of Austrian statesmen to the West and of Western statesmen to Austria. During the early post-War years occasional visits were made, but since 1950 there has been a marked and significant increase in the interchange. In that year Dr. Gruber made an extended tour of the United States, lecturing on Austria's political and economic problems. During 1951 and 1952 the Chancellor and four Austrian Ministers went to London, and visits to the United States were paid by the Chancellor, the Vice-Chancellor, the Ministers of Foreign Affairs, Finance, Trade, and Justice, the Mayor of Vienna, the

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DR. FIGL AT 10 DOWNING STREET, LONDON, MAY 1952

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648 General Secretary of the People's Party, and strong delegations of Austrian Members of Parliament and business-men. In the other direction during the same period Mr. Herbert Morrison, Mr. Dean Acheson, Mr. Anthony Eden, and two groups of American Congressmen paid visits to Vienna.

The culmination of the series was the tour made by Dr. Figl in the spring of 1952 to England, the United States, and France. This symbolized better than any other event Austria's turn towards the West. The Chancellor himself explained that he welcomed the invitations of the three Western Powers because they provided an opportunity for a demonstration of unusual significance for Austria. His State visits to London, Washington, and Paris enabled the Western Governments to show that, though they had not been able to restore Austrian sovereignty by treaty, they wished to recognize Austria as a free State entitled to equality of treatment. The Chancellor was received by Queen Elizabeth, President Truman, and President Auriol, and, wherever he went, he was given the recognition due to the Prime Minister of a sovereign State.

Dr. Figl proved himself a worthy representative of his country. In the United States his reputation for grit, tenacity, and common sense had preceded him, and his visit was a popular as well as an official success. He received a warm welcome from the Senate, a medal of honour from New York City, and a favourable notice from the Chicago *Tribune*. In all three countries he won sympathy and understanding for Austria and obtained assurances of continued and whole-hearted diplomatic support.

The full significance of the Chancellor's journey became clear when he arrived back in Austria. At the Swiss frontier, and at every place where his train stopped between there and Vienna, he was received by his fellow countrymen with enthusiastic demonstrations of gratitude. Throughout his tour Dr. Figl had conducted himself as the representative of Austria rather than as a party leader, and he was rewarded with an all-party welcome on his return. The Socialist mayor of the preponderantly Socialist town of Attnang-Puchheim received him with

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648 the same warmth as places where his own party was in a majority. At the West Station in Vienna thousands of people awaited his arrival, and he was greeted first by Vice-Chancellor Schärf, who handed him a cordial personal note of thanks from President Körner. The Austrian people thus showed their appreciation both of the Chancellor's achievement and of the recognition accorded their country by the Western Powers. This recognition has given them greater courage and self-confidence in the endurance test to which they have been so long subjected and which has not yet come to an end.

Austria, having been compelled to take sides, has left no doubt where her sympathies lie. Yet the decision to turn West was reluctantly made. Most thinking Austrians, taking a long view and seeing their country's future against the broad background of its past history, still believe that Austria's true destiny is to maintain links both with the East and with the West. The political and economic considerations that have been decisive in the past are still valid to-day. Western countries would be reluctant to give up hope that one day the Soviet régime will be modified and Eastern Europe freed. With Austrians this hope includes the opportunity of renewing neighbourly intercourse. Their capacity to forget and forgive has been illustrated recently by their attitude towards Yugoslavia. In spite of Yugoslavia's provocative post-War claims against Austria, excellent relations between the two countries have been re-established following Tito's breach with Russia. The Yugoslav Permanent Under-Secretary of State for Foreign Affairs was able to say, in the autumn of 1951, that no Yugoslav minorities in foreign countries were so well treated as the Slovenes in Carinthia.

Austrians are thus hoping for the day when they can resume their traditional role. In 1951 Dr. Gleissner expressed his countrymen's views when he spoke in the following words: 'It is the will of her people that Austria should issue not challenges but invitations, should be a meeting point not a dividing line, nobody's bastion but everybody's bridge.'

During his visit to the United States, Dr. Figl stated publicly

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that he would willingly travel to Moscow, too, if he received an invitation. He was asked in Austria later if he did not consider that a visit to Moscow would alienate American opinion. He replied without hesitation that an invitation to Moscow would have to come from Stalin himself, that such an invitation would imply a new Soviet attitude towards Austria, and would be followed by a State Treaty. In these circumstances he felt sure that the Americans would appreciate the reasons for the visit. To a remarkable extent Dr. Figl himself had managed to combine dogged insistence on his country's rights with good personal relations with the Russians. In this mixture of obstinacy and patience he was the heir of the Habsburgs. He was also the true representative of the Austrian people.

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XV

Austria and International Co-operation

186 DURING the post-War struggle of the Austrian people there has been a steady growth in their patriotic sentiment and in Austria's consciousness of its identity as a State. The process began between the Wars, and was accentuated by the conflict with National Socialism that preceded the *Anschluss*. It continued during the German occupation, when the concentration camps and the Resistance Movement acted as breeding-grounds for Austrian patriotism. When the War and occupation ended, the exacting tasks that confronted Austrians gave a positive and constructive character to a development that had previously been more of a protest against something objectionable than a live faith in an accepted ideal. No Austrian Foreign Minister in the First Republic would have been likely to say what Dr. Gruber did in 1948, when he summed up the main purpose of Austria's external policy as 'the preservation of our way of life'.

433 To this developing State consciousness the fight for economic recovery made a great contribution. The low level to which the country's industrial production and food supplies had sunk in 1945 spurred on the Austrian people to a common effort to master the situation. The Marshall offer was a challenge as well as a great act of generosity. Just as the two main parties had agreed on the nationalization of certain industries in 1946, so later they worked together in conjunction with the Americans to use to the best advantage the unique opportunity for capital development presented by the European Recovery Programme. Ranshofen, VÖEST, the nitrogen works at Linz, and above all the great hydro-electric power projects were symbols of hope for the future. For the first time since the Republic was founded Austrians could make their economic plans in full confidence that they would be living in a viable

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State, when once their independence had been restored. If Austria's hopes of solvency were well-founded in 1937, the development of her oil-fields and hydro-electric power since then have placed their realization beyond all doubt, provided she is free to manage her own affairs. 433

Like the Nazi aggression before 1938 and the German occupation that followed, Russia's economic and political obstruction since the War has stimulated Austrian patriotism. Austria's courage and patience under great provocation, her Government's correct attitude towards the Soviet authorities, combined with insistence on its rights, have won general admiration. So her greatest disappointment since the War has, from the long-term point of view, been turned to her advantage, and has played its part in the harsh process by which the Republic has been welded into a unit. 186

Above all, the Coalition Government's record has had a decisive influence. Its problems have been exacting, in some cases insoluble, and it has been a difficult team to manage. Yet on the whole, in face of great difficulties, it can claim to have been one of the most stable and successful governments in post-War Europe. The contrast between political life in the First and Second Austrian Republics could scarcely be more marked. In the one case there was bitter rivalry, mutual intolerance, and frequent changes of government; in the other case co-operation, continuity, and a readiness to compromise for the common good. In eight years Austria has made great progress towards democratic maturity, and the lessons of the inter-War years have been well learned. 642

But their newly developed patriotism and self-confidence have left Austrians under no illusions. They are aware of their limitations, and they realize that political nationalism is out of date. The American journalist who described Dr. Figl as the successor of Don John of Austria, the last knight of Europe, who turned back the Turks in 1571, was read with a smile in Vienna. Austrians think that their main contribution to the world will always be cultural rather than political and will be based on the spirit, the intellect, and the preservation of 648

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648 valuable and unique traditions. Diplomatic entanglements and power politics are inappropriate for a country of 7 million inhabitants in a highly vulnerable position. The political aim of Austrian statesmen is to justify Austria's independent existence by maintaining a healthy economy and social order and by setting an example of good world-citizenship.

Austrians believe that their country's best hope for the future will be as part of some effective international order. Their political leaders have stressed this point repeatedly since the Second World War, just as they have been the consistent champions of Austria's mediatory and conciliatory role.

643 648 No one has had a greater influence on the development of the Second Republic than Dr. Karl Renner, who was a convinced internationalist of long standing. Before 1914 he had advocated a federation of self-governing nations under the Habsburgs, and considered that the dissolution of the Empire would mean the triumph of reactionary nationalism. The future belonged, in his view, not to the nation State but to the supra-national State comprised of antonomous units. In accordance with his general outlook he described Austria on his return from St. Germain to Vienna in 1919 as 'an autonomous province of the League of Nations' which relied on the League as the guarantor of its independence. In a speech during the opening session of the National Assembly, on the 19th of December 1945, and again on his eightieth birthday, Dr. Renner expressed his faith in the idea of the United Nations. In 1948, he wrote: 'The forces which make history move towards a world economy and a world State, and in this direction Austria is glad to go.'

Dr. Renner had considerable influence on the politicians with whom he worked during the last years of his life. His sentiments towards the Habsburg Empire were echoed by the Socialist, Dr. Koref, who said in Parliament in 1952: 'The Austrian people are predestined to take part in international understanding because they have within them the heritage of a small version of the United Nations.' Dr. Figl repeatedly declared his belief in an international order.

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But the Austrian attitude on the subject cannot be attributed to the influence and example of any individual. It lay in the logic of Austria's position as a small and defenceless State that her people should pin their hopes on the support and guarantees provided by a world organization such as the United Nations. As far back as 1922 Monsignor Seipel had accepted the help and financial supervision of the League of Nations. In April 1946 the Austrian Government was invited to send representatives to the last meeting of the League as observers, and the President of the Assembly spoke of Austria as 'one of the most solid pillars of our organization' and referred to the specially active part she had taken in all the League's work. 648

Austria's belief in international co-operation has been revealed in a number of ways: through her support of specific projects with limited aims, her interest in European unity, and her enthusiasm for the United Nations and the work of the Specialized Agencies.

The full utilization of Austria's hydro-electric resources would only be possible on an international basis, as their potentialities greatly exceed her maximum needs, and there would be no point in her investing in projects beyond her own requirements, without international arrangements guaranteeing consumption. In December 1952 a meeting took place at Innsbruck between representatives of Austria, Germany, France, and Italy. It led to the establishment of an International Power Survey Company for co-ordinating hydro-electric developments in Austria with those of the three other countries. 648 185

Another project in which Austria has shown great interest is the plan for a Rhine-Main-Danube Canal, which would link the North Sea with the Black Sea. It involves improving the navigability of the Main and the construction of a canal from Bamberg on the Main to Regensburg on the Danube. The economic and political implications of the plan are considerable, and its immediate advantages for Austria obvious. At present her overseas exports are shipped from Trieste or the 648 185 312

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648 185 312 German North Sea ports, and in either case the railway freight charges add substantially to the cost of transport. The opening up of a water-way to the sea would be of the greatest value.

648 Austria's participation in such plans as these is due mainly to her needs and natural endowments as a land-locked Alpine country. To a large extent her interest in all international movements is the result of her size and situation. Yet Austria's internationalism cannot be attributed solely to material factors. The warmth and spontaneity of her people's response reflect their temperament, their humanity, and their political and religious convictions.

The Austrian attitude towards European unity has never been in doubt. In October 1945, before the European movement had been fully launched by Churchill's great speeches at Brussels, The Hague, and Zürich, Leopold Figl, who was not yet Chancellor, wrote of Austria as a 'germ-cell' in the reconstruction of the European community of peoples. In one of his first speeches to the National Assembly the following December he spoke of the vital importance of instilling into the rising generation of Austrians an 'all-European democratic way of thought'. Austria was subsequently represented at the Congress of Europe at the Hague in 1948 and at meetings of the European Parliamentary Union. Members of the Austrian Parliament have also attended meetings of the Consultative Assembly of the Council of Europe as observers since the autumn of 1951, and have taken part in its committee work. The only reason Austria has not become an official member of the Council is that her Government felt it inadvisable to take such a step, so long as the occupation continued.

One indication of the importance attached by Austria to friendly relations with other countries has been the many goodwill visits abroad undertaken by leading statesmen since the end of the War. Dr. Gruber himself has been a tireless traveller. There has also been a rapid development in the Austrian foreign service since the Allied Council permitted the exchange of diplomatic representatives early in 1946. Within a few years the size of the service as a whole and the number of

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embassies and legations established in foreign countries exceeded the pre-War level. 648

In the summer of 1947 Austria made formal application for membership of the United Nations, but its request was vetoed by Russia in the Security Council. The General Assembly decided by a large majority that Austria was qualified for membership, and the matter came up again before the Security Council. But this and later attempts to reverse the previous decision were all frustrated owing to Russian opposition. Recently the Austrian Government has declared itself in favour of the Russian proposal for the *en bloc* acceptance into the United Nations of non-member States sponsored by Russia and the West.

In spite of their disappointment, the Austrian Government and people have given their full support and co-operation to the United Nations as a non-member State. Russia was not in a position to prevent Austria joining the Specialized Agencies, and by 1952 she had become a member of all the Agencies except one. She has taken part in the Technical Aid programme to backward and undeveloped countries and has sent medical supplies to Korea. In the summer of 1952 the Austrian Parliament approved unanimously a declaration that Austria was prepared to fulfil conscientiously all its obligations under the Charter of the United Nations from the day on which it became a member of that organization. The appeal to the United Nations, later in the year, regarding the delay in obtaining a State Treaty, was in itself an expression of faith.

While they were in New York, Dr. Figl and Dr. Schärf both visited the United Nations headquarters. In July 1952 Mr. Trygve Lie himself went to Vienna. It was the first official visit of the Secretary General of the United Nations to a non-member country. In an address to a joint session of the Austrian Parliament Mr. Lie emphasized this fact, and expressed his thanks to the entire Austrian nation for having always acted politically both at home and abroad, as if they were already a member of the United Nations. The suggestion put forward in January 1953 by Mr. Walter Lippmann that Vienna might

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648 make a better headquarters for the United Nations than New York was received in Austria with gratification.

There is probably no country in the world where greater efforts are made than in Austria to impress the United Nations idea on the whole people through the schools, the universities, and well-thought-out publicity. The Austrian League for the United Nations is a highly organized and active body, supported by the country's political and intellectual leaders. Every year the League arranges a United Nations Week, in which prominent statesmen take part. The Minister of Education has ordered that the anniversary of the Declaration of Human Rights should be celebrated in schools throughout the country.

Austria's belief in internationalism has superseded the desire for a voluntary *Anschluss* with Germany that prevailed after the First World War. In a New Year's Message soon after he became President, Dr. Renner said, after referring to experiences with the Italians and the Germans between the Wars: 'From these experiences the Austrian people in 1945 finally drew the only possible conclusion: self-reliance and independence; no *Anschluss* at all, neither with the East nor the South, neither with the West nor the North; one thing only is desirable, entrance into the community of the United Nations.' This change did not mean that Austrians lost pride in their German cultural heritage, but it did mean that they became increasingly conscious that the German culture of which they were proud could be traced back to an age when the Austrians, not the Prussians, set the tone and determined the character of the German contribution to European civilization. During the past few years Austria's relations with Western Germany have steadily improved. Western Germany has become her most important trading partner. In January 1953 Dr. Gruber accepted an invitation from Dr. Adenauer to visit Bonn the following March. But it is clear that Austrian statesmen envisage a friendly relationship with Western Germany based on common membership of a European political community. Mr. Walter Donnelly, the United States

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High Commissioner in Austria, made a constructive contribution in 1952, when he suggested that relations between Germany and Austria should be comparable to those between the United States and Canada. 648

Western Germany is already much farther along the road to freedom than Austria. If Austrian independence is held up for too long, there is a danger that the Austrian people, through sheer desperation, will again be attracted by the strength and success of a great kindred people. Dr. Figl pointed out this danger to Western statesmen during his visit to the United States, Britain, and France in 1952, and in this connexion obtained their assurances that the Austrian question would not be forgotten. Soviet leaders, who threw away the good will and admiration of the West so quickly and needlessly after the War, would do well to consider the long-term consequences of their obstructive policy towards Austria.

If Austria is inclined to stake her future on the success of mankind's efforts to establish a world order, the question arises as to what contribution this small State can itself make to such an order. 000

There is a growing and dangerous tendency at the present time to over-simplify the international issues with which the world is faced. Complex human problems, whether large or small, urgent or less urgent, are judged largely by the extent to which they are considered relevant to the main conflict between Communist Russia and the free West. This tendency results from a state of mind which is the counterpart in international thought of totalitarianism in political thought. Just as the demands and disappointments of the democratic system have driven men to accept the panaceas offered by Marx and Hitler, so have the intricacy and gloom of world politics led well-meaning and civilized people into the crude and perilous error of over-simplifying international problems.

Yet a world order can only be established on a democratic basis; that is to say, under a complicated system in which every individual counts and every individual is expected to make a contribution. Under the American constitution the

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000 State of New York, with nearly 15 million inhabitants, and the State of Nevada, with less than 200,000, each send two senators to Congress. In any successful world order contributions from the smallest States will be needed and respected.

The First Austrian Republic was somewhat reluctant to be alive. But the Austria that has emerged from the ordeal of two occupations and prolonged suffering and danger is confident in her destiny. The people of Austria and her many friends throughout the world believe that she has a significant, if minor, role to play.

As her record since the War has shown, one of Austria's contributions to mankind is in the art of living. Austrians appreciate the best, but can be happy on a minimum. Their courtesy and friendliness rarely fail them. They have learned from experience that suffering gives an edge to enjoyment, and so they can be cheerful against a background of disaster. The mixture of gaiety and melancholy in the music of Mozart and Schubert is an essentially Austrian combination.

Mozart, the greatest creative genius that Austria has produced, is typical, in his broad humanity, of his countrymen at their best. As well as elegant beauty, humour, and sentiment, his work has a depth and seriousness of intention that are all the more significant for not being over-emphasized. In 'The Magic Flute' he could create at the same time the lovable but earthy Papageno and the ideal figure of Sarastro with his dignity and his message of forgiveness.

A breadth of approach to international problems has never been more needed than now. Lack of humour and a sense of proportion in one case can do as much harm as irresponsibility or fanaticism in another. The Austrian people and their leaders, in the most exposed situation in the world, have shown firmness, cheerfulness, and restraint, combined with a continuous faith in conciliation. In so doing, they have set a valuable example. They have shown that a small State can make a contribution to world order out of all proportion to its political power.

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THE ECONOMIC RECONSTRUCTION OF AUSTRIA

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1945-1952

A Report on Postwar Developments by

FRANZ HEISSENBERGER
Foreign Consultant to the Library of Congress

LIBRARY OF CONGRESS
Reference Department
European Affairs Division
Washington: 1953

P. i

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114 Dr. Franz Heissenberger was born in 1899. He attended the Academy for Commercial Studies and later the University of Vienna where he received his doctoral degree in law in 1926, and in political science in 1929. He joined the staff of the Anglo-Austrian Bank Ltd. in Vienna advancing to the position of department chief. After the war, in 1946, he joined the Austrian civil service as chief of the Economic and Financial Department of the Austrian Ministry of Planning and later on of the Austrian Ministry of Nationalized Enterprises. In this capacity he also served as editor of the ERP Quarterly Reports, submitted by the Austrian Government to the ECA Mission in Austria. Dr. Heissenberger later left the government service and resumed his activities as economist as member of the staff of the Creditanstalt-Bankverein in Vienna.

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FOREWORD

114
122 This is the second study to be published in the Austrian program of Foreign Consultants to the Library of Congress, made possible through the generosity of the Creditanstalt-Bankverein, Vienna.

It is the main duty of a Foreign Consultant to make a survey of the intellectual life in his country and in his field of responsibility and to include factual and bibliographical information which will encourage and facilitate research as well as direct contact between scholars, institutes and libraries. Dr. Franz Heissenberger offers in this study a short survey of Austrian thinking, teaching and research in the field of economics and its scholarly roots in past decades, and then concentrates on a detailed analytical description of the economic recovery of Austria, as a record of the events during the years 1945-1952. The strength of this survey lies in the abundance of material and information presented, compiled by an individual who was not dependent on published sources only but could draw on the knowledge and experience he acquired through his official and professional participation in this phase of Austria's economic life. The weakness of this study lies in the fact that it was translated in the field without the extensive professional editing and reorganization required for an English-speaking audience and this Division could only undertake minor adjustments and clarifications of the text without interfering basically with the author's intentions.

This study, besides being a concentrated source of information for additional research, represents an interesting documentation of Austria's positive efforts toward economic recovery and the decisive role the United States has played in it.

Harry J. Krould, Chief
European Affairs Division

March 1953

INTRODUCTION

121 In my capacity as Foreign Consultant to the Library of Congress, I attempted to provide in this study a report on Austria's postwar economic problems accompanied by a short survey of the Austrian economic theory and related literature.

The survey deals with the reconstruction of Austria in the period from 1945 until 1952, and the major economic elements and features sponsoring the reconsolidation of the country are considered. 647 The ideological reflections elaborated therein are the result of those basic decisions which had been shaped within the scope of the Ministerial Committee for Economic Questions, which is a sub-committee of the Federal Austrian Government. The Ministerial Committee for Economic Questions is a joint bipartisan committee consisting of representatives of the Austrian People's Party and of the Socialist Party of Austria and functions in accordance with the constitutional rules of the Austrian Federal Government. Consequently, resolutions made by it require in each case unanimous vote of its members. Built up on this fundamental basis are the big investment programs of the Austrian Federal Government, which have been carried through during the last years, particularly after the ERP Program started. These programs are set up by the ERP Central Office of the Federal Chancellory in permanent consultation with the competent Ministerial Departments and the interested parties of industry, trade and commerce before a definite decision is taken by the Ministerial Committee for Economic Questions, whence they are reforwarded to the respective sections of the ECA Service.

465 As regards the five agreements about wages and prices reached in the years from August 1947, 952 they were negotiated and passed as a result of common deliberations between the various interested economic associations (Federal Chamber of Industrial Activities, the Chamber of Agriculture, Labor and Trade Union), whereby, in this sector which is so important to the whole economy of the country, a middle line was maintained and the political interests coordinated as far as possible. In this connection it might be considered that all political parties agree in the view that the real wages and salaries of the workers and employees should be maintained, thus

435 preventing a disastrous decline in the buying power
465 of the broad classes of the population. The unavoid-
652 able adjustment of certain distortions in prices as well as the entire stabilization of wages and prices was undertaken on the basis of the economic, budgetary and credit policy. This applied also to the coordination of prices of specified agrarian products which, in the general development, have to a large extent re-
457 mained below an adequate level. These adjustments were
652 intended chiefly to insure an utmost favorable development of savings deposits and the initiated investment program without intensifying inflation. The promotion of capital accumulation, thereby encouraging the influx of new savings capital to the banks and institutions, and the systematic consolidation of capital reserves of the insurance companies and of the social insurance institutions will, particularly in Austria, gain special importance in the coming years. As a consequence of the elimination of the counterpart funds and of the relative slow reflux of the means invested, resulting in limited possibilities of rediscount with the National Bank, the necessarily long-postponed replacement of the long-term and expensive bank credit to the capital investment market has been initiated. Expressed in other words this means that the reconstruction of the capital basis of economy, by opening the cheaper sources of financing offered by the capital market, should facilitate new short and middle-term credits and consolidate long-term credits which had previously been granted (especially investment and reconstruction credits). It should also contribute to an improved competition of Austrian products on the world markets through an adequate reduction of one of the chief factors of the basic cost price, i.e., credit procurement.

185 All measures of an economic-political nature
652 which are taken, however, are not applied in a purely dogmatic way. They are effected within the ideology of the two big political parties of Austria and thus of the Federal Government which is sustained by the coalition in power. It might be explained that the economic political measures described in the following survey are approved in principle by both of the leading political parties, though it may be that they differ somewhat as to the means and methods of reaching determined aims of political economy.

185 The problem of increasing economic productive-
433 ness receives particular attention from the Austrian Federal Government and the Austrian Productivity Center. Labor and management are equally represented in this

Center in order to safeguard and coordinate professional interests. The steady increase of economic productiveness is intended to be reached by fostering rationalization of managerial dealing and plants as well as by cutting down the cost of production. This too would promote Austrian export trade with an eye to reaching full compensation of export and import figures and thus ultimately to achieve an active balance of payments. In the matter of this problem it should, however, expressly be emphasized that such balance of payments--inasmuch as it has been achieved by new equipment and modernizing of Austrian industry initiated during the last years--can be reached only by and by. It was at a rather recent time that investments could be made in Austria (1950). Consequently, an efficient and satisfactory result from such investments, especially from the big investments, may not be expected before 1954 or 1955. Austria should be allowed, therefore, a reasonable interval of recuperation to overcome the handicap of its very precarious situation. Nor should it be overlooked that Austria, as a country which is strongly dependent on a wide range of imports, is extremely sensitive to all fluctuations and developments on the world markets. Each change on those markets of necessity and automatically has repercussions on the price level in the Austrian domestic markets.

It is certainly a matter of the highest importance for the further development of Austria that the chief foreign markets should be opened for the sale of Austrian products, and especially those which are the result of intensive development. The Marshall Plan having become obsolete, it will be possible in this way only to realize the adjustment of the balance of payments. A balance of payments would, without strongly hurting the social structure of the country, open the way towards the gradual abolition of trade barriers and restrictions, to the alleviation of foreign exchange impediments, and, thus, to a progressive integration of Austrian economy into that of the Continent and beyond that to the world at large. The extension of the foreign trade volume and the increase of the invisible export, chiefly the foreign tourist and transit traffic, are a means of realizing foreign exchange reserves required for financing Austrian imports and the maintenance of an adequate satisfactory volume of employment. The persevering energy and intrepidity of both of the responsible big parties of Austria have been leading the way towards the political and economic consolidation

433 of this country. If it may be asserted that Austria, at the present date, has already exceeded the prewar standard of industrial production (especially as regards the industries creating investment goods) and is approaching the index of the years preceding 1938 in the industry of consumer goods, a careful and unbiased examination of the situation of Austria should also give due consideration to the extremely poor condition of the country at the time when the ERP started its work. In contrast, the Western European countries, at that time, were fortunate enough to enjoy already a much greater degree of favorable economic conditions on which to base their reconstruction. This and the related general changes are factors arising particularly from the traditional markets of Austria, the Southern European countries, which continuously handicapped the economic consolidation of Austria to a very large extent.

As this report surveys the disciplined efforts of the Austrian people to work under great hardships and handicaps the reconstruction of their country, it has also the record the liberal assistance received under the famous ERP, which made it possible to reach the level of economy of today. In doing this, the study becomes the expression of gratitude on the part of the government and the people of Austria.

Winter 1951-1952,
supplemented mid-1952.

Franz Heissenberger

THE ECONOMIC RECONSTRUCTION OF AUSTRIA 1945-1952

I. ECONOMIC SCIENCE IN AUSTRIA: TEACHING, RESEARCH AND WRITING

At the end of the Second World War, in April 1945, when Austria, in accordance with the Moscow Declaration of October 1943, had been admitted as a political entity into the circle of European nations, hunger, need and economic breakdown stood by as sponsors at the cradle of her newly erected statehood. The three political parties made a solemn declaration of independence through their faction leaders on April 27, 1945, concerning constitutional fundamentals and judicial and administrative arrangements necessary for the development of an articulate democratic life. At the outset they faced the difficult task of creating modest living conditions for the Austrian population. In view of the destruction of material potentialities, the undernourishment of the population, the absence of hundreds of thousands of experienced hands (still prisoners of war), the disorganization of the communication system, the dislocation of large parts of the population, the regrouping in the vocational structure, the lack of raw materials, fuel and electrical energy, and the disorganization of the monetary system and the urgency for reorientation of the entire economic scheme along the lines of changed European and worldwide economic aspects, a more active tempo of intellectual life could be achieved only slowly after overcoming the direst of needs (1947-1948). Then, however, fostered by the old, venerated seats of learning and the reestablished economic organizations and institutions, a faster pace of acceleration set in which, in continuance of the best national economic tradition, soon reestablished the synthesis between theory and practice.

Pure science knows no prejudice, it favors no particular political trend; it simply serves human progress. On the other hand, it is clear that in the endeavor to assert moral truth, science, in an ever critical and authoritative manner, has to separate truth from untruth, the genuine from the spurious, if it desires to accomplish its high task. Therefore, even a small country has to accept an

000 intellectual responsibility for it is ultimately the mental conceptions which determine the social, political and economic profile and, beyond that, the life of the peoples.

815 Austria's school of national economics, with which Menger, Böhm-Bawerk, Philippovich, von Wieser, and many others were connected during the second half of the last century and the first quarter of the present century, has produced in the succeeding generations distinguished personalities whose intellectual accomplishments have become authoritative in the present interval of new social and economic formulations. Although postwar Austria cannot compete with the scope of foreign scientific publications, her cognizance of economic science, based upon tradition and experience, provides her with mental equipment necessary to solve her distinctly difficult social and economic problems. (This is exclusive of the work of Austrians living abroad, particularly in the United States and England.)

000 Sketching the economic ideas, which have become the educational fundaments of the present generation, will be attempted in the following chapter.

A. <u>The Scientific Contribution of Austrian Scholars to Present Day Economic Thinking.</u>

815 Austria has twice exerted basic influence on economic science. The first time through the school of the older and younger Cameralists ("Kameralisten") of the 17th and 18th century and the second time, in a far more extensive manner, through the so-called Austrian School of National Economy.

In this study, devoted to describing the economic status of postwar Austria (beginning with 1945) it will be impossible to cover exhaustively the fundamentals of the older Austrian school with which so many illustrious names in the field of political economics are connected. However, they will be mentioned in broad outline since their works, their pioneering ideas and especially their doctrines, modified by modern thought, have creatively influenced the younger generation.

The treatment of social problems, which 815
characterized economic teachings during the second half of the 19th century, probably fostered the development of social politics and sociology but neglected (for the time being) consideration of elementary economic relationships and, therewith, economic theories. The latter in its "classical form" was rejected, inasmuch as historical relativism, lacking an understanding of general legalities, quashed any attempt to establish special rules from universally conceded principles and acknowledged perceptions, acquired in such a manner, as only a systematization of economic ideas pertaining to the time involved. As a result there occurred a discrepancy between economic science and applied economics. 816

Carl Menger, who instituted a new era of national economic research (Grundsätze der Volkwirtschaftslehre, 1871), established the connection between theory and applied economics on the strength of their relationships and reciprocal effects. His ideas became authoritative with regard to modern "market economy," the re-institution of which is also the aim of the ERP program.

Menger is one of the first who penetrated through the surface tendencies of markets, barter values, prices, profits, revenues, wages, etc., getting down to the core of economics. In his opinion the latter is not directed by independent regulations, free of human influence, but is shaped by actions of individuals. The economically active human being becomes the center of observation; his needs represent the starting point and their satiation the end point between which economic thoughts and actions occur. Between these two terminals, therefore, actions take place, and from their multiplicity generally accepted economic principles are derived.

Menger approached his research from a thoroughly empirical basis, characteristic of the realism of modern theory, in deliberate contradiction to philosophical or metaphysical speculations or to politically oriented constructions. Through an ingenious analysis of the processes of price origins, he concluded that, basically, the price structure rests upon the evaluation which consumers attribute to a certain commodity. This evaluation (subjective) begins with the estimate of the value of the

815 necessity, that value which people attribute to it to satisfy their need within a certain limited period of time. The values themselves, however, are linked to the degree of satiation that can be obtained (satiation law).

Of importance for the demand for a certain commodity, as Menger concludes further, is the subjective value which purchasers attach to it marketwise. This individual evaluation established prices, the latter regulates the extent of the production volume, which in turn determines the intensity of the producer's demand for personal and material production means. These, again, determine the prices of the output and the materials, and the levels of wages, of rents (real estate) and of capital utilization (interest) from which is derived the income of the owners of productive means. This constitutes a chain of causes and events encompassing the entire economic process. The law of calculating a value can be derived only on the basis of this interpretation, i.e., economy receives its impulses from the satiation of human needs since it is the utility as well as the welfare-purpose connected with it which determines the price. The theory of utility ("Nutzwerttheorie") confronts the theories of value of costs and value of labor ("Kostenwerttheorie," "Arbeitswerttheorie") of classic thought. From this theory of marginal utility (v. Wieser) that the value of higher ranking commodities (various stages of production means) results from the anticipated value of lower ranking commodities (consumer goods), Eugen von Böhm-Bawerk, Friedrich von Wieser and Hans Mayer later derived the "attribution theory" (distribution problem) peculiar to the Austrian school.

These economists supplemented and further developed the ideas of Menger. The researches of Böhm-Bawerk and von Wieser embrace the problems of values and price structure and later the problem of capital interests. Based upon the value principle of Menger, Böhm-Bawerk's work centers around the structure of values of production goods. For its participation in the production process of consumer goods, certain values of the latter are added in. With Böhm-Bawerk's standard work, Positive Theorie des Capitals (1896), which, like Menger's "Grundsätze," represents the earliest critical reply to the theory of capital of Karl Marx, and with his extensive social-political treatise ("Power or Economic Law," 1914), the zenith of the Austrian School was reached. Wieser occupied

himself once more with the relation existing between value and cost and developed the conception of so-called "marginal utility," which became one of the most important and decisive elements of modern economic theory. He proved the unity of economics via the value principle and the interconnection of economic processes; he introduced new ideas about the theory of money and in 1926 published his great work Das Gesetz der Macht (The Law of Power) wherein he grapples with socio-political problems. 815

Thinking in more systematic terms and with a more national economic conception, was the late Eugen von Philippovich (deceased 1917). In his Grundriss der politischen Oekonomie he examined the nature, organization and development of economy and derived a comprehensive systematization of elementary economic facts (necessity, demand, commodities, services, value, prices, money, and credit). He thus places human economic endeavors within the scope of a certain social order, whereby performance and equivalents were agreed upon in relation to terms of purchase, barter, rent, lease, etc. It is his opinion that the provisioning of human beings with commodities is accomplished by means of exchange, which in turn brings order into the economic relations of people. This order reflects partially the free decisions of the individuals involved, but is also influenced by social forces, especially the nation and the law. National economy is therefore the economic endeavor of members of a nationally disposed people, linked together by exchange-relations, by regulations of private and public law and by membership in social communities with an independent economical leadership such as government and municipality. His point of view approaches the so-called organic tendencies.

The enumeration of the works of Böhm-Bawerk, von Wieser and Philippovich is not a complete one and, therefore, represents only those of their publications which became important in the development of international science. (The same applies to the enumeration of the publications of other authors, especially those published after 1945.) Between these three and the younger generation of national economists stand Hans Mayer, who succeeded von Wieser as professor at the University of Vienna, and Ludwig von Mises. Mayer worked first to solve the questions left open by Böhm-Bawerk and von Wieser (division of national income, value and price constructions of production means, 1930), concentrated on the construction and the conclusion of

815 economic production processes, developing thereby the causal coherence of all economic occurrences. Pamphlets followed on the theory of prices and methods (Preistheorie und Methodenlehre. 1932), a review of marginal utility levels (Gesetz vom Grenznutzenniveau), and one about the functional theory of Jevons, Walras, Pareto, and Cassel. Additional studies of Mayer cover the theory of market prospects and the shifting of taxes. Together with R. Reisch and the American F. A. Fetter, he published, in addition to the periodical Zeitschrift für Nationalökonomie, the compilation on economic science on an international scale, Die Wirtschaftstheorie der Gegenwart (1927-1932). There were contributions by the following Austrians: A. Ammon, C. Grünberg, E. Lederer, Hans Mayer, L. von Mises, R. Reisch, R. Schüller, J. Schumpeter, and R. v. Strigl.

Mises, following Wicksell, occupied himself originally with the theory of money and banking and later became the initiator of the theories of market prospects of the younger marginal utility theorists. He was, like his pupil J. A. v. Hayek, a leading representative of the monetary market prospect and crisis theory. Mises paid particular attention to questions relating to the most appropriate development of economy, critical examinations of the operational possibilities of "free" or "limited" economic organization, which were also debated during the procedures for the Austrian nationalization legislation of 1946 and 1947. The endeavors of von Mises became finally the basis upon which the "neo-liberals" like von Hayek, W. Röpkes, etc., issued their newer and latest publications. (His works include: Theorie des Geldes und der Umlaufmittel, 1912. Die Gemeinwirtschaft, Untersuchung über den Sozialismus, Liberalismus, Kritik des Interventionismus, Nationalökonomie, 1940. Burocracy, 1945. Planned Chaos, 1947, etc.)

The succeeding (present) generation of Austrian national economists concerns itself mainly with problems of market prospects, especially since 1937.

In this connection questions pertaining to the theory of money (Hayek, Kerschagl), the theory of income (Mahr) and the theory of wages (Striegl) in addition to the theories of foreign trade (G. v. Haberler, J. Machlup) and the doctrine of systematization (Hayek, under the influence of von Mises) are still scrutinized. Mises, Haberler, A. Lauterbach (The Road to Serfdom. 1946; Economic Security and Individual Freedom. 1949, a reply to the studies of

Hayek and Machlup as well as a discussion of the work of O. Morgenstern and the mathematician J. v. Neumann, The Theory of Games and Economic Behavior, 1944) and P. N. Rosenstein-Rodan (marginal utility theorist) are lecturing presently at leading universities in the United States, as is the finance scientist, Schumpeter. Hayek is connected with the School of Economics, London, while A. Ammon (Volkswirtschaftliche Grundbegriffe und Grundprobleme, 1938) lectures at Bern, Switzerland. 815

Some of the more prominent theorists working in Austria are: H. Bayer (Sozialisierung und Planwirtschaft, 1947) presently at the University of Innsbruck; L. Illy (Das Gesetz des Grenznutzens, Untersuchungen über die Wirtschaftsrechnung des Konsumenten, 1949); R. Kamitz (critical reviews and pamphlets about currency policy and author of the voluminous treatise on the Austrian money and currency problem, 'Die österreichische Geld- und Währungspolitik von 1848-1949,' published in the compilation 100 Jahre österreichischer Wirtschaftsentwicklung 1848-1948 by Hans Mayer, university professor, Vienna); R. Kerschagl (Handelspolitik, 1949) (Das Geld von Heute, 1949); A. Mahr (Volkswirtschaftslehre, 1948, one of the most up-to-date manuals on national economy to come from the Austrian School); and O. Weinberger (Grundriss der Volkswirtschaftslehre, 1949). The present lecturer of political economy at the University of Vienna, Professor F. Degenfeld-Schonburg likewise does not reject the principles of utility value.

Besides the theorists of the utility doctrine there were and are other scientists at work. The so-called "organic branch" is represented by O. Spann's Die Ganzheitslehre and by F. v. Gottl-Ottilienfels Die Gebildlehre. Spann confirmed originally the utility theory of the Austrian School, replacing it later by the "Leistungstheorie" (performance theory), i.e., directing operational economic means towards fixed economic goals, just as he generally considered economy to be a part of the social and organic unit. [Universalism. Basic thought: "Wirtschaft ist Gesellschaft" (economy is society) and "Gesellschaft ist nicht Summation einzelner Individuen sondern lebendiger Widerhall der Geister" (Society is not a summation of separate individuals but a living echo of intellects).] Gottl perceives a scale of the economic theory: "Grundlehre" (Basic principles), "Formlehre" (principles of

815 structure) and "Gestaltungslehre" (principles of development), whereby occurrences within the society are reflected in the particular social establishments as, for example, in the relation of necessity and satiation in an economy. In addition, representatives of the "organic principles" are E. H. Vogel (Theorie des Bedarfdeckungsprozesses und der Einkommensbildung, 1945), who, in his works on financial science, does acknowledge the influence of the Austrian School; W. Heinrich (Wirtschaftspolitik, 1948), a pupil of O. Spann who follows the trend towards social universalism and H. Tautscher (Bankenverstaatlichung; Zur Frage des gestuften Zinses, 1946; Staatswirtschaftslehre des Kameralismus, 1947). Tautscher, sharing partially the ideas of Vogel, nevertheless follows a more neo-mercantile trend while Th. Pütz (Theorie der allgemeinen Wirtschaftspolitik und Wirtschaftslenkung, 1949) follows Gottl.

National economists of a more conservative viewpoint, whose interests center more around questions of economic and social policy, are F. Degenfeld-Schonberg, F. A. Westphalen and E. Lagler. The sociologist A. M. Knoll is a close associate.

Theorists of the socialistic conception, who, besides historical researches, promulgate questions of planned economy, prospects and crises, socialization and union problems, include: C. Grünberg, Emil Lederer, J. Marschak (agrarian problems).

816 647 Next to the pure theorists are to be mentioned practical economists, with accumulated knowledge and experience, who, in responsible public positions, promulgated the Austrian course in many a crisis. Of the large number, just a few recent ones can be mentioned.

V. Kienböck was formerly minister of finance and president of the Oesterreichische Nationalbank. After the First World War, as financial expert of Federal Chancellor Ignaz Seipel, he effected the currency reform. Kienböck is at present consultant to the Oesterreichische Nationalbank. His book on currency and economy appeared in 1947 (Währung und Wirtschaft).

W. Taucher was minister of commerce and chief of the Chamber of Commerce of Graz in Styria. He is now managing the ERP Central Office within the Federal Chancellery. Taucher lectures at the University of Graz on economic policies.

Karl Renner, the late federal president, who died in 1950, occupied himself particularly with social-political questions. Despite his age and professional obligations he published during the last years Die neue Welt und der Sozialismus, 1946, Vom liberalen zum sozialen Staat, 1948, besides numerous social-political contributions. 643 816

The minister of foreign affairs, Karl Gruber, who also lectures on national economy as "Privatdozent" at the University of Vienna, published Voraussetzungen der Vollbeschäftigung, 1946, and Die Zusammenhänge zwischen Grösse, Kosten und Rentabilität industrieller Betriebe, 1948. 645 816

From this it may be seen that the Austrian national economists, whether they be theorists or practical experts, provide a strong unity of theory and practice. Teachers of universities (especially of the University of Vienna), are frequently entrusted by the government with important economic tasks which they perform within the sphere of a higher public function or upon an economic level. 815 816

Besides the colleges, also the Bundeskammer der gewerblichen Wirtschaft (a chamber organization), especially the Chamber of Commerce, Vienna, and the Austrian bureaucracy (particularly the Ministry of Commerce and the Ministry of Finance) have leading economists in their employ.

This synthesis of science and practical experience also accomplished in the postwar years the solution of various problems, no matter whether they concerned questions of currency, banking and credit, production and investment policies, and, in connection with the Marshall Plan, the drawing up of economic programs, foreign trade, foreign exchange and payment balances. From the above it may be seen that the younger generation of Austrian economists in ministerial service has been able to master the problems arising with the initiation of the Marshall Plan on the strength of its thorough theoretical schooling.

B. Organizations and Publications in the Field of Economics.

815 Austria boasts of a number of leading societies and institutions which foster theoretical national economics and current economic policies. The "Nationalökonomische Gesellschaft" (National Economic Society), Vienna, established in 1918, covers the field of theoretical national economics. The present chairman is Hans Mayer, already mentioned above. The "Gesellschaft österreichischer Volkswirte" (Society of Austrian Economists) follows an economic-political course. It was founded by the late member of parliament, Dr. Alexander Peez, in the eighties of the last century, and is presently under the chairmanship of Dr. Ernst Mosing, former president of the Oesterreichische Boden-Credit-Anstalt. The "Oesterreichisches Institut für Wirtschaftsforschung" (Austrian Institute of Economic Research), founded under the sponsorship of the Vienna Chamber of Commerce in 1927, gained international repute under qualified leaders (since 1945 F. Nemschak and E. John). The 816 regularly published monthly bulletins Monatsberichte, con- 204 taining numerous statistical data, are not only important for the official economic policy, but also provide private practical economists with valuable material. Chairman of the board of trustees is the former minister Dr. H. C. Eduard Heinl, president of the Creditanstalt-Bankverein, vice-chairmen are the retired secretary-of-state, Karl Mantler, president of the chamber of workers and employees, and Dr. Hans Mayer, professor at the University of Vienna. Besides comprehensive treatises with regard to the development of the Austrian economy (annual reports) and general surveys of prospective trends (monthly reports), studies in various economic sectors are being undertaken and the results published. They provide a clear picture of the development of Austria. Particularly numerous were last year's publications, among which the following questions were analyzed: margins in the price and wage structure; larger seasonal unemployment following an over-dimension of construction programs; the new federal budget (1950); business failures in Austria since the end of the war; current questions about production increases; the situation in international raw material markets; the production and use of milk and milk products in Austria; the fourth price and wage agreement; the raw material markets of the fourth quarter, 1950; development of the working week in industry; the federal budget in 1951; Austria's economy at the end of 1950; Austria's bread consumption.

In addition the Institute had been entrusted with a number of tasks by public institutions or by agencies working for public interests. The Federal Chancellery, Central Office for ERP Affairs, entrusted to the Institute the preparation of reports and the expression of opinions as well as other tasks, while the Central Office itself, in accordance with Article VI, paragraph 2, and Article VII, paragraph 4, of the bilateral agreement between the United States of America and Austria of July 2, 1948, prepared the quarterly economic reports, outlining results achieved with ERP means and the economic measures undertaken. The Austrian Investment Program of 1950-1952 has been designed in collaboration with the Institute. 204 816 [648]

A close cooperation exists between the Institute and the "Oesterreichisches Produktivitätszentrum" (OPZ) (Austrian Productivity Center), Vienna. The Zentrum was created by a ministerial decision of March 6, 1950. Dr. Taucher, Chief of the Federal Chancellery, Central Office for ERP Affairs, serves as president. Dr. Nemschak acts as manager. Within the scope of this cooperation a number of problems were investigated: the scarcity of vocational employment for youth and combating it; the Austrian paper industry; the processing of Austrian foreign trade transactions; the Viennese housing requirements and its future development; opinion studies of managers, engineers, foremen, and employees relative to production increases; possibilities of increased yield from the tourist trade through elimination of seasonal trends; cooperation in the designing of rules permitting the ascertainment of production index numbers of cotton textile mills relative to a coordination of the averages with upper and lower margins. Shortly released will be: structural analysis of the Austrian textile industry; analysis of the employment possibilities and causes of unemployment in the catering trade; preparation of a memorandum about the effects of a prolonged scarcity of imported raw materials upon Austrian production and employment situation; the Austrian railroad-trucking problems; the development of productivity since the end of the war; extension of a wage and earning index in collaboration with the Bundeskammer der gewerblichen Wirtschaft; comparison of the living cost indexes of various countries; development of raw material consumption, investment activity and turnover; improvement of living costs and wage index calculations for which additional statistical investigations are necessary. The Austrian Productivity Center published monthly a pamphlet Der Schüssel (The Key), intended to foster within an extended circle of readers understanding of production step-ups and exchange of technical experiences. [647] [137]

204 Operating within the Austrian Productivity
177 Center there is a sub-section for "Technical Assis-
647 tance." This provides Austrian experts of various
433 establishments with opportunities to acquaint them-
selves with the latest developments of their business lines in the United States. The results of these study trips are evaluated in a publication Die Studienreise, in which the impressions and experiences of the technical assistance delegation are brought to the attention of a large circle of interested persons. The first publications are entitled Moderne Holzernte (Modern Lumber Crops) and Gäste aus Amerika (Guests from America). To acquaint the public at large in a comprehensive manner with the productivity problem, a popular pamphlet series Der Ausweg (The Way Out) has been published, its first number being entitled Produktivitätssteigerung--der Ausweg (Greater Productivity - the Way Out).

Particularly valuable for the exchange of ideas, formulas, etc., is the Economic Technical Information Service of the Austrian Productivity Center which developed into a liaison office between domestic and foreign information centers. Collaborating with Technical Assistance, it answers inquiries about American production processes, firms and equipment, and loans small-sized motion picture films and projection apparatus. It further provides, in cooperation with OEEC countries, trade or professional journals and books, furnishes excerpts of the latest American professional literature ("Digest and Abstracts Service") and answers inquiries about American licenses and patents. This service is supplied and supported by a documentation center.

647 A special cooperation for the furtherance of
816 statistics exists between the Oesterreichisches statis-
[204] tisches Zentralamt, Wien (Austrian Statistical Central Office, Vienna), and the Institute of Economic Research. The Statistical Central Office publishes monthly, in collaboration with the Committee of Economic Central Offices and Chambers, the official Statistische Nachrichten (Statistical News), the editor-in-chief of which is presently Hofrat-Dozent Dr. Arnold Madlé. In this connection the Oesterreichische Statistische Gesellschaft (Austrian Statistical Society) should also be mentioned. It was established March 31, 1951, for the purpose of cultivating statistics in all sections of the social and natural sciences besides furtherance of statistical teaching. Chairmen of the board of trustees are: the president of the Austrian Statistical Central Office,

former minister Dr. Georg Zimmermann, and the manager of the Statistisches Institut der Universität Wien (Statistical Institute of the University of Vienna), Professor Dr. Wilhelm Winkler. The latter is the author of a number of treatises about principles of methods and economic statistics. In this field of endeavor he is being supported by F. Klezl-Norberg, vice-president of the Statistical Central Office. These two theorists share, from a national economic point of view, the ideas of the Austrian School, whereby the first named inclines more or less towards mathematics and economics. 647 816

The Ständige interministerielle Referentenkomitee zur Bekämpfung der Arbeitslosigkeit und Sicherung der Vollbeschäftigung (Permanent Inter-ministerial Committee of Department Heads to combat Unemployment and to secure Full-time Employment) also cooperates with the Institute of Economic Research. This committee concerns itself not solely with the task of enforcing immediately adequate measures, but also directs attention towards weak points in the economy which eventually could influence the intensity of work; it further prepares long-term economic measures which should be enacted. [464] [654]

The Mitteilungen (Reports) of the Oesterreichisches Kuratorium für Wirtschaftlichkeit (Austrian Board of Trustees for Economy), a board sponsored by the Bundeskammer der gewerblichen Wirtschaft, are especially concerned with rationalization problems (Manager: Consul Schmidhuber). Science of business economics is a discipline particularly taught at the Hochschule für Welthandel, Vienna, which has quite a number of experts on its lecturing staff (W. Bouffier, F. Dörfel, K. Oberparleiter). This branch of science became, via the balance theory, more and more related to theoretical economics. In this way--and this applies to the entire field of commercial science--the selection of themes, the setting of problems and the methods of presentation show the influence of the Austrian School. The science of business economics has contributed to better and more standarized forms of accounting, improvements in bookkeeping and cost accounting. Scientific handling of advertising and market research has substantially improved plant management. 874 451 816

Austria has become intensely interested lately in methods of work psychology, which have proven successful in the United States, England and other western nations. In this connection may be mentioned the 461 466 816

461 Oesterreichisches Institut für angewandte Arbeits-
466 wissenschaft (Austrian Institute of Applied Science
816 of Work), Vienna, under Dipl. Ing. Otto Korwik. Employing principles of work-psychology, this institute has undertaken research work within large plants on production increases, improvement of quality, of production, working conditions, etc. The magazine Mensch und Arbeit, published by the Arbeitsgemeinschaft für Psychotechnik in Oesterreich (Committee for Psycho-Technics in Austria), Vienna, covers this field. On the board of trustees of this committee are former minister Dr. H. C. Eduard Heinl, member of parliament and president of the Gewerkschaftsbund Johann Böhm, as well as many other prominent individuals.

654 Thanks to a release of ERP-counterpart
313 funds, it will be possible to establish an Austrian Institute for Timber Research. The lumber industry is one of the most important in Austria. This Institute shall furnish the work industry with new theoretical and practical ideas, which in turn should benefit production. The Institute will cooperate closely with the testing laboratories of the technical colleges of Vienna and Graz.

Scientific as well as economic endeavors
217 are being supported by large libraries. The Wiener
215 Handelskammer (Chamber of Commerce), for instance, accumulated during the one hundred years of its existence more than 150,000 volumes, becoming thereby not only the largest library of economic science in Austria but probably also in central Europe if one takes into account the losses incurred during the last war. The latest foreign publications are in its collections and it is continuously frequented by economists as well as students of national economics. The library of the Oesterreichische Institut für Wirtschaftsforschung contains 10,000 volumes, mostly about market prospecting and foreign trade, while the library of the Institut für Wirtschaftswissenschaften an der Wiener Universität with its 30,000 volumes comprises works of theoretical economics besides international publications.

Austria also has a number of well-edited
204 periodicals for political economy. The oldest one
815 in the economic field in Austria, adhering to a scientific background and serving an extended reader clientele, is Der Oesterreichische Volkswirt (The

Austrian Economist), founded by W. Federn in cooperation with G. Stolpern. An English edition is now being issued. The Vereinigung österreichischer Industrieller, a private society of industrialists, issues a weekly Die Industrie. Direktorium der Oesterreichischen Nationalbank, issued monthly, is top-notch. It contains, in addition to topics about the financial and economic developments in Austria, statistical charts, diagrams, data about the circulation of currency, the processing of reconstruction credits, rates of exchange, ERP counterpart accounts, surveys about the development of credit volume and of deposits, price trends, imports and exports, payment balances, etc. The Creditanstalt-Bankverein, Vienna, issues besides its quarterly economic reports, Wirtschaftsberichte, and monthly Monatsberichte, special publications (e.g., on the Marshall Plan). The Oesterreichische Länderbank A. G., Vienna, also issues a monthly report. The association of banks and bankers, Verband österreichischer Banken und Bankiers (President: Dr. Josef Joham, General-Manager of Creditanstalt-Bankverein; Manager: Dr. E. Karlik) publishes semi-monthly the Bankenkorrespondenz (Editor-in-chief is Dr. Gustav Knoth). It contains news about international developments in banking and finance.

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With regard to ERP aid, there appear besides the quarterly publications of the Federal Chancellery ERP Central Office, a number of compiled publications, among them Oesterreich und der Marshallplan (Gerlach and Widling. Vienna, 1950) and the Oesterreichisches ERP Handbuch (Verlag für Geschichte und Politik. Vienna, 1950). The latter two were published under the sponsorship of the Federal Chancellery ERP Central Office and contain basic documentary material (laws, etc.). In commemoration of its 100th anniversary the Bundeskammer der gewerblichen Wirtschaft published a lavishly detailed work, 100 Jahre österreichischer Wirtschaftsentwicklung 1848-1949 (Springer Verlag, 1949) under the editorship of Professor Hans Mayer. In this extensive volume emphasis is on economic questions not only from a historical but also from a scientific point of view. Of economic periodicals catering to a professional audience mention must be made of Die Wirtschaft and Die internationale Wirtschaft, both published by the Oesterreichischer Wirtschaftsverlag, Vienna. A number of publications emphasizing vocational trends are issued by the Oesterreichisches Gewerbeförderungsinstitut (Austrian Institut for Trade Promotion, Vienna), an institution sponsored by the Bundeskammer der gewerblichen Wirtschaft.

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204 (These publications are printed at the Oesterreich-
816 ischer Gewerbe-Verlag. The economic columns of some newspapers are also well done, especially those of the independent Presse. Literature about scientific and political economics doubtless has achieved a significant level in postwar Austria, despite the difficulties publishers and newspapers have because of limited outlets.

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II. ECONOMIC-POLITICAL ISSUES: ANALYSIS AND SOLUTION

The first part of this survey was intended /121
to acquaint the reader with a review of opinions, thoughts and trends of the scientific economic works and to furnish him with a cross-section of past and present publications which influence the intellectual profile of contemporary Austria since 1945. The second part shall acquaint the reader with Austria's many economic problems and the important aspects of Austrian economic policy, thus pointing up the expert's ideas and considerations which are at the basis of measures enacted. This will make it possible to get an over-all view of the reciprocal action between the ERP and the various economic sectors within the framework of a national economic balance.

A. The Political and Economic Reestablishment of the Second Austrian Republic. Problems of Austrian Reconstruction.

1. The Political and Economic Reestablishment of the Second Austrian Republic. 648 728

During the Second World War, particularly during the repeated meetings of leading political and military leaders, principles were laid down upon which the postwar political and economic reconstruction of the world should be based. The first of the pertinent documents was the eight-point declaration of the Atlantic Charter of August 14, 1941, by President Roosevelt and Prime Minister Churchill. Both expressed the desire to reinstate sovereign rights and autonomous government in all countries that had become victims of agression. The second basic document of this type was President Roosevelt's New Year's Message (January 6, 1942), concerning the Declaration of the United Nations at Washington, D. C., on January 1, 1942, based upon the principles of the Atlantic Charter. However, of importance to the constitutional reestablishment of Austria, was to be the solemn declaration of the governments of the United Kingdom, the Soviet Union and the United States during the Moscow Conference of Foreign Ministers (October, 1943), providing that one of the aims of this reorientation was that Austria, the first free country to become a victim of Hitler's aggression, must be freed from German rule. The great powers considered the forced annexation of Austria by Germany

648 on March 15, 1938, as null and void and further ex-
728 pressed the desire to see a free and reestablished Austria. This accomplishment would enable the Austrian people, as well as neighboring nations confronted with similar problems, to find that political and economic security which is the only foundation of a lasting peace.

The powers augmented this declaration at the Conference of Yalta (Crimea conference of February 4 - 11, 1945) by agreeing to promulgate the reinstatement of sovereign rights as well as self-government for all peoples deprived of such rights by aggressor nations. To implement the practical exercise of these rights, liberated European nations should be assisted in the amelioration of want and need as well as in the creation of a (provisional) governmental authority in which all democratic population elements were to be represented on a broad basis, and which should in turn be required to establish, as soon as possible, a government, chosen by free elections, acting in accordance to the will of the people.

642 Based upon the repeated declarations of the
727 powers the chairmen of the three political parties proclaimed the Second Republic of Austria on April 27, 1945, immediately after cessation of hostilities in Austria. In accordance with Article I of this proclamation the "democratic Republic of Austria" was reestablished and to be organized similarly to the constitution of 1920. Article II provided that the annexation forced upon the Austrian people in 1938 was to be considered as null and void. Therewith Austria joined again the family of European nations.

The first legislative acts of the provisional government concerned the framework of the constitution, the reestablishment of the legal system and the appointment of authorities. On the strength of the "Verfassungsüberleitungsgesetz" (i.e., the law to reestablish Austrian enactments for German ones), Austria was fundamentally reestablished as a democratic republic, reverting to the provisions of the federal constituion of 1920, as amended in 1929. Simultaneously a provisional constitution was agreed upon which regulated the government. In essential stipulations it conformed with the constitutional law of 1929. The "Behördenüberleitungsgesetz" (i.e., the law to reestablish Austrian authorities) was enacted to establish a new Austrian authoritative apparatus. It stipulated the definitive substitution of administrative and judicial instruments of the German Reich by

those of Austria as of July 20, 1945. This was followed by the "Beamtenüberleitungs- und Staatsbürgerschaftsüberleitungsgesetz" (i.e., a law reestablishing the Austrian status of employees and citizens), the reorganization of municipal law as well as the "Nationalsozialistengesetz," known as NS, the law prohibiting national-socialism (Verbotsgesetz 1945 and the Wirtschaftssäuberungsgesetz). 642 727

Following the arrangement agreed upon by the powers, Austria was divided into four occupation zones and their divisioning settled during August, 1945. The supreme occupation and control authority is the Allied Commission for Austria in Vienna which retained a number of sovereign rights, but which little by little after 1946 transferred substantial shares of authority to the Austrian Federal Government. 727 631 642

At the Potsdam Conference (protocol of August 2, 1945) the powers, examining the question of extending the executive power of the provisional government (Dr. Renner) which up to then covered only the Russian occupation zone, recommended the extension of this power to cover all Austria. 728

In the federal provinces, meanwhile, provisional provincial governments were established and the federal provinces constituted, permitting the functioning of a provincial legislature within the jurisdiction of the constitution of 1929. At the same time the reestablishement of the Verfassungs- und Verwaltungsgerichtshof (i.e., a constitutional court) was prepared. On October 20, 1945, the Allied Commission for Austria finally authorized the provisional federal government, to enact laws for all of Austria (which, however, first had to be submitted to the Allied Commission for approval). 631

The elections of November 25, 1945, which had been arranged by the election proclamation of the provisional government, brought about the legalization of the endeavors of the provisional government, which resigned on November 28, 1945. 666 642

1945 Election: Tally of Votes and Seats

ÖVP	(Austrian Peoples Party)	1,588,444 votes	85 seats
SPÖ	(Socialist Party)	1,428,441 votes	76 seats
KPÖ	(Communist Party)	174,387 votes	4 seats
		3,191,272 votes	165 seats

666 646

642 On December 3, 1945, a committee of the political parties entrusted Secretary of State Figl with the formation of a government, which the Allied Commission approved on December 18, 1945. On December 20, 1945, a session of the Federal Assembly (Nationalrat and Bundesrat) with a vote of 204 out of 205 elected Dr. Karl Renner to the presidency. He accepted the office for the term of six years.

642 The new federal government as well as the
648 presidency were recognized by notes of the various powers although these notes showed deviations in texts. Thus the first phase of the constitutional reestablishment of the Second Austrian Republic was concluded. The federal government could proceed with the task of solving the most important economic problems.

2. The Situation after the Cessation of Hostilities and the First Economic Reorganization Measures, 1945-1947.

727 The reestablished Second Austrian Republic faced a great economic task. The losses and damages from the war destroyed almost a quarter of the total national capital which had amounted to about 38 billion schillings.

[362] In Vienna alone, 37,000 apartments were completely destroyed and 50,000 partly destroyed, while 25,000 were less severely damaged. Aside from extensive destruction of raw materials was the loss of machinery through dismantlements, especially in the eastern part of the country after 1945, which caused deficiencies in extremely valuable production material amounting to at least 1.2 billion RM (at prices fixed as of 1940). Plants of the electric, vehicle, machine, iron and metal industries, and steel mills lost more than 46,000 machines. This meant that in some instances, the combined loss of the war and postwar period amounted to 80 percent of the
[433] machines and equipment. These deficiencies were all the more burdensome since the destruction and the removal of the production means led unavoidably to severe disturbances in the general economic scheme.

[162] Austria also suffered substantial losses in human lives. Out of a population of 7,000,000, the number of dead or missing totalled 350,000 and the wounded 170,000. These losses were mainly from the ranks of the able-bodied age groups (13 percent).

In comparison to prewar times a definite lowering of 727
individual performance efficiency had set in among
the rest of the population caused by years of under- [461]
nourishment and poor general physical condition
aggravated by a series of psychological strains up to [433]
1947. Another thing to be taken into account was the
reorientation of the entire European economic
structure in the wake of political changes, particu-
larly the solution of certain problems of large in-
dustrial enterprises (the iron and steel industry).
Last but not least were the great economic and
political changes which had taken place in the areas
of Austria's traditional markets, eastern and south-
eastern Europe.

The destruction of capital substance weighed [454]
particularly heavy. It was obvious that the greater
part of savings capital, accumulated prior to 1945,
was economically no longer covered. Within the scope
of a planned war economy that money had either been
invested in weapons and war material which became
valueless, or it was originally invested in profitable
enterprises which were destroyed or diminished through
the effects of the war, e.g., plants, equipment, razed
woodland, etc. On the other hand, in accordance with
instructions of the German finance administration,
great parts of the liquid assets and reserves of banks,
the premium reserves of large insurance companies,
etc., had to be invested in bonds of the German Reich
(especially Reichsschaftsanweisungen), whose value be-
came as questionable as savings deposits.

In view of these circumstances the Austrian 652
federal government faced difficult problems. For the
sake of simply existing it was necessary to reestablish
the financial foundation, a task impossible to ac-
complish without a proper Austrian currency (to be
newly created), without gold or foreign exchange re-
serves to cover this currency, without a national bank
of issue, without reconstruction of a banking and credit
apparatus, and particularly without first straightening
out the balances essential to large banking institutions.

Not any less difficult to solve, in relation 433
to the previously mentioned conditions, was the second
problem: the revival of production and trade. Apart [438]
from incurred losses in plants, machinery and raw
materials, the disorganization of communication and the
dislocation of great parts of the population, valuable
components of the production apparatus as well as other
natural assets of the Austrian economy, classified as

493 so-called "German property," were lost to Austrian control and thus lost to the economy.

652 [127] In the foreground, however, was the organization of the currency and credit structure. Until November 1945, Allied Military schillings and the Reichsmarks of the former German administration formed the currency basis of the country. Approximately 7.7 billion Reichmarks and 1 billion Allied Miliary schillings were in circulation, representing an inflation of 850 percent above the 1937 level. This circulation, compared with the almost negligible volume of goods and the low production capacity, made the money practically worthless. Here, therefore, was where the first measures of reform had to be effected.

In 1945 the provisional government provided the first legal foundation for the reorganization of currency and the credit system by the law covering payments by banks (Schaltergesetz), the law covering public and private credit extension (Kreditlenkungsgesetz) as well as the "Notenbanküberleitungsgesetz," which reestablished the Austrian National Bank. It created therewith the preliminaries for an orderly banking and payment service, for the time being still under the statutory power of the then provisional government. With the "Schillingsgesetz" of November 30, 1945, introducing the first currency reform and establishing the schilling as legal tender, the three aforementioned laws were extended to cover the three western occupation zones, the country as a whole received a uniform currency and banking system.

The "Schillingsgesetz" and the conversion decreed reduced currency in circulation (paper) from approximately 7.7 billion Reichsmarks and 1 billion Military schillings to 3.3 billion schillings and the aggregate circulation (banknotes plus contingent liabilities of the National Bank) to about 7 billion schillings. Parallel with this--the first control of all deposits having been effected by the previously mentioned "Schaltergesetz"--occurred a further appropriate blocking of deposited means to restrict purchasing power and inflationary price rises.

652 453 Beginning March 7, 1946, the issuance of bank notes was subjected to Austrian control, the legal basis ensued through an amendment of the "Notenbanküberleitungsgesetz," June 30, 1946, which also promulgated the statutes of the Austrian National Bank as a bank of issue. With the enactment of June 25, 1946, the Austrian National

With the enactment of June 26, 1944, the Austrian National Bank was authorized to control foreign exchange transactions. For the time being the rate of exchange had been fixed at the rate decreed by the occupation powers: 1 dollar = 10 schillings and 1 pound = 40 schillings. 652 453 457

A gratifying step towards free foreign exchange relations was the release of blocked Austrian assets in the USA in 1946, and later on, the return of the gold reserve of the Austrian National Bank which had been transferred by the German administration. As a first step the United States had returned to the Austrian Federal Government 4,450 kg gold, representing a part of the gold reserve, which in 1938 amounted to 78,000 kg. On November 4, 1947, the Austrian envoy to London signed a protocol. According to its terms Austria was awarded an additional 26,187 kg fine gold by the Reparation Commission in Brussels. 457

With this substantial gold reserve on hand the Austrian Federal Government progressed a step further with its currency policy and enacted the Währungsschutzgesetz (a measure to protect currency), reducing the aggregate currency circulation almost 40 percent. For the intended reform, aimed at reducing currency in circulation as well as funds deposited with bank and credit institutions, the cited federal law of November 19, 1947 (confirmed by the Allied Commission for Austria on December 4, 1947, and enforced on December 10, 1947), was important in the following three points: 652

(a) Through a reduction of the aggregate currency volume (money in circulation plus deposited funds) a corresponding reduction of prices, and, last but not least, a restriction of black market trades could be accomplished;

(b) The general business moral could be improved; and

(c) Through a cancellation of the old blocked accounts (in accordance with the first laws covering currency policies in 1945) an elimination of economically untenable positions, and therewith, the first step towards a reconstruction of the credit system in the interest of the entire economy could be undertaken.

With the enforcement of this law a new trend in financial matters developed. The inflationary influences prevailing until then were curtailed while, financially, the prerequisites necessary for the reconstruction of the Austrian economy were set up. Although the circulating means did not become scarce to the extent 458 652

458 originally anticipated, due to the prolonged interval
652 between the publication and the enforcement of the law, the following months nevertheless did produce some economic results (lowering of prices, elimination of black markets and a general slackening of the purchasing psychosis).

727 In the meantime the occupation powers,
648 particularly the American and the British elements,
457 had introduced relief measures ameliorating need and want among the Austrian population. One of the first was initiated by UNRRA, whereby, in connection with a number of special credits, a "subsistence level" was achieved. Additional assistance measures followed. On June 26, 1947, an agreement between the United States and Austria provided a new form of assistance, substituting for the UNRRA aid which was ending. For this Austria Assistance" about 85 million dollars were provided. With these contributions of foodstuffs, commodities and machines, it was possible to start the reconstruction of the ruined communication system and to restore a modest production line.

Additional alleviation was obtained from a credit granted by the British Government for purchase of consumer goods. In October 1947, the Export Import Bank at Washington, D. C., granted Austria a credit amounting to 13 million dollars, of which amount 8 million dollars were placed at the disposal of the heavy and metal industry, 4 million dollars at the disposal of the chemical industry for purchases of raw materials and as equipment, while the remaining 1 million dollars served other purposes (freights, etc.).

652 Of particular importance was the establishment
727 of a regular budget. The first federal estimates (1946-1947) were, in view of conditions, only of an emergency nature.

The item of occupation costs was from the start a rather burdensome one. Until May 1946 these costs were covered by an additional issuance of bank notes. Beginning June 1946, all expenditures not covered by current incomes (including occupation costs as well as costs arising in connection with the welfare of displaced persons) were paid for with short-term treasury bonds, taken by banks, or with cash reserves. Later
[651] (July 1948) the expenditures of the occupation costs were met fiscally by an additional tax (occupation cost tax) to the income and wage tax.

During July 1946, the parliament passed the first nationalization law (see part A, III, paragraph b). This nationalized, in addition to enterprises of heavy industry, mining and shipping, the three largest Austrian commercial banks (the Creditanstalt-Bankverein, the Oesterreichische Länderbank A. G. and the Hypotheken- und Creditinstitut). With the federal law of March 26, 1947 (second nationalization law), establishments and plants producing and distributing electrical energy were nationalized, because 90 percent of these establishments were already publicly or municipally owned. 471 [453] [377]

During the years 1945-1946 only the greatest difficulties were eliminated. A noticeable production increase, fostered by increasing imports of raw materials and food stuffs, occurred during 1947 at which time the coal situation was also eased and the crisis in the power sector could be ameliorated. The decisive turn of events in the economic consolidation, however, remained to be accomplished with the assistance of the Marshall Plan. 433

3. Special Problems in Austrian Reconstruction.

a) The question of "German Property."

At the end of the war, when Austria received her independence (perforce limited because of occupation statutes), her economic situation had been basically altered in comparison with 1937. The economically and organically different set-up of the German Reich made a reorganization of the economic status necessary. Austrian production means were diminished further by transfers of private as well as public production establishments into German hands, particularly after 1938. This "German Property" became fateful in Austrian economy with the Potsdam Agreement of August, 1945. 471 727

According to the agreed terms of the Allied Powers, German reparations were to include German assets located in countries previously occupied or controlled by Germany; these assets were to be subjected to the control of the various Allied Powers relative to their geographic location (in Austria according to occupation zones).

Under this title more than 200 enterprises in Austrian territory, mostly in the eastern part of the country (among them the entire oil industry,

727 chemical plants, large parts of the electric, iron
471 and metal industry), has been classified as "German Property" and were confiscated. Affected also was the Erste Donau Dampfschiffahrt-Gesellschaft (First Danube Steamship Company, Inc.), inasmuch as this enterprise had also been classified as "German Property" under the terms of the Potsdam Agreement.

The nationalized plants and companies (provided there occurred no mitigations such as those later in the western zones) remain not only lost to Austrian economy but complicate the coordination of Austrian production sectors inasmuch as these enterprises, particularly those located in the eastern parts of the country, are no longer subjected to Austrian jurisdiction.

Legally, the control and administration of German assets in Austria was to be effected in line with the control agreement of the Allied Commission for Austria on June 28, 1946. Article V of this agreement provides that the question of the "German Property" has to be settled in accordance with the agreement of Potsdam.

Later on, the interpretation of the stipulations, covering the "German Property," was not handled uniformly by the occupation powers causing a different treatment of such assets in the various occupation zones, a situation which resulted in legal, administrative and economic consequences for the Austrian national economy. This diversity in interpretation also influenced the nationalization proceedings as far as the "German Property" was involved. The occupation element of the United States of America, desiring to make these assets available to the Austrian economy, transferred the largest part of the relative enterprises located in its occupation zone to the competent Austrian ministry. The latter, as a trustee, has to furnish periodical accounts and reports. The French occupation element (taking exception to nationalization legislation on enterprises falling within the scope of Article V, paragraph 4, of the new control agreement) found a solution by leasing such establishments individually. The British element formulated no special provisions but permitted the enforcement of Austrian laws with regard to "German Property" located in its zone. The three western occupation powers finally released simultaneous directions, stating that any disposal of German assets, be it by sale or by other means,

was prohibited, while the Union of the Soviet Socialist Republics decreed the transfer of such assets to a special administration created for this purpose (USIVA, later USIA). In the eastern part of the country, therefore, enterprises representing such assets became "foreign administrative and economic enclavements" within the Austrian economy. 727 471

The definite solution of this question, important to and difficult for the Austrian economy, however, is reserved to the signing of an Austrian state treaty.

b) The "nationalization legislation." 471

In connection with the question as to the scope of freedom and economic relationships to achieve the highest possible degree of national economic productivity (which had been brought up for discussion in a number of European nations), the Austrian authorities were compelled to cope also with the ideologies and trends relative thereto, whereby compulsory issues had to be considered.

With her nationalization legislation Austria endeavored to follow a middle course, which, via a transfer to the government of ownership rights with stipulated compensations, nevertheless permitted management of the various (nationalized) enterprises under the same economic requisites as those ruling the private sector.

The scope of nationalization was fixed by two nationalization laws, i.e., of July 26, 1946, and March 26, 1947. Both of these laws expressly stated the names of the enterprises concerned. However, if not specifically stipulated, only certain enterprises and not entire business sectors were nationalized. The two nationalization laws differ insofar as, under the first, the stipulated enterprises and plants became ex lege (immediately) properties of the government, while under the second the establishments of the electric power sector were transferred by order of the competent administrative authority. The second nationalization law therefore is solely an organization and omnibus bill.

While the administration of the government's participations in nationalized industrial and electric power enterprises (according to the federal law of December 16, 1949, decreeing the discontinuance of 471 655

471 some federal ministries as well as the reorganization
655 of the sphere of action of others), is being taken care of by the federal ministry for traffic and nationalized enterprises, the administration of the nationalized commercial banks falls within the competence of the Federal Ministry of Finance. The nationalization comprises:

[453] 1.) The large banks (Creditanstalt-Bankverein, Oesterreichische Länderbank AG, and Hypotheken- u. Kreditinstitut);

[327] 2.) The most important enterprises of the iron and steel industry (Oesterreichische Alpine Montangesellschaft, Vereinigte Oesterreichische Eisen- und Stahlwerke A. G., Linz, Schoeller-Bleckmann Stahlwerke A. G., Vienna, Gebrüder Böhler u. Co., A. G., Vienna);

[316] 3.) The most important coal mines (Wolfsegg-Traunthaler Kohlenbergwerke A.G., Linz, Steirische Kohlenbergwerke A.G., Vienna, Lankowitzer Kohlen-Compagnie, Vienna, etc.);

[392] 4.) A number of important enterprises of the electric and machine manufacturing industry (AEG-
[393] Union Elektrizitätsgesellschaft, Vienna; Simmering-Graz-Pauker A. G. für Maschinen-, Kessel- und Waggonbau, Vienna, etc.);

5.) The Oesterreichische Stickstoffwerke A. G., Linz;

[316] 6.) The most important non-ferrous mining enterprises (Bleiberger Bergwerks-Union, Klagenfurt; Montanwerke Brixlegg Ges. m.b.H., Brixlegg; Kupferbergbau Mitterberg, Münlbach am Hochkönig; Aluminiumwerk Mattighofen-Ranshofen);

[505] 7.) The Erste Donau Dampfschiffahrtsgesellschaft, Vienna;

[377] 8.) The large enterprises producing electric power; and, finally,

[315] 9.) The enterprises for the exploitation of crude oil.

With the enacted legislation the ownership-rights (re: corporations) or the assets and liabilities of certain enterprises (limited companies, etc.) or plants (branch establishments of enterprises located abroad) became the property of the Republic of Austria. This in turn implied also the transfer of the administration of the nationalized enterprises to the Austrian government, provided that such enterprises were not located within the Russian zone (USIA establishments) and therefore beyond Austrian control. The enforcement of the nationalization, however, is not completed because:

1.) Most of the enterprises nationalized under the terms of the first nationalization law represent "German Property," the definite settlement of which is left to the signing of a state-treaty; 471 655

2.) The "German Property" located in the American zone of Austria has been transfered in trust, whereby, in accordance with the terms of the trust agreement, no changes of proprietor status are permitted without prior consent of the United States occupation element;

3.) There is a binding contract of the federal government to enforce the nationalization laws covering enterprises belonging wholly or partly to citizens of the United Nations after settlement of compensation claims.

A decision about compensations also had to be left pending. Despite the written undertaking of the Austrian federal government to compensate the prior proprietors, it has not as yet been possible to fix such compensations for the following reasons:

1.) The three aforesaid reasons prevent, for the time being, a settlement of this question;

2.) The definition of the conception "German Property," as yet not clear, does not permit the definite fixing of the scope and the amount of such compensations;

3.) In consideration of the prevailing uncertainties of the nation, the date under which a calculation of the values of the confiscated enterprises has to be effected is still open and likewise the compensation form;

4.) Legal prerequisites, especially with regard to enterprises partly administered by an occupation element and partly by an Austrian authority, have not as yet been established.

The nationalized enterprises are continuing business under their former legal status, i.e., as corporation and limited companies and under the same regulations covering enterprises of the private sector. Thus, for instance, the nationalized industrial enterprises are not accomodated with special credit terms for reconstruction purposes by the large nationalized banking institutions. They are subjected to the same controls and regulations as enterprises of the private sector, enjoying no privileges with regard to taxations, etc. They are exempted only from the payment of the property-tax. With regard to competition, they are further required to adhere to the same principles and 475 471 [651]

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regulations as privately owned enterprises.

If companies or enterprises, under the regulations of the corporation law, were for any reason not as yet able to install the required responsible executive managements (executive officers, board, stockholder meetings) the competent authority, in accordance with the terms of the federal law of July 26, 1946, installed public administrators. The privilege, however, does not apply to enterprises and plants working under their legally installed executive managements; such an existing status permits the government to introduce motions, by its delegated board members, only within the scope of legal corporate requirements.

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According to the federal constitutional law of June 16, 1948 (Rechnungshofgesetz), all nationalized enterprises are subjected to the accounting and business policy control of the Oberster Rechnungshof (superior accounting office of the government), which in turn is responsible to the parliament for rendering account.

By these means parliament wanted to prevent red tape in the commercially managed establishments.

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c) The reconstruction of the Austrian credit institutions.

Following the loss of Austrian sovereignty in 1938, changes within the great Austrian banking organizations occurred. The Austrian National Bank disappeared as bank of issue, its Vienna organization became a branch office of the German Reichsbank, the substantial gold and foreign exchange holdings as well as other assets were transfered to the latter, so that from 1938 to April 1945 no independent money and currency policy was possible.

Likewise, the nationalized banking institutions were confronted with structural changes which, after 1945, brought about problems of balance adjustments. Therefore, if the entire question complex and the enforcement of relative measures are to be ascertained, it is necessary to become acquainted with the developments which have occurred. Austria, having been reestablished as a sovereign nation at the end of the war, faced a greatly changed situation in comparison with 1937. The prior assimilation into the economically and organically different economy of the German Reich, caused a far

reaching reorganization of the Austrian economic structure. What was needed after the political and economic disintegration of 1945 was, therefore, a basic recreation of the entire economic system, including (for reasons of monetary policy) the liquidation of the previously war-influenced German financial policy. In addition, it must be noted that in Southeastern Europe, previously representing a traditional Austrian interest and marketing sphere, political changes had occurred, making necessary write-offs of participations and accounts and a reorientation of previous relations. By having been made a part of the German Reich there occurred within Austria, because of the German methods in financing war expenditures, a substantial discrepancy between the amounts of money and goods available. On the asset side of the ledgers of the credit institutions special consideration was required for the so-called "Reichswerte" (bonds of the German Reich, treasury notes, treasury certificates), liabilities of the German Reich, its states and countries as well as of central and monetary clearing offices, the holdings of which increased rapidly during the first war years. They represented, as far as bonds, treasury notes and treasury certificates were concerned, mostly counterparts of deposits which had to be transferred to Berlin for conversion into such securities. That was done on instruction of German authorities in order to finance German war expenditures. At the cessation of the conflict these deposits, from a national-economic point of view, could no longer be considered covered, inasmuch as their counterparts became valueless or at best dubious as collateral. For reasons of the occupation zone division, at that time strictly applied, the "Schaltergesetz" was enforced only within the Russian zone, Vienna included.

From a monetary point of view the war's heritage consisted of an oversized volume of money and, for the time being, of losses to owners of securities of the German Reich, i.e., the banks and industrial enterprises.

The first legal enforcements (the "Schaltergesetz" of July 5, 1945, as well as the "Schillinggesetz" of November 30, 1945) were primarily construed to reestablish orderly monetary conditions, i.e., the setting of an ultimate money volume, the establishment of a new currency and the elimination of excess purchasing power.

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453 The "Schaltergesetz" decreed the reopening of the banks, closed since April 1945, and, for the time being, a blocking of 60 percent of old deposits (i.e., funds deposited prior to the reopening of banks). The remaining 40 percent could be used, within restricted limits, for vital economic purposes. The "Schillinggesetz" went a step further. Extending the variously applied monetary measures, enforced within the Russian zone, to Austria as a whole, it established the basis for the Austrian (schilling) currency under the sole control of the Austrian National Bank and blocked 60 percent of all deposits accumulated prior to December 22, 1945. This was a monetary measure to [458] effect a diminution of the upwards trend of prices through a curtailment of money in circulation. The remaining 40 percent were disposable, partly free, partly non-negotiable andpartly restricted to certain uses. Funds deposited after December 22, 1945, were free of any restrictions.

The third and most important step towards a currency consolidation occurred with the enforcement of the "Währungsschutzgesetz," which had to accomplish a two-fold task. One was the diminution of currency in circulation (notes in circulation plus free contingent liabilities) amounting to 9 billion schillings prior to the enforcement, by a skimming-off process of notes in circulation and by a cancellation (diminution of deposited currency) of blocked funds, accumulated with banks as a result of prior enactments. The other task was to prepare a settlement of the unbalanced statements of banking institutions, reflecting the war and postwar losses. Thus the prerequisites for a reorganization of the entire credit apparatus were created.

Particulars about the technical procedure of the curtailment of the currency circulation, in accordance with the "Währungsschutzgesetz," will not be discussed here. With regard to deposited funds, all blocked accounts established in accordance with the "Schaltergesetz" and the "Schillinggesetz" of 1945 were cancelled. The remaining, restricted disposable 40 percent balances, were converted into demands against the federal treasury. [To cover the demand against the federal treasury, following the skimming of accounts, the federal ministry of finance was empowered to issue "Bundesschuldverschreibungen" (treasury bonds) or to enter these demands into a newly created "Bundesschuldbuch" (record of federal obligations).] The various

categories of accounts were simplified and the skimmed amounts transferred to new accounts which, excepting temporary limitations, were free of restrictions. 652 453

The diminution of deposited funds (skimmed-off and therefore economically non-covered deposits) as well as of the contingent liability account of the Austrian National Bank (details are not being mentioned) took effect immediately. The banking institutions were required by law to proceed at once with the skimming off of the accounts involved and to transfer the skimmed-off amounts to a special account of the Federal Treasury. In this connection there occurred a shift within the liability items of the bank balances, whereas the actual balance sheet settlement was to be effected after enforcement of the authorization, empowering the federal government (paragraph 22 of the "Währungsschutzgesetz") to stipulate the time, the manner and the amounts to be written off and credited to the Federal Treasury. The enforcement of this authorization has been promulgated with the approval of a draft submitted by the Federal Minister of Finance, covering the third and final regulation with regard to the delivery of values as per paragraph 22 of the "Währungsschutzgesetz" of November 19, 1947.

In accordance with the terms of this regulation the banking institutions are required to deliver such assets of the Federal Treasury to the Ministry of Finance, whereby, to relieve their balance sheets, they are permitted to deliver instead of money the aforementioned "Reichswerte" at their book or par value. The demands against central clearing institutions are of importance to savings banks and cooperative credit associations.

The enforcement of this regulation did not solve the reconstruction problem even if, for the time being, a welcome settlement of balance sheets was achieved. The complex of remaining problems required a great deal of further deliberations. The range of the compensation as well as the details of the technical execution are not being explored here.

As stated before, the scope of reconstruction requires that additional considerations be taken into account. They are sketchily indicated below.

While the first reconstruction phase, in compliance with the "Währungsschutzgesetz," brought about the definite elimination of blocked accounts transferred

652 to the Federal Treasury and written off against an
453 offset of securities of the German Reich, the second phase will comprise the elimination of the remaining odd lots of such German securities. In addition, it will be necessary to establish the sources of loss in connection with the war. This includes losses incurred mainly through sequestration of cash on hand as booty, securities and participations devalued to nil (excepting German securities) and, finally, through general losses incurred in accounts receivable. (Losses incurred in connection with credit lines guaranteed by the Reich assume a special significance.) All of these represent values which at several institutions comprise a special block of "domestic and foreign assets" to be settled within the scope of pending reconstruction endeavors.

[451] It remains understood, and this has been pointed out by the Federal Minister of Finance, that the settlement of the whole complex requires the establishment of true reconstruction balance sheets, a prerequisite to be accomplished only after enforcement of a law decreeing the execution of "Schillingseröffnungsbilanzen" (initial balance sheets in schillings). As a result of the yet unsolved problem of the so-called "German Property," the computation of final figures will certainly meet with difficulties, especially with respect to the large banking corporations. This follows because (1) a clear definition of the term "German Property" has not as yet been established; (2) it is impossible to compute the participation values of the enterprises concerned without knowledge of the exact computation date in the absence of a state-treaty; (3) in some cases the prerequisites as to the corporate status, especially with regard to enterprises administered partly by Austrians and partly by an occupation power, still need clarification.

Noteworthy, furthermore, is the varied handling of "German Property" within the various occupation zones. Besides the contemplated settlement of balances within the scope of the first phase, the compensation of the remaining "odd-lots of German securities" and the general settlement (since the enforcement of the "Schillingsgesetz") of blocked but not written-off deposits, only relative estimates will be obtained which ultimately, after the elimination of evaluation difficulties, will find a correction.

Although a settlement method covering the "odd-lots" of German securities and subsequently the

block of "domestic and foreign assets" has not been 652
designed as yet, some means to assure the functioning 453
of the various credit institutions undoubtedly will
be forthcoming.

The banking institutions, besides effecting a settlement of their balance sheets, will also be required to establish additional provisions in order to complete their economic as well as social-political tasks. In this connection the creation of a sufficient liquidity, the securing of an adequate capital structure and, last but not least, provisions for a corresponding amount of reserves to meet pension obligations towards their employees are more important. All these problems require generally and individually special solutions if the institutions are to accomplish their tasks satisfactorily within the national economy.

Thus, for example, with respect to international economic relations, the banking situation requires a settlement of balance sheets according to international procedures so that the liquidity of the banks and the coverage of accepted deposits be self-secured, inasmuch as the banks could be called upon to correct market fluctuations so as to assure continuity of work within the economic sphere. However, such a policy will only prove successful if they have disposal over sufficient means. Furthermore, with Marshall Plan assistance terminating in 1952, questions concerning capital and credit correlations will form the main aspect of European and international collaboration. Still greater tasks will develop internationally and foreign trade acceptance credits will find an ever increasing use. Such a development requires that the banks, more so than other enterprises, have available corresponding capital to serve as a basis for credit extensions. In comparison with other business enterprises, which have invested their means in commodities or other goods, the banks, as a result of war and postwar occurrences, sustained larger capital losses. Thereupon shifts occurred which created a situation in which the relationship between means and deposits were no longer in conformity to internationally set standards (generally amounting to at least 10 - 15 percent of the balance sheet total). The procurement of these necessary means will be of great importance. Since prevailing conditions in the capital market do not permit the procurement of capital in the customary manner, the capital needed will have to be accumulated out of profits of the banking institutions, provided certain tax exemption measures are enacted.

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453 Closely connected with the procurement of capital is the problem of liquidity upon which, internationally, the repute of a banking organization rests. Therefore, considerations about reconstruction measures will have to include the problems covering the organic cohesion of public and private credit extensions and also currency essentials.

The problematical scope of the entire reorganization of Austrian credit institutions is an extended one containing, besides questions of the budget and currency problem, the problem of capital procurement. In addition to the tax-exempting provisions, it will be necessary to effect certain changes in corporation law. The credit institutions, especially the banks, progressively liquidating relics of a past era, will eventually reestablish their previous traditional business relations with the world's financial centers in the interest of Austrian economy and by doing so, as agents for a progressive productivity, provide the necessary means. The purpose of the entire reconstruction, last but not least, strives towards an increase of the national income.

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457 B. <u>Marshall Plan Assistance as the Material Basis of the Austrian Economic Policy.</u>

1. The Legal Foundations of Marshall Plan Assistance.

a) Austria's position prior to Marshall Plan aid.

[433] The first two years following the establishment of the Second Austrian Republic permitted arranging a basis for the progressive development of the economy. However, the country's position remained precarious due to insufficient agricultural and industrial output. Domestic agriculture at that time provided only 36 per cent of the "subsistence level" needed to feed the population not engaged in agriculture. Industry, which prior to the war achieved export excesses, was unable to finance its raw material requirements. This caused a need for imports, primarily of food and mineral fuels, which caused a deficit in the payment balance amounting to 2 billion schillings.

However, this deficit was entirely covered by relief shipments and credits. Below is a breakdown of the most important deliveries and credits received during 1947:

UNRRA Shipments (ended July, 1947)	447 Million Schillings 648 457
USA Congressional Aid (second half, 1947)	501 Million Schillings
USA War Department	338 Million Schillings
USA War Surplus Assets	151 Million Schillings
USA Surplus Credit	60 Million Schillings
British 10,000,000 Pound-Sterling Credit	219 Million Schillings
British War Surplus Assets	160 Million Schillings
Private Charitable Organizations	130 Million Schillings
Total	2,006 Million Schillings

For Europe the turning point came during the summer months of 1947. On June 5, 1947, the American Secretary of State, Marshall, in a speech at Harvard University, sketched a program for the economic reconstruction of the European area following the ideas recommended by the late President Roosevelt in a message to Congress promoting the well-known four principles of freedom. This program was to replace the various individual assistance actions of the early postwar years by an economic reconstruction program based on the idea of self-help and intercontinental cooperation. Accepting an invitation of the foreign ministers of Great Britain and France, 16 representatives from 22 invited nations, including Austria, attended the European Conference in Paris from July 12 to September 23, 1947. There the principles of European cooperation (ERP) were promulgated.

The initiation of ERP, originally set for April 1, 1948, had to be postponed for technical reasons to July 1, 1948. Meanwhile, the precarious Austrian situation required the granting of interim assistance.

On January 2, 1948, the United States of America and the Republic of Austria signed an "interim agreement" which provided the extension of funds and raw materials amounting to $57,000,000. Shipments from

648 the USA included: 45,000 tons of grain, 3,000 tons
457 of edible fats, 5,000 tons of sugar, and 200,000 tons of other essentials. To cover the period up to July 1, 1948, Austria received an additional amount of $70,000,000 in interim aid.

b) The inception of the Marshall Plan and its terms.

The second Paris Conference of the European nations participating in the reconstruction program (ERP) took place on March 15 and 16, 1948, while a third conference followed on April 16, 1948. At the latter the organization for cooperation was initiated and implemented by the signing of a covenant and additional protocols. The aim of these agreements was the achievement of a sound, stable and independent economy by 1952. Article IV of the Paris covenant for cooperation on April 16, 1948, also contains provisions for mutual endeavors to create principles of payment which were to lead to a free (multilateral) clearing system. These endeavors led to the signing of a limited compensation and payment agreement (October 16, 1948) effective October 1, 1948 to June 30, 1948. It was later extended to June 30, 1950.

The ERP program for the 16 nations which signed the Paris covenant of April 16, 1948 (plus the German Tri-Zone represented by the military commanders and the Free Territory of Trieste), began on July 1, 1948, in accordance with the stipulations of the "Foreign Aid Act of 1948" adopted on April 3, 1948 (Public Law 472, 80th Congress, 2nd session, chapter 169, p. 2002). The assistance itself depended upon bilateral economic agreements between the USA and the participating countries (for Austria by the agreement of July 2, 1948).

[652] With the signing of this covenant the Austrian government (like all participating countries) obligated itself to increase, within the scope of Austria's possibilities, her industrial and agricultural production and to submit proposals relative to the implementation of projects to be executed under the provided assistance program. The government was further required to enact measures stabilizing the currency and balancing the budget and to cooperate with the participating countries in achieving an elimination of barriers to interstate trade.

During the first year of the Marshall Plan assistance (1948-1949), out of a total of $4,875,000,000 allotted to participating countries for "Unconditional Aid," Austria received an amount of $217,000,000, and from "Drawing Rights" (conditional aid) $66,600,000 (out of $810,400,000). Austria had to make available to Greece, Italy and Sweden drawing rights amounting to $3,200,000. 457

To get an idea of the economic importance of Marshall Plan shipments for the Austrian economy, it seems most suitable to give the analysis of a one-year economic program. For this purpose the second Marshall Plan year has been chosen. The Austrian program for the year 1949-1950 was calculated to involve $252,200,000, of which $166,400,000 were provided under the direct aid and $85,800,000 represented drawing rights. The total imports for the period July 1, 1949-June 30, 1950 were estimated to amount to about $556,740,000 and were financed as follows:

		Million Dollars	
Marshall Plan--direct aid		151.95	27.3 per cent
Marshall Plan--drawing rights		82.20	15.3 per cent
Trade		295.70	53.1 per cent
Non-ERP dollars		23.89	4.3 per cent
Expenditures for freights and other "invisibles" were calculated at-		59.56	
They were financed as follows:			
Marshall Plan--direct aid	$14.45		
Marshall Plan--drawing rights	.60		
Trade	38.90		
Non-ERP dollars	5.61		
The Austrian payments balance for the second Marshall Plan year therefore totaled		613.30	

which were covered by means of:

Direct aid	166.40	27.0 per cent
Drawing rights	82.80	13.9 per cent
Trade	334.60	54.3 per cent
Non-ERP funds	29.50	4.8 per cent

Therefore, of the total imports during the economic year in question, 40.9 per cent were covered by ERP funds. 439 457

457 These means were expended as follows: after
457 deductions for foodstuffs (direct aid: $68,000,000, drawing rights: $2,710,000), for agriculture ($14,390,000, drawing rights $7,300,000) and for tobacco (direct aid: $2,500,000), there remained for the industrial economy funds amounting to $66,260,000 out of the direct aid and $75,190,000 out of the indirect aid (total of $141,450,000).

457 Of this remaining total of $141,450,000,
648 $82,300,000 covered coal imports, of which $43,400,000 (or more than 50 per cent) were financed under drawing rights; $2,250,000 were taken from direct aid for a corner transaction to get coal from Poland. Imports of hides amounted to $11,300,000 ($4,000,000 were financed by direct aid allotments and $1,400,000 under drawing rights). Of these imports almost 50 per cent were financed with ERP funds.

For imports of raw materials and semi-finished goods (excluding coal), approximately $182,000,000 were set aside in the payment balance 1949-1950. ERP grants amounting to $55,000,000 covered 30 per cent of these imports. Including imports of coal, the percentage amounted to 38 per cent.

Of great importance were the imports in the investment sector. During the first year of the Marshall Plan only $12,000,000 (or less than 4 per cent of the allotted amount of $283,600,000) was provided for investment purposes. (During this period the need for foodstuffs was still great and represented 44 per cent of the total allotment.) The second Marshall Plan year, however, brought about an increase to more than 16 per cent, i.e., to $40,450,000 (direct aid: $31,600,000; drawing rights: $8,850,000) despite a reduction of 11 per cent in the total allotment ($252,200,000).

2. The Financing of the Reconstruction.

a) Counterparts and their use.

648 According to Article IV of the bilateral
652 agreement between the United States and Austria of July
457 2, 1948, covering economic cooperation, schilling proceeds derived from domestic sale of imported Marshall Plan goods must be deposited with the Austrian National Bank in a special account (in favor of the Federal Ministry of Finance). The government has utilization of these funds only with the approval of the ECA in Washington. In accordance with the Foreign Aid Act, No. 472 of the

80th Congress, such counterpart funds, however, can be released only for purposes of currency stabilizations or promotion of investments. 652 [648] 457

The development of the special counterpart accounts, as a result of payments for ERP shipments, up to December 31, 1950, is tabulated as follows. [Not to be confused with special accounts established prior to the Marshall Plan assistance (Congressional Aid, British credit, etc.) which are classified as non-ECA accounts.]

	Million Schillings
I. To special account as per ECA instructions (counterpart value of ECA shipments).	8,140.8
II. Processing results (proceeds account of the Federal Ministry of Finance deposited with the Austrian National Bank).	
a) Proceeds of sales	6,035.1
b) Price-gap and time-lag, covered by treasury bonds of the government	2,105.7
Total of II	8,140.8
III. Charged to proceeds account (II)	
a) Released for monetary purposes	775.0
b) Released for the financing of the Austrian investment program	3,536.5
c) Other releases	49.9
d) 5 per cent reserved for U. S.	368.2
Total of III	4,729.6
IV. Balance of the proceeds account (I minus III--including price-gap and time-lag).	3,411.2

Not included in these figures are the U. S. assistance actions for the period July 1, 1947-December 31, 1947 as follows:

		Million Schillings
457 65. I. Proceeds of sales		449.1
II. Charged to special account:		
a) Released for monetary purposes	75.0	
b) Released for the financing of the Austrian investment program	363.1	
c) Other releases	3.6	441.7
III. Balance of the special account (ECA account)		7.4

In carrying out the program the Austrian Federal Government, upon request of the ECA Mission, is required to deposit to a special account (Post I) the counter value of ECA dollar expenditures at the prevailing rate of exchange. This deposit is made by the Austrian National Bank for the account of the Austrian Federal Government. The Austrian National Bank, which credits the deposit to a special account of the Federal Ministry of Finance (Post II), later receives reim-
[435] bursement upon receipt of sales proceeds. However, since some of the imported commodities are sold at cheaper price levels than prevailing domestic market prices, the amounts thus deposited to the proceeds account (Post II) are insufficient to reimburse the Austrian National Bank for its advance to the Austrian Federal Government (Post I). Furthermore, since the imports and the sales of procured commodities never occur simultaneously (time-lag), the deposited sales-proceeds usually amount to less than the counter values. The difference (Post II b) between the original Government deposits (Post I) and the sales proceeds (Post II) therefore represents partly a subsidy (price gap or ERP subsidy) and partly an advance (time-lag deposits) against later proceeds deposits. Although the advances are being repaid currently and no advanced amounts will be outstanding shortly after termination of the ERP, this will not be the case with regard to price-gap amounts. The latter represent Government subsidies advanced by the Austrian National Bank (covered by Federal Bonds). The financing of the Austrian National Bank cannot result in inflationary tendencies since the amounts, blocked in the counterpart account, are not considered in release provisions. Therefore, not being released, they do not return to circulation. At the termination of ERP it will become necessary to stipulate provisions covering the

remaining government deposits of the special account (Post I). 652 457

The following periodic schedule shows the amounts released and the purpose of expenditure: 652 454

1948: Total releases amounted to 2.088 million schillings of which 396.7 million were released from ECA counterpart accounts. They were released to cover expenditures for investments of the extraordinary budget, industrial investments and housing constructions.

1949: Total releases amounted to 1.575 million schillings of which 1.425 million schillings were released from ECA counterpart accounts. They were expended to cover investments within the scope of the extraordinary budget and industrial investments.

1950: During the four quarters of 1950 releases amounted to 2,881.5 million schillings. The following amounts were released from ECA counterpart accounts:

	Million Schillings
1st Quarter 1950	none
2nd " "	951.5
3rd " "	1,230.0
4th " "	700.0
Total	2,881.5

This amount of 2,881.5 million schillings was expended as follows:

	Million Schillings
Federal investment program (extraordinary budget)	377.0
Industrial investments	1,681.0
Special reconstruction program	660.0
Others	97.5
Not yet specified	66.0
Total	2,881.5

Tabulated according to expenditures, the amounts withdrawn during 1950 from ECA counterpart accounts were expended as follows.

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		Millions of Schillings
I. Federal Investment Program (extraordinary budget)		365.
Railroads	210.	
Post	60.	
Roads and bridges	60.	
Public Buildings	17.	
Federal theaters	18.	
II. Industrial Investments		1,231.048
Hydro-electric power	443.	
Coal mines	50.	
Other mines	2.	
Iron and steel production	264.7	
Metal industry	40.	
Electrical industry	13.	
Chemical industry	50.	
Iron and metal works	65.023	
Glass industry	14.12	
Textile mills	90.2	
Woodworking industry	33.03	
Paper mills	149.99	
Foodstuff industry	.25	
Construction industry	.435	
Extractive industry	4.2	
Leather and shoe industry	4.6	
Various other industries	1.5	
Crafts	5.	
[654] **III. Special Reconstruction Program (funds)**		524.3
Agriculture	225.	
Forestry	56.	
Tourism	109.3	
Construction of workers apartments	34.	
General housing construction	100.	
IV. Others		40.75
Measures to step-up productivity	6.	
Export promotion (Chicago Fair)	1.25	
Exportfund Company	25.	
Technical Assistance	1.5	
Sawmill-school Kuchl	2.	

Of the total amount of 2,161.098 million schillings, 2,143.098 schillings were released from ECA counterpart accounts and 18 million schillings (for Federal theaters) from non-ECA accounts. 652 454

It should be explained that during the last [451] part of 1950 a change in the accounting procedure of releases occurred. While previously the actual debit of the account immediately followed the publication of the release, this was no longer the case during the second half of 1950. The charging of the account and the payment of amounts now occurs in installments, partly for reasons of administration and partly for reasons of currency policies. Thus, for example, at the end of the first half of 1950, 100 million schillings were released for the construction of buildings. However, payments were effected only during the third (75 million schillings) and fourth (25 million schillings) quarters. Of the amount of 1.2 billion schillings released during the first few days of September 1950 only 88 million schillings had been charged at the end of the third quarter. Of the funds released in September some were not charged to the account even at the end of the year. The December release amounting to 700 million schillings (published before Christmas) was still on account at the end of 1950. Therefore the published releases are limited releases needing special "Release Letters" to receive payment.

b) Money and capital market.

The essential part which counterpart funds 454 (Marshall Plan aid) play in financing reconstruction [652] and replenishment needs becomes especially obvious if [455] the Austrian capital market conditions, which is slowly gaining momentum after capital losses sustained during the last decade, are duly taken into account. The 1950 annual report of the Vienna Stock Exchange indicates that the expectations held at the opening of the exchange in 1948 were only partly achieved at the end of 1950. The turnover in 1950 amounted only to slightly over 654.5 million schillings (at traded prices) of which 191.3 million schillings represented trading in government bonds, 282.2 million schillings in various other bond issues and not quite 179 million schillings in shares. Thus the market in stocks (the following detail reflects the necessity of interim financing of industrial monetary needs) developed a bearish trend although most of the corporations resumed dividend payments (depreciations averaging 25 per cent). Under pressure especially were the shares of "nationalized"

454 corporations reflecting open problems to be solved by the state treaty (German property, compensations, etc.). The combined index of free and nationalized enterprises bears out the development sketched above. There is a decrease from 363 in 1948 (March 1938 = 100) to 309.7 in 1949 and 244.7 in 1950, although the [434] purchasing power of money decreased from 1938 to 1950 by 5/6.

Under these circumstances it is not surprising that the stock exchange presently plays a small role in the raising of capital and the placement of new shares in the capital market. Thus, for example, during 1950 only four corporations increased their capital: The Österreichische Brown Bovery A. G. (from 2.4 to 3 million schillings), the Brauerei Schwechat A. G. (from 20.83 to 21 million schillings), the Semperit A. G. (from 10 to 30 million schillings) and the Wagner Biro Maschinenfabriken A. G. (from 5 to 10 million schillings).

[455] A similar situation prevailed in the bond market. The report of the Vienna Stock Exchange states: "In April 1950, when the 5 per cent Reconstruction Loan of 1949 was listed on the exchange at 85 (subscribed up to 324.6 million schillings), the investment market had partially adjusted itself to the prevailing new interest rates. Issues of the provinces and municipalities, generally bearing interest at a rate of 4 per cent, decreased in value from 100 per cent to 92 per cent. The market in debentures (up to the end of 1950 debentures and municipal bonds amounting to 596.4 million schillings at par were circulating) had to overcome certain difficulties, since it is based on a 4 per cent interest rate and the change of quotations in connection with the credit extension to debtors represents a difficult problem...." During the summer months of 1950 a new type of debentures appeared. They matured after 6 years (previously they had been 40-50 years) with which, naturally, only credits extending for an approximately similar period of time could be financed. The amounts derived from such issues were primarily used for public investments.

It is a fact that presently bonds are quoted below par value since, besides the above-mentioned reasons, the scope of buyers is a rather limited one. From September 30, 1948 (the first time after the currency reform that particulars about the circulation of debentures and municipal bonds were published) to the end of 1950 only 95 million schillings in debenture bonds and

78.5 million schillings in municipal bonds could be sold. Buyers of debenture bonds were mainly insurance companies. 454

The raising of capital, instead of being accomplished through the customary way of issuing new shares or bonds, had to be effected by the extension of credit lines which, especially after the inception of Marshall Plan facilities, the banks extended on the strength of their liquidity reserves or by means of refinance possibilities created with ERP counterpart funds. 453

The total amount of credit outstanding with Austrian credit institutions at the close of 1950 amounted to 10,699.1 million schillings, including 1,012 million schillings extended during the last quarter of 1950. Components of the amount were for the following purposes:

	Million Schillings
Reconstruction (investment credits)	2,267.6
Commodity credits	702.0
Commercial credits	7,729.5
	10,699.1

Of this banks and bankers extended 7,703.3 million schillings through refinancing possibilities of the Austrian National Bank.

	Million Schillings
Reconstruction credits	2,267.6
Commodity credits	700.7
Commercial credits	4,735.0
	7,703.3

Considering that the amount of reconstruction credits (approximately 2.3 billion schillings) represents a transit item for the banks (the notes shall be converted into a bond issue at a later, appropriate opportunity), there remains the fact that, due to the slowly progressing creation of genuine (savings) capital, a certain discrepancy between the creation of new capital and capital need exists. This led to the adoption of credit policy measures during the first quarter of 1951. Up to the end of December 1950 total deposits with banks amounted to 9,469 million schillings of which 2,198 million schillings represented deposits in savings accounts and 7,271 million schillings deposits in checking accounts. Therefore, counterpart funds and self-financings are presently the main factors in industrial investments. 454 453

454 434 With the gradual diminution of the ERP aid, the raising of new capital gains significance. It is a question made particularly difficult inasmuch as prices rose on the world markets during the last half year and the decline in the purchasing power of the schilling caused by the lag in wages. (Running parallel is the sharp decline of the value of savings deposits.) A number of other factors retard the creation of savings capital: the lowered real wages, the long pent-up consumer demand of the broad masses, the lack of investment-seeking capital from insurance institutions which, as holders of collective saving, normally placed substantial amounts at the disposal of the capital market, the use of retained profits for self-financing of investments and, last but not least, the stress of fiscal necessities.

Naturally, Austria shares these developments with other European nations. Even France, the country of savers, according to latest reports has experienced a decline in savings to 4.3 per cent of the national income.

458 [652] Despite progressive credit extension (which is, qualitatively as well as quantitatively, being held under control by measures adopted during the first quarter of 1951), in contrast to other economically stronger nations, there seems to be no dangerous monetary development even though the political situation in the world in the fall of 1950 caused an increase in the volume of money and payments.

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Development of the Currency Circulation at the End of 1950 (in millions of schillings)

[Calculation of the currency circulation in accordance with American standards: money in circulation plus contingent liabilities of the Austrian National Bank plus checking account deposits with banks, minus inter-banking and savings deposits.]

	Money in Circulation	Contingent Liabilities excl. Inter-Bank Deposits with the National Bank	Checking Deposits with Banks	Total of Currency Circulation
End of December 1949	5,721.0	1,221.6	5,987.5	12,930.1
End of September 1950	5,862.9	1,283.8	6,949.3	14,096.0
Increase during the first three quarters 1950	† 141.9	† 62.2	† 961.8	† 1,165.9
End of September 1950	5,862.9	1,283.8	6,949.3	14,096.0
End of December 1950	6,348.8	987.7	7,271.1	14,607.6
Increase or decrease during last quarter 1950	† 485.9	- 296.1	† 321.8	† 511.6

During 1950, currency in circulation increased 1,677.5 million schillings (from 12,930.1 to 14,607.6); 627.8 million schillings of this amount represented an increase of circulating money (37.4 per cent) while the so-called "Release Program" originally estimated an increase of only 300 million schillings. This overdraft had its cause in lower receipts of ERP accounts as shown by the following figures.

In 1950 about 2,884 million schillings were received in ERP counterpart accounts. The disposals (releases of 95 per cent plus 5 per cent ECA administration costs) amounted to 2,330 million schillings so that the actual increase in ERP accounts

652 totaled only 454 million schillings. In accordance
[436] with the original "Release Program" it should have amounted to 800 million schillings to neutralize other money-increasing factors. The minus-difference is based on the fact that the anticipated decrease of the price-gap subsidies was delayed, as a consequence of changes in world markets, in order to avoid too sudden changes in the price and wage structures.

[457] To summarize: in spite of and mindful of the world-wide economic fluctuations affecting her economy, Austria is carrying out reconstruction within the scope provided by ERP facilities. Aside from scheduled reductions any decrease in the real value of this assistance makes the accomplishment of her programs more difficult (especially the balancing of her balance of payments).

c) Prices and wages, elimination of subsidies, adjustment of exchange rates, increase of economic productivity.

652 With the progressing consolidation,
[447] resulting from ERP procedures, the Austrian Federal Government faced a number of problems. Aside from the
185 aspect of the stipulated gradual decrease of foreign aid, these problems gained importance when Austria signed the European Payment Union (EPU) agreement in September 1950. She had entered upon obligations which could be met only if her economic policy was directed towards certain external economic goals (expansion of direct and indirect exports). This required certain measures aimed internally (balancing of prices and wages) as well as externally (adjustment of exchange rates).

The measures to be adopted within the framework of economic relationships had the following points in view.

1) Counteract inflationary tendencies according to timely needs;
2) Decrease step by step the system of subsidies for essential commodities, like edibles, coal and agricultural products, in order to achieve, besides a budgetary relief, "genuine" prices;
3) Bring prices gradually in line with world market levels;
4) Establish an equilibrium between prices and wages, in order to guarantee, in relation to prevailing prices of manufactured goods, an equitable

wage level. This goal will be achieved:

a) by means of an appropriate currency policy, 652 primarily through a gradual unification of 185 the exchange rate system (surrender of multiple exchange rates and adaptation of the schilling rate to the international purchasing power parity);
b) restriction of compensation trades;
c) adjustment of the price structure and adaptation of wages according to agreements of political and economical interest;
d) increase of labor productivity (i.e., the produced quantity of goods per capita or working hour) to achieve a suitable relation between the costs of raw materials, accessories, plants, machineries and manpower, and the proceeds of goods and services.

Following the development of domestic price 457 and wage dynamics the exchange rate of 10 schillings 652 to 1 United States dollar, established by the Allies at the end of the war, became untenable in the early part of 1948. Despite the exceptional exchange rate to gain a larger share of export trade, compensation deals, made mostly at higher rates of exchange, were tolerated. Later, exporters were permitted to sell part of their foreign exchange holdings, which they were allowed for imports of raw materials, at an officially fixed premium. A private super premium was usually added, depending on import productiveness.

This resulted in a complicated system of exchange rates which varied from deal to deal. In addition, goods imported under ERP terms, insofar as they were not reckoned at domestic price levels, were sold at officially fixed prices. Thus the difference in the exchange relation between commercially imported goods and ERP imported goods became an import subsidy financed with ERP means, favoring partly the consumer and partly the dealer or the processing manufacturer. It delayed the shifting of needed imports to commercial channels and furnished in certain sectors the impression of an export ability which, however, was solely the result of the cheaper purchase price commodities imported through the ERP.

It was clear that this system of differentiating exchange rates had to be replaced by a "uniform" rate of exchange. The international devaluation wave sweeping Europe during September 1949, however,

457 created a new situation. As a result of this de-
652 valuation process, the Federal Government, in November 1949, decreed a reorganization of the foreign exchange market. This was intended to be the first step towards the establishment of a uniform exchange rate system. The official rate of exchange, henceforth called the basic rate, was increased from 10 to 14.40 schillings per 1 U. S. dollar (in accordance with the devaluation of the English Pound Sterling). At the same time a variable premium rate of exchange, presently fixed at 26 schillings to 1 U. S. dollar, was established. Exporters were required to give up 40 per cent of their foreign exchange proceeds at the basic rate. The remainder they could retain for payment of their imports within a period of 60 days or could offer to the Austrian National Bank at the premium rate. Goods to be imported were classified into three groups. Those listed in schedule A were imported at the basic rate of exchange, those listed in schedule B at a mixed rate (21.36) and those appearing in schedule C at the premium rate. Goods imported within the scope of the ERP, commodities to be disposed at prevailing cheaper price levels, were grouped with the mixed rate. Service charges and capital transactions were dealt in at the premium rate.

457 There remained, however, a conspicuous dis-
435 crepancy in the import exchange rates which introduced
465 disturbances into the cost-price structure of the eco-
652 nomy, and these in turn influenced living costs and wages.

[649] Upon recommendation of the International Mome-
tary Fund, a unification of the exchange rates had been considered at the time the multiple exchange rate system was promulgated, i.e., during November 1949. At the
[654] same time, and in order to ease budgetary strains, the system of subsidizing essential commodities like food, coal and agricultural necessities (which up to now had been sold at cheaper levels because of the ERP imports or imports financed under the basic rate of exchange) had to be substantially curtailed. Since any increase in the prices of grains and grain products was likely to impair living costs and wages, difficult situations arose. As a result of the changed price and wage relations, certain price and wage adjustments as well as a partial reduction of subsidies (covering sugar, coal and agricultural products) had already been promulgated in 1947, 1948 and 1949. After due consideration between political representatives and economic interests, a fourth price and wage agreement was enacted on September 27, 1950.

Consequently, the Austrian Federal Government in collaboration with the Austrian National Bank decreed, effective October 5, 1950, a uniform rate of exchange for the traffic in goods (with the exception of some food items). This rate was identical to the mixed exchange rate of 21.36 schillings to 1 U. S. dollar. The basic rate of exchange was discontinued. For tourist traffic, traffic in capital and for certain kinds of services, the premium rate of exchange (26 schillings to 1 U. S. dollar) remained in force. Simultaneously, compensation deals in goods were prohibited, excepting a few to avoid losses of foreign trade interests. 653 457

In addition the Austrian National Bank effected, according to newly published bid-rates, a revaluation of its foreign exchange holdings and increased the price of gold to 22,834. schillings per 1 kg fine. Thus, the Nationalbank's holdings of foreign exchange were brought in line with the uniform rate of exchange in force for the traffic in goods while its gold holdings were revaluated as mentioned before. (The revaluation of the gold and foreign exchange holdings brought about a surplus value. Since, in accordance with the Notenbanküberleitungsgesetz, the weekly statement of the Austrian Nationalbank has to contain only gold and foreign exchange holdings necessary as cover, the excess holdings thus derived have been eliminated together with other heretofore not published assets. Meanwhile, until a decision about their employment is found, these excess holdings are accounted transitorily.)

A further development, this time upon an international platform, occurred with the signing of the agreement establishing the European Payments Union (EPU) on September 19, 1950, at Paris, within the scope of which Austria received from the ECA an amount of 80 million dollars to cover her trade deficit with other EPU member countries for the period July 1, 1950, to June 30, 1951. [648]

Although the preceding years had resulted in remarkable economic reconstruction, the Austrian authorities, nevertheless, were aware of the fact that a step-up of economic productivity was necessary to come as close as possible to the mark set by the ECA for 1952. In estimating Austria's endeavors one must take into account her heavy losses of national wealth, so that the effect of ERP assistance became visible only in 1950. This makes the balancing of her payments balance within the limits of the ERP program rather doubtful. 457 433

457 [51] 433 There is no doubt, however, that the desired higher standard of living requires greater accomplishments from the economy if, as is the case today not only in Austria but also in other ERP member countries, edible foodstuffs, raw materials and machinery are not to be continuously supplied by foreign aid. In this connection it is useful to recapitulate the value of such aid. Thus the total value of direct and indirect aid, congressional aid, interim aid, surplus goods, gifts, etc., amounted in 1948 and 1949 to approximately 300 million dollars yearly, an amount sufficient to cover the deficit of the payments balance up to now. In other words, the Austrian economy received more than 6 billion schillings which increased the gross national product available for consumption and industrial investments by 20 per cent. Foreign aid in 1950 amounted to 200 million dollars or 4 billion schillings and in 1951 to 100 million dollars.

433 As a matter of fact, production and productivity increased rapidly during the last years. However, this rapid increase was due to the extraordinarily low starting point. It is true that present industrial production exceeds the prewar level by 40 per cent, but it is a result of using about 50 per cent more than in 1937. At the end of 1950 the individual output index of both industrial as well as agricultural labor amounted to 90. Today, the task of increasing productivity rapidly is far more difficult since, in addition to diminishing foreign assistance, any reopening of idle capacities and procurement of additional raw materials and coal is almost impossible. It follows that every percentage of productivity to be gained requires greater efforts than before.

433 439 454 In connection with the above, there arises in Austria a specific coordination problem with regard to output gains already achieved in other nations, the question of cost computation. (Compared with Austria's present production ability the American, Swiss, Swedish, and English national economies, during 1949, furnished respectively 7, 4, 3 1/2, and 2 1/2 times as much goods and services per capita. This fact is intensified by the progressive industrialization of the previously agricultural countries of southeastern Europe.) If Austrian manufactured goods (as producers of foreign exchange, and therewith as guarantors of sufficient raw materials, employment and living standard) are to be competitive on international markets, the question of decreasing production costs per unit becomes imperative. Such a decrease, excluding developments beyond the control of

plant managements, can be achieved only through accumulation of an adequate yearly (savings) investment percentage (during 1950 investments in plants, structures, rolling-stock, equipment, etc., amounted to 20 per cent of Austria's national income, against 6 per cent in 1937; the 1950 investments were to a large extent the result of foreign assistance), as well as technical progress, rationalization of plant operations and adoption of modern psychological working principles. 433 439 454

Only such a procedure assures a genuine increase of the real income. However, whether an increased production output is followed by a decrease of prices or by an increase of wages (raising the living standard) or whether necessity demands a combination of both is problematical. [434]

On the basis of a favorable world-wide political scene it is hoped that Austria will realize her economic program as worked out with the help of international experts. Better technical equipment will lower the individual wage quota, thereby establishing a more favorable competitive basis. Thus, together with a transfer of skilled labor to production of export goods, the desired adjustment in the balance of payments will be achieved. In this connection the resettlement drive, initiated by the ERP, furnished a possibility to shift needed manpower to plants short of help. The higher real wages, resulting from an increased productivity, will then provide a basis for the accumulation of savings capital needed for additional investments. However, considering the special position Austria occupies, it will be necessary to grant her a breathing spell for achieving her economic aims. 433

d) Budgetary developments.

Within the scope of combined reorganization procedures, special attention is directed towards the balancing of the budget. Due to the large expenditures covering the reconstruction of public enterprises and administrative organizations damaged by the war and the increase in economic tasks of the government, e.g., occupation costs and the expenditures in connection with "Auslandsfürsorge" (welfare of the DP's, expellees, refugees), the consolidation of the budget (in spite of a rising national income) was only partly possible in 1949 and 1950 inasmuch as fluctuating demands exceeded narrow tax receipts. 652 727

652 While the regular budget of 1946 closed with a deficit of 736.8 million schillings as a result of high occupation costs, it achieved a surplus of 572 million schillings in 1947 due to larger tax-receipts. The balance in 1948 showed a deficit of 930 million schillings reflecting the burden of subsidies for food stuffs, while that of 1949 resulted in a surplus of 95 million schillings because of higher taxes and tariffs resulting from the third price and wage agreement. There was a positive development in the first half of the year 1950, resulting once more in a surplus of 705 million schillings up to August with a total revenue of 5.1 billion schillings. In the second half of 1950, however, the fourth price and wage agreement (end of September, 1950) burdened the overall situation by approximately one billion schillings.

The budget, including all expenditures for investments in the extraordinary budget, showed a deficit in all postwar years. This deficit was covered partly by the issuance of treasury bonds (up to the end of 1949 treasury bonds in the amount of 2.1 billion schillings were issued mainly to cover the occupation costs), partly out of the counterpart funds, and partly out of funds-on-hand. In addition to these a 5 per cent reconstruction loan (the first since the end of the war) was levied in 1949 which brought in cash receipts totaling 324.6 million schillings, out of which 136.1 million schillings were allotted for state subsidies. (In connection with the reconstruction loan of 1949 it was possible to cash in the 1938 State Loan bonds--which bore 4 1/2 per cent interest, second issue--in payment for new bonds, but only under the condition that no obligations should result for Austria out of loans which were raised by the German occupation forces.)

On the basis of currency considerations the expenditures of the extraordinary budget were separated into two parts: investments and extraordinary expenditures. In 1946 and 1947 a difference was made between these two categories so that "new" investments, such as electrification of the state railways or extension of the telephone network, were included under "investments." On the other hand, all reconstruction work, whether productive or unproductive (such as burdens of the transition period), was designated "extraordinary expenses." In budget estimates for 1948 and subsequent years a transition was proposed to prewar budgeting techniques (current ordinary budget plus the investment program); in this way the current budget distinguished between investments and extraordinary expenses, in accordance with whether they

were classified productive or unproductive. The extraordinary budget centered, therefore, on the budget for investments. Since 1948 all remaining items (with the exception of reconstruction of war-damaged buildings and requirements of agriculture) were included in the current budget. 652

State expenditures have increased sharply since the end of the war through inescapable obligations (occupation costs and "Auslandsfürsorge") as well as through growth of investments. The much-critized overstaffing of the State administrative agencies, which was higher in 1949 by 23.6 per cent than in 1937, was caused by the increasing work of administration which could be reduced only gradually after economic consolidation. [727]

Non-personnel expenditures (Sachausgaben) kept pace with the expenditures for personnel since 1947; they have increased not only because of higher prices, but also have experienced a "real" increase. Among these expenditures, the so-called "social transfer payments"--pensions, unemployment insurance, rents, and child-welfare payments--have played a large role. The remarkably high amount in these categories may be explained by losses caused by the war. Approximately 169,700 disabled war veterans and about 340,700 dependents of war victims receive aid.

The costs of the State debt are comparatively low: no interest was paid up to 1947. Since 1948, however, the expenses for the state debt have increased more rapidly, reaching 309.7 million schillings in the budget of 1950, i.e., 5.1 per cent of current expenses as compared to 13.7 per cent in 1937. The German loans issued to finance the war were not recognized by the Austrian state; also, no interest has been paid for pre-war loans. Interests and amortizations are paid only on loans issued since the end of the war in Austria itself (bonds, reconstruction loan, state treasury bonds of 1947) and abroad (surplus credits, war asset credits, export-import bank credits).

The occupation costs, an item of heavy burden to the budget, were diminished due to the liberality of the USA in demanding no occupation costs since 1948 (paying for all their own expenses); the other occupation forces reduced the occupation expenses from 866.4 million schillings in 1946 to approximately 400 million schillings in 1950. But "Auslandsfürsorge" increased from 69.5 million schillings to 105 million 652 727

652 schillings in the same period. Of the occupation
727 costs the Soviet occupation force absorbs more than half of the total amount. Up to the fall of 1950 Soviet Russia received from current Austrian production about 1,094 million dollars as occupation costs and confiscation of Austrian properties abroad. (Help from the Western powers, especially the USA, has amounted to about 986 million dollars since 1945.)

655 Of the profit-making state-owned enter-
652 prises, which produced a surplus before the war, now only those which actually constitute a state monopoly (salt, spirits) produce a surplus, while other state enterprises, the "Bundesbetriebe" (such as postal service and theaters) and the Federal Railways have a deficit. The deficits, however, are being decreased since 1946 by means of higher tariffs, dismissal of personnel and progressive rationalization (investments), from 17.7 per cent of expenditures in 1946 to 6.5 per cent in the budget estimate of 1950.

Out of the total revenue (based on the princi-
651 ple of net income) 80 to 85 per cent came from taxes
[652] levied since the end of the war. If one includes the income from various revenues similar to taxes (such as contributions to unemployment insurance, fees to child-welfare, etc.) the amount of taxes increases from 90 to 95 per cent, the remainder consisting of fees, interest and contributions from corporations and the income of the Postal Savings Bank (Postsparkasse).

The main support of the whole tax system since the end of the war is formed by direct taxes. Their part in the total tax income, in the years 1946-50, ranged between 44 per cent and 53 per cent as compared to 29 per cent in 1937; accordingly indirect taxes decreased in importance as compared to the prewar period. The income from the turnover-tax and from customs duties decreased from 42 per cent in 1937 to 24 per cent in 1950 as a consequence of structural changes in the system of taxation since 1938.

652 The Austrian treasury endeavors, in accordance with the bilateral agreement of July 2, 1948, to keep up the balance of the state budget and of the budgets of the federal countries (Länder) and municipalities, in spite of the enormous demands on public funds.

The main economic aim of the financial policy is to secure the highest possible employment and to continue the extension of all investments pertaining to economic productivity.

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Preliminary Results of Transactions in 1950 as compared with the State Budget Estimate

Item	Preliminary Results of Transactions in 1950	State Budget Estimates for 1950	Difference
CURRENT TRANSACTIONS			
Expenditures			
State Administration	6,434a	5,849	- 585
Monopolies	321	210	- 111
State-owned enterprises	1,327	1,236	- 91
Federal Railways	2,525	2,322	- 203
Total Expenditures	10,607	9,617	- 990
From these:			
Wages and salaries	4,216	3,927	- 289
Discounts	2,791	2,632	- 159
Pensions	1,425	1,295	- 130
Non-salary expenditures	6,391a	5,690	- 701
Income			
State Administration	7,137b	6,096	+1,041c
Monopolies	517	354	+ 164d
State-owned enterprises	1,172	1,115	+ 57e
Federal Railways	2,252	2,052	+ 200
Total Income	11,078	9,617	+1,461
From public expenditures exclusive of occupation costs	5,284	4,517	+ 767
Occupation costs	472	420	+ 52
Other income	5,322	4,680	+ 642
CURRENT TRANSACTIONS SURPLUS INVESTMENTS	471	0	+ 471
Expenditures			
State Administration	942	304	- 638
Monopolies	7	7	
State enterprises	170	160	- 10
Federal Railways	507	607	+ 100
Total Expenditures	1,626	1,078	- 548
Income			
ERP-Special Funds	550	0	+ 550
Allotment for Federal investments	377	0	+ 377
Other income	18	0	+ 18
Total Incomes	945	0	+ 945
Investments: Deficit	681	1,078	+ 397
Deficit of the Budget	210	1,078	+ 868

a) Of which 383 million schillings occupation cost; 122 schillings for Ausländerfürsorge; 200 million schillings subsidies for foodstuffs.
b) Of which 472 million schillings occupation cost.
c) Of which 61 millions surplus income from unemployment insurance and 52 millions from occupation-costs contributions
d) Of which 126 millions from the State lotteries.
e) Of which surplus income of 41 millions from the Post and Telegraph Administration.

652 To this should be added that the surplus in expenditures for investments pertains exclusively to the extension of agriculture and forestry, tourist traffic facilities, the building of apartments for workers and the reconstruction of war-damaged dwellings. The expenditures for investment in institutions of state administration were lower by 2 million schillings than foreseen in the budget estimate for 1950. Of the 1,076 million schillings spent for the institutions of state administration only 377 million schillings were covered by ECA funds; the remaining 699 million schillings were covered by the surplus of current transactions (471 million schillings), other extraordinary revenues (80 million schillings) and from cash-on-hand. The consequence of this important diversion of state funds to cover investments, caused mainly by delays in alloting 70 million schillings from the ECA funds in the fourth quarter of 1950, was the creation of a long severe strain on the State's funds.

[654] The investments of 550 million schillings for the extension of agriculture and forestry and for tourist traffic, as well as for workers' dwellings and the reconstruction of war-damaged apartment houses, have been covered in full from ECA funds. For these investments there were only proposals in the 1950 estimated budget, but no credits had been provided since these investments were to be carried out only in accordance with allotments from ECA funds. The expenditures for these investments appear, therefore, as overdrawing on the estimated state budget for 1950.

e) Scope of the tasks of the Austrian banks in fulfilling the Marshall Plan. Financing of Marshall Plan deliveries.

In the technical execution of the Marshall
459 Plan the Austrian banks have a very important role.
457 They are obliged, in the first place, to give advice
652 on the financial feasibility of individual transactions before the applications of Austrian importers are presented for endorsement to the Federal Chancellory-ERP-Central Bureau, Vienna (Bundeskanzleramt-ERP-Zentralbüro, Wien). Moreover, they are in charge of opening letters of credit for single transactions which are covered by letters of commitment. They cash the schilling counterpart on the basis of documents which have been sent to and cleared by New York banks and notify the Federal Chancellory-ERP-Central Bureau on the carrying out of single transactions.

The stagnation of the capital market, which makes the financing of comprehensive investments on the open market difficult now, made special forms of interim-financing necessary for Marshall Plan deliveries. This task the banks and the Nationalbank undertook through their financing techniques. 652 454

Agreement has been reached by the former Ministry of Properties and Economic Planning, the Ministry of Finance, the Nationalbank and credit institutions for the financing in schillings of Marshall Plan deliveries. Inasmuch as outside means (credit) were required, the following categories of credit have been set up with regard to the different currency policies: 652 457 439 452 453

1) Credits for the import of raw materials (wool, cotton, hides, leather, metal, chemicals, etc.);
2) Credits for financing the cost of manufacturing (Umwandlungs-kredite);
3) Credits to cover investment needs (Aufbaukredite).

For the first two categories the applicant for credit has to prove that all deliveries will take place within the scope of the Marshall Plan. To cover credits for raw materials provision is made for payments in goods with terms of three months, which may be extended three times to a maximum twelve months. (A special priority was provided originally for the delivery of textile raw materials of any kind and, furthermore, for hides, leather, furs and tannic acid, as long as the accounts were settled prior to June 30, 1949. This measure aimed to spare the buyers of goods losses in interest caused by delays in carrying out the Marshall Plan. As a concession a 60-day delay in payment of the amount in schillings was fixed so that in these special cases the validity of the credits was prolonged up to a maximum of 14 months.) The rate of interest for raw material credits has been fixed at 5 per cent net. The deliveries of semi-manufactures are treated in the same way if they are further processed by Austrian industrial plants. These letters of credit may be refinanced by the Nationalbank.

The covering of manufacturing costs (Warenumarbeitungs- und Umwandlungskredite) is provided for by ninety day drafts which may be extended twice, i.e., a maximum of nine months, if the buyer of goods can prove that these larger deliveries of Marshall Plan goods to be manufactured by him cause a sharp increase in the production so that additional means of production are necessary. The rate of interest is 6.5 per cent net. These drafts may also be refinanced at the Nationalbank.

452 The financing of credits for investments
652 (Aufbaukredite) is likewise provided by different
453 types of drafts (three-months validity) until such
[454] time as definite solutions (consolidation) will be possible in the form of obligations on the money market. The rate of interest is 4.5 per cent net. The examination of such credit applications lies with a commission consisting of representatives of the Federal Chancellory-ERP-Central Bureau, the Austrian Nationalbank, and representatives of those banks which grant the credits. Final approval rests with the "Kreditlenkungskommission," an advisory committee of the Federal Government and created by the federal law of July 3, 1945, to direct public and private credits. Members are nominated by the Federal Government.

453 The following banks are presently handling reconstruction credits: Creditanstalt-Bankverein, Vienna, Innsbruck; the Bank for Carinthia, Klagenfurt; the Bank for Upper Austria and Salzburg, Linz; the Oesterreichische Länderbank AG, the Hypotheken- und Creditinstitut, Vienna; the Bankhaus Schoeller and Co., Vienna; the Arbeiterbank AG, Vienna; the Genossenschaft-Zentralbank AG, Vienna; the Girozentrale der österreichischen Sparkassen, Vienna; the Gewerbe- und Handelsbank AG, Vienna.

439 With the activation of the multilateral
457 balance within the framework of the European Payments
652 Union after October 1, 1950, some changes took place in the financing of Marshall Plan imports. They, however, refer to the mobilization of the so-called "Initial Credit Position" which serve to cover the total deficit against all ERP countries. The carrying out of goods exchange on the basis of direct aid was not influenced by these changes.

To avoid difficulties in financing raw material imports from Marshall Plan countries, and in order not to restrict the potentialities of financing which the importers had been allowed up to this date, the Austrian Nationalbank decided, instead of refinancing goods imported out of the indirect aid (Drawing Rights), to discount ninety-day drafts of the banks. This forms the foundation of the means for financing goods imported from ERP countries. These drafts are issued by credit institutions and are drawn against the importer. The refinancing of these drafts takes place if the payee, in the opinion of the Austrian Nationalbank, possesses sufficient credit standing, and if the imports, as alread

explained, come from ERP countries and comprise such goods as were, up to this date, to a considerable extent under indirect aid and were refinanced previously by the Nationalbank. There were special lists for all goods in question. 439 652 457

The cashing of these drafts takes place under the same conditions which apply to imports of semi-manufactures out of ERP funds; the Nationalbank discounts the incoming drafts at the prevailing bank-rate (now 3 1/2 per cent); other banks have a rate 1 1/2 per cent higher.

The total amount which all credit institutions can present in such drafts does not exceed the amount of the refinancing granted for financing imports out of indirect funds.

3. The Structure of Production.

a) Principles of industrial investment.

In accordance with the principles of ECA, ERP funds are used only to finance investments which serve to balance payments in the shortest possible time, that is, investments which: 1) bring in foreign currencies (by starting new or extending existing production of export goods); 2) save foreign currencies (production of goods important to internal supply, which previously had to be imported from foreign countries, or by improving their competitive position); 3) cause an essential increase in the total economic productivity, i.e., a reduction of production costs and increasing the ability of the Austrian economy to compete with foreign countries. 652 454 457

When hostilities ceased in 1945, most of the industrial enterprises showed great impairment. This was due to: 1) extensive destruction during the actual fighting; 2) confiscation through which valuable equipment for production was removed after the end of the fighting, whereby functional coherence of production was disrupted; 3) changes in economic aims. Before 1945 (not considering the aims of wartime economy) a large number of enterprises were structurally organized on a broader economic territory; after the war, therefore, the industry of Austria had to return to the more specialized industrial capacities of the pre-1938 period; 4) an acute shortage of capital caused by amounts necessarily written off as war losses, funds lost as outstanding claims, etc. 433 727

727 311 In other fields too there were noticeable losses and a decline in real capital. One might observe in agriculture, for example, a deterioration of soil owing to the shortage of fertilizers and cultivation during the war years, a lack of seeds, fodder and agricultural machinery as well as declining yields in forestry due to overcutting of trees, obsolescence and lack of means of transportation from the forests to the mills. The robbing of coal mines, failure to introduce rationalization and the forcing of unrealistic work in other mines (metals) give us a full picture of a declining economy.

652 433 185 434 Reconstruction of a productive national economy could be successful only if the economic forces specifically characteristic of the country were activated and coordinated to secure an optimum of the whole economic productivity. This presupposes a knowledge of possibilities based on an inventory of the internal economy and lining up problems according to their importance (to avoid mistakes in investments or overextension). It also presupposes establishing a time schedule for the financial fulfillment of individual projects with a view to the existing shortage in capital. The reconstruction of primary production, as well as the most important industries, have been carried out according to special plans which were worked out by government authorities in cooperation with interested industrial circles. Planning covered, in particular, production of energy, coal mining, the iron and steel industry, and ore mining and the metal industry.

These plans are not limiting as to quantity or time but are a type of structural plans without time limitations, the realization of which is bound to certain financial or material possibilities. With the maximum supplying of internal requirements of energy, coal, iron, metals, etc., they intended to assure lower prices in the finishing industries. In this way a sufficiently high quota of exports should be obtained for a balance of payments. These plans form the theoretical basis for those investment programs which the Austrian government presents to the ECA in Washington and which are realized step by step with the help of the ERP funds.

Just as with other ERP participants it is Austria's primary aim in its investment policy to make the utmost use of all possibilities offered by the Marshall Plan up to 1952. In addition to the development of primary industry, the greatest effort is being made

to bring the capital goods industry to the highest technical level. The direction of this policy is determined not only by the high demands for reconstruction within the country itself, but also by the rapid tempo of industrialization of European and non-European regions. If Austria is to be able to compete on the world market after the end of the ERP, it must not only close the gaps in its production but also provide for further undisrupted technical developments. It is clear that Austria has to divert annually from its national income a sufficiently high quota for investment (now about 21 per cent with the help of the ERP) in order to keep pace with other developments.

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In view of the time limitations and the gradual reduction of Marshall Plan aid, it will be the principle of the investment policy from 1949-50 on to give primary consideration to those big investments (for example, in energy and iron-ore industries) whose development was pushed by high capital expenditures and to have them achieve an economically and technically sound condition, if possible, within the period of the duration of the ERP. Basically, the counterpart funds are used for those investments from which payments are expected on the shortest terms so that, along with big projects, numerous smaller and medium sized projects which increase exports get under way. In disposing of counterpart funds, however, those enterprises which demand ERP-financing are forced to cover part of their planned investment out of their own funds (profits, private credits and various deductions).

The main items of the investment policy for future years, excluding the arrangements of the so-called "Long-term Program," have been fixed by the Reconstruction Program 1950-52, which was presented to ECA in the summer of 1950 and amended in the late fall of 1950, owing to price alterations. Based on the 1949 price level, the investments for the three year program had been set originally at 24 billion schillings. This figure was revised to 27 billion schillings in accordance with the change in prices and wages which occurred in October 1950. It was the aim of the partly transferred investments to create such conditions as to obtain an increase of production of domestic raw materials, to save foreign currency and to set at the disposal of the domestic economy those raw materials which can be found to a suitable extent in the country itself. As part of this plan, for example, the construction of four more power plants will be started, the output of coal shall be increased to 6 million tons from the present 4 million

652 tons, the production of iron and steel to 1 million
195 tons annually, the output of rolling mills to ap-
433 proximately 750,000 tons. Further increases in pro-
454 duction will be provided in: bauxite mining, aluminum production, production of cellulose, paper and pulp. In the same manner the export capacity of nitrogen plants (Sticksstoffwerke in Linz), one of the most important producers of foreign currencies in the Austrian economy, will be increased by 50 per cent. In the chemical industry additional investments will make it possible to start production of sulfuric acid and phosphate fertilizer. The single projects will be discussed in detail in another connection.

b) The renovation and rationalization of the primary industries.

The Austrian government holds to the principle (insofar as none of the theoretical considerations in the preceding chapter interferes) that in building up its program of investments cheap primary products lower the production costs in the finishing industries and this allows them to compete in the sharp competitive battle with other highly industrialized
685 European countries. Certain focal points of investments have been formed, encompassing especially coal, iron and steel, ore mining, and the smelting industry as well as electrical power. These are mainly nationalized enterprises. For investment purposes in the years 1948 and 1949 they received a total sum of 1,627.4 million schillings out of public funds. Of this amount, 958.5 million schillings were reconstruction credits, 481.6 million schillings were capital payments of the Federal government, 31.2 million schillings were federal loans and 156.1 million schillings were credits guaranteed by the state. In 1950 a sum of 30 million schillings was provided in state capital contributions; in the same year (fall of 1950) the funds released from the ERP for the above-mentioned branches of industry totaled 133 million, 283 million and 418.5 million schillings used essentially as follows:

316 (1) Investments in coal-mining.

During the war the coal mines (predominantly
154 brown coal in Austria) suffered greatly in their development because of overproduction and neglect of needed renovation as well as delay in planned expansion. Within the scope of the Marshall Plan the necessary renovation and rationalization of operation, mining improvements, shaping of daily operations, deep mining,

mechanization and electrification are being carried 316
out. A number of new shafts and research and boring 454
operations are also being pushed. In 1950, 75 million schillings from ERP funds was allotted to mining. The total output of Austrian coal mines, about 92.7 per cent nationalized, was approximately 4 million tons in 1950. The output will be increased to 6 million tons annually according to the reconstruction program for 1950-52.

(2) Iron and steel production.

The structure of the iron and steel industry 327
after the war was essentially different from that of 1938. While the capacity of blast furnaces and steel plants (and to a degree also of steel foundries, forges, gross rolling works, coke ovens and finished steel operations) has increased, ingot operations and medium and fine quality plates (especially rolled metals) have suffered in their capacity and in their functional coherence by removal of equipment (Demontage). In addition to this a large part of the means of extraction and transportation at the Erzberg in Styria, the modern electric gross rolling works at Donawitz, as well as various items of equipment in the iron and steel works (particularly that for the production of rolled metals) has been lost. On the other hand, plants which were only half completed and too big for Austrian industry (such as the six blast furnaces at Linz) had to be taken over so that there was an over capacity of raw iron, steel castings and forging items. The planning for the iron and steel production was worked out by the federal ministries in collaboration with experts of the steel industry after extensive and careful exploratory surveys. They aimed to carry out modernization and completion of the steel works so as to balance future production with the expected sales; utilize the existing works to the highest extent possible and moving of workers from one place to another would be avoided; accomplish the necessary completion of plants for overall production and the closing of production gaps; modernize obsolete plants in order to get more and better economic production. The following considerations were taken into account: solution of the problem of the distribution of production of commercial steel and gross-rolled steel in the two largest Austrian plants (the Oesterreichische Alpine Montan-Gesellschaft in Donawitz and the Vereinigte österreichische Eisen- und Stahlwerke AG in Linz); balancing of production programs of the four large Austrian steel plants (Gebrüder Böhler und Co. A.G., Schoeller-Bleckmann of the Alpine Konzern in Donawitz and in

327 Judenburg, on the other hand.

While the annual production of raw steel amounted to 650,000 tons in prewar years, there must be an increase in this amount to 1 million tons annually by 1952 (that is, after the end of the Marshall Plan). This takes into consideration demands and the total demand of Europe for steel. Accordingly, the investments were balanced as follows:

(a) The increase of iron-ore production to approximately 2.2 million tons a year at the Erzberg (Styria), at the Radmer near Hieflau and at Hüttenberg (Carinthia). (This project is one of the biggest in the investment programs.)

(b) The renovation and modernization of steel works. To secure the full utilization of raw-steel production, gross rolling mills and tin plate works were established or renovated. To mention only some of the big projects: the renovation of the worn-out Block-Trio rolling mill at Donawitz (Alpine Montan-Gesellschaft) by a continual billet-rolling mill; the building of a cold-band rolling mill at Krieglach (Alpine Montan-Gesellschaft); the plate works, the building of a five-sectioned broad band rolling mill, the coal rolling mill at the Vereinigte österreichische Eisen- und Stahlwerke AG at Linz; the refined steel rolling mill at the Schoeller-Blackmann Stahlwerke AG in Hönigsberg near Mürzzuschlag (where also a plant for the production of railway materials will be renovated); the extruding press and wrought-iron press at Turnitz; a plant for the production of deep mine drilling tools and equipment, the new sheet rolling mill and the rod mill at Kapfenberg (Gebrüder Böhler und Co. AG). (The new plant in Donawitz began operations in 1950. It is valued at $7,380,000. For the rest of the [652] iron and steel industry 274.7 million schillings were allotted from ERP funds. This represents 37.8 per cent of the 700 million schillings ear-marked for the investment program for 1950-52.)

(3) Investments in the metal industry, ore mining and smelting.

This branch of industry was partly war-damaged, 327 partly confiscated "German Property" by the occupying 316 powers or dismantled as war industries. Thus a complete 328 renovation was necessary in which not the least concern was the regard for supplying the required raw materials for the industries of finished and final products. Another aim was to defend these industries, which depend so much

upon the world market and upon reactions in periods of crisis, to keep iron mining within reasonable limits and to prevent social and economic dislocations. [327] 316 328

Planned investments have been carried out within the last few years in iron mining, smelting and in the metal industry. In the lead industry (Bleiberger Bergwerksunion) the extension of mining has been taken up again through mechanization of mining operations and the extended supply of electrical current; in smelting the utilization of various by-products (Raffinade) has been extended. As a first step in tin smelting, and to cover the urgent demands for sulphuric acid, the Bleiberger Bergwerksunion has started to build a smelter and in connection with it a plant for production of sulphuric acid. The plants will be ready for production early in 1951. Upon completion of the first stage of this project the plants will produce approximately 15,000 tons of sulphuric acid annually as compared with an annual total demand of 55,000 tons. To utilize the by-product zinc-ore the building of a zinc-smelting plant is projected (with an annual capacity of 10,000 tons of metal). There is a demand for about 12,000 tons of copper annually in Austria. Approximately 2,500 tons of this amount may be reclaimed annually from utilizing scrap metals. Copper mining is concentrated at Mitferberger Kupferbergbau and at the Bergbau in Mühlbach, am Hochkönig; these works alone contain the potentialities of further production. It is intended to push the mines to a depth of 120 meters. Furthermore, the capacity of mining equipment shall be increased, including dressing machinery and other mining tools; thus the production of mining tools of all types will increase from 6,000 to between 11,000 and 12,000 tons a month, corresponding to an annual increase in the amount of copper to approximately 2,750 tons. To smelt the by-product ores of this mine and other minor mining sites the erection of an electric-reduction oven at the Montan Werke at Brixlegg (Tyrol) has been proposed, capable of producing up to 15,000 tons of concentrates, i.e., 4,000 tons of copper. Moreover, the erection of extensive electric installations and high-tension long lines as well as the erection of low-frequency smelting ovens will be undertaken. Also the capacity of electrolysis will be increased from 5,000 to 6,000 tons of cathode copper per year. In a similar way nickel-vitriol will be produced.

328 It is thought that in the light-metals
316 sector (production of aluminum) the bauxite mines at Unterlausa (on the frontier between Styria and Lower Austria) will be extended to obtain at least the necessary raw materials for production. In accordance with the increase in the total European aluminum production required by the OEEC, Paris, Austria will endeavor to increase aluminum production in the smelting plants of the Vereinigte Aluminum Werke Ranshofen and in the plants at Lend of the Salzburger Aluminium Gesellschaft m.b.H. (up to 30 and 10,000 tons a year, respectively).

The production of non-finished metal products shall be extended by the completion of a light-metals plant of the österreichische Metallwerke A.G., the construction of which is already far advanced and by the project of a heavy-metal plant of the same firm. These plants are designed to overcome the bottle-neck created by the loss of the plants for non-finished metal products (Krupp in Berndorf and the Enzesfelder Metallwerke). For the Metallwerke Plansee Gesellschaft m.b.H., Reutte (Tyrol), the erection of a plant for the production of molten molybdenum has been planned; in addition, the erection of heavy presses, granulating and sharpening machines for the production of heavy metals as well as of special electrolytical methods for the production of hard metal alloys (Diamantmetal-legierungen) is proposed.

[652] In the scope of the investment program 1950-52 investments, 131.3 million schillings have been mobilized from counterpart funds for these industries. Of this amount approximately 40 million schillings (30.5 per cent) already has been allotted.

c) Investments in the electric industry.

377 A large number of machinery units and steam-
[127] power plants were destroyed or lost by the war. The Austrian economy, therefore, could recover only very slowly in the years 1945, 1946 and 1947, particularly because the supply of energy was definitely insufficient in the months of water shortage. Since 1948, supported by the Marshall Plan, remarkable progress has been made in supplying energy within the economic planning for electricity. Austria tries to overcome the existing difficulties, which arise out of the rapidly changing demand for current on the part of industry, in two ways: (1) by the extension of storage facilities and of caloric

installations insofar as there are secure and sufficient supplies of coal (or insofar as new supplies can be exploited, such as those at St. Stefan im Lavanttal/Carinthia); and (2) by the extension of running water plants, or by stream diversion for the better utilization of existing storage facilities as well as by the reconstruction of war-damaged steam power plants (such as at the Vereinigte österreichische Eisen- und Stahlwerke A.G., Linz). The water power facilities, which are capable of extension, are estimated at 25 to 30 billion kwh (or even more). 377

In the course of carrying forward the development of water-power plants and of caloric-power plants since 1937, their capacity has increased by more than seventy per cent. The annual production amounted to 1,962 million kwh in 1946, 3,310 million kwh in 1949, and 3,717 million kwh in 1950.

Of the 1,410 million schillings provided in the investment program for 1950-52, 571.5 million schillings (40.5 per cent) was allotted to the development of energy in 1950. [652]

Important huge projects in the hydro-electric field which are now under construction and already far advanced are: the Ennskraftwerke, the Draukraftwerke, and, most important, the Tauernkraftwerke where progress on the Limberg-Sperre proposed for 1949-50 exceeded plans. The latter is one of the largest dams in Europe to cost approximately 250 million schillings. It is to be finished in 1952 and will be the main dam of the Kaprun-Tauern system. Part of the storage dam was made ready as early as 1949 and, with the installation of the second set of machinery in the power plant of the main dam, brings about an essential means for overcoming the exceedingly high winter demands for electricity. In 1950 alone 180,000 cubic meters of cement were poured into the construction of the Limberg-Sperre, thus making it possible to store approximately 61 GwH in the winter of 1951-52. The stages contemplated up to 1952-53 foresee in hydraulic water power an additional capacity of 346.5 megawatt as compared to a capacity (in million kwh) of 612.6 in winter and 1,071.4 in summer--a total of 1,684.0 for the whole year. The caloric power plants under construction are expected to bring an increase in capacity of 156.2 megawatt in the same period. The single projects are distributed over the whole federal territory with the bulwark located in the western federal countries. In addition, there is an extension of overland lines and high tension installations and other energy facilities.

d) Other industrial sectors.

652 Thirty million schillings were allocated in 1950 to the investment program of the electro [393] and cable industry. However, only 13 million have been disbursed, while the rest was carried over to 1951. Although the program could not be fully carried out, it was possible to make some necessary improvements and modernizations in this branch.

[387] Of the means provided by counterpart funds (73 million schillings) the chemical industry was allocated 23.1 million schillings as late as December 1950. The major part of investments in this industry was allotted to the nitrogen industry (the nationalized Stickstoffwerke A.G., Linz) which is scheduled to receive a total investment of 45 million schillings. In the last quarter of 1950 a fertilizer bin with a capacity of 50,000 tons was made ready and put into operation. Moreover, an installation for the production of ammoniated-sulphate with a capacity of 95,000 tons annually will be constructed and put into operation in the summer of 1951. The nitrogen industry is one of the most important earners of foreign currency in Austria.

[289] The Austrian pulp and paper industry (one of the oldest and most efficient of Europe) is to receive a total of 490 million schillings for modernisation according to the investment program 1950-52. Of this, 220.2 million schillings (70.2 million schillings, however, as late as in December) were allocated out of ERP funds in the year 1950. The counterpart funds and the plants' own funds were used to extend existing boiler rooms and work space and to build new ones. In the same way boilers, bleaching-machines and installation of new paper mill machinery to replace old units were provided. Paper and pulp production has reached the prewar level and can compete in the export market despite sharp competition.

[288] The Austrian textile industry received 90.2 million schillings in 1950 from ERP funds. It was used together with its own funds to provide new machinery.

For the extension of the glass industry a 323 total of 95 million schillings was provided out of 652 counterpart funds. The glass industry received 14.1 million schillings in 1950 and, within the scope of the release for December (which, however, will be effected as late as in 1951), 8.4 million schillings.

Part of the proposed projects have been completed and remarkable results obtained already. This industry was bolstered greatly by refugees from Czechoslovakia. 323 652

Within the scope of the investment programs 100 million schillings were allotted in 1950 to the erection of general dwelling units. In addition to a sum of 11 million schillings provided out of public funds, 34 million schillings were allocated for erection of workers' dwelling units. (The proposed amount in the three year period for workers' dwelling units was 85 million schillings.) [362]

e) Investments for agriculture and forestry.

Damages caused by the war to this important source of supply (through exhausting the soil, lack of fertilizers and pest control, overcutting, etc.) can be restored only gradually. Because of the increased use of tools of production, financed by ERP funds, it was possible to reach a higher gross production value in the years 1948 and 1949. However, it still lagged behind the volume of industrial production which by 1949 had exceeded the prewar level. The higher production in agriculture in 1948 and 1949 made available bigger supplies of foodstuffs for city dwellers and also made it possible to increase the decimated livestock and improve it. Thus, gaps in supplies of milk, meat and fats could be filled in. [241] [362] [231]

These improved results would not have been impossible without the ERP aid. In the first plan-year, Austria had at its disposal a total of 156 million dollars (or 57 per cent of the total amount of the ERP aid) to increase the production in agriculture, small business and industry. A sum of 18.7 million dollars was allotted to agriculture and supplied 139,000 tons of fodder, 189,000 tons of fertilizers, 4,200 tons of seeds, as well as agricultural machinery and veterinary supplies amounting to 1.1 million dollars. In the second year of the plan agriculture and forestry received approximately 25 million dollars for the import of tractors, caterpillars, threshing machines, reapers, motorized plows, disk harrows, replacement parts, milk separators, and machinery for soil treatment (and also to finance means of conveyance and facilities for forestry). [648]

Up to the end of 1949 approximately 9,000
407 agricultural machines, with a total value of 31.5
474 million schillings, could be bought out of counterpart funds. Through the formation of agricultural machine cooperatives (about 33) even medium and small-sized farms were able to share in the advantages of techni-
377 cal modernization. The progress of electrification in rural areas supplied light and current to 4,800 farms. Storehouses and freezer lockers have been built in fruit producing areas. In addition, dairies and cheese making plants have been erected from ERP funds.

652 Further investments in the agricultural sphere are being carried out in accord with the invest-
241 ment program of 1950-52. For these purposes 270 million schillings were released from counterpart funds in 1950 (i.e., 43.6 per cent of the 620 million schillings provided in the agricultural priority program, or 34.6 per cent of the total of 780 million schillings provided in the whole program).

439 In forestry (exports), which is of paramount importance to Austria, the approximate prewar level of
313 wood and timber output and supply has been achieved through various rationalizations and especially better means of transport and better roads. In 1948 the timber output was 8.24 million cubic meters (Festmeter); in 1949 already it was 9.24 million cubic meters; in 1950 the output could be increased to slightly over 10 million cubic meters.

The increasing production of timber and the stoppage of exports of undressed timber made it possible to supply sawmills and timber finishing plants with bigger quantities of wood in 1949 and 1950 than prior to the war. In 1949, 2.50 million cubic meters of whole timber were planed. In 1950 the amount was 4.41 million cubic meters as compared to 3.14 million cubic meters in 1937. The paper, cellulose, wood fiber and pulp industries could be provided to an increasing extent with all necessary raw materials (especially wood pulp); thus, covering not only the domestic needs but also enabling Austria to gain a foothold in former export markets.

[652] The forestry and sawmill industry received 90 million schillings in 1950 out of counterpart funds and, in addition, 22.5 million schillings in December 1950 to be carried forward for use in 1951.

f) Investments for the federal railways and the post and telegraph service. 655 [496]

The Austrian federal railways received 210 million schillings in 1950 to carry out planned investments. Especially mentioned should be: the Semmering tunnel financed in 1950 by ERP counterpart funds, the Prebichl tunnel, the Tauern tunnel, the Danube bridges at Tulin and Krems, the Inn bridge in Brixlegg and the Nordwestbahn bridge in Vienna. These high allocations to the federal railway system were necessary to enable the whole transport system, which was heavily damaged by war action and dismantling, to keep pace with the recovery of the national economy. Gradual renovation of the rolling stock, restoration of road beds and tracks, building of bridges, installations for freight, repair of railway shops and track installations (such as signal houses, etc.) were necessary to fulfill the requirements of the economy.

The same consideration holds true for the Austrian post and telegraph administration, which received 60 million schillings from counterpart funds in 1950 and for which another 15 million schillings were reserved by the December grant. The postal system was able to carry out most of its projected plans. In particular, the transfer of the planned coaxial cable was accomplished. Damaged district cables were changed or transferred in the course of installing the automatic telephone system. Various automatic telephone central offices were enlarged and two new trunk exchanges built. [205] [206]

III. AUSTRIA'S POSITION IN EUROPEAN ECONOMIC INTEGRATION

439 A. The Structure and Development of Foreign Trade

1. General Developments, 1945-1949.

Although exports in 1948 and 1949 could be increased, they did not cover more than 51 per cent of the total imports in 1949. The value of the exports in 1948 was double and in 1949 almost four times as high as that of 1947. This sharp increase is due partly to price increases, but at constant prices, too (basis 1937), the 1947 exports were exceeded in 1948 by 95 per cent and in 1949 by 165 per cent. The export volume, therefore, has increased more than the services of the other branches of the economy. However, it was still below the prewar level in 1949. Based on the quantum index 1937 = 100 as worked out by the Institut für Wirtschaftsforschung the level in 1947 reached only 70.3 per cent.

Development of Exports
(According to Statistische Nachrichten and the lists of the Oesterreichisches Institut für Wirtschaftsforschung.)

Categories	1937	1947	1948	1949
	Value in Millions of Schillings			
Livestock and foodstuffs	51.0	19.2	32.6	33.0
Raw material	363.9	202.5	637.2	1275.2
Finished goods	802.0	620.7	1313.9	1920.3
Total	1216.9	842.4	1983.7	3228.5
	Volume Index Figures (1937 = 100)			
Livestock and foodstuffs	100	13.8	16.7	15.6
Raw material	100	21.4	50.8	77.5
Finished goods	100	29.6	54.2	70.5
Total	100	26.5	51.6	70.3

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Exports were primarily timber, paper, iron ore, iron goods, and nitrate of lime and ammonia. Austria, for the most part, exported raw materials and semi-manufactures. In the prewar period approximately 65 per cent of the exports were finished goods, but this proportion has declined since 1945 and was only slightly higher than the quota for all other export goods at the end of 1949. It should be taken into account that almost all countries, in their commercial agreements, demand a certain percentage of the Austrian export goods to be raw materials and semi-manufactures. Only under such conditions are they prepared to make concessions for the import of finished goods. On the other hand, the Austrian commercial policy is interested most in the export of products of high labor content. As to the mode of fulfillment of these agreements, the compensation contract system prevailed in the first years after 1945. Later a kind of mixed system arose which provided for fulfillment of exchange of goods on the basis of clearing through a series of commercial agreements (without excluding, however, the compensation feature). In the structure of commercial agreements the tendency toward the clearing system exclusively is quite evident since 1949.

The regional distribution of exports gradually improved. In the period immediately after the war the traffic in goods was restricted mainly to the nearest neighboring countries, especially Switzerland, Germany, Italy, and Czechoslovakia. Since that time it has developed in a concentrical pattern to more distant areas. In the years 1946-1949 the proportion of the exports to immediate neighboring countries sank from 80.3 per cent to 61.2 per cent, 52.2 per cent and 50.3 per cent; and the proportion of non-European areas increased from 7.9 per cent to 10.3 per cent and 13.9 per cent.

In 1948 and 1949 the increasing importance of overseas areas to Austrian foreign trade was due to the progressing normalization of world trade conditions and the systematic extension of commercial agreements. Since one could observe, however, a sharpening of competition on the world market since 1949, it was the aim of the Austrian economic policy to lower production costs by progressive investments in rationalization of enterprises themselves, in higher utilization of their capacities, and in the transfer of production powers from consumer goods to export goods. It is a fact that exports to the ERP countries, which received 69.5 per cent of Austrian exports in 1947, sank to 66.5 per cent in 1948 and to 59.9 per cent in 1949.

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By this relative reduction of exports to ERP countries the east and southeast European countries profited (and to a lesser extent the overseas areas). The exports to countries of the East bloc, including Russia, increased proportionally from 19.6 per cent in 1947 and 1948 to 25 per cent in 1949. This did not reach the prewar level of 33.2 per cent, however. Better conditions also prevailed for exports to the Near East. In the southeast of Europe German competition was to be observed to a rising degree.

Imports in the last few years are almost on prewar level. The official statistics on commerce show the imports in the years 1947-1949 as follows.

Commercial Statistics on the Development of Imports (excluding imports from direct aid, relief, and surplus goods)

Categories	1937	1947	1948	1949
	Value in Millions of Schillings			
Livestock and foodstuffs	404.8	203.8	446.2	925.4
Raw material	620.2	719.2	1478.7	2060.9
Finished goods	428.7	268.2	677.4	1490.7
Total	1453.7	1191.2	2602.3	4477.0
	Volume (quantum-index) (1937 = 100)			
Livestock and foodstuffs	100	8.5	16.8	34.4
Raw material	100	35.3	58.6	81.0
Finished goods	100	23.2	54.9	109.0
Total	100	24.3	45.9	76.3

These current statistics, however, cover only part of the total imports. They do not contain all deliveries from direct ERP aid (excluding coal and some other "off-shore" purchases, i.e., purchases from direct ERP aid outside the continental USA) as well as most of the other aid-deliveries (excluding deliveries within the framework of drawing rights and pound-sterling credits). The official statistics give the total of the additional ERP imports as 1952 million schillings in 1949. If one adds further relief aid (Liebesgaben) in the amount of 9.3 million dollars and war surplus goods with a value of 0.7 million dollars

there is an increase of the total imports to 6366 million schillings in 1949. In the structure of imports coal and foodstuffs formed a relatively important part in 1948 and 1949. The imports of primary foodstuffs (such as bread grains, flour, fats, sugar, meat, livestock and leguminous plants) were 111 per cent of the 1937 figure in 1947 and increased to 113 per cent and 122 per cent in 1948 and 1949, respectively. 439

The high demand of the Austrian industry for coal (especially hard coal, blast furnace coke and coke) could only be covered by sufficient coal imports since the demand is far higher than in the prewar period. The volume of coal imports was 69 per cent and 88 per cent more in 1948 and 1949, respectively, than in 1937. Although the continuing extension of electric energy may allow lower coal imports, the proportion of coal imports to the total imports will remain higher than the prewar level due to structural changes of the Austrian industry. The import of foodstuffs and coal constituted in part a handicap to the import of raw materials. Of the total raw material imported (excluding coal) in 1937, similar imports reached only 25 per cent in 1947, 64 per cent in 1948 and 85 per cent in 1949, in which year total imports exceeded the prewar level.

Austrian industry in this period, therefore, was supplied with foreign raw materials to a lower extent than in 1937. That it was able to exceed prewar production despite this condition is mainly due to the favorable development of industries producing production means (based on domestic iron ore production). Moreover, foreign raw materials, aided by the investment program, could be replaced in part by domestic products (such as rayon staples). The extraordinary high quota of the import of finished goods can be explained by the high demand for invesment goods in the country itself, which could be covered only partly in domestic production. [433]

The structure of imports is regionally very different from that of the prewar era. Whereas in 1937 the state regulation of foreign currencies, fixed quotas and clearing agreements formed an elastic system which was capable of using the cheapest sources of imports, in the first years after the war imports were forced into quite different direction by intensified bilateralism (which has been relaxed since by increasing 439 457

43 liberalization and by the European Payments Union)
43 and by special conditions attached to foreign aid, by differentiated currency rates and by subsidies for imports. In 1937 only 6 per cent of all imported goods came from the USA, but in 1949 this figure was 29 per cent. In the same period imports from eastern and southeastern Europe was reduced from 40 per cent (in 1937) to 18 per cent (in 1949). As the high import quota from the USA could be maintained only as long as American aid was forthcoming because of the dollar shortage, Austria has to face the very difficult task of transferring import areas for necessary foodstuffs and in part for raw materials also, in the next few years. She must turn to regions which not only are able to deliver but also ready to take Austrian goods in exchange.

If we compare the statistics for imports and the direct ERP aid of the year 1949 (amounting to 6366 million schillings) to the exports (amounting to 3229 million schillings), an import surplus of about 3137 million schillings results (according to the former exchange rate it would be 299 million dollars). Including the import of relief gifts (Liebesgaben) and surplus goods the deficit of the commercial balance increases to 309 million dollars, or 52 per cent of total imports. Out of the total deficit mentioned (3137 million schillings) 734.9 million schillings go to imports from Europe (ERP countries), 304.9 million schillings to imports from non-ERP countries, about 181.8 million schillings to imports from overseas areas of the ERP countries and the sterling-bloc. The bulk (1915.2 million schillings) goes to the USA and Latin America.

The transfer of the center of imports to the USA is a clear consequence of the high aid from foreign countries. The significance of these figures is: the reconstruction of the Austrian economy, a reasonable standard-of-living and a high level of employment, aims which Austria must attain after 1952 by itself (that is to say, by higher exports and increased productivity).

This struggle is the more important as Austria still lags behind in terms of the overall development of European trade. Whereas the volume of all European countries, including Germany, already reached 73 per cent and 87 per cent of the prewar level in the years 1948 and 1949, respectively, the level in Austria was 52 per cent and 70 per cent in the same two years.

2. Developments in 1950.

As a consequence of the Korean crisis in its impact upon the world-wide state of business since June 1950, the development of Austrian foreign trade in 1950 shows an extraordinary increase of exports in the last four months of the year. To be sure there is also a considerable increase in imports, but the extent lags behind the increase of exports. From August to December, the value of imports, including ERP, showed an increase of about 29 per cent. The increase in exports was about 54 per cent for the same period. The debits in the trade balance, therefore, sank from 150 million schillings in August to 71 million schillings in December.

The total value of imports in the previous year was 9.2 billion schillings. This includes (1) the commercial imports, including imports of goods under drawing rights up to June 1950 and under the initial position for Austria since July 1. These payments are carried out multilaterally through the Bank of International Balance of Payments in the European Payments Union; the amount comes to 7.1 billion schillings. (2) Imports within the scope of direct aid under ERP in the amount of 2.1 billion schillings.

Compared to 1949 the import of goods from foreign countries has increased by almost 50 per cent in total value (the value in 1949 was 6.4 billion schillings). This increase, however, was actually due to the rise in prices (as is shown clearly by the quantum-index). On the other hand, there is a structural change in imports as the imports of foodstuffs sank from 33 per cent (1949) to 26 per cent (1950) of the total imports. The proportion of finished goods (mainly the import of investment goods) rose from 27 per cent to 31 per cent.

At the top of the rank of the countries from which goods were imported in 1950 was the USA with an import value totaling 2.1 billion schillings; 1.9 billion schillings (88 per cent) went toward direct aid. In second place is West Germany with 1.5 billion schillings. Then follow Great Britain (712 million schillings), Italy (664 million schillings), Poland (417 million schillings), Czechoslovakia (399 million schillings), Switzerland (380 million schillings), the Benelux countries (288 million

439 schillings), and the Netherlands (248 million schillings). Noteworthy also are the imports from France, Yugoslavia, Hungary, Turkey, and Sweden.

As to the goods imported, 16 per cent (1.4 billion schillings) consisted of fuel, imported mainly from West Germany, Poland and Czechoslovakia. Next in order are electrical and other machines and apparatus (814 million schillings) from West Germany, the USA, Switzerland, Great Britain, and the Netherlands. The grain imports, amounting to 786 million schillings, come almost exclusively from ERP deliveries of the USA. The import of wool reached a value of 379 million schillings, that of cotton 329 million schillings; wool was imported mainly from Great Britain, cotton in part from the USA. There were also significant imports of sugar in the value of 368 million schillings out of which 109 million schillings were within the scope of ERP. Iron goods were imported in the value of 265 million schillings. Among the foodstuffs, edible fats and oils with a total value of 218 million schillings were imported (the larger part of this amount, i.e., 64 per cent, coming from ERP funds).

The exports reached a total value of 6.5 billion schillings. Germany was the top-ranking buyer with 994 million schillings, Italy second with 872 million schillings. Then followed Czechoslovakia (397 million schillings), the United States (363 million schillings) and Switzerland (347 million schillings). The delivery of goods to Trieste in the value of 341 million schillings were mainly for transit to the Levant. Other exports went to the Netherlands (289 million schillings), Yugoslavia (260 million schillings), Great Britain (244 million schillings) and Hungary (237 million schillings). Among the overseas countries (excluding the USA) there is Argentina with 134 million schillings. In addition to the Austrian heavy industry succeeded in exporting to Egypt, India and Pakistan to an increasing extent.

The most important export goods in 1950 were iron goods (987 million schillings), timber (981 million schillings), paper (392 million schillings), raw iron (343 million schillings), wood pulp (280 million schillings), nitrate of lime and ammonia (there were no exports of nitrate of lime and ammonia before the war; the exports come exclusively from the österreichische Stickstoffewerke in Linz with a monthly production of approximately 30,000 tons)

(271 million schillings), cotton goods (204 million schillings), fireproof bricks (200 million schillings) and glassware (201 million schillings). 439

The total index of import prices in 1950 was 627, that of export prices 531 on the basis of 1937 = 100. The corresponding figures for 1949 were 407 and 387. The increase of prices for import goods, therefore, were on an average far higher than was the case with exports (54 per cent as against 37 per cent).

A comparison of the commercial imports with exports for 1950 shows an unfavorable balance of 576 million schillings (as against a balance of 1.2 billion schillings in 1949). Including gratis deliveries within the scope of the ERP, the deficit, however, increases to 2.7 billion schillings (in the previous year the deficit of the total exchange of goods was 3.7 billion schillings). The deficit in the exchange of goods with foreign countries was covered in the first half of 1950 by drawing rights and in the second half of 1950 by using up the Austrian credits at the Bank for International Payments after the agreements with the European Payments Union had gone through.

Further betterment of the Austrian economy is intended through the following. The Export Advancement Law (Ausfuhrförderungsgesetz) provides granting medium and long-term credits up to a limit of 500 million schillings under state guarantee. 652 [433] 457 [Up to March 23, 1951, the Nationalbank received applications for credits totaling 174.5 million schillings; 79 million schillings of which represented refinancing. As the state guarantee comprises only 80 per cent of the export credit, 77.6 million schillings (80 per cent of the 97 million schillings) were tied up on the key-date in accordance with the Exporterförderungsgesetz, i.e., 15 1/2 per cent of the maximum of 500 million schillings.] The Austrian Export Funds A. G. (Oesterreichische Exportfonds A.G.) will support exports of craft goods to hard currency countries through credits. They will start with 25 million schillings. [The first interim balance of the corporation shows credits amounting to 16.4 million schillings, i.e., about two-thirds of the export funds (25 million schillings) at the end of March, 1951.] On October 5, 1950, an agreement was reached for simplification of exchange rates together with measures for

457 raising the productivity of the whole economy.
652 Toward the end of the year a change in the problems concerning the whole economy could be observed owing to increasing tension in the balance of foreign currency and payments.

B. The Austrian Contribution to Freer Intra-European Trade.

439 Although exports increased in the last few
652 years, they could not, as the preceding figures have shown, cover the total imports in 1950. The dif-
457 ference was covered again through foreign aid (ERP grants) and through credits, as was the case in earlier years. Thanks to foreign aid, which financed the biggest part of the imports of foodstuff, raw material and coal, the Austrian economy had a total import which, by 1949, exceeded the prewar level in volume and covered the demand of imports most urgent for reconstruction purposes.

In spite of this fact, the balancing of foreign currencies, with regard to the United States as well as to most other countries, could not be attained by means of market transactions. In contrast to the progressive relaxation of state controls in the domestic economy, the demand for imports had to be limited by import licenses and allotments of foreign currencies to the amount available for the import of goods. Regulations and procedures of this control of the foreign trade were determined by the law of Foreign Trade Traffic (Aussenhandelsverkehrsgesetz). (This law was amended in April 1951 owing to special developments caused by the necessary laws of economic policy.) The partial lifting of intra-European trade barriers [hereafter referred to as "liberalization" by the author] started in the fall of 1949, brought problems of trade policy and of foreign currencies.

In September 1949, the council of OEEC (Organization European Economic Cooperation), in Paris decided to liberalize 50 per cent of the foreign trade between the European ERP countries in order to create a simplified economic area. Austria agreed with the principle. But it had to be very careful in abolishing import restrictions in view of developments in its balance of foreign currencies, otherwise the balance aims would have been endangered. Thus, for

liberalized goods, a number of administrative simplifications in the import precedures were created (exclusion of the obligations for a license by the "Aussenhandelskommission"). The import of these goods is dependent upon the momentary availability of foreign currency. Austria's special situation was also recognized by the OEEC, Paris, which agreed that the measures taken corresponded to the actual situation. In spite of this, Austria made a reasonable contribution toward the integration of the whole European trade policy as proof of its goodwill. For example, in the foodstuff sector, goods with an import value of 10.5 million dollars, i.e., 32 per cent of the commercial imports from ERP countries, were liberalized in October 1950. In liberalization the emphasis lies with the raw material sector, in which 45.5 million dollars (or 84 per cent of the imports from ERP countries) were liberalized. With regard to the accentuated investment policy, moreover, a number of items of the finished goods category were freed from import restrictions. In volume the liberalization represents goods amounting to almost 86 million dollars, i.e., a liberalization of 60 per cent of the imports from ERP countries. 439 652 457

From the standpoint of the economic policy, liberalization measures are characterized as follows: in the foodstuffs category, 70 per cent of those foodstuffs used for human consumption were liberalized, whereas agricultural products or those which are produced in sufficient quantities in the country itself were excluded from liberalization.

Furthermore, to increase the productivity of agriculture, almost 100 per cent of fertilizers and chemical products for agricultural use were liberalized. The very important fuels were freed from import licenses up to 80 per cent and iron alloys almost up to 100 per cent. In the same way, almost 100 per cent liberalization was made for non-iron metals and concentrates and raw alloys therefrom, as well as the important demand for raw materials by the textile industry, which cannot be supplied from the country itself (80 per cent).

A high quota of liberalization is shown in the category of finished goods, especially of chemical finished products (with about 70 per cent) and of synthetic fibers (with about 90 per cent). With regard to the extensive demand for investments, machine tools for metal production were liberalized up to 90 per cent and the demand of various industries by more than 75 per cent.

439 In order to make the liberalization fully
457 effective it is necessary to abolish foreign currency
652 restrictions for goods which have been liberalized and that is where the difficulties arise. Although the Initial Position in the value of 80 million dollars granted within the scope of the European Payments Union supports this effort through a relaxation in the foreign currency situation, it did not effect a general solution of these problems. The so-called dollar problem still exists in a very real sense.

[648] The European Payments Union, of which Austria is a full member, was put into force on July 1, 1950. It is the logical continuation to the reorganization of the European Payments system, started by the OEEC with the "off-shore" and drawing rights system. Above all, it was to further the lifting of trade barriers between the ERP countries and to carry out the principle of non-discrimination, the equal treatment of all parties within ERP Europe.

These measures, however, did not solve the precarious dollar problem for the ERP countries and Austria since it was not the aim of the European Payments Union to promote European exports to the USA and other hard currency countries outside the ERP. Also the currencies of the EPU countries are interconvertible but not against the dollar. For Europe, therefore, the dollar remained a very rare and hard-to-obtain currency.

A certain relaxation was caused by the new developments in the second half of 1950. The relaxation of the dollar shortage was not caused by the combination of the individual elements: the European Payments Union, liberalization and integration. Rather, due to external causes, it was a consequence of world economic changes which, owing to the conflict in the Far East, opened new markets of peacetime demands to those countries not directly involved in defense measures. (The dollar shortage is essentially a special structural problem of world economy, the causes of which go far back into the war years and are above all connected with the loss of southeastern Asia and the establishment of synthetic production processes in the United States.)

A change in the general aims of economic policy had also taken place because of the European Payments Union. While in the first phase of economic planning by the ERP the investment plans were stressed, now the primary target within the scope of the European Payments Union was the currency system. The ERP was not only a preliminary stage to the free exchange rates between the currencies of ERP countries and the dollar, but it was also to help prepare the possibility for the functioning of international currency funds on the broadest scale. As far as Austria could fulfill these tasks it made a contribution to the whole European currency order by the simplification of its exchange rate system and the fixation of the existing exchange rate of 21.36 schillings to one U. S. dollar for all traffic in goods. (This regulation of October 5, 1950, has been mentioned previously.) 457 652

In the meantime, alterations in the structure of world trade in the early part of 1950 (shortages on the raw material market, increases in prices) caused a change in the commercial policy toward the whole problem. Thus, the discussion of a number of special tasks and principles became necessary (this was also true for Austria). Up to this time the center of gravity in trade policy always lay with the exports, but this shifted to imports considerably toward the end of the year. Comparing quantities became more or less unimportant; the question of "what" in exchange of goods became more important than the question of "how much." The problem now is: what type of goods should be exported and which imports are desirable to make these exports possible? Can the domestic economy, under the given conditions, do without those export goods and does it receive instead of them such goods as it really needs? Or, will the domestic economy lose, by export, such materials that it really requires to maintain its own capacity? Perhaps goods will be imported which, although pleasant and useful, are not really necessary. Such are the questions which were the center of all deliverations concerning trade policy toward the end of 1950. 439 652

In the course of this development one can observe elements of retrogression to the compensation system in trade among the nations (or, to be more correct, among the ERP countries) around the end of the year 1950. Although business is carried out in principle in accordance with the clearance system, 439 457 652

many a business transaction is again of the barter type. At present these do not lie in the sphere of private business transactions but are at the level of state control. If one bears in mind the whole European trend under the system of liberalization and of the EPU, this is a typical retrogression which tends toward bilateralism instead of multilateralism. No doubt the system of compensation will prevail again since the factual renunciation of multilateralism in favor of the clearing transactions has to face, at the present time, quite different conditions than existed at the time when those changes, disputed as they were, offered the only possible solution.

Certain signs of a crisis in the policy of liberalization constitute a further problem which influences the trade policy of single states in recent developments. Confined at first to only a few states, this crisis engulfed a still larger number of European trade partners toward the end of the year, since a liberalization without guaranteed payment (foreign currencies) does not at all fulfill the aim of increasing trade relations. The payments traffic on the clearing accounts which, in last analysis, reflects the traffic of goods between the participating states shows a debit tendency.

Under these conditions, Austria faces a number of special tasks in trade policy, the solution of which, however, is not Austria's responsibility alone. Above all, the task is to reach agreements in which the Austrian economic potential can be fully utilized and which afford the possibility of adapting to developments rather contrary to the agreement terms. Austria offers its partners goods (such as timber, magnesite, steel and iron) which are needed all over the world. At the same time, there must be readiness to accept finished goods for deliveries of these vital goods. Problems of prices and of competition (aside from the increase of productivity in the total economy) must be solved in a way which diminish the disadvantages of the non-elastic clearing traffic without producing, on the other hand, unbearable consequences in the policy toward foreign currencies. It must be the most important task of the Austrian trade policy to secure the import of such goods as Austria needs to maintain full employment and, thereby, social stabilit

C. Tourist Traffic

Along with the increased economic consolidation, there has been a rising development of the tourist traffic, which is of great importance to the Austrian payments and foreign currency balance. The number of overnight guests increased from 10.9 million in 1949 to 14.09 million (an increase of 29 per cent) in 1950. The upward trend started immediately after the exchange rates were altered in November 1949, and concerns primarily foreign visitors. There were 4.58 million foreign overnight guests in 1950 alone, an increase of 155 per cent as compared with the preceding year. This, however, is only 70 per cent of the 1937 level. Among the countries from which most foreign guests came were Italy, Great Britain and Switzerland, in that order. 457

Foreign currencies derived from these services amounted to 15.05 million dollars (391.3 million schillings) in 1950. In the scope of the payment balance this corresponds approximately to the expenses for freight and transportation or, in other words, to 10 per cent of the whole deficit from foreign trade. In 1937, the influx of foreign currencies from this source amounted to 41.2 million dollars or 220 million schillings (i.e., at the present dollar exchange rate, 80 million dollars). The present income in foreign currencies, therefore, corresponds in purchasing power to only 20 per cent of the prewar income from the same source. To support the tourist traffic (modernization and extension of hotels, resorts, etc.) 280 million schillings from counterpart funds are being provided in the investment program 1950-52. Of this amount 28.8 per cent (109.3 million schillings) have been allocated during 1950.

D. Balance of Payments and the "Gross National Product."

According to calculations of the Oesterreichisches Institut für Wirtschaftsforschung, the Austrian "gross national product" amounted to 30.0 and 36.8 billion schillings in 1948 and 1949, respectively. Figures are not available for 1950. Compared to the price level of 1937, the gross national product for 1948 is 7.7 billion schillings and for 1949, 8.6 billion schillings, as compared with 3.5 billion 434

434 schillings in 1937. Although this increase from 1948 to 1949 was caused mainly by changes in prices, the fact remains that the gross national product increased in 1948 by 15 per cent and in 1949 by another 12 per cent. Thus, the prewar level was [432] approximated. The increase of capacity and at the same time the increase of the gross national product in the years 1948-50 is due to the rise in productivity of the whole economy. However, further increase will be even more difficult because the utilization of capacities and of available labor reserves will advance. Although industrial production had reached a level in 1947 equal to 56 per cent of the 1937 level (in 1949 119 per cent and in 1950 140 per cent of the prewar volume), the productivity increased in the same period from 47 per cent to 79 per cent (in 1949) and 90 per cent (in 1950). Therefore, it still lags behind the prewar period. The same holds true for agriculture; the total production (agricultural and livestock production on the basis of 1937) reached only 55 per cent of the 1937 level in the year 1947, 80 per cent in 1949 and approximately 84 per cent in 1950, but the productivity reached only 90 per cent.

[439] Remarkable progress was attained as compared to the years 1945-46. By its own efforts and with the help of foreign aid Austria could satisfy the urgent demand for imports and the volume of imports was increased above the prewar level. The exports, however, lagged behind as measured by the quantum-index. The same holds true for the balance of services. On the basis of economic data the balance of payments of Austria in 1950 is presented in the following table.

Explanatory notes to table:

457 a. Quoted in dollars due to change in exchange rate.
b. Calculated in dollars for 1949 and 1950 by the Oesterreichische Statistisches Zentralamt.
c. Other services.
d. Up to June 1950 including drawing rights.
e. Among them aid deliveries in form of credits; no decision has been made about the obligation for repayment.
f. Net payment of drawing rights up to the end of June 1950, and Initial Position payments since July 1950.
g. Provisional figure.

The Austrian Balance of Payments 1948-1950

(In millions of U.S. Dollars)[a]

457

	1948	1949	1950
EXPENDITURES			
I. Imports			
Commercial goods imports (incl. ERP and indirect aid)[b]	211.45	397.29	360.33[g]
ERP deliveries (direct aid)[b]	94.30	194.20	118.88[g]
Private organization charity and relief	19.60	9.34	4.10
Other relief deliveries	162.55	0.99	0.11
Electric current	1.9[illegible]	1.90	0.60
TOTAL	489.80	603.72	484.02
II. Services and Interest			
Freight and Transportation	c	9.29	15.72
Tourist Traffic	2.10	2.61	3.63
Post and Communications	0.25	0.35	0.45
Diplomatic Service	1.40	1.70	1.58
Insurance	c	0.37	0.25
Other services	2.05	6.16	6.37
Interests	0.20	0.58	0.53
TOTAL	6.00	21.06	28.53
III. Refunds for foreign credits	8.00	7.50	6.93
IV. Net changes of short-term foreign loans and obligations	19.40	11.05	30.27[g]
Unexplained difference	6.63	--	39.74[g]
TOTAL EXPENDITURES	529.83	643.33	589.49[g]
INCOME			
I. Exports			
Export of goods[b, d]	198.30	285.86	326.10
Electric current	8.60	5.67	6.18
TOTAL	206.90	291.53	332.28
II. Services and Interest			
Freight and Transportation	c	10.01	6.94
Tourist Traffic	0.80	3.48	15.05
Post and Communications	0.65	1.05	0.80
Diplomatic Service	c	0.37	1.36
Insurance	c	0.05	0.08
Other services	20.23	22.82	21.91
Interest	--	--	--
TOTAL	21.68	37.78	46.14
III. Claims to foreign credits[e]	21.50	12.70	4.88
IV. Financing of deficits by aid deliveries			
ERP (direct aid)	94.30	194.20	118.88[g]
ERP (indirect aid)[f]	3.30	95.57	83.10
Private organization relief and charity	19.60	9.34	4.10
Other aid deliveries	162.55	0.99	0.11
TOTAL	279.75	300.10	206.19
Unexplained difference	--	1.22	--
TOTAL INCOME	529.83	643.33	589.49[g]

IV. AUSTRIA'S ECONOMIC POSITION IN 1951

452 The following points are characteristic of the economic trends in 1951.

1. In the monetary field: the tendency in the world economy toward forcing reductions in the credit policy; the figures will be rounded-up by an increase of the bank rates toward the end of the year;

652 435 2. In the budgetary field: the approaching end of ERP aid makes it necessary to reduce the price supports still existing;

454 3. In the field of investment policy: a reasonable balance between the investments of the production goods sector and the consumer goods sector is to be prepared; by increasing the offer of goods ready for consumption and export the imbalance in the balance of payments will be overcome as rapidly as possible;

499 4. In the field of foreign trade: the shortage of raw materials and the existing discrepancy between the trade and foreign currency balance (deterioration of the exchange rates) make special laws and measures necessary to promote exports;

435 465 5. In the field of prices and wages policy: certain discrepancies in prices, especially in the agricultural sector, make necessary adequate adjustments as well as improvements of real income of wage earners to the level of higher prices;

6. In the field of production and productivity: a general increase of the capacities and the extent of capacities, is necessary between the social partners and the abolition of burdens which prevent an increase in production. Adequate relations should be created.

A. International Economics and Austria's Reaction

000 A glance at the representative statistics prove that international development proceeded along quite different lines in 1951 than was expected at the beginning of the year. The steep rise of prices for raw materials, especially those of wool, tin, rubber, which started from the beginning of the Korean crisis have created an ever-increasing inflationary tendency.

All this caused price reductions in March 1951. Within a half-year, prices of the most important raw material sank by almost a half. When price reduction on the world market stopped again in September, the possibility of prices rising again could not be excluded. On the whole, however, the prices of raw materials were kept at the depressed level (not taking into account violent attacks on single markets which could be corrected in a very short time). 000

It was clear that the rapid rise in prices for overseas raw materials which had taken place in the first third of the year caused an increase in the costs of production in all countries which depend upon imports. This fact created a kind of chain-reaction of new developments which was reflected in business activity (highly intensified and typical of any price inflation), as well as in a mobilization of savings or hoarded money. This money flowed into the market as additional purchasing power and nourished new rising tendencies in prices. It is an old experience that processes of retrogression are by far slower if once there occurs an inflationary rise. It is understandable, from a human and social standpoint, that the menacing decline in real income of the broad masses of wage and salary earners was stopped by the increase of their money income. This was possible only as long as the interrelation between the increasing volume of purchasing power and the capacity which corresponded to this inflowing purchasing power was not disturbed. No economic system--whether free or bound--can disregard the fundamental economic connections between capacity (productivity) and the price of the produced volume of goods and the real value of the current means of payment (money). It is of no use to discuss whether the primary impulse for an inflationary development comes from the monetary side by the increase of money (extension of credits) or whether the real cause of any inflation is not the surplus of demand which takes place when consumer demands and the demands of the state exceed the capacity of the economy.

Of course, things were not and are not, neither in a world-wide nor local area, so simple that they merely maintained the connection between the volume of goods and payments. The effective and formative powers in a national economy today are of a far more complex nature. Not taking into consideration the continuous political tensions, and the psychological reactions which are a consequence of those tensions, there were extensive structural changes in the economy

000 in the course of the last decade, by which a number of areas formerly at the disposal of the western hemisphere were totally or in part lost (such as Malaya, Indonesia, China, Iran, etc.). By these changes the balance of payments was adversely affected also. Thus, even the dollar problem which has become so urgent today is nothing more than the result of a development that had started during World War II by the loss of the eastern Asiatic area for raw materials and the forced transfer of natural productiom of a number of items to synthetic production, especially in the United States.

The reactions which came from the markets for raw materials in the first half of the year produced, as a consequence, an inflation of the total European price and wage level. In the second half of the year these tendencies weakened and lost much of their original impetus, with the sinking of the price level. It is a fact that the business activities of the western hemisphere toward the end of the year were no longer overshadowed by the concern over an immediate shortage of goods, which had characterized the development of the international economy after the outbreak of the Korean conflict.

Since the middle of 1951 a certain decrease in the demands was observable on the consumer goods market in the leading countries; this was considered a salutary relaxation after hoard buying. Towards the end of the year, however, buyers exercised more restraint as they no longer expected any considerable increases in prices. On the other hand, certain impulses again took on a more serious character stemming from increasing public expenditures and structural changes of certain balances of payment.

The international development as sketched in rough outline here could not help but have an impact upon Austria.

457 The forces working in the world market and influencing the structure of the Austrian economy 1 (especially the price discrepancy between import and export prices) led in the beginning of the year to a difference between the trade and foreign currency balance, thus to an increasing tension in the balance of payments. (This was the case regardless of apparent shortages in important raw materials and in spite of a relatively favorable trade balance, considerable income from foreign currencies, and the direct and indirect

1 [Cf. category 116, pp. 92-94--Analyst]

aid which was granted.) The result was not only a very early claim upon direct aid (in the third ERP year, i.e., from July 1, 1950, to June 30, 1951--8.81 million dollars) but also an exhaustion to a very considerable degree of the Initial Position supplied by the EPU in the amount of 80 million dollars. To ease the precarious situation, the OEEC was asked to increase the direct aid and to extend the Initial Position. This was granted by ECA after complicated discussions with regard to the special situation in Austria; at last, amounts of 18.2 and 10 million dollars, respectively, were granted for the period up to June 1951. 457

B. Credits, Wages, Prices and Subsides (Measures and Agreements).

The higher prices of foreign raw materials, their shortage, and the reactions which followed the fourth price and wage agreement reached between the Chambers of Economy (Wirtschaftskammern) in September 1950 led eventually to an actual transfer of the single cost elements, thus endangering the potential exports of Austria designed for the international market. In 1950 the center of gravity in the foreign trade policy lay with the foreign currency policy and was the main concern of the Nationalbank. The existing international shortage of raw materials shifted this center to the planning of quantities of imports and exports. The Austrian Federal Government, therefore, had to coordinate Austrian economy with world economic conditions. A number of economic-political proposals were introduced in the National Assembly which, limited in time to June 30, 1952, were enacted in the last session of the Fall Convocation 1950-51 (ending in February 1951). These were the laws enacted: 652 [439]

1. The law concerning the creation of an economic directorate (Wirtschaftsdirektorium) consisting of members of the Federal Government; it has as its task coordination in the fields of production, prices, food supplies and foreign trade policy. [602]

2. An amendment to the price control law (Preisregelungsgesetz) to exercise a rein upon prices; [435]

3. An amendment to the raw materials allocation law (Rohstofflenkungsgesetz) which is supposed to channel raw materials of which there is a shortage toward those goals which are most urgent economically; [433]

652 4. An amendment to the foodstuffs control law (Lebensmittelbewirtschaftungsgesetz) which aims at assuring a basic amount of food for the people;

5. The foreign trade law (Aussenhandelsverkehresgesetz) aiming at providing a legal groundwork for the coordination of the procedures and decisions of the Economic Directorate with the activities of those officers who were entrusted with handling problems of foreign trade.

Moreover, it became necessary (as was already the case in other countries) to take certain measures in money and credit policy against the progression of inflationary forces.

One of the first results of internal measures was an agreement reached between the Austrian Nationalbank and the Association of Austrian Banks and Bankers on March 16, 1951, concerning the procedures for a qualitative selection of credits. Its aim was to prevent the extension of credits which could not be reasonably justified. A new definition of the economically non-justifiable credits stipulated a sharper selection of the individual applications. In extension of this agreement, another agreement was reached between the Ministry of Finance and the abovementioned group of credit institutions, sanctioned also by the Austrian Nationalbank, as of April 6, 1951. A quantitative control of credits was provided exceeding the items of the former agreement. The credit institutions which made this agreement accordingly obligated themselves to maintain, for the beginning, a liquid reserve of 25 per cent in foreign means. An increase of this reserve to 30 per cent toward the end of 1951 was anticipated, with the condition that then 10 per cent liquid means of first grade and 20 per cent of such means of the second grade must be kept on hand. (Liquid means of the first grade are: cash, deposits at the Austrian Nationalbank and at the Oesterreichisches Postsparkassenamt. Liquid means of the second grade are: negotiable federal savings bonds at the Austrian Nationalbank, checks, payable coupons, deposits which may be used as collateral at the Austrian Nationalbank, deposits payable daily at the Austrian credit institutions.)

After rising prices had relaxed somewhat in
435 May, prices in general rose again after June (partly
652 seasonal). The indices of wholesale and retail prices as well as of the living cost were rising again thereby

bringing new problems of adjustment. These were solved by a new general agreement of the Chambers of Economy (in July 1951), in which the main considerations were: the out-of-line prices in agriculture, the necessity of decreasing the subsidies for imports still existing, and the boosting of tariffs. Special aims of the economic policy were: 652 [435]

1. To restrict the utilization of foreign aid for consumption goods in order to afford a bigger part of the total volume of goods and services for investment activities or, at least, a non-fluctuating part in the case of a decrease in foreign aid. The top aim was a change in the utilization of the gross national product. [434]

2. To balance the agricultural prices which were out of line. In this way, conditions were to be created for an optimal distribution of the available aids through the price mechanism (changes in the constitution of the gross national product). [435]

3. To effect conditions for a new distribution of income; this referred, in the first place, to agriculture and employment in public services, to persons living on state relief and pensionists (for these last two groups an adjustment of the real income was secured by the so-called "Nachziehverfahren"); the real wages of the other wage earners should be kept on the existing level (changes in the personal distribution of the gross national product). [454]

It was not easy to encompass these aims within the concept of economic policy, since automatically secondary and tertiary reactions to these changes were to be expected upon the total price structure. Be that as it may, the immediate results of this agreement were the following regulations:

1. Agriculture received higher production prices for wheat, rye and milk, by which a better market capacity might be obtained (stimulation of the production). [435]

2. The subsidies for the import of bread grains, fodder grains, and raw materials for fats were diminished. Consumer prices corresponded generally to the average (newly calculated) prices of the producer (unless fixed by special regulations). As far as import subsidies continued, they became part of the budget while the incomes from sales were kept on the same level of value as those from the ECA counterpart accounts. [654] [439]

435 655 [651] 3. The tariffs of the public corporations (Federal Railway, Posts, Tramways) as well as the prices for current were increased[1] from 20 per cent to 100 per cent to keep pace with the prices on the world market which had increased due to increases in cost (especially the price of coal); the trend toward a deficit in the Federal Railway and public service enterprises had to be checked. In spite of these considerable increases, these price rises were only three to five times as high as the level of 1937.

[465] 4. On the basis of the newly calculated producer and import tax prices, new retailer prices were worked out; to balance this rise every receiver of gross wages received an additional income of from 10 per cent to 12 per cent per month, but at least a minimum of 140 schillings. For persons in the public service, special measures were taken on the ground of the so-called "Gehaltsüberleitungsgesetz."

[68] 5. Finally, in immediate connection with this agreement a number of taxes and duties were altered: progression of the taxes on wages and incomes; a change in the rates of the mineral tax; a change in the contributions of the employers to the balance funds for charitable relief; a change in the turnover-tax; on the grounds of the law of adjustment of social insurance of 1951, the basis of the maximum contributions to social security were changes.[2]

648 [654] The most remarkable progress within the scope of this agreement, however, was (as already mentioned) the reduction of subsidies. As is known, the individual ERP countries obligated themselves in the bilateral economic agreements (Austrian agreement, August 2, 1948) toward the USA to pay the full value of the American relief deliveries in the currency of the recipient country on a special account (counterpart accounts). These accounts should be disposed of by the individual governments in accordance with the approval of the ECA to cover, as a rule, the financing of productive investments and to support currencies. The utilization of these means for financing for consumer goods should be limited as far as possible, although this had been tolerated in the beginning to raise the general standard of living. The purpose of this limitation was not to prolong the dependence upon foreign aid which was to end toward the end of June 1952.

457 652 With regard to the necessary balancing of the balance of payments (the special measures to achieve

1 [i.e., in July, 1951. Cf. cat. 116, p. 97, for rationale--Analyst]
2 [sic.,--Analyst]

these aims will be discussed later), which becomes more and more urgent because of the decrease in ERP funds, means from counterpart funds for investment aims had to be released to an increasing degree. 457 652

The Austrian government declared, therefore, its readiness as early as the fourth price and wage agreement to abolish all ERP subsidies for imports. In the interest of keeping living costs at the lower level, also, certain quantities of vital goods were provided at lower prices in 1951. Besides fertilizers and raw materials for fats (which continued to be calculated on the basis of former prices), the prices of wheat and fodder corn were increased but they still remained far below the prices on the world market. In addition, smaller subsidies were provided to support the prices of sugar, glass, drugs, and hides. 652 435 439 654

In spite of the partial abolition of subsidies, they still amounted to approximately 1 billion schillings for the period from October 1950 to June 1951. Seven hundred and fifty million schillings went to the debit of the counterpart accounts and 250 million schillings to the debit of the budget. Further subsidies had to be faced for two reasons: a sinking of the allocated means in the last year of the Marshall Plan (1951-52) had to be taken into consideration; and further means were necessary to continue investments which already had been started.

The agreements, therefore, provided adequate increases in sale prices for the import of individual goods. In spite of these price correction measures by which the difference between the import prices for wheat, rye, fodders and raw materials for fats and the prices on the world markets could be diminished, but not fully absorbed, there still remained a considerable burden on the budget because of the existing prices on the world market and the projected quantities of imports, as well as by changes in the ways of financing (transfer of counterpart accounts to the public budget). Thus, the differences had to be covered by the next balance period, a fact which the government budget 1951-52 had to take into account. This problem will rise again with the end of the Marshall Plan aid in June 1952.

If one considers the results of these agreements as a whole, a clear success had been scored in the prevention of further increases of subsidies, in the improvement of real income of public servants. 652 434

434 pensionists and persons dependent on state relief.
652 The correction of some out-of-line prices was also effected. To achieve these results the gross income of wage earners increased by approximately 6.1 billion schillings, the tariffs by 1.5 billion schillings and the incomes of agricultural workers by 640 million schillings. A flow of money has been effected surmounting by many times the net effect of the transfers in incomes. Future regulations will provide the final easing of tensions caused by the structure of prices and wages. By the same token, the final solution of certain apparent budgetary problems (remaining subsidies) and problems of the economic policy must be postponed, especially in view of social considerations.

435 The increases of prices, wages, taxes and tariffs by the fifth price and wage agreement caused, in many respects, a considerable movement of prices even in fields other than those comprised in the agreement. The intensity of this movement, however, was diminished by the continuing high industrial production (the number of employed reached more than 2 million people in the middle of the year) and by the sinking of prices in the world markets. However, there were a number of secondary, even tertiary, reactions which could not be avoided, although these reactions raised the general level of prices as a result of increasing demands in the second half of the year.

435 The prices of raw materials, however, were
439 stable in the early summer. The wholesale trade index of the Statistisches Zentralamt sank by 0.6 per cent (from 795 to 790; based on the formula 1938 = 100) from the middle of July to the middle of August. This was caused mainly by price reductions of the most important foreign raw materials (wool, rubber, tin), while domestic raw materials and semi-manufacturers (leather, petroleum, gasoline, building materials, aluminum and cellulose, among others) brought higher prices. This backward development led to a rise of domestic prices of raw materials and semi-manufactures so that they approximated the highly increased prices in the world market after the outbreak of the Korean conflict. Special problems in the development of foreign trade became acute because the prices of domestic finished goods had to adjusted to the levels of world market prices.

C. Developments in Credit Volume.

The features which influence the volume of payments and credits in an economy come partly from without and partly from within. The impulses, as is clearly seen in 1951, came from the flow of a world-wide inflationary price (wages) development; on the other hand, they were reflected in the necessities of the domestic economy which were expressed by the lines of the investment policy. Every investment ties up the invested capital (credit) until such time as the investment becomes productive. 000

If one wishes to avoid the danger of stopping investments before they reach the stage at which they are productive (i.e., to leave them unfinished and lose them within the scope of the total economy) then it is necessary to provide the proper means for completing investment projects, even if one could prove that a deceleration of credit expansion would be the correct measure. Moreover, the extension of credits requires, in this connection, the disposal of means for operation and credits for raw materials. All these are elements which make the development of credits (as seen from the standpoint of establishing programs of investments) of a necessary character to a certain extent.

The consumption of credits caused by the war, and the lack of an efficient capital market, shifted the center of gravity in financing (excluding investments out of public funds) necessarily to credit channels (see Monatsberichte for January 1952: "Die Wiener Börse im Jahre 1951"). Among the main sources of financing there are (excluding the liquid reserves of the credit institutions themselves) the increasing savings as well as those legal measures which support the techniques of financing (guarantees by the government in financing investment--Aufbaukredit and Absicherung von Exportkrisen, or protections against export crises) and, above all, the counterpart funds for potential refinancings at the Nationalbank. It is quite clear that these refinancings at the bank of money issuance (in Austria, the Nationalbank) can be only limited interim financing which must be consolidated in due time by consumption in the capital market. 652 452 [454]

If one considers the changes in the volume of total credits in the last year, one observes (on the basis of the report of the Board of Directors of

452 the Austrian Nationalbank) an increase of the total
652 amount of credit extended from 10,677.2 million schillings (December 31, 1950) to 15,226.5 million schillings (in the end of December 1951).

The total volume of credit comprised in the single categories of credit is:

	Dec. 31, 1950	Dec. 31, 1951
	(in millions of schillings)	
Credits for raw materials[a]	702.0	804.6
Other commercial credits	7,707.6	10,347.6
Reconstruction credits[b]	2,267.6	4,074.4
TOTAL	10,677.2	15,226.6

[453] a) These are credits which are to finance the import of semi-manufactures (in the first place, raw materials). Promises of refinancing are given by the
[457] Nationalbank and by credit institutions which have to guarantee them along with the Nationalbank. They come from direct and indirect ERP aid for carrying out of deliveries.

b) These are check-credits serving the financing of ERP investments out of ECA releases. They are guaranteed by the government according to the law of March 30, 1949 (BGBl.101/49) and by the promise of refinancing by the Nationalbank.

Listed below are the total credits according to their use as of September 30, 1951 (a later listing is not yet available).

	In Millions of Schillings		
Total credit volume	14,415	=	100.0 per cent
Commercial credits	10,908	=	75.7 per cent
ERP credits	3,507	=	24.3 per cent
From these: Industry and Mining	3,500	=	99.8 per cent
Small business	7	=	0.2 per cent

The commercial credits are listed as follows:

Industry and mining	4,342	30.1 per cent
Trade	2,894	19.3 per cent
Small business	934	6.5 per cent
Agriculture	759	5.3 per cent
Länder and municipalities	623	4.3 per cent
Other credit purposes	978	7.6 per cent
Reconstruction of dwellings	378	2.6 per cent

The development of Savings and Checking Accounts is shown in the following table:

	December 1950		November 1951	
	(in millions of schillings)			
Grand Total:				
Savings Accounts	2,198.1		2,320.0	
Checking Accounts	7,271.1	9,469.2	8,817.6	11,137.6
Break-down:				
Joint-Stock Banks				
Savings Accounts	484.5		537.2	
Checking Accounts	4,056.3	4,540.8	4,993.1	5,530.3
Bankers				
Savings Accounts	17.5		23.3	
Checking Accounts	250.9	268.4	207.0	230.3
Savings Offices				
Savings Accounts	965.3		954.7	
Checking Accounts	1,091.7	2,057.0	1,365.9	2,320.6
Credit Associations				
Savings Accounts	488.8		542.6	
Checking Accounts	386.4	875.2	466.6	1,009.2
Other Credit Institutions				
Savings Accounts	242.0		262.2	
Checking Accounts	1,485.8	1,727.8	1,785.0	2,047.2
		9,469.2		11,137.6

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[452]

Since the beginning of the Marshall Plan up to November 30, 1951, an amount of 12,280.1 million schillings was deposited in the special fund as a schillings equivalent of ERP aid deliveries (U.S. laws 84, 389, 470 and 472). From this amount, 750 million schillings were released for monetary purposes, 6,875 million schillings for financing the industrial investment program, 54.9 million schillings for other purposes, and 579.4 million schillings for the 5 per cent quota reserved for the U.S.--a total of 8,284.3 million schillings. On the key-date an amount of 3,995.8 million schillings remained for further purposes. (These figures do not include the United States aid transactions in the amount of 478.2 million schillings for the period from July 1, 1947, to December 31, 1947, the latter amount referring to purchases.)

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652 To evaluate these consequences, the changes
454 in the structure of production are of main interest.
433 According to the Austrian school of national economy, and according to the conception of competent representatives of this science in Sweden and in the Anglo-American area, the main consideration has to be given to changes in the relations between productive and consumptive utilization of capital. As in European countries other than Austria, the production indices of production goods industries increased at a higher scale than those of the consumer goods industries. This economic center of gravity becomes more clear by listing the release of the ERP funds for the total industry. Excluding public investments and means for covering special reconstruction problems, approximately 2 billion schillings out of a total of 2.6 billion schillings flowed into the production goods industry (power plant construction, coal and ore-mining, iron producing industries, etc.) and 607 million schillings into consumer goods industries (textiles, foodstuffs, paper). The distribution of these funds was aimed at affording Austria the opportunity to match the technical and industrial developments in the rest of the world, at least in the field of primary materials and semi-manufactures. The use of a big part of the credit volume, therefore, is fixed by the purposes of the official investment programs which are worked out by the Austrian government in consultation with economic circles and the ECA in Washington. Complementary credit demands (Betriebsmittelkredite) are tied to this credit as a consequence of the extension of capacity and the industries participating directly in these investments.

652 The agreement on qualitative and quanti-
453 tative credit measures reached between the Federal
452 Ministry of Finance and the joint stock banks in the spring of 1951 was followed by an additional agreement of October 10, 1951, paralleling the general international development. This later agreement allowed an increase in the total credit provided or promised by a bank, as of August 31, 1951, under certain conditions. [These are schilling credits in current amount, draft credits regardless whether the drafts remain in the portfolio of the bank or whether they are rediscountable; moreover, mortgages and municipal loans (unless they already serve to cover issued mortgages and municipal obligations), as well as requirements against Austrian credit institutions which do not exceed a thirty-days' validity. Not included in the total are reconstruction credits, credits granted for financing exports and

those for financing the harvest. The allowable increase of the total amount of credits (excluding the above-mentioned restrictions) may not exceed 70 per cent of the increase of obligations, i.e., of those means which recently have flowed in. An additional increase exceeding the above-mentioned total of credits is allowed only under the condition that liquid means of the first and second grade, in accordance with the agreement of April 6, 1951, effective August 31, 1951, exceeded the necessary liquid reserves at that same date; otherwise, the credits must be restricted to the rate of prescribed reserves. Other items of the agreement refer to the regulations concerning utilization and eventual sanctions if they do not keep to the reserve rates.] 652 453 452

For the purposes of coordination, the additional agreement stipulated that representatives of the bank must meet at least once a month at the Federal Ministry of Finance or at branches of the Austrian Nationalbank. They meet in the form of regional committees to discuss problems of credit policy to establish directions of restriction credits by their own volition, to discuss their fulfillment on the basis of the material in current figures, and from time to time to provide changes in or additions to those directives. The banks are represented in these credit committees by a six-member committee to which one representative each is delegated from the three nationalized big banks (Handels-und Gewerbebank, Arbeiterbank and the Bankhaus Schoeller and Co.). A measure of greater importance to currency policy is the decision of the General Council of the Austrian Nationalbank to increase the bank rate from 3 1/2 per cent to 5 per cent as of December 5, 1951. (Corresponding to the change of the bank rate, the rates of interest for deposits were altered. Specifically, it was decided that current account deposits will be handled in the future at the rate of 1 per cent instead of 3/4 per cent used until then. The rate of interest for savings deposits and non-negotiable paper was set at 3 1/2 per cent; if left on deposit for at least six months the rate was 4 per cent, and if left longer than 12 months, 4 1/2 per cent. At the same time the limit for free disposal savings deposits was increased from 3,000 to 5,000 schillings per month.) By so doing, Austria joined a number of countries which already had raised their bank rate since the outbreak of the Korean crisis (Belgium, Denmark, West Germany, Finland, France, Great Britain, Canada, the Netherlands, Sweden, and the United States). For the first time since the end of the war the enforcement of this measure

652 in currency policy puts a special stress on the dis-
453 count rate as an instrument of the policy of money-
452 issuing banks. (The last change of bank rate in Austria had been in 1935.)

Considered from a merely economic point of view, the rise of the bank rate means a transfer of the prospects of profitableness from long-term to short-term investments. In this way those endeavors are to be supported which aim at compensating the effects of the present essentially decelerated extension of credits through a greater offer of consumption and export goods in relation to price policy. Moreover, the increase of the bank rate is a proof of the necessity to go back to measures of economic policy which are in conformance with the conditions on the market. The more the bank rate approaches the so-called "natural rate of interest of capital" the less it is necessary to take other methods for the extension of credit for every quantitative and qualitative credit selection contains elements of subjective opinion. Moreover, the limitation of the volume of credits not only constitutes fixation of a certain figure but, under the prevailing economic conditions, of a fixed relation between investments in the production goods industries to that in the consumption goods industries. This relation, which is so decisive for credit policy and, in turn, for the stability of prices, approaches its equivalent value more when the economic function of the rate of interest provides a selection among the various possibilities for the utilization of capital. The field of credit policy is the one in which it is most difficult to replace the market mechanism by typical control measures.

Of course, there can be no doubt that supporting reconstruction by a policy of "cheap money" made sense in many respects--especially when one considers the conditions which prevailed in Austria in early postwar years. With reference to continuing consolidation, one has to try to reach an economic selection even here and to adjust credit to the development that has taken place already.

According to the agreement of April 6, 1951, beginning with January 1, 1952, the banks are required to keep 10 per cent of their obligations in liquid means of first grade. This means that the cash reserves in those banks will rise substantially after that date. In addition, the discussions which were held before the October agreement was reached brought

out that the main proportion of the extension of credits (as a consequence of the first agreement) flowed out of the accounts for financing imports of vital raw materials and of credits for the support of exports. These conditions do not lie within the banks' sphere of influence (not taking into consideration the directives for credits as laid down in the public investment programs). The occasional considerable reserves of the banks, which are tied up with the allocation of foreign currencies, must be taken into consideration. 652 453 452

It is a fact that the individual measures already showed an impact toward the end of the year. According to the statistics on credits and liquid money of November 30, 1951 (i.e., one month after the enforcement of the second agreement) the volume of credit, which is under control, decreased for the first time since 1947 by 30 million schillings--a rather low amount. Even if one considers the financing of credits for exports, and the especially high financing of credits for the sugar beet harvest, there is a total decline in volume by 80 million schillings at a time when a general increase in credit demands could be observed.

There are today two methods of determining the total of the means of payment in an economy at any given date. The Anglo-American method takes into account the total volume of the means of payments in circulation, plus free obligations of the national bank, plus checking account deposits at the commercial banks, minus interim bank obligations (i.e., deposits of credit institutions at the national bank and at credit institutions). The Continental method does not take into consideration the checking account deposits at commercial banks. (Recently, the Anglo-American method has been used in Austria, too.)

If one compares the development of the volume of money (paper money in circulation, plus checking account deposits, plus free deposits not at the banks but at the Nationalbank) in the previous year, an increase is shown from 14,608 million schillings to 17,164 million schillings since the end of December 1950 to the end of October 1951 as against a credit volume of 10,677 million schillings and 14,780 million schillings, respectively. The circulation of paper money rose in this period from 6,349 to 7,326 million schillings, the checking account deposits from 7,271 to 8,939 million schillings. The free deposits of public agencies, which 436 652 453

[436] are held at the Nationalbank, sank from 988 to 800
652 million schillings in the same period. At the end of
453 December 1951 the circulation of paper money amounted to 8,023 million schillings, the free non-bank deposits to 987.7 million schillings.

The flow of the volume of money was mainly influenced by the expansion of credits as well as by the flow of counterpart accounts. Exits on the basis of releases and current payments from proceeds caused a decline in time-limited deposits of public agencies at the Nationalbank (mainly counterpart accounts) from 1,941 million schillings at the end of December 1950 to 1,290 million schillings at the end of October 1951.

Bank statements show a considerable reduction in the "Bundesnotenschuld," from 4,124 million schillings in October 1951, and 2,030 million schillings at the end of December 1951. In the first statement after the currency reform of 1947, this item was still 7,547 million schillings higher. The exits in the last four years amounted to about 5,517 million schillings. Out of this amount, 850 million schillings went to retirement of the national debt (as provided for the purpose of securing currency stability on December 31, 1948). Another approximately 4,461 million schillings went to the releases of ECA funds for ERP investments in industrial enterprises; the remaining 205 million schillings went for other economic and political-financial purposes.

Amounts increased, however, for refinancing the reconstruction credits. From December 1950 to the end of October 1951, the increase was from 2,277 million schillings to 3,612 million schillings, and exceeded by 4,042 million schillings the 4 billion limit at the end of December 1951. The subsequent treatment of these blocs of reconstruction drafts (which were no longer handled by the Nationalbank) and their transfer on the capital market has been treated in another connection.

The free endorsement deposits of the credit institutions sank with the extension of credits from 299 million schillings (at the end of December 1950) to 211 million schillings (at the end of October 1951). However, they recovered to 540 million schillings towards the end of December. This increase is very closely related with the obligations of the banks to keep 10 per cent of their credits in liquid means of the first grade.

A comparison of the Nationalbank's position as of the key-dates (December 31, 1950 and 1951) gives the following picture. 652

	1951	1950	† or -
	(In millions of schillings)		
ASSETS			
Gold	51.1	50.3	† 0.6
Foreign currencies	582.5	449.3	† 133.2
Checks	1,709.8	809.2	† 900.6
Teilmünzen (coins)	2.3	2.8	- 0.3
Reconstruction credits	4,041.9	2,227.0	†1,814.9
Bonds (under par. 27 of the Währungsschutzgesetz)	807.0	749.3	† 57.7
Bonds (under par. 2, item 1, of the amendment of the Notenbanküberleitungsgesetz)	1,402.7	1,200.2	† 202.3
Loans	34.5	34.7	- 0.2
Money debts of the state	2,029.9	4,123.9	-2,094.0
DEBITS			
Circulation of bank-notes	8,032.0	6,348.9	†1,683.1
Free banking accounts of credit institutions	539.5	428.6	† 110.9
Others	580.6	987.7	- 407.1
Closed banking accounts of credit institutions	40.3	40.3	--
Others	1,469.3	1,841.4	- 372.1

Finally, one can state that in the course of the year 1951 the total volume of the means of payments increased by 20 per cent, the circulation of bank notes alone by about 26.5 per cent. At the same time there was an increase of the general level of prices by about 40 per cent. [436] [435]

The adjustments and reactions of the last year which are shown in the first half of the year in an extension of and in the last quarter of the year in a contraction of the credit volume are, however, only one side of a total economic problem. The problem itself is characterized by achieving a balance of payments.

D. Balance of Payments, Production, Investment.

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The problem is to carry out economic aims within the framework of inter-state coordination and the solving of certain intra-economic problems (problems of structure and priority). This is a specific Austrian task which must be attained by an increase in the transfer of production, by the rise of productivity, by an alteration of the structure of employment and foreign trade. The latter is a problem of international cooperation and of easing tensions in world politics.

Austria was dependent upon close international cooperation and international help from the start. This was due, for example, to the economic and political burdens such as the loss of a considerable capacity of production, which constituted a heavy drain upon the newly reestablished independent status of Austria achieved in 1945; new currency and credit policy foundations; the creation of an industry adapted to changed world economic conditions, which could be achieved only over a long period and only with the help of foreign aid. The situation of Austria is essentially different from that of western European countries which, at least after the outbreak of the Korean conflict, suffered only one-sidedly by the dollar shortage. Their balance of payments against countries with soft currencies were, on the average, favorable.

The following table shows the development of the Austrian balance of payments during recent years.

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	1947[a]	1948	1949	1950[b]
	(In millions of schillings)			
A. Current Expenditures				
Import of Goods	312.0	489.8	603.7	481.6
Invisible Expenditures	4.3	6.0	21.1	28.5
Total	316.3	495.8	624.8	510.1
B. Current Income				
Import of Goods	90.7	206.9	291.5	335.0
Invisible Income	19.8	21.7	37.8	46.1
Total	110.5	228.6	329.3	381.1
C. Deficit of the Current Balance of Payments	205.8	267.2	295.5	129.0
D. Increase in Deposits of Foreign Currency	7.3	19.4	11.1	30.3
E. Debt Liquidation	--	8.0	7.5	6.9
F. Statistical Correction	† 6.0	† 6.7	- 1.3	†45.5
G. Import of Capital, including Aid Deliveries	219.1	301.3	312.8	211.7

a) According to estimates of the International Monetary Fund.
b) 1948, 1949 and 1950: According to reports of the Board of Directors of the Austrian Nationalbank.

In spite of the initial difficulties and in spite of the impossibility of taking up the threads of development as they were before 1937 (attention is called to fundamental changes in the political, economic and social structure of central and south-eastern Europe), Austria was able to hold to a level which secured inner stability and an equilibrium in external relations. With the help of foreign aid granted in the last few years, Austria was thus able to achieve, among other things, a balance of payments.

Since 1946, when the gross national product available for consumption and investments (goods and services) had sunk to almost half the prewar amount, the gross national product and productivity has been doubled in the last few years. By 1950, the prewar level was exceeded by 10 per cent. In the same period industrial production increased two-and-a-half times and the volume of the total agricultural production increased by approximately one-half. A relatively high 434 433

433 investment rate as well as an increase of the general
434 level of consumption was made possible by this extension of the gross national product.

In 1951, the gross national product (according to provisional calculations and estimations of the Oesterreichische Institut für Wirtschaftsforschung) increased by about 7 per cent in spite of production bottlenecks. This figure, however, is slightly lower than in 1950 (10 per cent), but still higher than could be expected in a normal economy. This increase was almost exclusively due to the industrial production which, owing to the 10 per cent rise in productivity, could produce 14 per cent more goods than in 1950. In this way reactions on the level of prices could be neutralized in some ways
[457] through the greater quantity of goods. However, as the exchange conditions in Austrian foreign trade deteriorated by 10 per cent, and as the increase in prices on the world market lowered the real value of foreign aid by one-third, the Austrian economy in 1951 had only about 4 per cent more goods and services (i.e., about 2.3 billion schillings) for consumption and investments at its disposal than in 1950. Tourist traffic showed an increase of about 20 per cent more overnight guests in 1950-51 than in the preceding season, but the remaining sectors of economy, especially agriculture, showed only slight progress.

434 In the previous six years, especially since
454 1948, a far greater part of the gross national product was invested than before the war. In 1937 only about 6 per cent of the available gross national product was used for investments. The percentage increased from 17 per cent in 1948 to 20 per cent in 1950. As a comparison, the annual average in Great Britain is about 18 per cent. In 1951 the increase of the gross national product invested reached its highest extent, about 21 per cent. The greater part of these investments was carried out within the scope of the public budget or through special funds (for instance, reconstruction fund for dwelling units) and out of ERP funds. (In 1951 about 3.7 billion schillings flowed in from the purchase of ERP goods upon counterpart accounts). The high level of the investment rate, however, was only possible with foreign aid. It will be one of the main considerations of the Austrian economic policy to keep to or divert an adequately high rate after the end of the Marshall Plan. In this connection the adjustment between the investment rate and the monetary stability as well as the distribution of investments between

industries of production goods and consumer goods, will gain top importance. 434 454

During the Marshall Plan period preference was given to short-term investments within the scope of the Austrian Investment Program 1950-52. The aim was to ease the strain on the balance of payments, either by an increase of exports or by a decrease of the import demands, whether by direct or indirect means (for instance, by lower prices for semi-manufactures in industries which depend upon exports). The decisive factor for the selection of investments was the degree of contribution to the balancing of payments within the shortest time possible. This had to be coordinated with the requirements for big projects which had been started or were far advanced. In this way the projects could be completed in a technically and economically sound way. By finishing the started projects, especially in electric energy and in the iron and steel industry, Austria should be enabled to use its rich natural resources (water power, iron ore) as rationally as possible and better than was the case before. In view of the low capacity of the domestic capital market these projects had to be carried out, as far as possible, within the ERP period. In spite of the continuation of big industrial projects, the main tendency of the three-years' program (1950-52) is to give industries and crafts which need export outlets as well as the tourist traffic higher counterpart sums in the last two years than they received in 1948-49. It is self-evident for reasons of export and social policy that the investment plan tries to support, above all, small and medium-sized enterprises of the semi-manufactures category and the crafts. [457] 652 454 457

Development of the most important economic fields is on the average satisfactory. One has to consider, however, that the full results of investment projects, especially the big ones, will not show up until 1954-55. Most impressive has been the development of the iron producing industry. Thus, for instance, in 1950 about 15 times more raw iron and 5 times more raw steel and rolled products were produced than in 1946. The production of the iron producing industry surmounted that of the prewar level in 1945. Compared to 1937, by 1950 the production of raw iron was higher by 128 per cent, that of raw steel by 46 per cent, that of rolled products by 37 per cent, and that of pressed and wrought iron products by as much as 246 per cent. This development continued in 1951. Thus, the production of 433 327

433 raw iron was increased to about 1.04 million tons (as
[387] compared to 883,000 tons in the preceding year) and
the raw steel production to about 1.03 million tons (as
compared to 943,350 tons in the preceding year). This
increase in production was possible through an increase
in mining output, which amounted to approximately 2.37
million tons in 1951, as compared to 1.86 million tons
[398] in 1950. In the car industry, emphasis lay on the pro-
duction of tractors, heavy trucks, busses and motor-
[392] cycles. Agricultural machinery production was 119 per
cent higher in 1950, lathes 110 per cent higher, ball-
bearings 327 per cent, nails and screws 56 per cent
more than in 1937. Although the electrical industry
[393] had suffered most seriously from war damages and dis-
mantling, and although various raw materials, mostly
of foreign origin (such as electric thin-gauge plate,
copper, lead and various special products), could be
obtained only with difficulty, the total production in
1950 was double that of 1937. This favorable development
has continued in 1951 despite the shortage in raw
[387] materials. The chemical industry reached a capacity far
higher than before the war in spite of extensive war
damages. The Linz Stickstoffwerke, for example, not
only cover the domestic demand for nitrogen but export
considerable quantities of nitrate of lime and phos-
phate. Production of the latter amounted to 525 tons
per month in 1938, during the first six months of 1951
it reached an average of 35,000 tons per month. The re-
sults in some finishing and consumer goods industries
lagged behind, but even so substantial increases could
be reached, especially in enterprises which are important
[289] for export (for example, the paper industry). By 1950
three per cent more paper was produced than in 1937.

[316] A remarkable increase was made in domestic
soft coal mining. The production of electric current
[377] rose from 3,050 million kwh, 1946, to 4,911 million kwh,
1950, an increase of 61 per cent. This remarkable in-
crease of capacity in 1950 is almost exclusively due to
water power, the production of which increased to 690
million kwh. In extending and financing electric power
projects differentiation must be made between finishing
started projects (water-power plants, steam plants,
transmission lines and transformers), new construction,
international projects, export, and projects of local
importance (see Wirtschaftsberichte No. 12, October 1951:
"Oesterreichische Wasserkräfte als Beitrag zur Energie-
versorgung Westeuropas," by Erich Heller and Oscar Vas).

Industrial Production Index - Comparison of Averages for October (monthly average 1937 = 100) 433

	1951	1950	1949
Total Index of Production	180.3	145.4	122.8
Production Goods	230.7	178.6	151.6
Consumption Goods	138.8	117.3	98.3
Total Index of Productivity	105.7	91.8	82.1

Although agriculture and forestry showed some results production was lagging behind due to many soil-improvement measures which were neglected during the war. It remained behind the prewar level. Further investments are now being made in this field. Considerable increase can be seen in the traffic capacity of the Federal Railways. The extension of electrification, modernization of traffic installations, of rolling stock, and of railway stations are among the projects. [311] [497]

Tourist traffic is of special importance to achieving balance of payments. Tourist traffic was one of the most important foreign currency earners before 1937. In 1948-49, 31.6 per cent of the number of overnight guests for 1937 was reached. This proportion rose to 70.4 per cent in 1949-50 and to 74.3 per cent in the winter season of 1950-51. However, the income from foreign tourist traffic lagged behind that of the prewar period. It amounted to 15.1 million dollars in 1950. With regard to its purchasing power, it reached one-fifth of the 1937 level. In this field also investments for modernization and extension of enterprises are continuing. The aim is to reach a reasonable balance between investments and incomes from foreign currencies. Similarly motivated is the aim of opening areas of the country which might be very important for tourist traffic by building new roads and means of transport, such as cable cars and ski-lifts. In the investment program for 1950-52 net investments of 960 million schillings are provided for this sector alone. 457 [529]

The main vehicle for the balancing of payments is foreign trade.

E. Foreign Trade.

439 457 Austria's foreign trade was naturally effected by the outbreak of the Korean crisis. In the beginning it caused considerable increases for Austrian exports. In the following period, however, import prices rose above export prices creating a discrepancy between the trade balance and the balance of foreign currencies in the spring of the year. A number of legal regulations were necessary. Intensification of Austrian foreign trade, therefore, becomes one of the most important economic-political assignments in connection with the end of the Marshall Plan. (See Monatsberichte for January 1952: "Ausfuhrsteigerungerstes wirtschaftspolitisches Gebot." Compare especially what is said about the abolishing of the quota, which will not be changed, and about the material supports to raise the export trade, especially the extension of exchange business.)

[648] In the last quarter of the year, a committee of the EPU in Paris was discussing this problem which is of paramount importance to Austria. It stressed the urgent need for further developments in this sector since Austria shows a permanent deficit account in its clearing with the EPU. This deficit reached an amount of 5.4 and 5.5 million dollars in October and November, respectively, while foreign aid in an amount of approximately 8 million dollars was allocated for these two months. The balance must be supplied by the Nationalbank out of its own reserves.

457 648 439 By means of trade agreements Austria endeavors to extend the scope of its obligations to the European area as well as to overseas areas. (In the following, explanations are based on: "Die Handels- und Zahlungsabkommen Oesterreichs" by Dr. Helmuth Boller, chief of the Trade Policy Section of the Bundeskammer der gewerblichen Wirtschaft, Vienna.) Certain progress could be reached. Thus, the lack of trade agreements with the Iberian peninsula could be corrected by the conclusion of a commercial agreement with Portugal. Toward Spain there are only feelers of a trade and political character. Indonesia joined the ranks of overseas agreement partners. New trade agreements were reached with Belgium, Luxembourg, the Netherlands, and Poland to replace former agreements which had expired. Trade agreements were renewed with Argentina, Brazil, Denmark, West Germany, France, Italy, Yugoslavia, Norway, Rumania, Sweden, Czechoslovakia and Hungary in 1951. As a rule, the formation of the goods

traffic on the basis of hitherto valid agreements were revised and new goods lists for the future worked out. The new agreements are, in general, valid for only one year. Additional payment agreements could be reached with Belgium, Luxembourg, Brazil, the Netherlands, Poland, and Portugal at the same time the commercial negotiations were concluded. (At present there are twenty-three payment agreements.) Payment agreements not connected with commercial agreements now exist with Great Britain, Canada, and Uruguay, and commercial agreements without corresponding payment agreement with India, Ireland, Indonesia, and Pakistan.

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If one groups the concluded commercial agreements according to basic common features, one can see that an extensive adjustment of the regulations to the decisions of the OEEC and the EPU took place in the so-called OEEC countries in 1951. Basically, the principle of Liberalization was stressed in all bilateral commercial agreements with OEEC countries in accord with obligations which result from membership in the OEEC and EPU. The lists drawn up are restricted to goods not covered by the general liberalization.

The paramount importance problems about the supply of raw materials caused a remarkable shift toward fixed promises for deliveries. In many cases the partners not only worked out lists for the import of non-liberalized goods but they added additional lists creating fixed promises for the allocation of export licehses in the form of delivery contingents. Austria uses agreements of this kind in its trade witb West Germany, France, Italy, the Netherlands, and Portugal. All these agreements with OEEC countries also have in common the basic renunciation of the principle of compensation and its replacement by the so-called "clearing agreement." In 1951 even the last agreement based on bartering had to cede to this principle. The trade agreement with the Netherlands of December 13, 1947, which represents the type of mixed agreement, was replaced by a new trade agreement of February 5, 1951, which actually adopted the standards of those clearing agreements which were reached with other OEEC countries.

The renewed agreements (not in the framework of OEEC and partly only prolonged former agreements) with Bulgaria, Poland, Rumania, and Czechoslovakia do not show essential changes as compared with the preceding year. On the grounds of merely bilateral basis, the

457 balancing of the bilateral trade balance sometimes
048 causes considerable trouble. The trade agreement
439 with Yugoslavia was considerably extended by a credit for goods to the amount of 10 million dollars which Austria granted to that country; the goods have been almost totally delivered. The goods credit, starting with the year 1952, must be balanced by Yugoslavian counter-deliveries. The new discussions about a trade agreement with Yugoslavia were begun on January 7, 1952.

Among the overseas agreements, those with Argentina and Brazil contain very interesting new elements with regard to the techniques of agreements. Thus, for instance, the listing of the items of Austria's exports to Argentina is extremely detailed. One is certain that the establishment of a permanent Mixed Commission with its seat in Buenos Aires will be a success. It is the Commission's task to control observance of the agreement and the development of the goods traffic. In the agreement with Brazil the new method of balancing payments is most interesting because it deviates from the usual scheme. The establishment of annual accounts for the balancing is most remakable. At the end of the year in which the agreement operates, the amounts will be balanced and replaced by a new annual account for the following period of the agreement. It is equally remarkable for the regulation that a payment of a credit account will be demanded only to the extent in which import licenses actually were issued by the competent authorities after ordinary application procedures.

In the first months of the coming year further agreements with Brazil, Bulgaria, Denmark, Greece, the Netherlands, Norway, Pakistan, and Sweden are to be concluded. Existing agreements are to be renewed or prolonged.

457 The achievement of the balance of payments
652 is the aim to which all endeavors of the economic policy must be subordinated. As explained in the foregoing, these endeavors contain those measures which are to restrict the inflationary development. The craft segment of the economy under the direction of the Bundeskammer der gewerblichen Wirtschaft started various measures of material and psychological importance toward the end of 1951. Among these measures was price reduction (see Monatsberichte for November 1951 (No. 31): "Die ökonomische Bedeutung der Preissenkungsaktion").

The same aim is to be reached by an increase of the production with regard to quantities, by the balance between the production-goods and consumer-goods industries and by regard to necessities arising out of the export policy. In this connection, not only problems of an increase in productivity were discussed, but also fixed legally-based calculation principles (Eröffnungsbilanzen) were created which make it possible to strike an unassailable balance and to tax sham profits. 652 457

F. Liquidation of Marshall Plan Aid and Future Planning.

The Marshall Plan is drawing to an end; it expires, according to the Foreign Aid Law of 1948, at the end of June 1952. That the American Marshall Plan administration, the ECA in Washington, has ceased functioning and the Mutual Security Administration started its activities as of January 1, 1952, do not alter the basic principles of Austria's economic policy (see Monatsberichte for January 1952: "Vom Marshallplan zum Mutual Security Agency"). [648] 652 457

This is a fast-moving age in which we live. People almost forget that at the bottom of such a complicated program of procedures as the ERP allocations, of the releases from the counterpart funds, from the direct and indirect aid, from the drawing rights, and from the EPU, there was a relatively simple, but nonetheless, grand idea which aimed at the economic and social reconstruction of the war-torn European continent and the cooperation of the European countries in a free and comprehensive European market. Out of the 13 billion dollars supplied in the Reconstruction Program by the American taxpayer for Europe, Austria got 1 billion dollars for the purchase of bread and fodder grains, cotton, oil, and fats, for payment of overseas freight, for the extension and rationalization of its mining and industrial plants, for carrying out the enormous power-plants, for the reconstruction of its traffic network, and for its recreational and tourist traffic establishments. These dollar means, which were represented also in the counterpart accounts, served immediately or mediately in connection with aid deliveries to supplement investments and necessities in various enterprises.

652 [439] This comprehensive aid will cease in the middle of 1952. Austria will be right in stressing the fact that, owing to its far lower level of total economic well-being (as compared to the other ERP countries), the full results of all these measures and investments cannot be forthcoming earlier than 1954-55. Moreover, the further amalgamation of markets in Europe may be expected in connection with increasing competition, by which a reasonable compactness of all new investments within the European Investment Program will be provided. On the other hand, there are a number of most decisive problems of economic policy which must be solved by the beginning of the new fiscal year. The manner of mastering these problems must be of top-ranking importance for the economic and social development of the country. Although the measures taken in the sector of currency and credit policy must not be overestimated in their impact upon stabilizing money values, the increase of production and productivity is a corollary of the organic compactness of the structure of the total economy. In this way single elements may be most fully developed. Bearing this in mind, the appropriate authorities pointed out that the American aid sources, which will be available for only a short time, must be used up in carrying out those economic measures which are considered most important. To coordinate the measures concerning the total economy, the single appropriate ministries have been ordered to make proposals to the Wirtschaftsdirektorium of the government at the earliest possible date. These proposals are expected shortly. They will deal, among other things, with the necessary structural changes of the public budget which take a considerable portion of the gross national product.

Establishment of a balanced budget on the basis of the most economical use of expenditures is one of these. In connection with this, there will take place an organic reform of administration, especially with respect to not burdening the public budget with further expenditures of this kind; strict observance by the appropriate ministries of expenditure limits set in the provisional budget; liquidation of the problems of subsidies. (In relation to the preceding years the budget of 1952 tends to make the government the vehicle of a comprehensive investment policy in view of the decreasing counterpart funds. In this respect the government takes over functions which need most careful consideration from the standpoint of the

currency policy as well as that of profitableness. 652
The transfer of such assessments or of such means as may be set aside for these purposes will be one of the most urgent tasks of the economic policy.) The apparently favorable development of incomes must not deceive anyone about the precarious budgetary situation. It will lead necessarily to saving measures in the current year if the stability of the currency is to be achieved, which is the real aim of the economic policy (see following table).

PROVISIONAL REVENUES OF PUBLIC TAXATION IN 1951

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Federal Finance Law "Public Taxes" 1951, Chapter 17	Provisional Revenues 1951	Federal Budget 1951 (including supplements)	Difference (including supplements)
	(In Thousands of Schillings)		
Direct Taxes:			
Assessed Income Taxes	1,804,126	1,800,000	† 4,126
Wage Taxes	1,637,415	1,433,000	†204,415[a]
Corporation Taxes	599,489	532,000	† 67,489[b]
Property Taxes	66,231	53,600	† 12,631
Business Licenses	1,000,832	886,000	†114,832[c]
Occupation-cost Contributions	515,043	448,086	† 66,957[a]
Other Direct Taxes	20,857	17,700	† 3,157
Total of Direct Taxes	5,643,993	5,170,386	†473,607
Turnover-Tax	2,303,551	2,214,000	† 89,551[d]
Added Charge to Turnover-Tax	1,152,596	1,107,000	† 45,596[d]
Customs Duties	305,013	300,000	† 5,013
Consumer Taxes:			
Tobacco Tax	1,069,513	1,050,000	† 19,513
Other Consumer Taxes	504,721	490,760	† 13,961
Total Consumer Taxes	1,574,234	1,540,760	† 33,474
Duties and Traffic Taxes	886,115	844,400	† 41,715
Extra Fees, Fines and Damages	67,098	64,000	† 3,098
TOTAL INCOME	11,932,600	11,240,546	†692,054
Deductions:			
Transfers to Federal Countries and Municipalities	3,563,849	3,492,393	- 71,456[e]
Remaining Net Income	8,368,751	7,748,153	†620,598[e]
Contributions to the Reconstructions of Dwellings out of the Revenues	383,250	f)	f)
Contributions under the Law of Reconstruction of Dwellings	39,363		

a) A surplus caused by the higher employment and by wage increases under the fifth Wage and Price Agreement. b) Surplus based on carry-over from the preceding year. c) A surplus from back-payments on 1950 assessments. d) Higher turnover. e) In addition, the federal countries will get about 270 million schillings. f) Not assessed in the federal provisional budget, since these amounts flow directly into reconstruction funds for dwellings.

SOURCE: Mitteilungen des Direktoriums der österreichischen Nationalbank, January, 1952.

*The surplus serves to finance investment expenditures of about 560 million schillings which is not provided for in the Federal Finance Law of 1951 and which are not covered by ECA releases; they also are to cover surplus expenditures of the Federal Railways caused by price increases.

000 Supporting the creation of capital and the establishment of a capital market of high capacity involves evaluating the possibilities for transferring direct taxes to indirect taxes and the reform of the savings system. The main problem of any stressed creation of capital lies with the reconstruction of a constant purchasing power of the currency. This problem must be solved from the standpoint of prices and wages as well as from that of taxation. Underpinning the purchasing power can be accomplished only by an increase of capacity and by constant and, if possible, decreasing costs in the most important fields of production. It also means a rational treatment of the capital profits, especially to avoid eventual double taxation. Stocks are again to become an instrument for financing the economy, not merely a vehicle to insure the substance of the economy; they should be means of profitable investment. New types of securities are to be admitted on the stock exchanges which have already proved successful capital elements at foreign stock exchanges. Also measures to strengthen the feeling of confidence (Mündelsicher) by up-to-date regulations for investment and, if necessary, the introduction of par-value guarantees in certain cases will be taken.

The investment policy comprises adjustment of the extension of investments to the available means and, if necessary, extension of certain big projects to a longer period; examination of investments from the standpoint of currency stability and the balancing of the budget; progressive harmonizing of the investment policy for primary materials and the finished goods industry to avoid structural distortions and to achieve a reasonable balance between the offer of goods and the volume of means of payment.

Increase of productivity means simplification of production programs and production methods; better utilization of machinery to secure a continual supply of labor; creation of an atmosphere of confidence within the plants to assure a frictionless cooperation of both social partners; closest cooperation of all authorities concerned with the furtherance of productivity; spreading the idea of productivity from the level of the single unit to the whole economy.

Intensification of foreign trade involves continuation and completion of measures favorable to exports; individual furtherance of exports; simplification of the foreign trade procedures; creation of

000 special centers of gravity in investments to support industries and enterprises which are ready and ripe for exporting intensification of market research; continuous improvement of the trade and payments agreements with all countries based on the principle of upholding the political integrity of Austria.

Another project is progressive liquidation of relics of the preceding era, especially those losses in value which were caused by the war and postwar events. Among those measures is the "Schillingseröffnungsbilanzgesetzes."

These projects, of course, do not exhaust the matter: they are single elements in a total economic conception which aims to secure a reasonable development of real income and to avoid the possibility of future price increases. The abolition of remaining subsidies and of deficits (above all, those of the Federal Railways) might follow.

The year 1951 was a period of crisis. For the world, and for Europe, it ended without overly sharp economic and social reactions because of the vigorous defense against inflation and various shortages. There are several vital problems of worldwide and local importance not yet resolved, but one can consider the increasing and well-established international cooperation (in spite of all tensions) as a pledge for favorable future developments. Cooperation of the European and continental communities means a strengthening of the economic and social life of Austria itself.

But one must add that none of the economic measures will be realized unless they appeal to all citizens, creating that kind of patriotism which enables a country to overcome immediate difficulties by supporting a social order, the foundation of which is work, responsibility and a consciousness of duty. From these fundamentals a gross national product can arise which will insure a higher standard of living for the people and, by achieving this, a real dignity and self-esteem will be born.

V. TRANSITION PERIOD (First Half of 1952)

A. The General Picture.

With the end of the Marshall Plan in the middle of this year, the 17 European ERP countries (among them Austria) will have to face a number of rather difficult decisions in the realm of economic policy. If one totals up the grants of aid which Austria got within the scope of the Economic Cooperation Act of 1949, and of the Foreign Aid Law of April 3, 1948, in the course of the last four years under the title of direct and indirect aid, and under the EPU, the allocated dollar means and goods and services altogether amount to 833 million dollars. Allocations for the single years were: 652 457

1948-49 - 270 million dollars
1949-50 - 253 million dollars
1950-51 - 190 million dollars
1951-52 - 120 million dollars

In the schilling balance, the inflowing counter-value to the ERP aid deliveries amounted (in counterpart funds) to 13,243 million schillings with the key-date of February 29, 1952 (according to the statistics of the Austrian Nationalbank). (The principles contained in the agreement and the technical procedures of carrying out these aid programs are quoted in the "bilateral agreement" between the USA and Austria on July 2, 1948.) Out of this amount 775.0 million shillings were used for monetary purposes, 7,275.0 million schillings for financing the Austrian investment programs and 682.3 million schillings for other economic expenditures. The above-mentioned grand total does not contain the counter-value of 478.2 million schillings which was granted in the period from July 1, 1947, to December 31, 1947, under U.S. Relief appropriations (UNRRA, congressional interim funds); they also do not contain such credits as the pound-sterling credit, Export-Import Bank credits, surplus credits and War Assets credits, etc.

The conditions and developments described in the preceding sections for the year 1951 were the result of these financial aids, together with legal and organizational provisions made since 1945 and the attitude of the Austrian people. It should not be forgotten that the economic level of Austria was far lower than that of the other ERP countries. Therefore, in

652 restoring Austria's living conditions a number of
457 problems had to be faced which could not be mastered by the country alone. Moreover, an economically smaller country which is about to change the whole economic structure is more sensitive toward the trends on the world market. Its economic and political possibilities are more restricted than those of big continental powers.

The above-mentioned elements, as well as the thoroughgoing changes which have taken place in the traditional pattern of Austria's trade with southeastern Europe, must be borne in mind when judging Austria's total economic situation.

652 Austria used all possibilities under the ERP as intensively as possible. It has replaced its war damages to a great extent. It has rebuilt its industrial and agricultural production within the limits of given conditions. It has again reestablished connections with European and overseas partners and restored the functional capacity of its money and credit system. Hindrances to these developments were: losses in substance, structural time-limited transfers, existing political encumbrances, and, not least, the recent impact of world economic conditions (Far East crisis). These are the reasons that the aims which were generally set forth by the ERP could not all be realized within the time provided in the program. This is a fate which Austria has in common with other ERP countries to varying degrees.

The problems which Austria has to face after the end of the Marshall Plan are the same in all other ERP countries. Although the capacity and the means may be very different, to restrict the loss of the gross national product in a socially bearable way is the main task. Now the top problem becomes the maintenance of a workable and humane order of economy and society. Various factors will play a role, among them are: a synthesis between captivity and freedom, regard for law and natural development, the cooperation of all political and social forces, the cooperation of individual markets within the framework of sound competition and real prices and the like.

000 No specific social and economic order is autonomous; it is only a part of a great network from which it receives specific impulses and on which it

exerts such impulses. This order, therefore, can flourish only within a bigger regional or continental order to which it is bound and from which it receives concepts and principles. 000

Europe and, at the same time, Austria are now in a transition period in which it must be their primary aim to maintain the present results and to achieve new forms of inter-continental cooperation. No doubt it will be necessary to make some material shifts and changes in time, as well as to overcome certain bottlenecks, in order to prevent a sinking of the gross national product until the new developments can be coordinated. To analyze the total situation one must contemplate the present status of the market and Austria's own potentialities.

Almost 12 months have passed since the "Korean boom" was stopped and replaced by partly sharper reactions in prices. For almost six months the price index showed a sinking tendency until, in the last quarter of 1951, a new balance could be observed at the bottom of which were serious shifts in the structure of prices for raw materials. While the quotations of most "dollar goods" were rising slightly, the prices of sterling-pound products were sharply reduced. This development led to a critical state of the British balance of payments and made it necessary to start a crisis-program in three stages (November 1951, February 1952 and March 1952). [The British White Paper, published by the British Treasury on April 5, 1952, gives the following explanations about the development of the British balance of payments: the official provisional estimate of the total deficits in the last year amounts to 521 million pounds sterling as compared to assets of 244 million pounds in 1950; this development was caused also by the loss of the Iranian oil (in addition to the above-mentioned shifts in economic developments).]

In the first quarter of 1952 the prices on the world market began to slide again. Moody's Index for "Staple Commodities" (December 31, 1931 = 100) was at 435.6 at the end of the quarter as compared to 458.8 for the previous year's quarter. The lower tendency showed itself in time-restricted prices, but even more at spot prices. The Dow-Jones Index for "Spot Prices" (Average 1924-26 = 100) was reduced from 194.73 on December 31, 1951 to 191.67 on March 31, 1952; on the same basis the index was calculated for time

restricted prices, showing a decrease from 189.35 to 179.64 on the same dates. Owing to the extraordinarily low prices for rubber and wool there were sharp decreases of prices in the first quarter of the year; they were sharper than for "dollar goods." The fact that tin and cocoa were higher in price does not alter the above picture (this holds true for tin because of the British-American agreement on tin comprising about a quarter of the offers of "sterling tin"). The prices for cocoa showed the same tendency by reason of the extraordinarily bad harvest prospects.

Further developments may show very different tendencies. The drop in prices for raw materials may be stopped by the renewed extension of demands or they may even rise again because of "non-commercial purchases," i.e., government purchases in order to stock supplies in the United States; this may also be affected by the conclusion of international agreements concerning the markets. (These problems were dealt with by those special committees whose task it is to control the development of single raw materials. They were handled also by the committee on commodity problems of the FAO.) Further developments may also be influenced by measures of credit and interest policy. All these developments may constitute a certain relaxation for the balance of payments of the individual national economies, a circumstance which would have a favorable influence upon the various economic systems.

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The Development of the Most Important Raw Material Prices

GOODS	QUOTATION BASIS	End. Aug. 1939	Mid-1945	End. 1950	End. 1951	End. Jan.'52	End Feb.'52	End March'52
Wheat	Chicago							
	Cents per lb.	67.25	168.--	243.75	256.38	252.25	250.88	251.12
Corn	Chicago							
	Cents per lb.	43.65	117.63	173.--	191.25	187.25	180.25	185.25
Copper	New York							
	Cents per lb.	10.50	12.--	24.50	27.50	27.50	27.50	27.50
Tin	London							
	£ per long t	230.--	300.--	1150.--	905.--	987.50	976.50	963.--
	New York							
	Cents per lb.	48.75	52.--	152.--	103.--	121.50	121.50	121.50
Lead	New York							
	Cents per lb.	5.05	6.50	17.--	19.--	19.--	19.--	19.--
Zinc	East St. Louis							
	Cents per lb.	4.75	8.25	17.50	19.50	19.50	19.50	19.50
Cocoa	New York, Accra							
	Cents per lb.	4.13	8.81	34.25	32.50	37.--	38.37	38.37
Coffee	New York, Santos E.							
	Cents per lb.	5.80	16.38	54.82	53.23	54.36	53.98	53.67
Cotton	New York							
	Cents per lb.	8.82	23.07	44.17	42.74	42.80	41.20	42.55
Lard	Chicago							
	Cents per lb.	5.45	nom.	16.38	12.63	12.50	10.13	10.25
Rubber	London d. per lb.	8.75	nom.	55.--	41.25	40.--	33.--	32.50
Sugar	New York, Nr. 4							
	Cents per lb.	2.90	nom.	5.50	4.79	4.45	4.24	4.37
Wool*	Brit. Auctions							
	70er d. per lb.	22.50	nom.	235.--	144.--	135.--	126.--	116.--
	48er d. per lb.	15.--	nom.	146.--	72.--	65.--	65.--	51.--
Raw Oil	Midcontinent							
	Cents per barrel	82.--	117.--	257.--	257.--	257.--	257.--	257.--

* The prices for wool are, in contrast to other prices, monthly average prices.
nom: nominal quotations; it may also indicate that there were no free quotations fixed on these key dates.

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000 A review of the total situation will show that the present condition is a process of stabilization, serving to fulfill the demands of certain economic-political principles concerning market economy. It will result in a general reduction of business, lessening the tendencies for consumption goods for single countries. The crucial point in all these considerations, however, lies with the long-term business cycle. Developments in the United States remain decisive for the whole present condition of the world market. In American developments experts refer to the following features: expenditures due to rearmament; the considerable capacity reserves due to the increasing scale of savings; the governmental subsidies for aged persons no longer productive (about 80 to 150 dollars per month); the increase of the American population (since 1930 by 34 million and since 1940 by 25 million) and of world population (in the last 20 years by about 400 million). (The research of the Irving Trust Company finds that the rate of savings of the American population has gone up from 4 per cent to about 10 per cent of the annual national income since the last quarter of 1951; this does not only constitute a considerable reserve of purchasing power with regard to a possible decrease in business, but also forms an essential factor in fighting inflation.)

Furthermore, the report of the Irving Trust Company stresses that American industry has set up a considerable extension program, in the framework of which the production of steel will increase by 11 per cent, that of aluminum by 65 per cent, of petroleum by 14 per cent, and that of energy by 40 per cent. After that, the national production of the United States will increase by 5 per cent in the present year as it did also in the previous year. (The reader is referred, in this connection, to the reports of the Bankhaus Bär and Co., Zürich, "Wochenbericht" No. 14, April 4, 1952; analyzing the state of business. It comes to conclusions similar to those expressed by the American economic expert, A.S. McLeod in the magazine U.S. News and World Report.) The spring programs, providing a projected extension of the European production, will be discussed later.

B. Developments in the Field of Trade and Payments.

If one considers conditions when the laws of economic policy were issued in the spring of 1951, one will see that the discrepancy between the sharply increasing prices of imports and the lagging prices for exports led to a discrepancy between trade balances and currency balances. This was the case despite shortages of the most important raw materials and in spite of a relatively favorable trade balance. In view of this, not only the direct aid was used up in a shorter time, but the "Initial Position" supplied by the EPU was exhausted to a far greater extent in the counter-value of 80 millions. The deficit eventually was covered by additional funds for direct aid in the amount of 18.2 million dollars from EPU and a sum of 10 million dollars from the "Special Resources" of the ECA, awarded in view of the special conditions of Austria. To an extent it was also covered out of the limited reserves of the Austrian Nationalbank. 439 457 652

The later decline of the prices of raw materials made the reduction process slower. This was the case especially with finished goods because of the natural alterations concerned with the various stages of the program. A number of these goods not only reached the maximum prices in the world market, but also the amount in the following period. The total development is reflected in the table of the balance of payment. The figures for 1949 and 1950 are used for comparison.[1]

[Cf. category 116, pp. 132-133--Analyst]

LSH

BALANCE OF PAYMENTS OF AUSTRIA FOR 1951 (Final)*
--A Comparison of 1950 and 1949--

	1951 (Quarters) Fourth	Third	Second	First	1951	1950	1949
EXPENDITURES	(In Millions of U.S. Dollars)						
I. Imports							
Commercial Imports of Goods (incl. ERP, indirect aid)	146.78	126.08	131.68	120.56	525.10	357.30	397.29
ERP Deliveries (direct aid)	28.55	34.10	38.40	26.58	127.63	119.48	194.20
Private Charity Deliveries	0.60	0.60	0.60	0.60	2.40	4.10	9.34
Other Deliveries	---	---	---	---	---	0.11	0.99
Supply of Current	---	---	---	0.00	0.00	0.61	1.90
TOTAL	175.93	160.78	170.68	147.74	655.13	481.60	603.72
II. Services and Interest							
Freight and Transport	7.93	7.39	3.95	4.17	23.44	15.72	9.29
Tourist Traffic	1.34	2.29	1.35	0.98	5.96	3.63	2.61
Posts and Communications	0.10	0.08	0.07	0.09	0.34	0.45	0.35
Diplomatic Service	0.25	0.41	0.48	0.33	1.47	1.58	1.70
Insurance	0.11	0.16	0.20	0.18	0.65	0.25	0.37
Other Services	3.03	4.73	3.02	2.08	12.86	6.37	6.16
Interest	0.06	0.11	0.09	0.14	0.40	0.53	0.58
TOTAL	12.82	15.17	9.16	7.97	45.12	28.53	21.06
III. Capital Flow							
Net Alterations of Foreign Credits	1.01	3.56	---	---	4.14	2.05	---
Net Alterations of Short-Term Foreign Accounts & Obligations	0.67	12.69	---	1.36	8.43	30.27	11.05
TOTAL	1.68	16.25	---	1.36	12.57	32.32	11.05
Unexplained Accounts	---	4.47	1.46	22.07	16.75	42.40	---
TOTAL EXPENDITURES	190.43	196.67	181.30	179.14	729.57	584.85	635.83

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INCOME

I. Exports							
Export of Goods	124.26	118.59	109.15	96.41	448.41	325.50	285.86
Deliveries of Current	1.46	1.52	1.54	0.89	5.41	6.42	5.67
TOTAL	125.72	120.11	110.69	97.30	453.82	331.92	291.53
II. Services and Interest							
Freight and Transport	1.72	1.60	2.97	1.52	7.81	6.94	10.01
Tourist Traffic	2.39	13.79	4.34	3.38	23.90	15.05	3.48
Post and Communications	0.15	0.14	0.21	0.10	0.60	0.80	1.05
Diplomatic Service	0.39	0.34	0.43	0.21	1.37	1.36	0.37
Insurance	0.03	0.04	0.02	0.01	0.10	0.08	0.05
Other Services	11.48	10.75	6.93	6.50	35.66	21.91	22.82
Interest	0.15	0.20	0.19	0.18	0.72	---	---
TOTAL	16.31	26.86	15.09	11.90	70.16	46.14	37.78
III. Capital Flow							
Net Alterations in Foreign Credits	---	---	0.23	0.20	---	---	5.20
Net Alterations of Short-Term Foreign Accounts & Obligations	---	---	6.29	---	---	---	---
TOTAL	---	----	6.52	0.20	---	---	5.20
IV. Financing of Deficits by Aid Deliveries							
ERP Direct Aid	28.55	34.10	38.40	26.58	127.63	119.48	194.20
ERP Indirect Aid	8.00	15.00	10.00	42.56	75.56	83.10	95.57
Private Charities	0.60	0.60	0.60	0.60	2.40	4.10	9.34
Other Aid Deliveries	---	---	---	---	---	0.11	0.99
TOTAL	37.15	49.70	49.00	69.74	205.59	206.79	300.10
Unexplained Accounts	11.25	---	---	---	---	---	1.22
TOTAL INCOME	190.43	196.67	181.30	179.14	729.57	584.85	635.83

1) With regard to the change of the schilling rate the figures of the balance of payments are given in foreign currency. 2) On the basis of Foreign Trade statistics of the Österreichisches Statistisches Zentralamt.

* The publication of the Austrian balance of payments for 1951 in Vol. II (February 1952), page 106, was based to a large extent upon provisional results. See also the diagram.

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439 If one examines the structure of these re-
457 sults more closely, one will see immediately that the
652 deficit of the trade balance is by far the biggest burden to the total balance, which is not covered at present by the moderate assets of tourist traffic and the surplus of the transit traffic, plus other receipts from services. This deficit was covered up to the present from ERP funds, which must be replaced in the present year (at least in the second half of the year) by other methods if the import programs are not to be seriously restricted. Any restriction, however, would be most decisive. If reduction of the imports of foodstuffs were undertaken it would result in a grievous lowering of the general standard of living; if one attempts a restriction of raw material imports the plants and factories would have their operation curtailed and partial unemployment would result; if one lowers the import of coal and fuel the general tempo of production will suffer with all the consequences this would have upon the social and economic life of the country.

435 It is clear that none of these alternatives
439 would be acceptable since normal development must be to the interest of Austria as well as the whole of Europe. But where is one to find an acceptable solution? An analysis of the figures of foreign trade gives the following picture:

To begin with, the table shows the development of foreign trade in the last two years as compared to the last year before the war. To make the figures of 1937 comparable with those of 1950 and 1951 (which are inflated owing to currency devaluation), the amounts in new schillings were reduced to the previous schillings value by dividing them by the index of wholesale prices (1950: 553 and 1951: 742).

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	Quantity in Millions of Centners		Value in Millions of Schillings
1937			
Imports	6.2		1,453.7
Exports	3.8		1,217.0
Deficit			237.0
1950			
Imports	8.5	New Schillings	9,200.0
		Old Schillings	1,664.0
Exports	3.5	New Schillings	6,513.0
		Old Schillings	1,178.0
Deficit		New Schillings	2,687.0
		Old Schillings	486.0
1951			
Imports	9.2	New Schillings	14,027.0
		Old Schillings	1,890.0
Exports	3.8	New Schillings	9,635.0
		Old Schillings	1,298.0
Deficit		New Schillings	4,392.0
		Old Schillings	592.0

A comparison shows that the quantity of imports (1951) increased by about 50 per cent as compared to the prewar period, while the value (reduced to old schillings) has increased only from 1,452.7 to 1,890.0 old schillings, i.e., by 30 per cent. Exports reached their prewar volume in quantity (3.8 million centners) but in value in old schillings the increase amounts to only 6.7 per cent (from 1,217.0 to 1,298.0 million schillings).

The fact that the value of imports lags behind the quantity of imports proves that the structure of imports underwent certain alterations. As compared to the prewar era, more goods with a cheaper rate per centner were imported, excluding some mass goods such as coal and bread grains, the dollar-per-centner price of which has doubled as against 1937. Moreover, the development of exports proves that by 1951 Austria had already reached the prewar level in quantity as well as in value. There is, therefore, no blame to be attached for not reaching the aim of the total capacity because the total deficit of 237 million schillings (1937) rose to 592 million old schillings in 1951. The reasons for this development, which tends toward a deficit, lie in large measure in the above-mentioned

439 deterioration of the exchange rate between imports
435 and exports (excluding the far larger import of investment goods). (The investments quota amounted to 6 per cent before the war and rose to 21 per cent of the gross national income in 1951. The comparatively high quota could be maintained, of course, only with the help of ERP funds.) These circumstances also caused difficulties in bigger and economically more powerful states because the real value of foreign aid suffered remarkably by these price developments since the middle of 1950.

439 Normalization of the trade balance must be
652 achieved in regard to both imports and exports. This
454 will be achieved through:

1) The increasing effect of the investments made within the scope of the Austrian Investment Program 1950-52 and by the revised investment policy. These are short-term investments which will be cheaper and more exportable by raising exports or, indirectly, by cheapening unfinished goods. Among these import saving investments only such investments shall be supported (excluding imports for agriculture) as will be justifiable within the scope of a liberalized foreign trade and in the framework of the international distribution of labor. In spite of the basic continuation of big industrial projects (in view of the end of ERP aid and counterpart funds it will not be possible to afford bigger amounts for big projects which will show their effect only after a long period because of financial and credit policy), the necessary shift in the center of gravity toward the typical export industries will remain a characteristic feature (the export industries are craft enterprises and the foreign tourist traffic, both of them real foreign currency earners). In this connection it should be remarked that part of the investments which have been carried out through public investment programs have not yet matured. Owing to the comparatively late start of real investments in Austria as compared to other ERP countries (1950), they will be fully effective only as late as 1954-55.

439 2) Exhausting all possibilities of the existing and future opportunities in the trade policy. Thus, for instance, the new German liberalization together with the new trade agreement opens the German export area to Austrian production so that, with an adequate support, a big part of the Austrian production capacity will be fully utilized. Also Belgium lowered the

restrictions on its imports in order to abolish its accounts at the EPU. There are no restrictions to the imports into Switzerland. France recently has promised to facilitate imports of Austrian goods by abolishing its assets in the trade account. Further potentialities in exports may be found in the Near East. Thus, for instance, Turkey has concluded a "classic trade and shipping agreement" with West Germany as recently as February 16, 1952, under which German participation in the industrialization of Turkey has been secured. 439

3)[1] An intensive and extensive increase of agricultural production (a step by step decrease in the import of bread, grains and sugar to the prewar level). In doing this the fact was taken into account that in 1938 almost 80 per cent of the normal consumption of wheat and rye and 98 per cent of the domestic consumption of sugar had been covered by domestic harvests. This aim can be reached in view of the more advanced techniques of fertilizing and in view of investments for agriculture. (In the Long-Term Program for 1952 provision is made for a cultivation area for bread grains of 576,000 hectare. This could not be attained because of price policy consideration. It may be possible to carry out the necessary extensions of production by the projected shift in subsidizing the proposed prices in agriculture and by stopping migration from rural areas. At present a law is under discussion pertaining to this.) [241] [652]

4) Categorizing the import goods on the basis of their importance to life; in this case the imports of sugar may be restricted and the import of colonial wares may be revised.

5) An increase of the productivity of plants in order to lower production costs and to build up a firm level of real wages.

6) A new calculation of costs as favored by lower prices of raw materials.

There is no doubt that none of these programs can actually be carried out to full extent since the economy is still in a state of flux and outside influences make current adjustments necessary. But it is most important to find a general line as a center of focus for necessary measures. It will be possible, with the continuous consolidation in certain fields, 000

1 [Normalization of the trade balance in regard to both imports and exports will be achieved through: --Analyst]

000 to take up the method of foreign credits (as recently was done in the textile industry) which were afforded by the Export-Import Bank for the purchase of American cotton in the amount of 6 million dollars. As this cotton is cheaper by 20 per cent than that from the pound-sterling area (Egypt), the manufacturing industry is likely to improve the conditions of competition because of the more favorable calculation of costs.

To create certain conditions for the normalization of the balance of payments with regard to trade policy, the monetary and production policy has to provide those measures which will abolish the differences between the assets and deficits of a national economy if such have taken place or are likely to take place.

There are economic principles which no country, regardless of its economic system, can omit permanently without disadvantageous consequences to its social structure. It cannot be denied (without adhering to the quantitative theories) that there must exist an adequate relation between the circulation of money means within an economy and its offer of goods and services, otherwise the inflowing capacity of purchasing power (not covered by services) will lead to a concealment of the minimum of capacity.

Although in the last few years the influx of overseas goods into European countries has covered the amount of demand which surmounted the continuously increasing gross national product, the volume of the means of payment has increased more rapidly than the volume of goods. (The index figures for European production are on the average 10 per cent higher than before the war in most countries; the volume of means of payments increased in the last 2 1/2 years in almost all countries because of external conditions—the Far East crisis and increasing public expenditures.) Decisive, however, for the stability of the currency is a firm basis for the calculation and capital in an economy, excluding the economic capacities of a country in its monetary and credit policy by which a possible diminution of the value of money may be recognized and stopped. The reestablishment of confidence in its own currency must be the center of any country's economic policy reconstruction.

C. Reconstruction Planning.

Reconstruction of the economic policy means 457
a gradual overcoming of the crisis of the balance of payments and the securing of internal and external balance. Such a policy will create conditions which can provide a free convertibility of currencies and the real integration of the single economies. (This is among the aims of the Marshall Plan.) (The EPU is of special value. Due to expire on June 30, 1952, it will be prolonged as an instrument of overcoming crises in the balance of payments which arose as a consequence of the Korean crisis in a number of countries. Without this aid the difficulties could not have been overcome so easily. At present the problem of the quotas, of the brake on money, and of establishing currency rates is an open one, since the current rates no longer correspond to purchasing power.) However, the aim of abolishing the restrictions on foreign currencies and the free convertibility of foreign currencies cannot be achieved within a short time. It will be necessary to establish manipulation funds which serve toward overcoming short-term shifts and creating certain structural correctives.

The maintenance of financial stability as 652
a means of guaranteeing the functioning of a currency is connected with the status of the governmental balance (excluding the calculation of costs in an economy). The frame of figures for the single items (titles, chapters) of the Finance Law (Budget) must be reduced if a surplus of expenditures arises which is not covered by taxes or other possibilities (at present counterpart funds); in this way a balance can be achieved between incomes and expenditures if the foundations of a stable currency are not to be shaken by the budget. If one tries to avoid these conditions, one has to set up a system of savings on the one hand, and to take measures for the reconstruction of a capital market of high capacity, on the other. Like other countries, Austria also will have to endeavor to [454] transfer gradually a big part of its investment demands from bank credits or counterpart credits to the capital market. This development must be considered the soundest form of long-term financing. The necessary revision of the investments policy caused by 652 457 reasons of the total economy has been dealt with in connection with the balancing of the balance of payments. (This is connected with the reduction of

457 foreign aid. While in 1951 about 200 million
652 dollars was available, this sum will be approximately 100 million dollars for 1952; the schilling counter value to foreign aid, therefore, will decline from 4.4 billion schillings to presumably 2.1
[435] billion schillings. Moreover, as the prices at the end of 1951 were higher by 12 per cent than the average for 1951, there will be about 2.7 billion schillings less out of foreign aid funds for investments than in 1951.) In addition, the budget is burdened by a number of price supports, the abolition of which will not be possible to a full extent under the present conditions. Immediate reactions on the prices for foodstuffs and new rises in wages would be the consequence. The policy of supporting prices must not be omitted when the system of subsidies is altered. [Since the fifth Wage and Price Agreement of July 1951 the existing method of financing important consumption goods was taken over from counterpart funds by the budget. Thus, there are still considerable budgetary expenditures under this title. They amount per year to about 40 million schillings for the support of domestic bread-grain prices, 366.5 million schillings for foreign bread-grains, 555.75 million schillings for fodder, 110 million schillings for fertilizers and 135 million schillings for raw materials of fats needed by the margarine industry. The term for supporting the prices of domestic bread grains (15 groschen per kilo) already has expired. The remaining subsidies will expire with the end of June. Discussions with the aim of continuing these subsidies are not yet finished. They tend, above all, to stimulate production by adequate prices.]

652 Already in the preceding year the stabili-
[453] zation of the money value was prepared to a considerable extent. Measures of this type were: the introduction of the quantitative and qualitative control of credits; the increase of the bank rate from 3 1/2
[435] per cent to 5 per cent; and the lowering of prices, started by private industry of its own volition--this latter measure applying to about 80 categories of goods. This materially and psychologically important premise of an organic policy for stabilization must be supplemented by an adequate budgetary policy. It cannot be denied that the measures which were taken in the preceding year had already brought about significant results. The savings increased considerably in
454 652 the first two months of the present year; they rose from 2,275.1 million schillings (checking account deposits 8,898.7 million) to 2,619.5 million schillings

(checking account deposits: 8,731.9 million schillings) from December 1951 until the end of February 1952. This development must not only be evaluated absolutely, but also as a positive symptom. 652 [454]

Single measures require careful coordination as they effect a number of economic laws (foreign trade law, raw materials allocation law, price control regulations, etc.) and also, in the final analysis, international developments. (The above mentioned laws will expire on June 30, 1952.) They laid the principles for various control measures.

The decisions taken by the OEEC (of which Austria is a member) resulted in a number of recommendations to the member states; the observance of these will be of essential importance for an eventual continuation of foreign aid to single countries. They not only provide for the extension of European production by 25 per cent in the next five years but stress especially the maintenance of "financial stability." This means an increase of productivity, the balancing of the dollar balances and the expanding of agricultural potentialities. How important the establishment of a financial balance is felt to be the carrying out of the total programs is best seen by the decision of the Committee of Ministers to examine the internal financial condition of the single countries by a special committee of experts. These periodic evaluations of the total conditions in the United States and in Canada as well as in the European countries are to form the basis for adjusting the common economic policy. It is expected that the American and Canadian governments will accept the decisions of this committee; thus, for the first time the OEEC extends its activities, which were up to now restricted to western Europe, to North America, thereby introducing a new era of international cooperation. 000

The Marshall Plan is about to end. We already can see the contours of the principles of a new economic cooperation. While the ERP was based mainly on grants (gratis aid deliveries) to give European production a start, there will be in this second stage a restricted convertibility of foreign currencies through the medium of the EPU. In its third stage, trade policy liberalization will be approached with the aim of a unified European market. Thus, in a fourth stage, the principle of an international credit standing will again be achieved in

000 international goods, credits and payments traffic. This presumes, besides a number of psychological factors which are based on a continuing trust of its own population, a balanced budget, a stabilized value of money, a gradual rise of the capital funds of the economy, liquidity and adequate productivity and the mastering of the problems of the balance of payments within the scope of the possibilities of a single state.

A bridge must be built between the aid grants and an economy which is able to create the internationally valid presumptions of its credit standing. Austria, on the other hand, will not only have to refer to its special conditions (when its economic status is to be judged) but it also will refer to its historical determinants before outside economic experiences and systems should be applied to its own conditions--be it gradual or on a restricted scale.

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7: Marboe U-3 (no date) 1948 EK1 Austria
Historical Austria EK2

UNBORN AUSTRIA

000 HE WHO WOULD FIND AUSTRIA ON THE GLOBE MUST TURN THE ROUND BALL OF THE EARTH SLOWLY ON ITS SLANTING AXIS, OTHERWISE HE MIGHT EASILY OVERLOOK THE AUSTRIA OF THE 20TH CENTURY.

The "Venus" of Willendorf, (approximately 15,000 years B.C.)

WHERE IS THIS MUCH-TALKED-OF AUSTRIA?
WHAT IS HER PLACE IN SPACE AND TIME, IN HISTORY AND CULTURE?

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000 If, as Hercules set forth to pluck the golden apple of the Hesperides, he had asked the giant Atlas who supported the arch of the heavens upon his shoulders, whether the weight of Austria seemed an especial burden to his neck, the latter would have wonderingly denied it.

Or he might have answered: "Austria, is there such a thing?" In this he would not have been entirely in the wrong, for in these times, as the giant Atlas and Hercules, son of the gods, were each cunningly seeking to lay the burden of the heavens upon the others' shoulders, the world did not extend beyond the confines of the Mediterranean. The part of the earth where Austria lies was unknown to the Greeks. Never would they have planned expeditions to it—the cattle of the Sun God did not graze there, no Golden Fleece could be won there, and King Eurystheus would at most have been able to give Hercules a thirteenth task for the winning of immortality; that of clearing vast forests, and the uniting in a single stream of a great malachite-green river with its many arteries stretching across boundless steppes.

For this reason, that part of the earth which lay to the North-East behind Olympus was for long presumed by the Greeks to be a realm of the dead. A secret. Impenetrable darkness, the mystery of birth and death in the magic mists of creation and mythology.

The secret of all origins, of all creation, is to be found in the territories through which flows a mighty river out of the heart of Europe eastward, parallel to the towering chain of the snow-capped Alps.

000

Regarded from that historical distance which is the present, with all that it has brought us as evidence of the past, we see the coming and going of peoples intermingling, pairing off, becoming fruitful and multiplying. Biological selection works among tribes and races during their centuries of migration.

3500 to 2000 B.C. Stone-Age. Indogermanic tribes.

3000 to 1000 B.C. Illyrians.

776 B.C. The first Greek Olympiad.

753 B.C. The founding of Rome.

Driven by vast forces—storms and floods, famine and drought at their heels, living now in nomads' tents, now in the lake-dwellings of the New Stone Age, or in straw-huts, gradually learning to know Celtic walls, Roman boundary walls of stone and the wooden forts of the Huns, widely differentiated races moved across that part of Europe which was later to become Austria—primitive peoples, Illyrians, Celts, Cimbrians, Teutons, Marcomanians, Vandals, Allemanians, Huns, Goths, Avars, Slavs, Magyars and perhaps other nameless, uncounted hordes.

1700 B.C. The Bronze Age. 167

1100 B.C. The Hallstatt Period. 144

All these tribes wandered through the areas which are watered by this river, or lie at the foot of the Alps. It became a bridge for the migrating peoples, who by their passage through it merged their individual histories into the pattern of a still undiscernible future.

600 B.C. The Celts pass through Europe.

594 B.C. Solon in Athens.

The bartering of the primitive necessities of daily life and work began; wax, honey, pine-torches and cheese were given in exchange for tools, for pins to fasten garments, for battle-axes and urns. Two highways traversed these territories. Along the one, the River Danube, the timid natives paddled their barques eastwards, laden with rocksalt. Down the other, the "Road of Amber", the golden-yellow trinkets from the coasts of Jutland and from the virgin, white-shell-covered shores of the Baltic passed down through Bohemia, skirting the Alps, to the warmer seas of the South. In Rome and in

437
487

437
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Alexandria the amber found a ready market for use as ornaments.

The hub of the great wheel of trade and commerce gradually centered on Carnuntum, east of Vienna. The Roman genius for spreading civilisation was quick to appreciate the importance of the lands of the Alps and the Danube. Before long, the Consul of the Roman Empire was bargaining with the chieftains of Celtic tribes for the right to exploit iron-fields in Upper Krain.

[135]

443 319 B.C. Death of Socrates.

Following on the mining prospectors from Rome, over the Alps came the merchants of Northern Italy, their waggons laden with heady and intoxicating wines. Close on their heels followed civilisation, with its strange, new conception of luxury in life. The doctrines of Epicurus taught that life's aim should be pleasure. ... A little later, gold was mined for Rome in the Tauern Mountains and in the valley of Gastein.

La Tene-Period.

316 146 B.C. Greece becomes a Roman province

150 B.C. Celtic Federal State in the Danube Alpine lands.

493

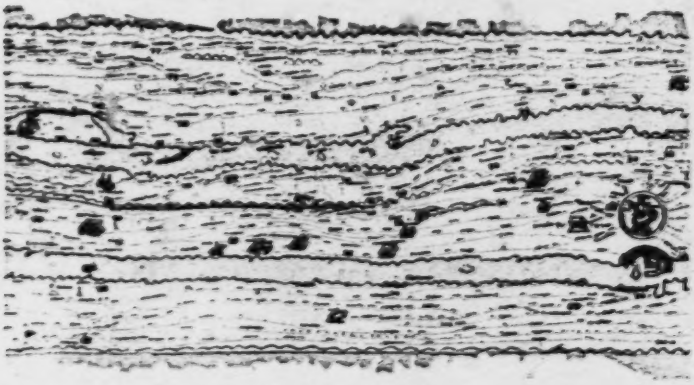
Roman Coach, Maria Saal.

Just at the time that the Celtic tribes of the Alps were coming under the sway of Roman colonists, and the advance guards of the Roman Legions were approaching the Danube, strange races burst out of the mysterious forests beyond the Elbe and overran the lands of the Bojars and thrust down into the South-East. First came the Cimbrians, then the Teutons, blond-headed, blue-eyed giants, accompanied by their well-grown women-folk.

113 B.C. The Romans defeated at Noreia.

101 B.C. Marius defeats the Cimbrians.

When this invading torrent from the North had been flung back, the Alpine valleys were open to Roman expansion. Along the



Tabula Peutingeriana, Roman Road Map.

magnificent new military and trading routes marched the Roman Legions, protected by their stout stone walls, towards the River Danube. Behind the protecting frontiers of the Roman Empire, the Legionary was at once the guardian of an empire and the pioneer of a highly developed civilisation. Wheat and the vine, cherries and peaches, flourished along the Danube.

After the Legionaries came civil administrators, Roman citizenship and the law, architects and tax-gatherers. Along the line of the river grew up a network of fortifications and citadels stretching from Regensburg and Passau through Linz, Enns and Mautern right up to the foot of the Alps, closing in on the Rhine in the West and spreading out in search of yet more territory to the South-West.

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The Tassilo Cup, Kremsmünster.

712 361

12 to 9 B.C.

9 A.D. Battle of the Teutoburg Forest.

The Birth of Christ.

Towards the end of the period of Roman supremacy, Tiberius, wishing to consolidate the rule of Rome up to the Danube against attack from the North, built a fortress at Carnuntum which was at one and the same time a key-position and centre of communications. Simultaneously he made it the seat of the Governor of the Province of Pannonia, which included the Vienna Forest and stretched from it to the spot where Budapest stands to-day. Alongside the military fortifications a civilian settlement came into existence, inhabited at first by traders and merchants. Soon there were added to this settlement decorative and comfortable noble houses, and holy shrines decorated with reliefs.

19 A.D.

64 A.D. Nero, the Burning of Rome.

70 A.D. The Destruction of Jerusalem.

This was a strange facet of Rome's Empire, this on the Danube: a garrison made up of Syrian troops, moved hither in case of trouble during the siege of Jerusalem, the cult of Mythras, a temple to Jupiter Dolichenus. Here was the base and the harbour of

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135 A.D. Persecution of the Christians under Trajan.

the Danube flotilla, an amphitheatre holding 8,000 persons and extensive thermal baths, doubly valued by the Romans in the damp climate of the northern forests—a brilliant epoch under the aegis of provincial Governors and a philosophic Emperor.

797

180 A.D. Marcus Aurelius dies at Vindobona.

With the death of Marcus Aurelius, the shadow of approaching disintegration spread over the far-flung Roman Empire. And just at this time, a new star which had risen in the Eastern provinces ascended out of the depths of the catacombs. Gentle-mannered men traversed the countryside with strange and wonderful tidings. Their talk was of a supreme God, of triumph over death, and of the equality of all mankind. From the shores of the Black Sea to the far-off island of Britain they carried their doctrine of love. They preached that a new empery was at hand, not of this world, and different from the Roman Empire of the Praetorians and of Caesar.

300 to 400 A.D. Christianity appears on the shores of the Danube.

300 A.D. Persecution of Christians under Diocletian.

167

375 A.D. The Migration of Peoples sets in

A new empery—did, then, the peoples of Europe desire this? Suddenly, without warning, vast tribes of men were seen on the move. Deserting their homelands, they formed themselves into great moving columns which migrated across the whole continent of Europe. Uninvited, unexpected, they surged forwards from the North and the East. From the shores of the Baltic Sea they came, from Holstein and Jutland, from the broad plains of the Vistula, from the vast steppes of Russia. And in their wake, leaving behind them the plains of Mongolia, came the Huns.

167
144

Soon Austria was submerged beneath the wild and uncontrollable flood of migrating peoples. Sullenly the Celto-Roman peasantry clung to the soil of the Danube lands, where before long they found themselves without the protection of the walled citadels. Vandals, West Goths and Huns approached from the East. At Attila's Court on the river Theiss, Hun chieftains and Germanic and Slavonic hostages, the children of kings, intermingled with the Asiatic women. The ominous tramping of the marching columns—Slavs, Teutons, Syrians and Samarians, Burgundians, Franks, Goths and Thuringians, Celto-Romans and Vandals, shook the soil of the Danube country, while its inhabitants could only suffer in silence. All the highways used by the migrating hordes came together on this territory, which from the beginning had formed a turntable between North and South, East and West.

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In Celtic times there arose on a terrace whose cliffs run down in the North-East towards the former main channel of the Danube (today the Danube Canal) the old Vindobona, still plainly recognizable above the Salzgrieß near the Church of St. Maria am Gestade.

The strategic advantages of this situation were utilized in the permanent Roman camp under Claudius, who retained the name of Vindobona. In the North-West the camp was bounded by the deep channel of the Ottobrunn brook, the "Tiefe Graben" of today. In the East also, along the line of what is now the Rotenturmstrasse, there was a ditch which turned to the South-West by the Stock-im-Eisen Square, forming, as a natural moat, the "Graben", which constituted the defense against the West. The walls, which were still visible in the middle of the 13th century, formed a square, with rounded corners, and were set about with towers. One of them near the old Preisingerhof, long remained standing on the site of the present Graben Café. Within the camp the main road, the "Via Principalis", ran across the settlement in the direction of the Lichtenstieg and the Wipplingerstrasse. Outside the camp walls lay the civilian town, a conglomeration of traders' booths, stretching out towards the road leading southwards, the Hoffenstrasse.

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[772]

Silently the darkened soil swallowed up lamentation and mourning, hopes and horrors.

Meanwhile, in the arenas of the Roman Empire, Christianity had progressed after an age of suffering from being a religion of martyrs into becoming a State religion. Out of the catacombs the liberated Christians had emerged into the light of day. Their priests had penetrated across the frontiers and through the passes of the Alps, setting up at first hermit's cells, and later, monasteries. While Odoaker, Prince of the Herulans, was establishing himself as King in Rome, St. Severin was converting the people to Christianity.

489 A.D. Withdrawal of the Roman troops of occupation from Austria.

361

Carnuntum was still to experience the glories of the meeting of the four Emperors—Diocletian, Galerius, Maximinian and Licinius—in the year 307 A.D. A century later its very name was obliterated in the storm of migrating races. Vindobona, on the other hand, we find noted in the records of the Goths (under the name of Vindomina) in the year 493 as being the most important place in Western Pannonia. The city is first mentioned under the name of Vienna about 880 A.D., during the struggles between the Franks and Magyars.

476 A.D. End of the West-Roman Empire.

563 A.D. The Avars in the Danube Area.

529 A.D. Founding of the Benedictine Monastery at Monte Cassino.

700 A.D. Saint Rupreckt in Salzburg.

16 1

The tribe of the Bajuvars (Bavarians) made good its footing in Southern Germany in the sixth century Christianizing and Germanising influences pushed slowly but surely towards the East, until at last the Empire of the Franks was established under Charlemagne. The new polity assumed, during decades of bloody warfare, the task of securing the Danube territories against the onslaughts of Avars and Magyars.

739 A.D. Bonifacius founds the Bishopric of Salzburg.

590 to 604 A.D. Pope Gregory the Great.

818 A.D. Salzburg receives the right of jurisdiction.

955 A.D. The Magyars defeated at Lechfeld. End of the migration of peoples.

Armed with the mandates of their overlord, king or bishop, and, for the rest, relying on their personal faith and courage, dukes with their retinues, abbots with their monks, rode forward

[p. 12]

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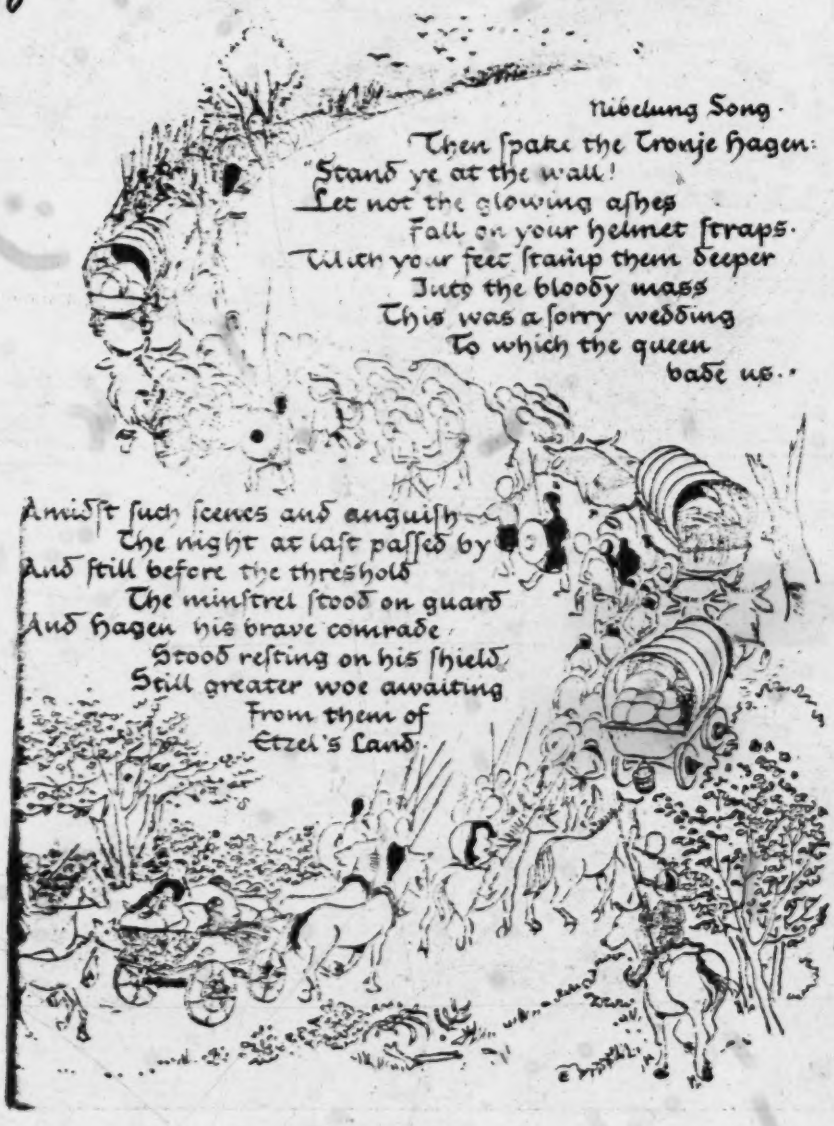

167 into the forbidding wilderness of vast territories, their faces set towards the rising sun. As they moved, they cleared the forests, ploughed up the land, fighting, colonising, establishing villages and monasteries and writing their names on the scrolls of history.

642 Under the rule of the Ottonians there came a turning point in the history of Europe. In 962 A.D. Otto the Great received the Imperial Crown of Rome at the hands of the Pope. With that act the came into being, through the intimate union of Church and Throne, that "Holy Roman Empire" which was to be dissolved only during the Napoleonic era in 1806. But Otto's only son, Otto II had to fight [669] within the Empire to maintain its existence. Count Luitpold of Babenberg proved himself a loyal henchman of the Emperor in the crushing of the revolt of the Bavarians. As a reward he was endowed — moment of historic importance for Austria—with the Eastern Province of the Reich.

976 A.D. House of Babenberg begins to rule in Austria.

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Historical Austria EK2

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THE DUCAL RESIDENCE WANDERS

7: Marboe U-3 (no date) 1948 EK1 Austria
Historical Austria EK3

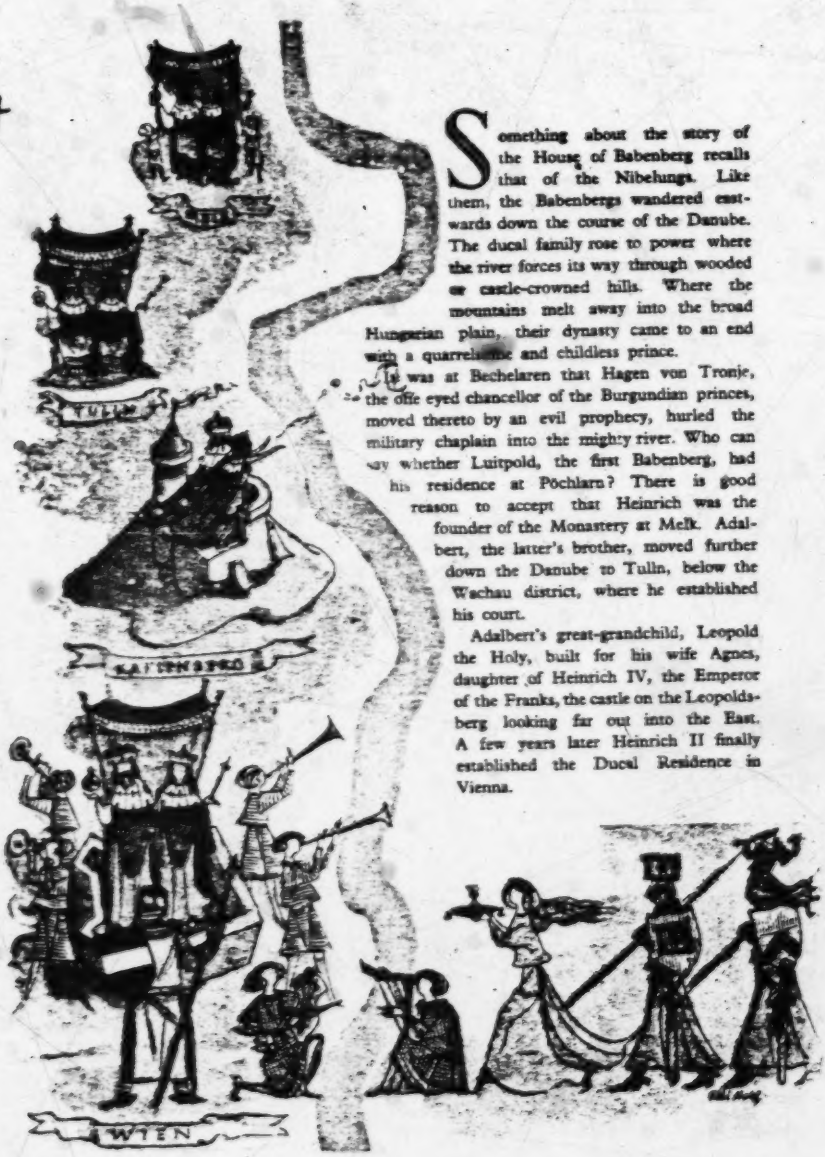
Plate I

532

Erhard Altdorfer; St. Leopold Finding the Veil. Klosterneuburg Museum.

[Facing p.16]

644



Something about the story of the House of Babenberg recalls that of the Nibelungs. Like them, the Babenbergs wandered eastwards down the course of the Danube. The ducal family rose to power where the river forces its way through wooded or castle-crowned hills. Where the mountains melt away into the broad Hungarian plain, their dynasty came to an end with a quarrelsome and childless prince.

It was at Bechelaren that Hagen von Tronje, the one eyed chancellor of the Burgundian princes, moved thereto by an evil prophecy, hurled the military chaplain into the mighty river. Who can say whether Luitpold, the first Babenberg, had his residence at Pöchlarn? There is good reason to accept that Heinrich was the founder of the Monastery at Melk. Adalbert, the latter's brother, moved further down the Danube to Tulln, below the Wachau district, where he established his court.

Adalbert's great-grandchild, Leopold the Holy, built for his wife Agnes, daughter of Heinrich IV, the Emperor of the Franks, the castle on the Leopoldsberg looking far out into the East. A few years later Heinrich II finally established the Ducal Residence in Vienna.

[-16]

Plate II

532

Enamel Panel; The Master of Verdun, about 1181. Klosterneuburg Monastery.

[Facing p.17]

644 How wise was the House of Babenberg! Frequently dragged into the dangerous feud between Pope and Emperor, forced to keep always a wary eye on the Bohemians and Magyars, joining in Crusades to the Holy Land, it never ceased its efforts, tenaciously and purposefully to consolidate its rule over its own domains.

438 361 In Austria, crafts and trade grew space. Gold was washed from the sands of the Danube and the Inn, and mining developed. They found silver. They shipped salt down the Danube. Cities were named and became known—Enns, Krems, Graz and Judenburg. Wagons, heavily loaded with the goods [436] of commerce, rumbled down the highways in all directions. Where the goods were handled, especially in Vienna, regular trading centres grew up which encouraged [65] the circulation and the lending of money. Records of market dues and customs regulations, of bridge-tolls, river-dues and toll-gate-charges point to the growth of trade in the Danube valley.

Vienna, first mentioned as the scene of battles between Germans and Hungarians in 881 A.D. and again in 1030, blossomed forth as a centre of politics and trade soon after Heinrich Jasomirgott set up his ducal court at "Am Hof" in Vienna. Mentioned first as a fortified city in 1137, Vienna soon outstripped Krems and Enns as a market place and trading centre. As the furthest-flung Germanic centre for the deposit and storage of goods on the Danube, the Crusades acted as a spur to its activities. Under Heinrich II, a new settlement grew up around the Stephanskirche which was situated beyond the city walls, where foreign traders may well have had their settlement.

643 792 Under the rule of Leopold III, the Holy, the monasteries of Klosterneuburg and Heiligenkreuz were founded. In these places, as in Vienna, Leopold, the patron saint of Lower Austria, is still a popular name. *1095 to 1136.*

Heinrich Jasomirgott marks a milestone in Austrian history. It was under him that Austria was raised in 1156 to a duchy, with rights of succession through both male and female lines, and its own jurisdiction. From this date the Babenbergs were freed from the obligation to do duty at the Imperial Court or to do military service in distant parts. *1141 to 1177.*

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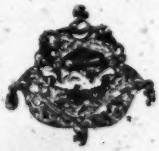

Ducal Crown.

642 This charter of independence, the "Privilegium Minus", which the Emperor Friedrich Barbarossa was constrained to grant in return for the renunciation of all claims to the ducal coronet of Bavaria, gave Austria a specially privileged position within the Roman-German Empire which led to its establishment as an independent state.

648 Leopold, known as "The Virtuous", never forgot his grievance against the English King Richard the Lionhearted, who had deeply wounded Leopold's honour and *1177 to 1194.*

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reputation at the storming of the fortress of Acre, in the Holy Land. The Englishman, making his way home after having been ship-wrecked in the Adriatic, decided to proceed by way of Austria disguised as a merchant. This proved fateful to him in Vienna, where he was recognised. His captivity in Dürnstein Castle and his discovery by the faithful Blondel are recorded in contemporary ballads.

From the ransom paid for the English King, fortifications as protection against the East were built at Hainburg, Wiener Neustadt, and Bruck-on-the-Leitha. The virtuous but vindictive Babenberg was excommunicated by the Pope and died tortured by the pains of conscience.

1190 to 1230.

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Leopold the Glorious, married like Heinrich Jasomirgott to a Princess of Byzantium, was a visionary. He invaded the Holy Land to conquer Jerusalem for Christendom. On failing to realise this dream, he turned towards Egypt, where the fortunes of war went against him once more at Damiate.

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In the country of his heritage he proved a friend of the peasants and of the townspeople. Under his rule, Vienna not only achieved the status of a city, but expanded to nearly nine times its former area. The Stephanskirche, in its original romanesque form already one of the greatest of basilicas, became the centre of the circular, walled-in city area. Within the mighty walls which with their 19 towers and six gates formed a ring round the city stood, even in the days of the Babenbergs, 21 churches and chapels. Houses were several stories high; below them lay two or more tiers of cellars.

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Under the Babenbergs, Austria began to make its weight felt in the world—and not only in political affairs. Remote from the centre of Imperial power on the Rhine, the Babenbergs developed a ruling system which was backed by the loyalty of contented citizens and a well-to-do peasant class. Threatened sometimes by revolts of nobles, it was never overthrown by them.

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Scattered throughout the land there arose stately monasteries—Kremsmünster, St. Florian, Melk, Göttweig, Klosterneuburg, Heiligenkreuz, Seitenstetten, Zwettl and Lilienfeld. Most remarkable was the rapid growth of prosperity in Vienna, By the end of the 12th century it had become the most important German city after Cologne. From the articles of its municipal charter we get a vivid picture of an industrious trading class and flourishing commerce. Soon the "Hausgenossen" (who struck the coinage) and the "Laubenherren" (the masters of the textile trade)

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formed the beginnings of a well-to-do patrician middle class. Even apart from the 441
existence of the House of Babenberg, it seemed that a proud future as a "Free [631]
Town" of the Reich awaited this city, which after 1237 was declared independent on numerous occasions.

The Song of the Nibelungs tells how Etzel and Kriemhild held their nuptials in Vienna. The "Wonniglicher Hof" (the "Blissful Court") at Vienna 538
and the "Artushof" ("Arthur's Court") on the Danube drew the knights errant. "As the bees hasten to their hive, so do the mournful to the virtuous Prince of the House of Babenberg, there to lose their sorrows."

It was in the days of St. Leopold that the nun Ava composed the first German poetry. A generation later we hear of one Heinrich, of Reichersberg Monastery, and of one Heinrich, of Melk; Kürnberger, the Upper Austrian, first of the minstrels, made ballads of the folksongs.

At the court of Leopold V, Reinmar the Ancient, the Duke's Poet Laureate, and his pupil, Walther von der Vogelweide, broke through the trammels of fashionable romantic verse to pour forth an abundant richness of poetic art and verse forms.

Walther, who in his own words had learned "reciting and singing" in Austria, lived for twenty years at the Court of Vienna. Many of his phrases, particularly those of a political turn, fired his hearers like the words of popular orators. A powerful rhythm lent force to the simple language, the dialogue was richly dramatic. The fine, tenderly intimate forms of his lovesongs and lyrics place these at the head of all his compositions.

It was in Austria, too, that the moving legends of the migration of nations drawn from the subconscious memories of the peoples and given creative poetic form, found their ultimate and unique expression in the Song of the Nibelungs and the Song of Gudrun.

With Walther von der Vogelweide the brilliant epoch of poetry backed by the patronage of courts came to an end. Meantime, the destruction of the mediaeval corporations had become complete. The clashes between Empire and Papacy had weakened the conception of authority. The revolutionary movement of the Crusades brought to those who joined them equality,

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7: Marboe U-3 (no date) 1946 EK1 Austria
Historical Austria EK2

There where we twain have sat together.
Under the linden, on the wold.
Canst thou yet plain see, where forever
The flowers are crushed in grassy mould.
Hard by a forest, in a broad vale, tandaradei!
Sweetly sang the nightingale.

I came a fleeting, to sward shadye
But my darling was before!
Such was the greeting, Merciful Ladye!
That I am joyous evermore.
Oft must he have bent to kiss, tandara-
See how red my mouth still is dei!

?: Marboe U-3 (no date) 1948 EK1 Austria
Historical Austria EK2

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And flowers bringing me my lover
Did make for us a fragrant bed.
Any would have to laugh to see it
If any should the same path tread.
By the roses he may see, tandaradei!
Where has lain the head of me.

And how we lay there if one guessed.
Thou Gracious Lord of shame I'd die!
What he dared do and how he caressed,
Knoweth only he and I —
And a little birdielie, tandaradei!
It will surely silent be.

Walther von der Vogelweide um 1200

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freedom and advancement in rank, on the sole condition that they took the Cross. The burghers came to the front in the towns. The chivalric order supported now the nobility, now the peasantry.

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As the order of chivalry lost its meaning as a social institution with the decline of the thirteenth century, as poetry dependent on Court patronage degenerated into a parade of modes and mannerisms, Austria found a figure to characterise this period in Ulrich von Lichtenstein, the Don Quixote of chivalry.

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Now the conception of money fell into bad odour. The granting of credits and the collection of interest came to dominate all aspects of trade and industry. To check the growth of usury, Leopold put up 30,000 silver marks to establish a municipal bank of credit. He lost the money, as the Church intensified its strictures on the taking of interest, so that money dealings passed more and more into the hands of the Jews. Sometimes a debtor found himself paying 200 per cent interest. The Church ordained spiritual penalties; under the threat of exclusion from the Sacrament and Christian burial, it was forbidden to charge interest in any form. The mere defence of money-lending and financial transactions was branded as heresy. By these means an attempt was made effectively to check the impoverishment of the masses and their reduction to a proletarian level.

1230 to 1246.

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Of the last Babenberg, Friedrich the Quarrelsome, Sassmann writes: "The Prince had the faculty of adding together his illusions and treating the totals as facts, even if they had not the remotest connection with reality." His reign was marked by a series of romantic experiments which from that time on became an essential part of Austrian history. A dozen times his fantastic warlike expeditions would meet with failure, on another occasion unexpected success would be his lot. It was in the middle of the 13th century that the vast Mongolian hordes swept on to Hungary after overrunning Russia and Poland. Europe was in a panic. The Pope preached a Crusade against the Yellow Peril. The German Emperor himself shrank from the struggle. Duke Friedrich ignored the fact that he stood alone against the onrush of 500,000 Mongols. With a few centuries of indifferent troops he occupied the fortified castles of Western Hungary and held them until the Tartar flood receded.

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Vienna Pfennig.

The Dukes of Babenberg appeared with their usual amiability at the "Feast of Violets" with which the Viennese used to celebrate the approach of spring. From the dark and narrow streets of the city the women hurried out into the countryside where the meadows made a popular dance-floor for spritely measures. The man who found the first violet laid his hat over it and ran to the Duke at Vienna to tell him of the event. On receiving the news the latter left his affairs to come to the dance with all the ladies and gentlemen of his court. The lucky finder of the violet was allowed to choose the most beautiful or distinguished maiden as his dancing partner for the whole year.

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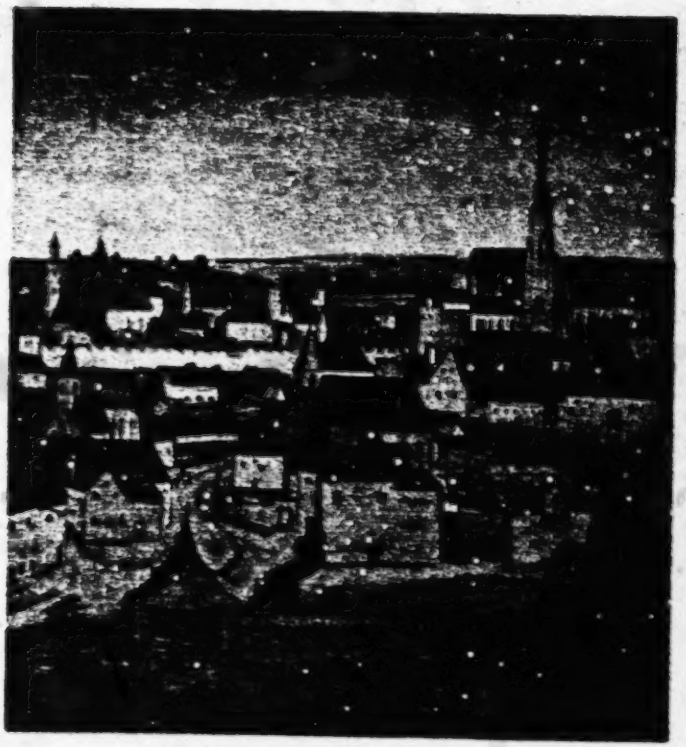

Section of Vienna, Meister des Wiener Schottenaltars.

643 until the Tartar flood receded. In the course of a subsequent dispute he made plans to seize the Crown from the King of Hungary, but fell fighting the Magyars at the Battle of Leitha. He left no heir, and with him the House of Babenberg became extinct. The country lapsed into chaos; prosperity had vanished as a result of wars and taxes. And yet this ruler on whom fortune so rarely smiled was one of the most popular of his race.

511 Despite everything, in the days of this last and cantankerous Babenberg and the collapse which followed his reign, people must have lived tolerably well. Perhaps

they did so anticipating the phrase which was later coined to characterise the Austrian attitude — "Live and let live". For the Poet Laureate of the last Priedrich declared that between Rhine and Danube, Elbe and Po, he found nowhere such happy peasantr as in Austria. 511

As the House of Babenberg died out and the period called "the time of Terror, when no Emperor was" set in, the national characteristics of the Austrian people were formed. In the fertile soil of a conglomeration of races brought together by outside circumstances in the Austrian countryside, there lay, buried and dormant but ready to germinate, instincts and talents of diametrically opposed races. Gothic imagination, Hellenic vitality, Celtic sense of form and Slavonic intensity of feeling, bound together by the visions of the East and embodied now in the Austrian character, were ready to grow and to bear artistic fruit. 181

The *Genius loci*, Austria's oldest spiritual aristocracy, had been born.

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7: Marboe U-3 (no date) 1948 EK1 Austria
Historical Austria EK2

WORLD HISTORY BETWEEN TWO GRILLPARZER DRAMAS

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zum Vortheile der Regisseurs: Koch, Koberwein, Krüger, Korn,
zum ersten Mahl:
König Ottokar's Glück und Ende.
Der Anfang ist um halb 7 Uhr.

Playbill of the First Performance of Grillparzer's "King Ottokar, His Rise and Fall".

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With Friedrich II a glorious epoch of Austrian history came to an end. The princely throne from which were governed two countries, Austria and Styria, whose confines stretched from the wild forests of Bohemia to the southern vineyards of the Adriatic, with prosperous cities, monasteries and markets, dotted with castles and populated by a contented, industrious and song-loving people, was left vacant after 270 years. Grillparzer depicts this period in the oft-quoted lines:

1241. The Mongols invade Europe under Batu, son of Genghis Khan.

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Look round about you! Where your eyes may rest,
It laughs as when a bride goes to her bridegroom.
Its meadows living green, its harvests gold,
Broidered with flax and saffron blue and yellow,
Sweet spiced with flowers and many a fragrant fruit,
It sweeps beyond the verge in spacious valley —
A rich bouquet of blossoms everywhere,
Tied with the Danube's bow of silver ribbon.
Higher it climbs to hills all clad in vines

Walther von der Vogelweide, greatest of Austrian minstrels at the Court of Vienna.

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Where up and up the golden cluster hang
And swell and ripen in God's sparkling sunshine,
While capping all, dark woods rejoice our hunters.
And over it God's breath is mild and soft,
Warming and ripening, making our pulses beat
As never a pulse beats on the chilly plains.
That's what the Austrian is, blithe and frank,
And wears both faults and pleasures in the open.
He envies none, preferring to be envied;
And what he does is done with cheerful heart.

(King Ottocar, His Rise and Fall, Ottocar Horneck, Act III)

1248. Thomas Aquinas starts to teach in Cologne. Scholastic philosophy nears its climax. 642 648

The peaceful development of Austria was now interrupted by an uneasy period of indecisive struggles for the heritage of the Babenbergs. There was no one qualified to inherit under the "Privilegium Minus" of 1156. In consequence the Emperor Friedrich II, namesake of the last Babenberg, was tempted to seize the rich provinces as a vacant fief for the Reich. But this extension of Imperial power met with the energetic opposition of the Pope, who was just at this time engaged in a violent conflict with Friedrich II and had even pronounced a sentence of excommunication on him. Thus began the struggle between the papal and the imperial claimant for the Danube heritage. When the rival King, Wilhelm of Holland, acting on Papal orders, conferred Austria and Styria on the Margrave Hermann von Baden (who was married to a niece of the last Babenberg), the Emperor made the Duke of Bavaria ruler over Austria and installed the Count of Meran as Governor of Styria.

1250. Death of the Staufen Emperor Friedrich II.

Founding of the Sorbonne in Paris.

The death of the Emperor Friedrich changed the situation. The Emperor left behind him a realm which was breaking up in chaos. Despotism and injustice flourished unchecked, while the weakness of men who were rulers in name only undermined the authority of the Imperial writ.

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Wenceslaus I, Přemysl Ottokar, the ambitious son of the King of Bohemia, seized the opportunity thus presented to get possession of the heritage of the

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Rudolf IV, the Endower.

The Italian Sculptor, Nicola Pisano, produces his famous reliefs in Pisa, Siena and Bologna.

Babenbergs with the acquiescence of the Austrian nobles. Advancing through Linz and Enns, he entered Vienna on December 12th, 1251. At the Battle of Kroissenbrunn, Wenceslaus blocked a simultaneous effort made by Bela, King of Hungary, to extend his domains in the same way.

Pure aggrandisement of this type, making no pretence of legal justification, was obviously bound to end in conflict with a resuscitated Imperial power. It was at once apparent that such a disturbance of the political balance in Central Europe as the annexation of Austria was bound to have serious repercussions throughout the continent.

By adding Carinthia and Krain to his dominions, Ottokar secured a powerful position. He was successful in combining this with the pursuit of a wise policy at home.

From the Baltic to the Adriatic Gulf,
From Inn to Vistula with its cold shores
There's none whom Ottocar does not command.
The world since Charlemagne has never seen
A realm as wide and great as that I rule.

(Ottocar, Act I)

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1265. Dante Alighieri born in Florence.

The first general Parliament meets in London.

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Middle of the 13th century. The Turks establish themselves in Asia Minor.

In the Austrian provinces Ottokar granted increased powers to the nobles and promoted the development of cities. Under his orders a feudal register was compiled in which land holdings and the concomitant services were recorded. Vienna was especially singled out for royal favours.

Behind Ottokar Přemysl's establishment of his kingdom was the idea of making Bohemia the centre of government from which to carry out the political organization of the Danube area. Very likely the King came later to realise that the position of his country was too near the periphery of that area, and his subjects too primitive, for him to be able to fulfill his self-imposed mission. Perhaps that is why we find a tendency on his part to

move the centre of gravity to the Southern part of his realm and as far as possible to encourage the Teutonic elements. Grillparzer interpreted this tendency with perhaps more psychological than historical accuracy when he made his Ottokar tell the Bohemians:

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> I'll put the Germans where your fur is thick
> To nip and pinch till smart and anger rouse you
> From your dull torpor and you kick out
> Like a roweled horse.
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> (Ottocar, Act I)

1273 to 1291. Rudolf of Hapsburg.

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When the Electors assembled in 1273 to select the new King, they were determined to choose an energetic personality who would be prepared to combat existing abuses, yet not such a mighty prince as, for example, Ottokar, who with his extensive power might seriously threaten German liberty. So their choice fell on Count Rudolf of Hapsburg, whose estates lay in the south-western part of the Empire. Only King Ottokar of Bohemia refused his agreement. The strong arm of the new German ruler soon made itself felt. His immediate object was to move against his dangerous rivals in the south-eastern areas of the Empire and restore law and order there. His enforcement of Imperial rights in Austria opened up for him a personally pleasant prospect, that of establishing extended powers for his own House, without which a strong German kingdom would be unimaginable.

1271. The Venetian Marco Polo sets out on his great voyage to Eastern Asia.

1276. Giotto di Bondone born. First appearance of Renaissance painting.

Vienna Hofburg, Schweizertor.

Ottokar was summoned to answer for his acts, first to Würzburg and later to Augsburg. When he failed on each occasion to put in an appearance, the Reichstag pronounced the forfeiture of all his fiefs and his own outlawry from the Empire. Thus a conflict became inevitable. In the autumn of the year 1276, Rudolf marched with his troops into Austria, where he was hailed as the bearer of Imperial authority and the guardian of the law.

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7: Marboe U-3 (no date) 1948 EK1 Austria
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Plate III

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Maximilian of Austria; From the Statute Book of the Order of the Golden Fleece. Vienna, National Library.

[Facing p. 32]

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Throughout the German lands peace now prevails;
The robber barons punished; feuds allayed;
Through prudent marriages, by use of force,
The Princes are at one and leagued with him;
The Pope supports him; with one common voice
All praise and bless him who has saved their lives.
Just recently, when he sailed down the Danube
With all his troops amid much noisy clamour,
The sound of bells rang out from either shore;
On either shore the shouts of joyful praise
From crowds who came and gaped amazed and knelt.

(Ottocar, Chancellor, Act III)

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While the nobility, especially in Styria, rallied to his banner, Vienna closed her gates against him. The situation of Ottokar, who was camping in the Marchfeld, steadily deteriorated. Ladislaus, King of Hungary, who was allied to Rudolf, drew on with his forces, while disunity and desertion spread through Ottokar's ranks. Thereupon the Bohemian King decided to renounce all his acquisitions and to content himself with his hereditary domains, Bohemia and Moravia.

End of the 13th century.

North German towns of the Hanseatic League achieve a monopoly position in European maritime trade.

The peace, however, proved to be of short duration. The proud spirit of the "Golden King" could not swallow these humiliations. Spurred on by his ambitious consort, Kunigunde, he began accumulating arms for a new campaign which should re-establish his wider dominions. But Ottokar had already passed his zenith. In alliance with the Hungarians, Rudolf decisively defeated the Bohemians at Marchfeld in 1278. Ottokar himself fell in the battle.

You lie here stripped of royal show, great King,
Your head supported on your servant's lap.
And now of all your splendid robes and riches
You 've not a single scanty cover left
To use for shroud to wrap your body in.
The Imperial mantle you aspired to wear
See, I'll take off and spread it over you
That you be buried like an emperor,
Who died a poor and lonely beggar's death.

(Ottocar, Rudolf of Hapsburg, Act V)

1290. In East Asia, Kubilai sets up the Great Mongolian Empire embracing the whole of China, Korea, Mongolia, Manchuria and Tibet.

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Few military events in the history of the world can compare in importance with this Hapsburgian victory. It settled the fate of South Eastern Europe

7: Marboe U-3 (no date) 1948 EK1 Austria
Historical Austria EK2

Plate IV

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Schoolbook of Maximilian I; Vienna, National Library.

[Facing p. 33]

728 for many centuries. The drawing of the political map of the Danubian territories fell, not to Bohemia, but to Austria. This development was bound up with the family which now assumed power in Austria. In 1282
631 Rudolf conferred Austria, Styria and Krain on his two sons, Albrecht and Rudolf. A year later, at the instance of the Estates, he decreed that Albrecht alone should hold the duchies of Austria and Styria, while Carinthia and Krain were allotted to Meinhard II of Tyrol.

And now, my son...
I will invest you with the fief of Austria.
Be great and strong; increase your race and line
Until it dwells in lands both near and far
And Hapsburg's name shines glorious as a star.
I hail you as the sovereign of this land.
Come everyone, come loud your welcome cry,
Until it rolls like thunder through the sky.
Hail! The first Hapsburg hail in Austria!

(Ottocar, Rudolf of Hapsburg, Act V)

565 But the Hapsburgs were not secured in their new position of power in
648 the South-East. Internal and external enemies were soon on the scene to
634 challenge the new ducal House. Rudolf's son, Albrecht I, proved himself the right man to master these troubles and to anchor the power of his family. Personally courageous and energetic, yet by nature conciliatory, he combined considerable strategic qualities with those of delicate diplomacy. Albrecht was as successful in foiling the intrigues of the nobles as in gaining the upper hand over a powerful coalition of princes which embraced the Archbishop of Salzburg, the Duke of Bavaria, Ottokar's son, King Wenceslaus of Bohemia and the German King, Adolf of Nassau. This coalition wanted to depose the Hapsburgs in Austria as well, after the death of Rudolf. Having secured his position in his own domains by these successes, Albrecht was free to develop his policy in other directions. In 1298 he even secured the Imperial Crown of Germany. His indomitable attitude, his caution and energy were good omens for his reign. But it was not long before he was assassinated by his own nephew Johann, who received the appellation of "Parricida".

1295. The Model Parliament, the first full representation of the Estates, meets in London. Parliament secures the right to control taxation.

1309. The Holy See moves to Avignon.

1315. Battle in the Morgarten Defile. Victory of the Swiss over Leopold of Hapsburg. Down of Swiss independence.

643 Friedrich the Handsome, who lost the prospect of succeeding to the throne at the Battle of Mühldorf, was followed by Albrecht II. This ruler took no interest in Imperial politics, but concentrated his energies on his own domains with considerable success. In 1335 he acquired Carinthia and Krain.

1335. Austria acquires Carinthia and Krain.

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St. Maria am Gestade, Vienna.

With Rudolf IV, called "the Endower", once again an unusual personality came to power. He succeeded to the throne at the age of 19, and reigned only eight years, yet with such energy and ambition that his reign constitutes a milestone in Austrian history. His proud nature quickly found it intolerable that the "Golden Bull" of the Emperor Karl IV should not have accorded to his House the Elector's vote to which both his position and his possessions entitled him. It was at this juncture that the forged document known as the "Privilegium Majus" made its appearance in Rudolf's chancellery. This document purported to establish for Austria her independence from the Empire, and for her princes, full sovereignty from the days of Caesar and Nero to those of Friedrich II. The mere fact that this Privilegium was at first accepted as genuine shows how far Austria had already progressed towards being regarded as independent. It was the Italian poet and humanist Petrarca who first demolished this audacious effort on the part of the young Duke.

1339. The Hundred Years' War begins between France and England.

[873] *1340 to 1400. With Geoffrey Chaucer, England takes a place in world literature.*

Between Rudolf and Karl IV of Luxembourg (who had his Residence in Prague), relations were strained. The rivalry often proved advantageous to Austria. Duke Rudolf, for example, unwilling to be outdone by his father-in-law who had established a University in Prague, founded Vienna University, which soon grew into a centre of science and art. In 1363 Rudolf succeeded in making an important acquisition to his domains. After the death of Meinhard III of Tyrol, he managed by the exercise of skilfull diplomacy to persuade the latter's heiress, Margareta, to cede this beautiful and valuable Alpine province to the Hapsburgs. By this means he secured a bridge to the Hapsburgs possessions in South-West Germany and Switzerland. Proudly, Rudolf found himself able to write: Omnes stratae et transitus de Germania ad partes Italiae porrectae nostrae dominationi subsunt—

1348 Foundation of Prague University under Karl IV.

Foundation Document. 1365.

1363 Austria secures Tyrol.

"All roads leading from Germany to Italy are subject to Us." Rudolf was able to conclude other agreements affecting rights of succession which proved of considerable importance later.

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The population of the towns grew rapidly and a prosperous middle class developed. The administrative and judicial systems were extended, and rapid progress was made in building. The beginnings of the gothic additions to St. Stephen's Cathedral are inseparably linked with the name of the Endower. When Rudolf died, still a young man, he left behind him a rich country which had developed along its own lines. Ahead of it lay unique possibilities as a bridge between the Teutonic North and the Latin South, as a political factor in the development of South-Eastern Europe, and as a centre of culture. Engraved in Rudolf's seal are the words: "Felix Austria"—"Happy Austria".

1366. The Englishman John Wycliffe, the most outstanding forerunner of the Reformation, begins his campaign against Rome.

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Twixt the child
That's Italy and Germany the man
You stand, a gallant lad with warm red checks.
May God preserve the heart of youth in you;
May he make good what others have destroyed.

(Ottocar, Horneck, Act III)

But the hopes which might justly have been entertained concerning Austria's development were not immediately realized. Rudolf's brothers, Albrecht III and Leopold III, agreed in 1379 on a partition of the country which had the most unhappy consequences. Albrecht received Upper and Lower Austria and founded the Leopoldian Line with Styria, Carinthia, Krain, Tyrol—and also Istria, which had in the meantime become part of the family's domains. Leopold was able to add the important city of Trieste to his possessions and to form a link with Swabia through his acquisition of the province of Vorarlberg, but the power of the Throne was on the decline. The Swiss territories began to fall away and there were growing signs of a financial crisis. Progress in the Austrian Lands practically ceased when, following the

1369 to 1415. John Hus, the great Bohemian Reformer.

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1374. Austria acquires parts of Istria and Lower Krain.

1382. The Mediterranean port of Trieste falls to the Leopoldian line of the House of Hapsburg.

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TU FELIX AUSTRIA
1477
BURGUNDIAN MARRIAGE
Maximilian I
Maria of Burgundy
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1397. Norway, Sweden and Denmark form the Kalmar Union.

1414 to 1418. Council of Constance. The burning of John Hus.

death of these two Dukes, they were actually split in 1396 into three parts. Rule by regents, family quarrels, banditry and a devastated countryside brought grave internal disorders to these states. The ruling House, divided against itself, failed to produce a personality with the strength to abolish these evils.

So many arms, but who can be the head?

(Family Strife in Hapsburg, Rudolf, Act I)

1419 to 1437. Wars of the Hussites.

643 648

1429. Joan of Arc appears in the war between France and England.

1431 to 1449. Council of Bâle. Attempt to reform the Roman Church.

15th Century. The House of Medici flourishes in Florence.

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1450. Foundation of the Florentine Academy.

Even the wiser policy of Albrecht V failed to bring stability. The critical period continued through the long reign of Friedrich III into that of Maximilian I, under whom peace was re-established in the Duchies and their frontiers made secure. Through his marriage with the only daughter of the Hungarian King Sigismund, Albrecht V came into possession of the Crown of St. Stephen's. In 1438 he was elected German King and in 1439 he won the day against a Polish rival in Bohemia. But in the same year Albrecht died on his way back from a warlike expedition against the Turks, who were already at the gates of Hungary. He was the first Hapsburg to establish his rule over the vast area which stretches from the River Theiss to the Rhine, and from Silesia to the Adriatic.

Ladislaus ("the Posthumous") came into the world after the death of his father. Friedrich of Inner Austria governed his realms as regent. Ladislaus failed to subdue either the Jagellone Wladislaw or John Hunyadi. He was deprived of all say in the affairs of Bohemia by its Governor, who later became King George Podiebrad. On the death of Ladislaus in 1457, the bond holding the Danubian Reich together dissolved and it broke up into its component parts, each ruled by its own Prince.

Meantime, Friedrich III had been crowned German King, and in 1452 he was crowned Emperor in Rome. He was the first Austrian ruler to wear the Imperial Crown, which henceforth remained with the House of Austria—with a single break during the reign of Karl VII (1742 to 1745)—until 1806, when the Holy Roman Empire fell.

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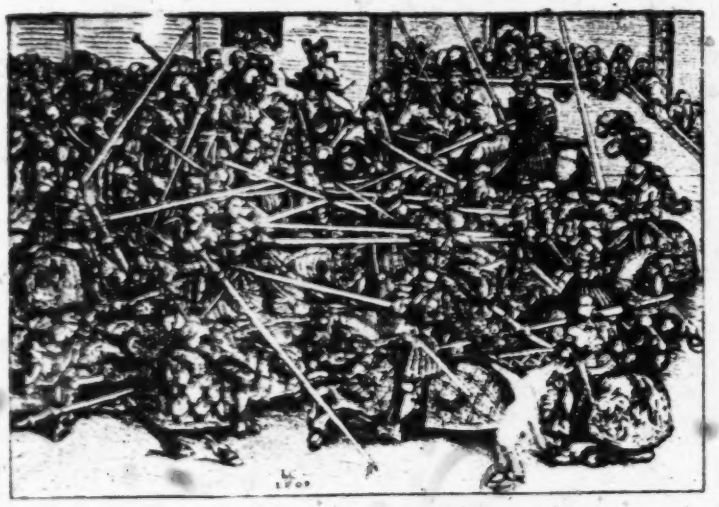

Lucas Cranach: Tournament.

In Friedrich III we meet with one of those strange characters which are so frequently found in the history of the Imperial representatives of the House of Hapsburg. He was a man of such a patient and dispassionate spirit as to suggest at times a complete lack of interest in political affairs. Sluggish and indifferent to good or ill fortune, he was yet a man of unusual dignity, conscious of his royal attributes, and imbued with an inner feeling of superiority. His reign cannot be considered a happy one. It was marked by family quarrels, the insubordination of the Estates, factional struggles among the nobles, loss of territory in the West and East, invasions by the Turks and peasant discontent. Unable on every occasion when decisive action was called for to make up his mind, the figure of this Emperor comes down to us enveloped in a strange haze of depression and indifference.

1450. John Gutenberg sets up the first printing press in Mainz. 643 669

1452. Leonardo da Vinci, world-genius of the Renaissance, is born.

1453. The Turks capture Constantinople.

This is the curse of Hapsburg's noble house:
Halfway to halt, and doubtfully to aim
At half a deed, with half considered means.

(Family Strife, Matthias, Act II)

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648 But despite harsh blows of fortune and the persistence of abuses, a development started under Friedrich which was shortly to make it possible for the House of Austria to take its place among the leading powers of the world. This rise in status was initiated by and founded on—a marriage. Between Switzerland and the North Sea there had risen a wealthy Duchy having an extensive commerce. Burgundy, which had expanded and had strengthened its economic position under Charles the Bold, had risen to a position of European importance. Through the marriage of Maximilian, son of the Emperor Friedrich, with Charles' only daughter, this rich inheritance fell to the Hapsburgs. Maximilian, last of the knights, had to defend this inheritance in long wars against France. And now began the century-long conflict born of this inheritance between France and the "Maison d'Autriche". Meantime Matthias Corvinus, King of Hungary, had occupied Lower Austria and captured Vienna, which city, like Ottokar before him, he wished to turn into the capital of a great Empire of South-Eastern Europe under Hungarian domination. But after the death of Matthias his plans came to nothing and Maximilian, now wearing the Roman Crown, succeeded in restoring Vienna and Austria to the sway of their legitimate ruler.

1471. Albrecht Dürer born in Nuremberg.

1477. The Burgundian marriage of Maximilian. Flanders, Artois and the Franche Comté of Burgundy pass to the House of Hapsburg. Titian born.

1485. End of the Wars of the Roses in England. The House of Tudor comes to power.

When the Emperor Friedrich III died in 1493, he was succeeded by a person of very different character, Maximilian, a man of action with easily aroused enthusiasms. For 125 years the whole of the Hapsburg possessions had been united under a single ruler. Maximilian made this heritage secure in a serieas of daring military campaigns in Carinthia and Tyrol, to which he paid especial attention because they were the gateway to Italy. He established a well organized royal administration. Peace and order returned to the country and the sense of unity among its peoples was strengthened.

1492. Christopher Columbus discovers the New World, crossing the ocean four times.

1494. Charles VIII of France marches into Italy.

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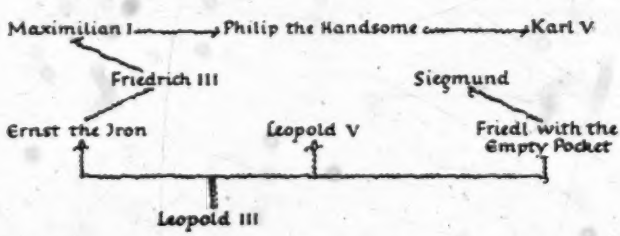

The Family Tree of the Hapsburgs, after Josephus Grimbach, Historia Friderici III et Maximiliani I (unknown master, Altdorf School).

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Observe the world your eyes can plainly see,
How hill and dale and brook and meadow stand.
The heights, though bare themselves, attract the clouds
And send them down as rain into the vale.
The wood holds off the wild, destructive storm.
A spring does not bear fruit, yet nurtures fruits.
And from such interchange of high and low,
If fruit and shelter, comes an ordered whole
That earns the right to live, because it is.

(Family Strife, Rudolf, Act III)

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1498. Vasco da Gama discovers the sea route to India.

1503 to 1521. The Pontifical Years of the two great Renaissance Popes, Julius II and Leo X. (Bramante, Michelangelo and Raphael in Rome).

1517. Martin Luther posts his 95 Theses at Wittenberg.

1517. The Spaniard Ferdinand Cortez sets out to conquer Mexico.

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The Burgundian marriage of Maximilian had brought the House of Hapsburg on to the stage of world politics. The marriage of his son Philipp and Johanna, daughter of Ferdinand of Aragon and Isabella of Castile, soon showed itself as the foundation on which this family was to build up a unique preponderance among world Powers. Through the death of the heiress, the Spanish Infanta, and a second, elder Spanish Princess, the children of Philipp and Johanna inherited United Spain together with Sicily and Naples, as well as the still uncharted territories overseas which embraced almost the whole continent of America.

A marriage celebrated in Vienna in 1515 between the grandchildren of Maximilian, Ferdinand and Maria, and Ludwig and Anna, children of the King of Bohemia and Hungary, proved of vital importance to the future of Austria. This act of political wisdom united the countries of the Danube basin at the moment when the Turks were preparing their advance into the heart of Europe. These lands were welded together, not by an act of dynastic caprice, but as the result of a real political necessity which at the same time involved a fundamental European interest. When the Jagellone, Ludwig, fell on the battlefield a few years later against the invading Turks and his brother-in-law, Ferdinand of Hapsburg, took over the inheritance, this developed into a third attempt to carry out the political organization of South-East-Europe. That which Ottocar had failed from Bohemia to achieve and which proved under the Hungarian Matthias Corvinus to be only a passing extension of power of no duration, now came about naturally from the foot of the Alps under the immediate pressure of danger from without, a Christian union of the peoples of South-East-Europe. It was the dazzling personality of the Emperor Maximilian which created these postulates for a glorious future, for conferring on the Hapsburgs a world position as rulers of an Empire on which the sun would never set, and for the creation of a super-national Danubian Empire. Aside from world politics, the arts

Aside from world politics, the arts 814

and sciences found in this gifted ruler,[1] himself a talented writer and thinker, an understanding patron. Albrecht Dürer and Peter Fischer enjoyed his favours and humanism found a home in Vienna.

> The peasant walks behind his plough in peace,
> While in the towns the workmen ply their trade
> And industries and guilds lift up their heads.
>
> (Ottocar, Rudolf, Act III)

After the death of Maximilian, his grandchild Karl V took over a vast empire. He inherited Spain, Burgundy and the old Hapsburg possession; he was elected King in Germany and later crowned Emperor at Bologna. In 1521 he divided his Empire with his brother Ferdinand, to whom he gave the Austrian Duchies. From this time onwards one finds references to an Austrian and to a Spanish line of the House of Hapsburg. The reign of Karl V was filled with internal German conflicts arising out of the start of the reformation. Constant wars with France and Turkey left him no peace. Karl V was another of the strange, gloomy and apathetic figures to be found among the Hapsburg rulers. His plans to win back for the Imperial Crown its ancient power and splendour and to preserve the unity of the old Catholic faith were brought to naught, partly on account of the egotism of the Lutheran Princes but also because of their devotion to their faith. Karl thereupon renounced the crown and retired to the monastery of San Yuste in Spain. A lonesome and frustrated figure, he turned his back on that life which would have made him ruler of a world Empire.

1519 to 1521. The Portuguese Ferdinand Magellan first circumnavigates the world. 648 643

1526. Bohemia and Hungary pass legally into the possession of Austria.

1528. Under Henry VIII, the first steps are taken which led up to the separation of the English Church from Rome.

1536. Death of Erasmus of Rotterdam.

> There order dwells, there order has its home
> While here confusion lives and vain caprice.
>
> (Family Strife, Rudolf, Act I)

In the meantime Ferdinand was ruling prudently and ably in Austria. The new doctrines from Wittenberg quickly penetrated to Austria, where they spread rapidly. Soon appeared the first signs of a clash of beliefs which was to prove particularly significant for Austria. Efforts to bring about religious reforms brought with them social discontent, which manifested itself particularly in peasant revolts, and in the formation of the sect of the Baptists.

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1540. Foundation of the order of Jesuits.

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1545 to 1563. Council of Trient. The Catholic Church grows more powerful and the Counter-Reformation begins. 648

In 1526, Ludwig II, King of Hungary and Bohemia, lost the day and his life as well in the battle of Mohacs against the Turks. Under the Treaties

[1] [... the Emperor Maximilian --Analyst]

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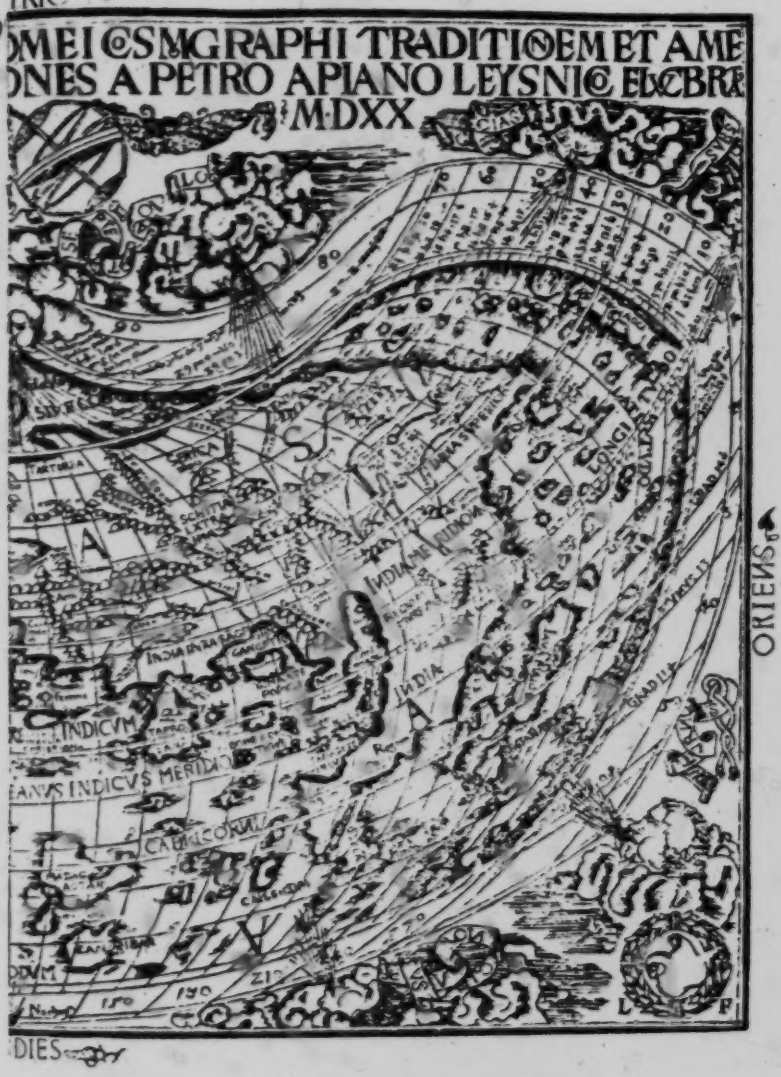

(printed in 1520).

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of 1515 Ferdinand should have succeeded to the inheritance. But while in Bohemia he was able to secure his rights after signing an agreement concerning the Elections, in Hungary he had to gain them by force of arms against John Zapolya, the Voivode of Transylvania. The latter, hotly pursued by Ferdinand, fell back into Transylvania where, prompted by short-sighted ambition, he entered into an alliance with the Turks.

726 *1520 to 1566. The Ottoman Empire flourishes under Suleiman the Magnificent. Turkey stretches from Budapest to Bagdad.*

At this period the Ottoman Empire was ruled by the warlike Sultan Suleiman the Magnificent, who eagerly seized this opportunity of putting into practice his long-cherished plans for Europe. In the summer of 1529 he marched with his forces into Hungary. Before long it became evident that this was a thrust into the heart of Europe. His army of 270,000 men equipped with 300 canons moved through Ofen, Gran and Raab towards the Austrian frontier. Only fortified Vienna stood between the Turks and the conquest of Central Europe. The defence of the city was assumed by Niklas, Count Salm. He had only 18,000 men with whom to repel the furious onslaught of the mighty army. On October 14th the beginning of bad weather, the decimation of his forces and shortage of food forced the Sultan to raise the siege. But the defence was in no position to follow up the retreating army and inflict on it a decisive defeat. In 1532 the Turks again violated the soil of Austria. On this occasion they were halted at the small fortress of Güns, which was defended by the Croat, Jurishitsh. On the approach of a formidable Imperial army to relieve him, the Turks hastily decamped. Once again the opportunity of effecting a decision by a counter-thrust was lost.

1530. Nicholas Copernicus, founder of modern astronomy, completes his revolutionary work "De revolutionibus orbium coelestium".

1532. Francis Pizaro and Diego di Almagro overthrow the Empire of the Incas in Peru and Chile.

Not only does the Emperor's purpose waver;
The Turks, as heathens, are a faithless folk,
And prospects of the distant future hold
A goodly share of danger and of doubt.

(Family Strife, Klesel, Act II)

1553. Queen Mary tries to re-catholicise England.

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Now set in a decade of continuous frontier warfare for the exhausted country, keeping it in a state of constant uneasiness. The confusion resulting from the division in the Church extended to Austria. The standing threat of invasion by the Turks in itself sufficed to prevent Ferdinand from embarking on stern measures against heresy, but he did his utmost to strenghten the Catholic Church from within. In December, 1550, he requested Ignatius of Loyola, founder and first General of the Order of Jesuits, to send members of the Order to Vienna. The first Jesuits, among them the famous Father Petrus Canisius, arrived in Vienna in 1551 and began their teaching activities.

1555. The "Religious Peace" of Augsburg, regulating differences between Catholics and Protestants.

Very soon this Order, spreading throughout Austria, was working towards that revival of Catholicism which proved of such fundamental importance to the intellectual and cultural development of the country.

1558 to 1603. The Elizabethan Period in England. 798

When his brother Karl V renounced the throne, Ferdinand was elected Roman Emperor. The inclination towards the Protestant faith shown by his son and heir, Maximilian II, was a source of great pain to the new Emperor. It seemed that all his efforts to dissuade his son from the path towards which he was inclining were doomed to failure.

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1562. Beginning of the Wars of the Huguenots in France.

But when Maximilian ascended the throne on the death of his father, he did not himself adopt the Lutheran creed, as might have been expected, but contented himself with according a wide measure of tolerance to its disciples. Ferdinand had made a grave mistake in once again dividing the Austrian territories. Upper and Lower Austria, Tyrol and the "Fore-Lands", and Styria, Carinthia, Krain and Istria were seperately administered by his three sons. Three Courts and three Governments wasted much-needed money. There was no unity of military and political leadership, even at this time when the danger from the Turks made a full concentration of forces essential. It was under the Emperor's brothers, Ferdinand and Karl, that those harsh measures of the Counter-Reformation were applied which drove into exile large numbers of those who were determined to remain true to their Protestant belief.

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1564. Death of Michelangelo and birth of Shakespeare.

1571. Battle of Lepanto. Victory of Don Juan d'Austria over the Turks.

1572 St. Bartholomew's Eve.

> Not merely said, but done.
> In Styria, all Inner Austria,
> The seed of heresy is rooted out.
> One day alone, on orders from their Prince,
> Some sixty thousand souls embraced the Faith
> And twenty thousand fled to foreign lands.
>
> (Family Strife, Ferdinand, Act I)

The re-Catholicisation of Austria is a landmark in the country's history. It was during this period of the Counter-Reformation that Austria acquired its Catholic imprint. The whole art and culture of the country, drawing their strength from the spirit of Catholicism, became rooted in the historic events of this century. From the days of Fischer von Erlach onwards we see the traditions of this period being constantly renewed and sustained by such figures as Haydn, Mozart and Grillparzer, right down to Hugo von Hofmannsthal.

End of the 16th Century. Start of the great overseas expeditions of England under the daring seamen Francis Drake, Walter Raleigh, Thomas Cavendish and Martin Frobisher 517

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The Funeral Procession of Karl V.

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1581. The Netherlands declare their independence.

1587. Execution of Mary, Queen of Scots.

1588. Destruction of the Spanish Armada. English supremacy at sea is established.

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1600. The great Spanish dramatist, Calderon, born.

After the death of Maximilian II, Rudolf, eldest of his five sons, became successor in the German Empire, in Hungary and in Bohemia, inheriting further an undivided Upper and Lower Austria. The other two branches of the Hapsburgs ruled over the rest of the Austrian territories. The constant frontier fighting against the Turks gradually became an intolerable burden. We find records of 188 invasions over a period of seven years of nominal peace. Guarding the frontiers swallowed up one million gulden a year. When war broke out openly in 1592, no decision was secured, but the exhausting battles continued with varying fortunes for years.

A new rebellion of the Hungarians under Stephan Bocskay and religious strife in the hereditary territories resulted in increasing disorders before which Rudolf remained powerless and inactive. In this monarch we find again that strange shrinking from action, that gloomy tendency towards inner withdrawal and the morbid fear of taking any decision.

For what seems resolution to the men of state
Is mostly lack of conscience as a guide,
Frivolity and arrogance that seek
Their selfish ends and disregard all else;
Whereas a good man in control of men
Is fearful of results his acts may bring,
When one stroke of his pen bequeaths to those
As yet unborn, disaster or good luck.

(Family Strife, Rudolf, Act III)

7: Marboe U-3 (no date) 1948 EK1 Austria
Historical Austria EK2

Brussels, 1559.

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In the hope of averting the worst, the Archdukes met in conference in Linz. Their object was to open the eyes of the Emperor to the danger threatening him and to concert measures of salvation. Command of the forces in Hungary was entrusted to the King's brother, Matthias, who concluded peace with the Magyars and the Turks.

1603. The House of Stuart succeeds to the Throne of England.

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When the Emperor sought to breach this peace again, and when his weak and indecisive policy proved incapable of dealing with the realities of these troubled times, the Archdukes conferred a Regency over Hungary and Austria on Matthias. Thus came fraternal strife to the House of Hapsburg. Filled with distrust of his ambitious brother, the Emperor would not yield. Despite his inability even at this juncture to make up his mind to any decisive step, he was so convinced of the justice of his cause and of the rights conferred by his position that he found the strength to keep up a tenacious struggle against his brother and the nobles who supported him.

1605. Miguel de Cervantes begins his work on Don Quixote.

I am the bond that ties and holds this sheaf,
Unfruitful, yes, but needed, since it binds.

(Family Strife, Rudolf, Act III)

Before long the nobility of Bohemia also ranged themselves on the side of Matthias. When Rudolf II attempted to deprive his brother of the right of succession in Bohemia, the latter dethroned him there also. Helpless and deserted, Rudolf II died shortly afterwards.

1609. The Protestant Union and the Catholic League established in Germany.

But his successor Matthias, who accepted the guidance in affairs of state of that skilled politician, Bishop Melchior Klesel, now showed himself

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incapable of dispersing the approaching storms. Religious differences became even more acute. The counter-strokes of the "Catholic Revival" grew more and more powerful and the attitude of both parties more uncompromising. Brought to power by the nobles, Matthias soon found himself obliged to rule in defiance of them. He soon proved a disappointment to the Protestants who had supported him against his brother. And now in Prague there occurred the "Defenestration" of Matthias' Counsellors. With it broke out the conflict which soon changed its character from that of a war between religions to that of a struggle for political power which devastated the heart of Europe for 30 years — the Thirty Years' War.

1618. The Defenestration in Prague. Beginning of the Thirty Years' War.

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K. K. Hof- Burgtheater.

Samstag den 28. September 1872.

Zum ersten Male:

Ein

Bruderzwist in Habsburg

Trauerspiel in fünf Aufzügen von Franz Grillparzer.

Neue Dekorationen von I. I. Hofmaler Herrn Hermann Burghardt.
Neue Costüme und Zeichnungen des Historienmalers Herrn Franz Gaul.

Der freie Eintritt ist heute ohne Ausnahme aufgehoben.

Kasse-Eröffnung 6 Uhr. Anfang 7 Uhr.

Playbill of the First Performance of Grillparzer's "Family Strife in Hapsburg".

7: Marboe U-3 (no date) 1948 EK1 Austria
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THE JESUIT THEATRE

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At the time when, in 1540, the Pope formally sanctioned the Society of Jesus which had been founded by the Spanish aristocrat, Ignatius of Loyola, Catholicism in Austria was in a bad way. Luther's doctrines had gained a host of adherents whose numbers were steadily growing in all classes of society; a considerable section of the aristocracy and of the middle classes already adhered to the new faith. It cannot be disputed that many abuses had grown up in the Church during the 15th century, and their existence gave fresh impulse to the Protestant movement. Starting on a purely religious basis, the latter soon became linked up with political and social interests. Just at this time, the Catholic Church in Austria was without men who by quality of leadership and example might have called a halt to the changes with which it was threatened. The Church found its main support in the Monarch. Ferdinand I left no doubt about the fact that he stood behind the Catholic Church. It cannot be denied that it was in part political motives which led him to adopt this course; his most powerful antagonists, the nobles, had in the main embraced the Protestant faith.

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But all Ferdinand's efforts were of little avail so long as he had nobody within the Church on whom he could rely to support his endeavours. The number of priests was steadily declining. In 1542, the whole Diocese of St. Stephen's in Vienna could master only four priests. Of 13 parishes, ten were without incumbents. The monasteries were suffering similarly. The total number of Dominican monks sank from 86 to ten.

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Faced with such conditions, in December 1550 Ferdinand made an urgent appeal to Ignatius of Loyola to send him instructors capable of training priests who could be depended on to work on the masses. It was in April and May 1551 that the first Jesuits arrived in Austria—actually in Vienna. Ferdinand allotted part of the Dominican Monastery to them as residence. They promptly took over the cure of souls and assumed control of the theological faculty at the University. In 1553 they established the first public school. In 1554 they moved to the abandoned Carmelite Monastery at "Am Hof", which then became their first permanent headquarters in Vienna. Three hundred pupils attended their classes, which in this year, 1554, already numbered five. By 1556 they had 400 pupils attending six classes, with ten

teachers to instruct them. By such means the Jesuits built up a powerful cadre of persons who could be relied on to spread the doctrines to which they adhered. 793 871

Whatever one may think of the Order of the Society of Jesus, the fact remains that, particularly through their schools, the Jesuits dominated the mentality of Austria from the middle of the 16th century up to Rousseau's "Age of Enlightenment", and to a considerable degree controlled cultural development. [517]

In the Jesuit schools, a system of study was devised which obtained its effect from the uniformity of its application. The first principal of education was belief in God. There were two clear-cut divisions of the curriculum. The lower corresponded to the education furnished in the middle schools, the higher to that of the universities. In contrast to the middle schools, which aimed at developing the mind by means of a general classical education, the Jesuit schools sought to attain this end by giving their pupils the most perfect command possible of the Latin language. For nearly half a century the curriculum was studied and tested before, in 1599, it was introduced into the Jesuit schools generally. Perfection in Latin, extending to oratorical efforts which had to include the arts of poetry and declamation, paved the way to higher scholarship in the natural sciences, philosophy and theology. 876

Starting with the elementary classes, pupils were trained in extempore speaking and were taught how to make their words effective by the cultivation of a self-confident manner and quickness in repartee. This result was achieved in the first place through rehearsals which were often of a theatrical character. These gradually expanded from monologues and controversial debates to full theatrical performances, with many participants and elaborate scenery. From the small world of the classroom, students could progress to making an appearance before the Emperor in famous dramas, with a house made up of distinguished figures from both the lay and clerical worlds. Skilfully the Jesuits directed this training towards their objective, of turning out an impressive, confident and convincing speaker who could hold his own in wordly and spiritual controversies, in philosophical as well as in theological disputes and achieve success in all. After thorough preparation in class, the first four classes appeared on the stage once a year before a limited public, while in the fifth and sixth classes each individual pupil had to give proof of his ability in declamation and controversy. Apart from minor theatrical productions, once a year at the end of term there was a grand performance, the "*Actio Major*", at which the students had to prove in public that they were worthy of the prizes which they were subsequently to receive. [537]

It was in accordance with the militant spirit of the Jesuits that training for spiritual conflict should have been among the most important subjects that their schools sought to inculcate. From the elementary grammar classes onwards the boy was taught to be critical of the work of his fellow-pupils. He had to be quick to spot

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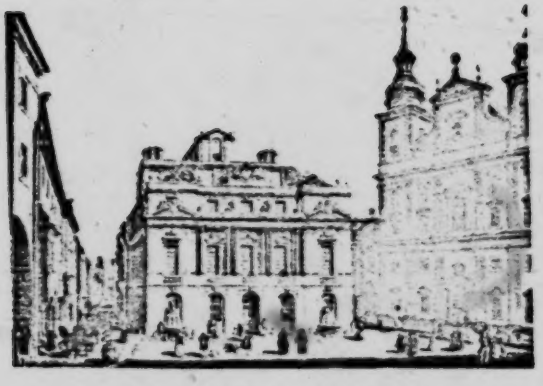

Vienna. Old University and Jesuit Church.

876 the mistakes of others, to criticise and to correct them. Ambition was made the spur. The best scholars were publicly commended at the end of the school year, were awarded prizes, and amidst the sound of drums and trumpets, their names were announced with great ceremony to the assembled visitors present at the end of term performance. Their names were inscribed on a list of the successful which was distributed to the guests. Rivalry between the aristocracy and middle classes also encouraged the spirit of competition the former believing that their superior rank obliged them to secure a similar superiority in learning, in which endeavour they frequently met with the competition of sons of middle class parents.

793 Vienna was the oldest Jesuit stronghold (after Cologne) in the German-speaking
798 countries. Ten years later, in 1561, a second branch of the Order was established within the frontiers of present-day Austria, the college at Innsbruck, and was soon followed by another, that of Hall-in-Tyrol, in 1569. A year later, in 1570, a branch was established in Graz, in the year 1600 the Jesuits settled in Linz, in 1604 in Klagenfurt, in 1613 in Leoben, 1616 in Krems, 1621 in Judenburg and in 1632 in Steyr. Protestantism at this time was practically unchallenged in the places where these centres were established. In each of them schools were promptly opened and plays were staged in all; the Faith was spread, not only by the ear but also through the receptive medium of the eye.

Many conversions, many changes of outlook must be attributed to the emotional effects of these dramatic representations. Records often refer to the pleasure which Catholics and others found in these performances.

About the middle of the 18th century, 53 Jesuit colleges and settlements existed in the Jesuit "Province" of Austria, in addition to a number of resident and travelling missions. In almost all these 53 centres there were middle-schools and at almost all of them plays were produced, between two and three in a year, unless school, as was often the case in Hungary, had to be broken up on account of the dreaded plague or of danger from the Turks. These usually scattered the pupils to the four winds. 793 871

The growth of the Jesuit Theatre continued from 1558 to 1773 in two major stages. During the first, which lasted until about 1650, the main objective was the inculcation of the Faith; during the second period, education played the greater role. The Jesuit Theatre took over from the mediaeval theatre the pattern of the ecclesiastical year, culminating in the festivals of Christmas and Easter. It also adopted the traditions of the "school-theatre". The Order of Jesuits was not alone in introducing its pupils to the stage, but no other Order did so on such a scale, with such perseverance and with such remarkable results. 793 536

To appreciate the significance of the Jesuit Theatre, one must remember that with its amateur actors, it was a means to an end and not, like the professional theatre, an end in itself.

The first stage performance in Vienna was given in 1555. The Jesuits had made barely habitable the building of the Carmelite Monastery, which during the recent years when it had been left almost unoccupied had become a ruin, and had just established their schools there. They repeated their performances every year, increasing their number. Scenery and costumes were added. By the second half of the 17th century the productions easily bore comparison with the elaborate set-up of those at the Imperial Court Theatre. The stage-struck Leopold I was the most enthusiastic patron, and at the end of the performance he distributed prizes to those pupils who had most distinguished themselves. 793 545

There were primarily three occasions in the year on which plays were regularly produced. On Good Friday, a play with religious content was put on, corresponding to the mediaeval Good Friday drama in St. Stephen's Cathedral, which was kept up until the 19th century. On the second occasion, that of Corpus Christi, the performance was closely linked with the religious procession from altar to altar which from time immemorial had been carried out with great pomp in Vienna. The play then performed also had mediaeval characteristics. The religious story was divided into acts which were produced in turn before one or other of the street altars at which the Corpus Christi procession halted. In 1579, for example, the "Tragic Story of the Prodigal Son" was produced. Two acts were played before the High Altar, and another act before each of the other three altars at which the procession halted. The third regular date when plays were produced was the occasion of the distribution of prizes at the end of the school year, usually in September, which was turned into an impressive theatrical spectacle, with elaborate scenery. 793 545 796

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Scenic Theatre. Scenic Picture: Coronation

7: Marboe U-3 (no date) 1948 EK1 Austria
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the Great with the Ruler of the Underworld.

7: Marboe U-S (no date) 1948 EK1 Austria
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Besides this, plays were sometimes performed at Christmas time which had been cleverly adapted from the traditional Christmas plays, performances of a lighter type at Carnival time, such as, for instance, a play about drunkenness in the year 1579, as well as plays on the festival days of the Order (the day of St. Ignatius and of Francis Xaver, the missionary to India), then performances occasioned by the visits of highly-placed persons or special festivals of the Imperial family. The originally simple dialogue plays soon developed into regular theatrical performances, the visual effect being increased by minor theatrical devices. Thus, for instance, when in the year 1610 the story of the Jewish boy who was thrown alive into the fire was played during the Passion procession, it "was pleasing and moving"—this double effect being the main object—that the Virgin Mary aided the boy in the flames. A preliminary to the great theatrical performances of the Baroque period was the imposing stage background which the Congregations began to construct in the first half of the 17th century. The Congregation of the Most Holy Virgin Mary constructed in the year 1618 a *mis-en-scène* consisting of five pyramids with the Sacrament as central point, brilliantly lit by 600 lamps, and, in the year 1629, one of an enormous pyramid with the inscription: "The Wounds of Christ". At the impressive Good Friday procession of the same year, allegorical pictures from the Middle Ages were mingled with motivs of the approaching Baroque period. Side by side with tableaux depicting mourning and sorrow occasioned by the suffering of Christ, actual personalities were put on the stage, for instance, that of Christ, from whose side blood was flowing.

Soon after the beginning of the theatrical performances we find mention of the first noble visitors; from 1570 onwards the Archdukes were present at the Good Friday services and processions, which were always accompanied by short plays. Later the Emperor and his Consort also attended. The presentation before the Archdukes Ernest and Max in the year 1587 of the drama of Scilius, King of Chaeronea, who admonished his sons to live in brotherly agreement, was certainly a broad hint. When the Emperor Matthias visited the College in the year 1604 and dismounted from his horse, nine fauns sprang towards him from the various sectors of the gardens, greeting him with verses,

songs and dancing and accompanying him to the doors of the College; there he was received by a pupil as emissary of his patron saint, St. Matthias who, bidding the Emperor welcome, also bade the fauns begone from the threshold of the sacred College. Matthias then took the evening meal together with the Jesuits in the garden to the sounds of music, afterwards watching from a window of the building the drama of St. Matthias which was presented on a stage in the garden. Here he took his leave. One can believe that he spoke the truth when he said that he was very pleased with everything. In 1695, Prince Liechtenstein was ceremoneously received at the College and greeted by speeches in seventeen languages; among these Latin, Greek and Hebrew were naturally foremost, but English, French and Italian as well as Bohemian, Hungarian, Croatian, Furlanian and Danish were also used; German too, of course, although it is mentioned as eleventh on the list. 793 545

In 1620 the troops of the Emperor defeated the soldiers of Friedrich, King of the Pfalz, at the Battle of the White Mountain near Prague, thereby deciding the struggle between Reformation and Counter-Reformation in Austria in favour of the latter, even though it was a long time before it was brought to a conclusion. Thereafter sterner treatment was meted out to the Protestants, first of all in the towns. The followers of Martin Luther were confronted with the choice of returning to the Catholic religion or leaving the country. 798

In Vienna the Jesuits took over the University in 1662, moving from the building at Am Hof, thereafter called "Bei den oberen Jesuiten"—"Upper-Jesuit-House"—together with their pupils, to the University—thereafter called "Bei den unteren Jesuiten"—"Lower-Jesuit-House"—in the Bäckerstrasse. This was soon found to afford insufficient space. In 1625, the construction of a Jesuit College with school attached was begun on the site of the present Universitätsplatz; the church was started in 1627. The boys' school was built on to the college, separated from it only by a big door which stood in the present Bäckerstrasse. According to a report of Testarello, Canon of Vienna during the last ten years of the 17th century, the school was "of no mean elegance, very properly and comfortably built. Above it is to be found a large and handsome lecture hall with theatre attached for the performance of plays such as cannot find its equal in any other centre of the Jesuit Fathers. This lecture hall has many windows on either side, with a great choir for the musicians at the back. The upper hall is panelled with fine woodwork, gilded horses, landscape paintings, foliage and so forth. In the front there is a fine façade with sculptures, various decorations and beautiful architecture. The theatre, which has a stage larger and longer than the lecture hall, adjoins it; so big is it that its scenery can be changed in an instant as often as twelve times. The above-mentioned lecture hall is so large that it seats about 3000 persons. In the lower half of the building there is another, smaller hall which has also its well-built theatre, decorated with various 793 873 346

793 scenes; the lower schools use this for their private plays and declamations". The
873 upper as well as the lower theatres have undergone many changes in course of time;
346 the upper hall received a new ceiling painting in the year 1736, depicting the Virgin Mary floating among angels in a baroque heaven, by the artist Anton Hertzog, who is also responsible for the frescoes in the library of the College buildings.

In this stately hall, the oldest auditorium of Austria and, in fact, one of the oldest
793 in the world, the Jesuits acted plays with their pupils from the middle of the 17th
873 century onwards at least five times a year. In each year there were four minor performances and one major one. In the year 1650 a boys' school with six classes was established
545 in the Professhaus Am Hof, from which the young men had been transferred to the Bäckerstrasse, which soon numbered 600 pupils; like the Collegium Academicum in the Bäckerstrasse, it presented four minor plays and one full drama at the end of every school year. Thus there were nearly always ten theatrical performances sponsored by the Jesuit schools every year until 1761. In 1760, the four lower classes still acted their plays as usual in the Professhaus Am Hof as well as in the Bäckerstrasse College; the subjects were taken from religious history, such as "Martyr Hermagen" or "Joseph" (who was sold by his brothers) or were based on the classics, for example "Epaminondas", "Perseus" and "Midas".

793 The finished school performances of the Jesuits which lasted for over a hundred
871 years created a demand in the Austrian section of the Order for about 80 to 90
545 plays a year—roughly, 9,000 during the whole period. Among them were masterpieces by Avancinus, Adolph, Bidermann and others.

The soul of school productions was the form-master. He not only wrote the play, but also produced it. In the 16th century the Professor of Eloquence at the Vienna College, Bartholomaeus Vuastonianus, was appointed as "the present instructor in dialogue and acting". If the form-master fell ill or died, the work of a whole year went for nothing. Thus, for instance, in 1738, the master of the third form at the Grammar School of Görz had rehearsed his pupils for the play when a "tragicus casus" brought all plans to nought. The son of a cobbler had been expelled from school for brawling, arriving late (the report termed it "theft of minutes") and similar misbehaviour, but had been reinstated at request of his parents. As he failed to mend his ways, he was finally expelled, whereupon he determined to avenge himself on his master by murdering him. He went to the place where the play was being studied at the school with a stone, two pounds in weight, concealed in the folds of his cloak and asked that his teacher should come out to him. As he was not able to secure readmission to the school either by persuasion or threats, he struck the master with such force on the head that "it was almost a wonder that he did not drop dead on the spot". The man afterwards recovered, but the play had to be cancelled for that year.

Preparations lasted throughout the school year, and if, for any reason—usually it was the dreaded plague—the schools could only be opened later, in February or

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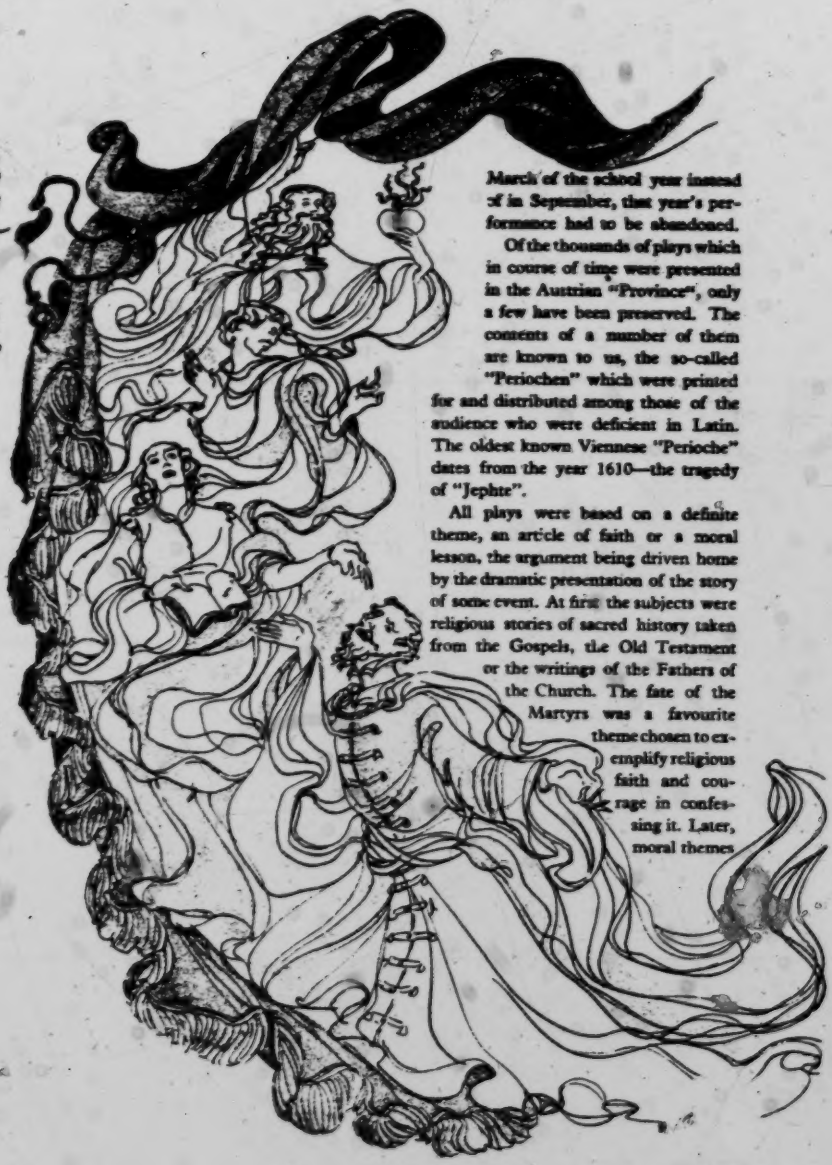

March of the school year instead of in September, that year's performance had to be abandoned.

Of the thousands of plays which in course of time were presented in the Austrian "Province", only a few have been preserved. The contents of a number of them are known to us, the so-called "Periochen" which were printed for and distributed among those of the audience who were deficient in Latin. The oldest known Viennese "Perioche" dates from the year 1610—the tragedy of "Jephte".

All plays were based on a definite theme, an article of faith or a moral lesson, the argument being driven home by the dramatic presentation of the story of some event. At first the subjects were religious stories of sacred history taken from the Gospels, the Old Testament or the writings of the Fathers of the Church. The fate of the Martyrs was a favourite theme chosen to exemplify religious faith and courage in confessing it. Later, moral themes

793 were also made use of, at first in connection with religious stories; subsequently
536 we find stories taken from history, especially after the beginning of historical studies early in the 18th century. From the rulers of antiquity by way of the ancient German and Lombard kings up to the reigning House of Hapsburg, all with high rank or well-known names which might serve either as an example or a warning to youth were brought into these plays. It is noteworthy that a number of subjects reappeared in the literature of subsequent decades, especially in the period of classicism. In the Jesuit Theatre we find, to mention only a few examples, a forerunner of Schiller's "The Robbers", as well as of the "Iphigenie" of Goethe and Körners' "Zriny". Thus the Jesuit Theatre was of value in preparing the way for the literature of later times, as well as because it was in itself the most comprehensive theatre organisation known to history. Far and wide it cleared the ground for the professional stage by making the cultured classes acquainted with the theatre from their earliest youth. In many towns of the Jesuit "Province" of Austria—for example in Hungary—it was
[517] the immediate forerunner of the professional theatre. The value of this Jesuit Theatre lay not so much in the grandiose stage presentation at some particular place such as Vienna or Graz, nor in the literary value of the works of such a man as Avancinus, but rather in its achievements for the general development of culture. Its mission once fulfilled, it faded away.

793 With Rousseau's "Age of Enlightenment" there began a conflict about
871 the Jesuit schools which for two centuries had supplied the Emperor
815 with his leading statesmen and to which the Counter-Reformation in Austria owed its success. The main argument against them was that they were in themselves reactionary and their methods old-fashioned. Yet it was just the Jesuit schools which in the first half of the 18th century proved themselves to be thoroughly progressive, for it was they who introduced the teaching of history and encouraged study of the natural sciences. In Vienna they founded a "*Museum Mathematicum*", the first institute of its kind in Austria and a precursor of the modern museums, and pursued definite educational aims through its collection of physical and astronomical instruments. The Jesuits were also the first in this part of the world to make serious experiments in physics and chemistry and to demonstrate them in public. The Emperor Franz, Consort of Maria Theresia, even called the Brothers to Schönbrunn Palace to make such demonstrations.

Until the latter half of the 18th century the students in the Jesuit schools of the Austrian Province numbered more than 16,000 and although thereafter their numbers began to decrease slowly, the abolition of the Order put an end to an educational system which was still flourishing.

793 The final performance at the theatre in the Bäckerstrasse was given in the year 1760
873 by the sixth class, that of rhetoric, which acted "Menaeus"—actually the last play
545 produced by the Jesuit Theatre in Vienna. The beauty of the play, the acting of

the boys and the fine scenery was much admired, and no one guessed that they were acting for the last time. Soon afterwards an Imperial decree was issued totally forbidding this type of training in the schools, and in the year 1761 "nobody set foot again in the theatre". The stage fell into decay; not until 1766 was the tangle of rafters and the disorder in the hall removed to prepare the auditorium for lectures, but the old glory had departed; seven years later the entire activities of the *Societas Jesu* were forbidden (1773).

The "Age of Enlightenment" had finally reached Vienna. A clear-cut difference of intellectual attitude divided the city, and slowly the Jesuit Theatre had to yield place to the professional theatre with its literary basis.

The Order of Jesuits left the country in obedience to the Emperor's command, its mission fulfilled. Embattled Catholicism in conjunction with Imperial Power had weathered the storm of Turkish invasion. The age of Baroque blossomed forth in glory.

Since the days of the Jesuit schools the word "theatre" has formed an inseparable part of the thoughts and imagination of the Austrian people—the theatre as a stage for free discussion, as a means for acquiring knowledge, as a method for the exchange of ideas among men. For seven generations youth had been taught to link up and to compare the theatre with the surrounding world, seeing the one in the other and through the one understanding the other.

Placed amid that outside world which often put might before right, the theatre became increasingly a home for daring ideas, and the stage developed into an open platform for free speech. Thus in Austria, not only for the professionals, the authors and actors, but also for the public, the idea of the theatre has become one of the most cherished features of life, that great world-theatre where life is a dream, a play by and for every man.

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THE TURKS 1683

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A PAGE FROM HISTORY'S CALENDAR

1453	The Turks capture Constantinople.
1521	The Turks capture Belgrade.
1526	The Turks conquer Hungary. Battle of Mohacs.
1529	Vienna drives back the Turks after the first siege.
1532	The Turks besiege Güns on the Austrian frontier.
1534	The Turks acquire Algiers, Tunis and Tripoli.
1541	The Hungarian capital and the fortress of Ofen are captured by the Turks.
1565	The Knights of the Order of St. John hold Malta against Turkish attacks.
1566	Fresh invasion of the Turks in Hungary.
1570	The Turks seize Cyprus from the Venetians.
1571	Don Juan of Austria destroys the Turkish fleet in the sea battle of Lepanto.
1663	Fresh declaration of war by the Turks against Austria. The Turks are victorious in Hungary.
1664	The Turks at St. Gotthard (Burgenland) beaten back by the army of the Emperor.
1667	Beginning of Louis XIV's wars of expansion.
1669	Crete is conquered by the Turks.
1678	Poland loses Podolien to the Turks.
1679	The Plague in Vienna
1683	Second Siege of Vienna. The Turks driven back.
1686	Ofen is libarated after 145 years of Turkish rule.
1697	Prince Eugene defeats the Turks at Zenta.
1699	The Treaty of Karlowitz.

When Turkey had recovered from the grave internal disorders in which she was involved during the first half of the 17th century and, under the capable Grand Viziers, Mohammed and Achmed Köprülü, began to revive the great tradition of Suleiman the Magnificent, the Holy Roman Empire of German Nations, in the words of the great satirist Voltaire, was neither holy, nor Roman, nor an empire. Bled white by the murderous campaigns of plunder of the Thirty Years' War, ravaged by a hostile soldiery which carried fire and sword through the land, or by wandering bands of plundering mercenaries, it had become a helpless tool of foreign Powers in the pursuit of their own interests. The north was under Swedish control, in the west "Le Roi Soleil", Louis XIV, was preparing to realise his boundless ambitions and in the south-east, powerful thrusts of Ottoman imperialism against the Republic of Venice, Poland and Russia were paving the way for a main attack on the heart of Europe. While the German princes were not able to free themselves from the cramping effects of their particularist policy, Austria kept watch on the Rhine and the Danube. To her Emperor, Leopold I of Hapsburg, a quiet and peace-loving man, fell the historic task, not only of damming in a series of glorious campaigns the French efforts towards expansion, but also of facing in the south-east the danger from the Turks which had been weighing on Europe for almost two hundred years. Austria's oldest and gravest responsibility, that of guarding the centre of Europe, now entered on a culminating phase of deadly peril. 648

In the year 1664 a Turkish army under Achmed Köprülü was prevented from invading Austrian territory by the resourceful General Raimund Montecuccoli. But the Austrian statesmen of the day must have already been filled with grave anxiety. The Crescent had planted its sacred banner before the gateways of Lower Austria, France was reaching out, in the "Réunions" (a portion of Alsace-Lorraine claimed by Louis XIV), for the Rhine, in Hungary the Kuruzzas were in rebellion and the Army Paymaster of the Court reported that he had not even a hundred gulden in his treasury. In the meantime, indications of extensive Turkish preparations had so increased as to amount to an alarming certainty.

In March 1683, the Ottoman forces set out with a great train of artillery from Adrianople, where they had assembled, towards the north. The Sultan Mohammed IV, himself no soldier, had insisted together with his entire Court on accompanying his army as far as Belgrade. Over a hundred carriages were required for the harem alone. Herds of cattle were driven along with the columns. Contingents of many races of the Orient and Occident, Turkish Spahis, Janissaries, Bosnians, Slavs and Tartars lent brilliant colour to the train. The Turks, over 300,000 strong, together with the Hungarian Tököly troops and the long columns of artillery, led by the ambitious Grand Vizier, Kara Mustafa, moved forwards behind the billowing green flag of the Prophet over the Belgrade Bridge towards the West. Their watch- 726 648

726 648 word was: Vienna, Prague, then the Rhine. The Turkish Chancellor, Köprülü, had taken an oath to stable the horses beneath the vaulted dome of St. Peter's in Rome. To face this situation, Europe presented anything but a firm and united front. On the contrary, the diplomats of the "Roi Soleil" were everywhere doing their best to assist the Turks against the House of Austria. When the Emperor Leopold looked around for allies, he found only a few prepared to help him. The Pope was the first to give his assistance in the form of generous subsidies which brought some peace of mind to the desperate Paymaster to the Forces. Spain, Portugal and the Italien City-States followed his example. Poland, which was ruled by King Sobieski, exchanged guarantees of mutual assistance with Austria. A number of German princes, in the forefront those of Bavaria, Saxony and Franconia joined the Emperor. But many others, headed by the great Elector of Brandenburg, stood resolutely aside from the conflict.

726 The coordination of the many auxiliary services of an army which it was planned should amount to 80,000 men demanded, among a hundred other things, time above all. Precisely this was lacking. Thus, for example, the Marshal to the Emperor, Duke Karl of Lorraine, was faced with the impossible task of holding, with only 24,000 operational effectives, the advance on the capital and chief residential city of the Empire of an enemy ten times his strength. To confront the enemy in open battle was out of the question; he decided to fall back with his army behind fortified Vienna and wait for the approach of his allies from the north and west. Not until the Tartar hordes had penetrated into the Vienna Forest, on July 7th, did the Emperor together with his court leave the city, which now hastily began preparations to stand a siege. The Turkish army pressed forward towards the Leitha frontier,

000 *TURKISH PAMPHLET, ANNO 1683.*

"We Mola Mohammed, Gicrious and Absolute Sovereign Emperor of Babylon and Judea, of the Orient and the Occident, King of all Earthly and Heavenly kings, Sovereign King of Holy Arabia and Mauretania, heir and fame-crowned King of Jerusalem, Lord and Master of the grave of the crucified god of the Unbelievers, pledge to thee, Emperor of Roma, and to thee, King of Poland, as well as to all thy followers, Our Holy Word by the mercy of God who rules in Heaven, that We are about to plunge your little countries into war. We have with Us thirteen kings with 1,300,000 warriors, infantry and cavalry. With this army, the like of which thou and thy followers have never seen, we will crush thy little country without mercy or compassion beneath the hooves of Our horses, delivering it up to fire and sword. Firstly, We command thee to emmit Us in thy capital, Vienna, so that We may behead thee, and then now, little Kinglet of Poland, do likewise. We will exterminate thee as well as all thy followers, causing that very lowest creation of God, which is a gnat, to disappear from the earth. We shall first expose great and small to the most terrible tortures and then hand them over to the most igominious death. I will take thy little Empire from thee and sweep away the entire population, allowing thee and the King of Poland to live only so long that ye may satisfy yourselves that We have carried out everything We promised. This, with due respect.

Given in Our 40th year of life and in the 38th year of Our all-powerful Reign."

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Report of the Victory of Sultan Suleiman I, 1534.

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The Turkish Siege.

crushing everything in its path. Village after village went up in flames. Enveloping the capital, the savage hordes swept onwards, ravaging and laying waste the countryside. With breathless anxiety all Europe watched to see what would be Austria's fate.

722 Even at that time Vienna had the reputation of being a gay and genial city, but frivolity and gaiety alike vanished before such imminent danger. A new and admirable spirit of determination seized the population. The fortifications which had been sadly neglected were feverishly put in order. The tireless and courageous Burgomaster Liebenberg set an example to all. Rüdiger, Graf Starhemberg, assumed command of the defences with about 16,000 men at his disposal, including the corps of citizen volunteers. The students joined up under the Rector of the University, the guilds set up "Free Companies" and women flung themselves energetically into the construction of defence works.

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The Victorious Commanders after the Relief of Vienna.

On July 14th the main body of the Turkish army appeared before Vienna and began its preparations for a siege. By the following day a city of tents had spread out in a semicircle extending from Laaerberg to Heiligenstadt. The main front of the attack was directed towards the Burgtor and the Schottentor, where Janissaries and other Turkish elite troops were encamped. The contingents from the auxiliary and tributary Balkan countries were posted on the North-West, near Heiligenstadt, the Asiatic and African troops at Laaerberg. On July the 16th, Duke Karl of Lorraine, who until that time had held out in the Leopoldstadt, crossed the Danube with his small force of cavalry—the infantry he handed over to Starhemberg—destroying the bridge behind him. Then the Turks crossed the Canal and completed the encirclement of Vienna from the North. 726

Right at the start of the siege the Grand Vizier realized that the city could not be taken by a sudden assault. An attempt to reduce it by constant artillery bombardement proved hopeless in face of the effective opposition which the Viennese were able to put up with the 312 pieces of artillery mounted on the walls. The only hope of victory for the Turks obviously lay in the slow and methodical processes of a siege. Dysentry and many other diseases considerable weakened the besieged garrison in its defence. The city was kept under almost continual bombardment and was

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more than once seriously threatened by fires. The adroit use of mines which the Turks, led by a body of French fortification engineers had laid in tunnels under the walls and earthworks which protected the city, resulted in the blasting of the defences sector by sector. Moreover a serious shortage of food soon made itself painfully apparent. The numbers of the small defensive force decreased day by day under the unremitting assaults of the Janissaries, and it became almost impossible to keep the streets of the city clear of the bodies of the fallen.

On the night of September 10th, when Vienna had already been under fire for 60 days and nights, a bold horseman swam at great risk across the many arms of the Danube with Starhemberg's last letter, his final appeal for help, which contained the few but pregnant words: "Lose no further time, Lord, on no account lose more time."

Duke Karl of Lorraine lost no time. On the same day, the 10th of September, the relieving forces completed the crossing of the Danube at Tulln and Krems; 27,000 Austrians, 20,000 Poles, then the Saxons, Bavarians, Swabians and Franks, a total of 80,000 men. In the following night Lorraine camped on the Kahlenberg in the burnt-out ruins of the Kamaldulenserkloster, while rockets from the Hermannskogel gave news of the approaching relief forces. Three shots were fired from the Mölkerbastei in Vienna in answer. Protected by detachments operating towards the Danube, Klosterneuburg and Nussdorf, the advance of the allied armies through the woods of the Wienerwald, which Kara Mustafa had held to be impossible, was completed on the 11th of September.

Warm and mild, writes the chronicler, was the eve of Saturday, the 12th of September. Mass was read at four o'clock in the morning by the Capuchin monk and Papal Legate, Marco d'Aviano, on an altar built of drums in the sacristy of the church on the Kahlenberg. At sunrise the army was drawn up in battle formation.

Kara Mustafa who, rejecting the advice of his experienced second-in-command, Ibrahim, had not relinquished the siege of the city at the approach of the relieving army, found himself now engaged

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in a fight on two fronts which soon put him in a very unenviable position. The left wing of Karl of Lorraine was the first to be markedly successful. Despite a desperate defence by the Turks, Nussdorf was stormed and Heiligenstadt threatened. Soon the main body reached Grinzing. When the left wing of his forces had pressed forward far beyond Döbling, Karl determined on a swerve to the right which rolled up the Turkish front from the flank. After an attack of the Turkish cavalry on the left flank designed to relieve the pressure on their forces which was broken on the resistance of the Polish armoured cavalry, the Turks were forced despite their obstinate resistance to abandon the lost battle. Their troops now fled in such disorder that it

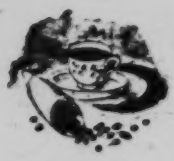
726 was not until they had reached Raab, in Hungary, that it was possible to reform their ranks. The treasure of the Grand Vizier and the rich plunder of the oriental camp fell
727 into the hands of the victors. Vienna, however, King Sobieski wrote to his wife, was a place of wretchedness. Only very slowly was the heavily stricken city able to recover.

The victory of Kahlenberg made an overpowering impression throughout the whole of the West. Among the many congratulations sent to Austria were, in accordance with the rules of etiquette, even those of the King of France. For the unexpected and incredible relief of Vienna, Louis XIV used the word "miracle".

Among the Imperial Troops a slender young officer, Prince Eugene of Savoy, distinguished himself by his courage.

In the year 1684 a book appeared by P. W. Hörnigkh, which its author introduced with the words: "Austria over all, if she but desires it."

The great decision had fallen. The defeated Porte had no longer the power to cling to its possessions.



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BAROQUE IN AUSTRIA

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Austrian Baroque is not just an art style. It is not a matter for museum collections and it is not just a phase which is dead and gone, to be docketed and laid aside with the past. Austrian Baroque is a mystery, a wonder, which is alive to-day. Like every mystery which is real and has a message, it will yield its secret only to those who live and feel with it.

To the friends of our country, especially to the friends of our capital, Vienna, the ancient "Hsupt- und Residenzstadt", we would say: —

If you wish truly to understand and to appreciate this curious country, to unravel the living mystery which is Austria, you must learn how to experience the most intimate and most glorious manifestation of her spirit, as it exists in legend and song, in literature and painting, in architecture and in the great festivals of the country. It is in our Baroque that you must seek it.

"Our" Baroque! There is, of course, a magnificent Italian Baroque whose illustrious ancestors were Borromini and Bernini, and which reaches back even to Michelangelo. There are magnificent French and Dutch styles of baroque architecture. There are the widely diverging forms of Franconian and Bohemian Baroque. Each has its own importance for us as an "art form".. But how do they help us? Hardly at all. For Austrian Baroque is not merely a certain form of art. It is the secret of one of the hours when fortune smiled on Austria, born of the triumph over threatening doom, over the terror which had gripped the souls of her people and the peril of being overwhelmed by alien force.

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Baroque Theatre, Burnacini; Il fuoco eterno.

In those days, in 1679, the Plague was rampant in Vienna. The city was fast [164]
vanishing beneath hecatombs of the dead. Four years later, in 1683, she was attacked 726
by the Turks. The preceding century had witnessed the hard-won triumph of the "Catholic Revival" over the Protestant movement, a process which was accompanied by great suffering, sorrow, hardship, and at times by brute force. Now the people yearned with heart and soul for liberation. When it came, it was with the effect of sudden intoxication for the city. That city had only just reduced its fine suburbs to ruins and ashes to prevent them from falling into the hands of the enemy. Its citizens' homes had been filled until just previously with unburied dead. Almost at the end, on September 4th, 1683, 4,000 Janissaries had struck at the city's exposed flank and had forced their way into the Burg bastion, only to be beaten back after hours of some of the most bloody fighting of the war.

And at last it was there, Victory! If ever in the world's history there had been 517
a true victory, then this was it. It cannot be dismissed with mere accounts of the expeditions of Prince Eugene of Savoy, of the Peace Treaties of Karlowitz (1699) and Passarowitz (1718), which made of Austria a great Western power extending

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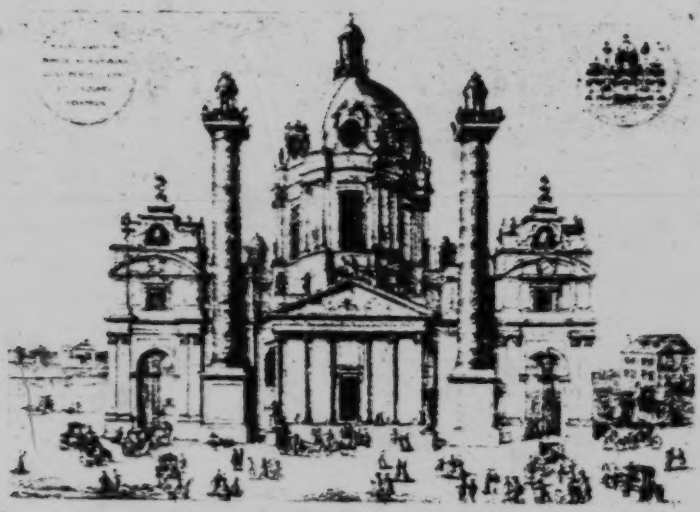

The Karlskirche, Vienna.

517 far into the Balkans—to Belgrade, Bosnia and Wallachia. What happened in Vienna, in the heart of Austria, under the three great Baroque Emperors Leopold (d. 1705), Joseph I (d. 1711) and Karl VI (d. 1740) has a far deeper significance than the military-political pageant which brought the people, as usual, much shouting, sorrow and echoes of war, but not the sweet miracle for which they were longing. Their dream was of hearts and minds flung open before the fullness of life, the ready and joyous acceptance of all things good, lovely and strong—yes, and of contrasting elements from East and West, North and South, making up the harmony of contrasts.

This the Baroque gave to Austria—to be a clear mirror of the West and of Europe, to unite and reconcile their contrasts in a concert of many voices, many tones. What was amazing and unique about this victory was that the country did not stand aside in arrogant isolation as victorious countries are apt to do after a hard and painfully-
517 won triumph. Our country, on the contrary, threw wide her portals to the world,
167 growing and expanding. She offered hospitality to everyone—the Italians and French, the Spanish and Dutch, the Germans, Hungarians, Bohemians and Southern Slavs.
463 They came—as simple bricklayers' labourers, as technicians to the Court Theatre,

as doctors and builders, as poets of the Court, as composers and preachers; they came as makers of fine textiles and objects of art, as soldiers and actors, as singers and painters, as hard-working peasants and as great nobles. 517 167

Now the production could be put on—the transformation of the world into a mighty stage, into a festival theatre. For this is the heart and soul of our Baroque—from beginning to end it is theatrical, from the pompous funeral of Joseph I in 1711 (it was Fischer von Erlach who built the Castrum Doloris, that ornate catafalque designed to honour the exalted figure of the late Emperor) down to the "Wurstelprater", Vienna's "Fun City". 463 517

Yes, the profusion of side-shows in the Peoples Prater, that amusement centre for the ordinary people, for the Little Man, with its roundabouts, its trips through grottos, with "the Great Chinese, Kalafatti", and the dance of the ghosts (to be seen in pantomime inside one of the booths), all this, too, is really Baroque, even though but its swan song. We have here the old themes—joy and sorrow, anxiety, horror, mortal fear, major and minor alarms—all overcome in their presentation, in the artistic mastery of the last and most secret, most tragic emotional tension which can affect the heart of man. [529]

Let us pause here for a moment to consider the extent, the grandeur and the radiant force of this Austrian miracle. Not only did palaces and castles, churches and monasteries and the lords spiritual and temporal, in Vienna and far away in the North-East—Poland and Volhynia, and in the South-East—Hungary and the Banat—don the garb of this new world fashion from Austria. Soon it dominated

517 everyday life. Cribs and cradles, roundabouts, dinner-plates—the simplest household articles—songs, words and figures of speech among the common people took on the colour and form, sound and symphony of that great victor over all contrasting elements, our Baroque Age.

[576] Who thinks to-day when he hears the easy and graceful "Küß die Hand" from the simple lips of some "alter Wiener", some Viennese of the old school, that this expression dates from the Spanish court ceremonial of our baroque Emperor?

Who remembers nowadays in the Wurstelprater, among the fairies and dwarfs of these side-shows for the Little Man, that they derive from the "Cabinet of Magic" of the Imperial Court Theatre, from the festivals of the Great Man on whose realm the sun never set ...

The setting sun! When to-day in the Schwarzenberg Gardens or in Schönbrunn, the sun's rays softly and playfully caress the stone cupids, the pairs of lovers, the nymphs, goddesses and human beings—then, surely that sun remembers in gentle affection his most brilliant hour in Austria.

341 Our Baroque was born as an Imperial art form. Life and the drama of life were all centred on the Emperor and his Reich. Glance at the famous original design of J. B. Fischer von Erlach (1695) for Schönbrunn. We see a vast expanse of gardens, row upon row of subsidiary buildings enclosing large areas for festive occasions, processions and the great spectacles of the court and of society. These were so designed as to lead on the guest to the mighty, sweeping facade of the Palace itself. Here stands revealed the extent—and the extravagance, the measure and the profusion of Baroque. Nature is transformed into trimmed and clipped French parks, the arts dance a measure round the new "Roi Soleil". This planned Schönbrunn was to have been a super-Versailles.

It remained a project only. In that, too lies Austria and her Baroque. As a contrast, take that other project of Fischer von Erlach, that baroque symbol of Vienna, the Karlskirche. This is reality—a monumental, imperious realisation of the urge to include everything in a single concept. In 1713, when the Plague came to Vienna for the second time, the Emperor Karl VI had taken a vow to build such a church. It was fulfilled between 1716 and 1737. There is a story that the idea which was realised in this wonderful harmony of pillars, outer hall and cupola was given to Fischer von Erlach by a glimpse of the view from the Pincio, Rome's most familiar hill. He is said to have seen St. Peter's and Trajan's Column as one whole in the light of the evening sun—the Rome of antiquity combined with the Rome of Christendom. Actually this would have been in accord with the forceful inner aims of Imperial Baroque; the Karlskirche seeks a synthesis of Roman Forum and Christian-Imperial majesty. The harmony of contrasts, of the eras of antiquity and of Christianity, of the Clerical and the Secular, of East and West, of North and South. The Benedictine Monasteries of Melk and Göttweig—radiant mon-

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The Academy of Sciences: Mauelpertsch. The Baptism of Christ (Section).

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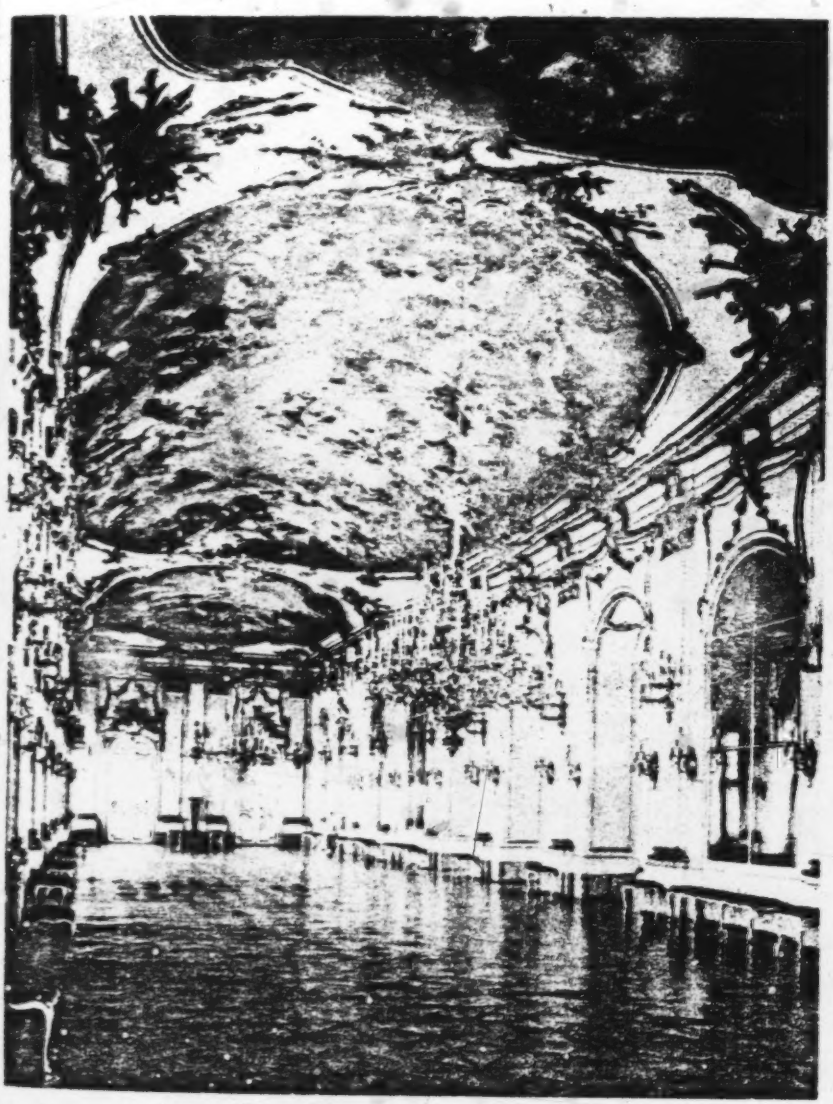

Schönbrunn Castle: the Great Gallery.

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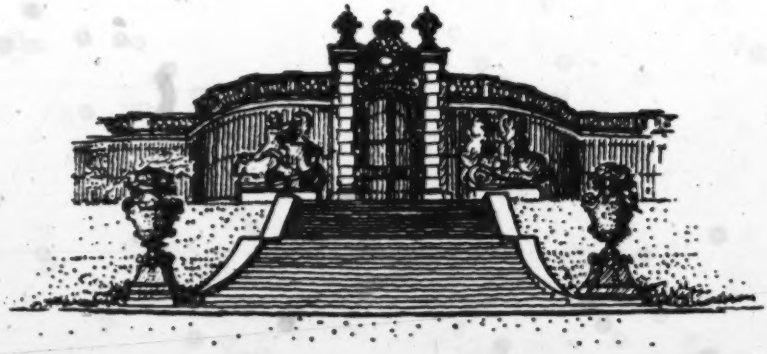
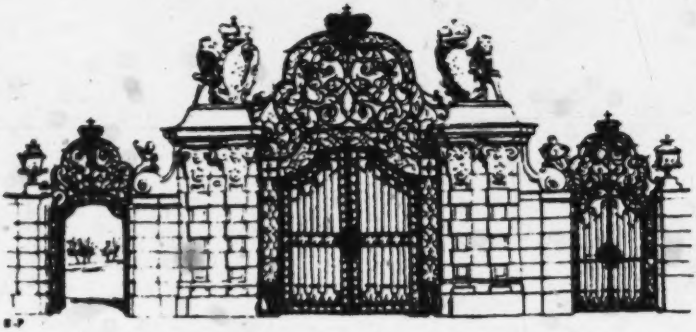
The Academy of Sciences: Mandyartsch. The Baptism of Christ (Session).



341 strances set on the delicately shaded, conical hills of the country round Vienna—endeavour to glorify such an exalted and sacred unison in buildings which embody a winged and festive happiness. Classical and religious education, art, the Stage and science were to find here an enchanting and sumptuous home. In these baroque monastery buildings are combined church, monastery, imperial hall, library, theatre, art collection and natural history museum, to form the indivisible unit of a single jewel. Once again, the splendour of the whole is designed to serve the cult of the ruling Monarch. Thus, for example, at Göttweig we see the Emperor enthroned as the Sun God in the sky, surrounded by allegorical figures taken from the arts and sciences. To this stairway-fresco corresponds and responds in the vast, many-voiced choir of great baroque edifices, Daniel Gran's famous fresco in the Vienna



341 National Library, depicting Karl VI as ruler over heaven and earth, as Roman Emperor, as Hercules, as Lord of war and peace! In hymnal dance, a chorus of the Virtues, of the Arts and of the Sciences surrounds him. As the "School of Athens", Vienna experiences here its glorification as a world-centre of culture!

Once again, this is the art born of a great victory. On the fringe of the sphere of light, the Vices are depicted here falling into the depths in wild confusion; they stand, of course, for the political and religious enemies of the Empire.

Such festive adulation of the imperial idea, if one so regards it, may seem to assume almost overwhelming, overpowering forms. In the old monastery of Klosterneuburg, closely connected with the history of Austria ever since its foundation in 1106, it was planned to have nine cupolas for Donato d'Allio's baroque renovations of the Imperial tract alone. Of these, only the central pavilion with the Imperial crown, and the cupola at the north-east corner with the Austrian Ducal crown were actually constructed. The whole was intended to be, indeed it is, the "Escorial" of Austria.

Once again we pause for a moment, almost overawed. The vibrant majesty, the imperious and magnificent opulence of these imposing edifices robs one of breath. It inspires not only the buildings of the Emperor. It displays its proud countenance in a stately galaxy of castles, country seats and town houses of the nobility, and even to-day is the dominant note of many a street and square in Vienna.

There are the castles and palaces of Prince Eugene (the Belvedere), of the Schwarzenbergs, Liechtensteins, Kinskys (Daun), Schönborns—of the whole of the Austrian aristocracy in and near Vienna. Let us glance at the changes in the baroque style itself: the Palais Starhemberg (the modern Ministry of Education),

built in 1670, may serve as an example of the still severe and massive Early Baroque, 341
while for an example of High and Late Baroque we may take the town residence of Prince Eugene in the Himmelpfortgasse (the modern Ministry of Finance), built partly by Fischer von Erlach and partly by Lukas von Hildebrandt.

These facades of the Vienna *palais*! Cold and reserved, how often they serve quietly to conceal from the outer world a beautiful interior. Above their staircases play strange mythological creatures born of some artist's capricious mood, yet forming a deliberate part of the plans of both the builder and the architect. They lead us on to interior apartments, to a succession of halls and chambers, panelled in silk and damask, in costly inlay work, in white and gold mouldings, which were once peopled by an elegant aristocracy amusing itself with cards and dancing, minuettes and chamber music.

Here in the haunts of music and frivolity, where soft colours and sweet melodies 517
soothed the spirit, one feels more at ease. This Baroque, this Austrian Baroque, is not just a sumptuous display of the power, the riches and the love of ostentation of lordly courtiers and arrogant aristocrats. It is something more than the attempt to celebrate proud festivals of personal luxury and indulgence at the cost of the whole world beyond. This fashion which Austria gave the world, this Baroque, had to spread its light abroad. They could not hold it captive in the Hofburg or in the Vienna *palais* of the aristocrats. Gleefully, swiftly, bursting its bonds, filled with the spirit of colourful and uncontrollable youth, it spread outwards—first to the population of the cities, to the makers of gingerbread, the little shop keepers, the burghers and merchants. Merrily it transforms sober handicraft products into art—a simple candlestick, wrought-iron bars, a door-hasp or a wooden mould

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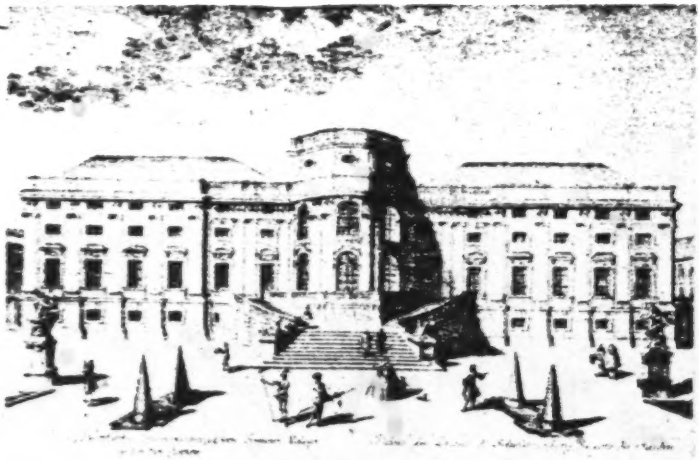

Palais Schwarzenberg.

517 for cake-making. It set its victorious and unmistakable seal on great chests, on simple dinner plates. Nothing was exempt from the magic of its touch. It came to the baby in the cradle, ornamenting it with cherubs, it leaped laughing on to the boards of the Volkstheater, to furnish to the "Wurstel", the Viennese clown, that peculiar vein of humour in which tears season the laughter that not even the tragic experiences of two centuries right down to the present day have been able to kill. Baroque is no respecter of persons or places. It entered the pulpit, storming and blustering in speach and in song, admonishing and—rarely—praising the Viennese. Through the mouth of the famous preacher, Father Abraham a Sancta Clara, it gave its message—"Behold it, Vienna" and "Rise up, rise up, ye Christians".

The swelling bells, like wet-nurses of the heavens, with their broad scrolls inscribed with mottoes, carried its message abroad. It was perhaps in some small village church or solitary chapel, in a wayside cross, a column to the Trinity, or a statue of the Virgin, that it revealed itself most fully to a sympathetic onlooker. At such times it was all voice to disclose its inmost secret, that of the soul of Austria.

Light and glitter, games and dancing, magical splendour and melody—but what is fame, what is the glory of this world? A strange drama, the presentation of a play before God and man in which everyone can take up his allotted role. Emperor and beggar, prince and peasant, each has been given his part in this Great

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Vienna; Belvedere.

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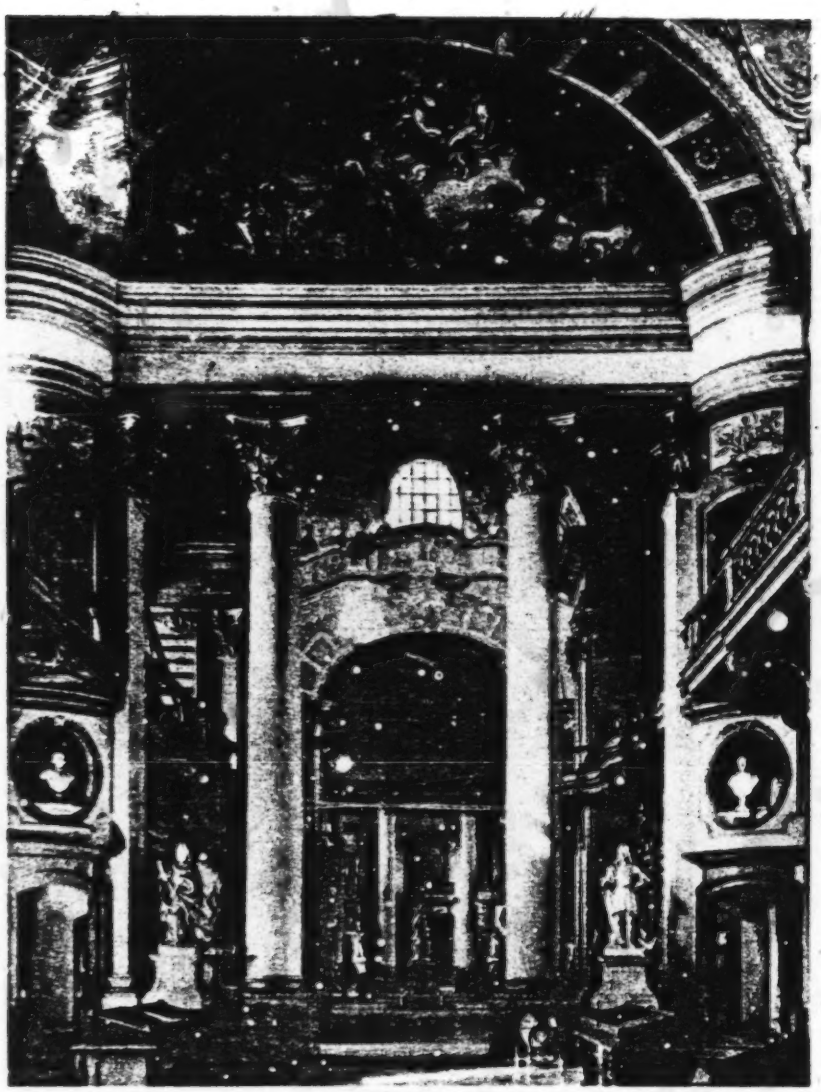

The National Library: State Hall.

World Theatre. In this idea of the World Theatre is rooted the moral lesson which Baroque would teach—that each should do his utmost to play his part to the best of his ability. To escape from the stage, to dance outside the ranks, to break away from this other world, which is all God's and all mankind's, is impossible. Everyone must dance, act and sing in cooperation with the rest of the caste. In this lies the great and fundamental force of Austrian Baroque. The fact that so many thousands of willing assistants had played their roles as workers in stucco, masons, wood carvers, handicraftsmen of the arts, house-painters, musicians, poets of the court and of noblemen, alone made possible the penetration of Austrian Baroque to the most remote village. 517

In its essence there lay the comforting assurance that joy and pain, suffering and gaiety, life and death, man and nature, belief and knowledge, art and science, God and the world, were in tune with each other. The one was linked to the other and all belonged together, from the "Krampus" to the angel, from the Styrian "Kripperlspiel" to the Imperial Court Theatre in Vienna and to the theatre of high politics, with its great political and military figures.

Nations, empires, success and glory of this world? A pretty and amusing musical play, very beautiful, really beautiful, which called for careful study of its roles, constant rehearsal, for distinguished and worthy artists to set it to music, to direct and produce it festively. The proud castles and palaces, the churches and monasteries sought to dominate and imprison the surrounding countryside and cities with their glittering façades. In its boundless ambition, each new building sought to tower above and eclipse its neighbour.

But this is not the final note struck by Baroque. It concludes in impressive modesty and humility. To quote a phrase of Leibniz,

517 the great writer of the baroque time, Baroque is the harmony of pleasing tones, colours and contrasts, all blended together to serve a high ideal.

In Baroque Austria the "Holy Empire" of the West found its last realisation.

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METTERNICH'S POLICY OF A BALANCED EUROPE

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Rudolf von Alt, Ballhausplatz.

648 Since the break-up of the mediaeval system, two political principles both of which aimed at the control of the Continent of Europe had been in conflict. The one had been that of predominating force, the other that of the balance of power. The principles of the dominant force, usually based on a strong nationalistic or ideological impulse, sought to subject European state systems to the political and sometimes to the ideological dictatorship of a single nation. It involved an attempt to standardise and to regiment the diverse forms of Western thought. In the 16th century it was Spain which had made a bid to dominate the Continent. During the second half of the 17th century, a European coalition was required to put an end to the imperialistic demands of the France of Louis XIV. The turn of the 18th century brought with it the dictatorship of Napoleon Bonaparte. After him, it was Bismarck's Germany which was seized with the drive to dominate the world, that reached its climax in the "Third Reich". Contrasted with such ideas of violence is that of balance of power, which aims at a well-balanced system, an equilibrium of forces, and in principle is opposed to attempts by any one State to secure predominance at the expense of the liberty and independence of another. This is the policy which England usually and at decisive moments also Austria has pursued.

THE VIENNA CONGRESS—WHAT THEY SAID.

When the witty Prince de Ligne coined the much-quoted bon mot: «Le Congrès danse, mais il ne marche pas», he must have been thinking chiefly of the pleasure-loving Czar Alexander, for the worthy Emperor Franz of Austria always preferred his bed to evening festivities. Friedrich Wilhelm, King of Prussia, who achieved the feat of sitting for hours at the side of his charming but unfortunate partner at a ball in silent adoration, was certainly no social lion, and the King of Württemberg was prevented by his monstrous girth which earned him the nickname of "le monstre wurtembergeois" from joining in such active arrangements. The Czar of Russia, however, missed no chance of tripping on the light fantastic toe. He even appeared at a children's dance given by the Schwarzenbergs, enjoying himself enormously among the little dancers. No wonder that His Russian Majesty was able to establish the unusual record of having danced through 40 nights in a few weeks. The temptation was certainly great, for Vienna was in gala attire. The alluring city sparkled like champagne with charm, brilliance and hospitality. For these few months it was for more than the Capital of the Danube Monarchy—it was Europe.

There is perhaps a touch of exaggeration in the claim of the contemporary Comte de la Garde that a hundred thousand visitors from all over Europe had come to a rendez-vous in Vienna. But what a vast train must have come with the Courts of St. Petersburg, Berlin and Copenhagen alone, apart from those who accompanied the Kings of Bavaria and Württemberg and the other reigning German princes. To them must be added the huge staffs of the diplomatic missions from nearly

Europe at the beginning of the 19th century was confronted, not only with the remarkable growth of the power of revolutionary France, but also with the advance of two other States to the status of Powers which had to be taken into account, Prussia and Russia. The European balance of power seemed to be threatened from various quarters. There was need of a personality who could not only unite the available but discordant opposition to Napoleon and prove himself the equal of the Corsican in diplomacy, but could also restore as far as might prove feasible the political system which had been overthrown, take its measure and maintain it for the future. In Clemence Lothar Metternich both these requisites were united.

When the young Metternich began his diplomatic career with his appointment as Ambassador in Dresden, two wars against Napoleon had already been lost. Two years later (Metternich had by then been advanced to the position of Austrian Ambassador in Berlin), William Pitt the Younger, the great English predecessor of Metternich, formed the third coalition against a Napoleon who was seeking to conquer Italy and North Germany. In 1805 followed the catastrophe of Austerlitz and the Treaty of Pressburg, by which Austria lost Tyrol and the frontier territories as well as her Venetian possessions. Thereby she also lost her power in Germany and Italy, where the influence of the Corsican now became absolute. In 1806, Metternich walked into the lion's den with his appointment as Ambassador in Paris. It looked as though nothing could check Napoleon's victorious progress. During 1806-1807 he subdued Prussia and introduced his "Continental System" which forbade all trade with England. At Tilsit he made an agreement with the unreliable Czar

48 Alexander I, by which Europe was divided into an Eastern and a Western block. In 1807 Portugal was occupied by the French, and one year later Joseph, the brother of Napoleon, was placed on the throne of Spain.

Against this intolerable pressure the nations began to revolt. A rebellion broke out in Spain, the English landed on the Peninsula, and in Austria preparations were made to strike a decisive blow. The great rising of 1809, the battles of Aspern and Wagram and the revolt of the Tyrolese peasants under Andreas Hofer belong to the finest pages of Austrian history. The final defeat of Austria after she had thrown her last reserves into the breach against not only the overweening power of the French but also against Napoleon's ally, Russia, caused the collapse of such resistance as still continued to France's predominance on the Continent. Under the Treaty of Vienna, Austria was forced to cede Salzburg, Dalmatia, Istria, Western —and a part of Eastern—Galicia, thus losing an area of over 113,000 square kilometres, and her access to the sea.

In this dark hour, when Metternich took over from Count Stadion the direction of Austrian foreign policy, the situation might well have been called hopeless. In material and in moral the country was completely exhausted. Prussia was enchained, Russia an ally of the Dictator, England blockaded from all access to the Continent, while Italy, Spain and the Germanic States had been degraded to the position of Napoleon's satellites. Concurrently, Austrian interests were being seriously threatened from another angle through the aggressive Balkan policy of Russia. Even had Austria been in possession of her full strength, to pursue a policy directed simultaneously against East and West would have been impossible. Metternich therefore decided to form a temporary alliance with France. The new relationship was confirmed by the marriage of Napoleon with the Austrian princess Marie Louise. The new Austrian Minister of State was starting on his special diplomatic tricks, his "*Finesses*" as he called them. The first of these was undoubtedly his courting of the victor of yesterday, which was hardly taken seriously. Even before the signing of the Vienna Treaty which imposed so many losses on Austria, Metternich explained this policy of his to the Emperor in a statement on his political objectives: —

"Whatever the conditions of peace, in the end we shall have to seek our security only by

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all the countries of Europe, and the many who were drawn by sheer curiosity to Vienna.

Political intrigue was everywhere in progress, during the morning corso on the bastions, in the afternoon rides or excursions to the Prater, at brilliant redoutes as in the quiet apartments of the countless ladies of the world—and of the half-world—who were magnetically drawn to the exciting atmosphere of the Congress. In the Palais Palm, in the Schenkenstrasse, lived the gay and lovely Princess Bagration, who, once a close friend of Metternich, later seemed to have lost her heart completely to the Czar. This did not deter her from consoling the hearts of other princes, so that her salon was thus characterised by Schiller in the hardly flattering lines: —

"Who counts the races, knows the names,
Of those who there together came?"

attaching ourselves to the triumphant French system. How little we really belong with the system, which is opposed to all the principles of sound policy and to every strong union of States, I do not need to remind Your Majesty. My principles are unchangeable, but necessity knows no law." If it be remembered that two years later, Russian troops marched into Belgrade, one can gain an idea of how difficult must have been the diplomatic manoeuvres of the State between two power groups which on the one hand threatened its existence and on the other hand courted it. History must pay tribute to Metternich's statesmanlike gifts in that he succeeded in freeing Austria from this situation and restoring the old balance of power in Europe.

The cooling off of relations between Napoleon and the Czar did nothing to improve the situation, but brought nearer a decision which in any case was bound to be unfavourable for Austria. When the break finally occured and the last great struggle began, Austria, together with a small auxiliary corps under Prince Schwarzenberg, was indeed found on the side of Napoleon. But there are proofs that at the same time Metternich had secret connections with the Russian Court. Even after the catastrophe which befell the "Grande Armee" in Russia, the Austrian Chancellor was in no undue hurry to show his hand. He had first to secure full freedom of movement; the political reactions of the defeat could not yet be calculated. On the one hand it was necessary to see that Napoleon never recovered his former position of supremacy in Europe, but on the other, Russia's tendency to expansion, as well as certain Prussian ambitions, could not be viewed with equanimity. Here was a chance to head a coalition which should deliver the decisive blow against Napoleon. In the meantime,

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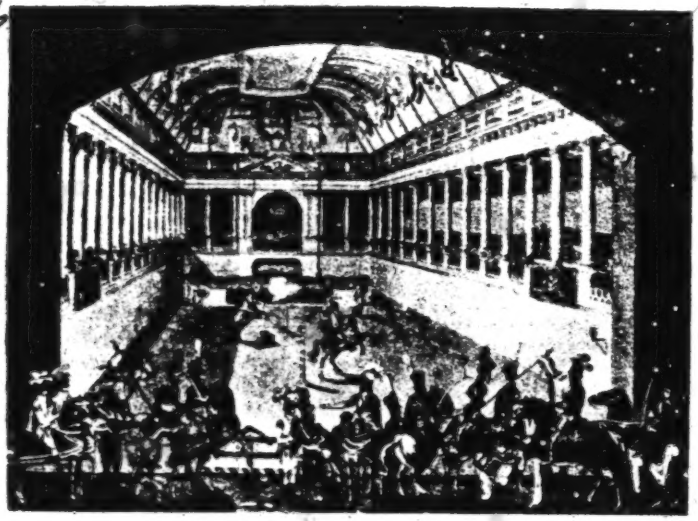

Spanish Court Riding School, 1806, Carousel.

648 the opposing Powers were once again attacking one another. Russia and Prussia signed a treaty of alliance at Kalisch, and there was a French army 300,000 strong in Saxony. Metternich's procrastinating policy was designed to await a favourable political and military situation in which an intervention to restore a peace which should be based on a re-establishment of the old European balance of power might have a prospect of success. The favourable outcome of several clashes had given Napoleon renewed self confidence, but the attitude of Metternich remained unchanged. Even such a tempting offer as the return of the unforgotten province of Silesia was not enough to persuade him to join France. At last a suitable arrangement was made with the allies, Russia and Prussia. A mutual guarantee of the possessions of the States concerned was to secure the balance of power against any attack of an imperialist tendency. Napoleon, however, rejected this compromise. Once again the sword was unsheathed.

It cannot be overlooked that even after the "Battle of Nations" at Leipzig, when the war was carried by the victorious allied armies across Germany into the interior of France, Metternich did not favour the deposition of Napoleon. The sudden

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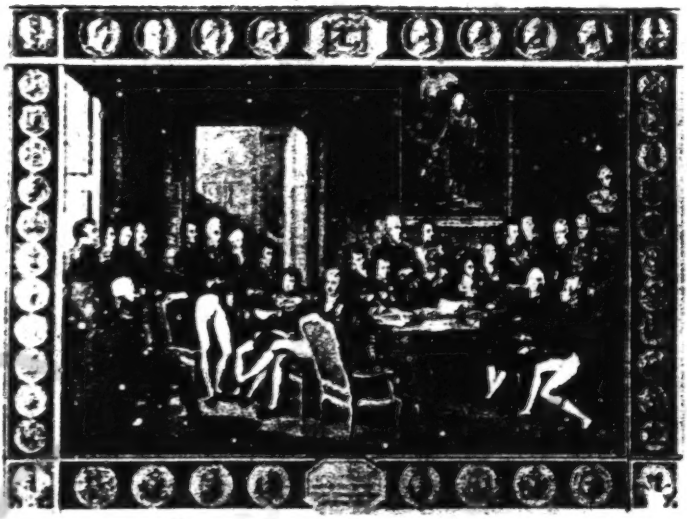

Isabey: The Vienna Congress.

In the same house lived also the Duchess of Sagan, who was a mistress of Metternich, while her sister, Countess Perigord, mentioned the days of the dignified Talleyrand. When political tension between Russia and Austria concerning the fate of Poland had reached its height and the Czar was for weeks not on speaking terms with Metternich, the former permitted himself to extend their rivalry in politics to their private affairs, intriguing with the Duchess of Sagan against the Austrian statesman.

Major official entertainments such as the roots in the Court Riding School, with orange groves and three rows of silver candelabra in which burned 10,000 candles, were less popular than the more intimate house-balls in

lust for action shown by the advancing Czar showed the need of caution. Apart from consideration for the son-in-law and grandson of the Austrian Emperor, it was chiefly the principle of the balance of power which caused Metternich to adopt this policy. The complete subjection of France would have created a dangerous vacuum in Europe which might have endangered a stable peace. The man who had mastered the French Revolution was still, in Metternich's eyes, the most suitable guarantor of a France which should keep the peace at home and be strong abroad. It was necessary only to limit his Caesarian ambitions by a well-thought-out system of security. It was a fatal mistake in Bonaparte's diplomacy not to have

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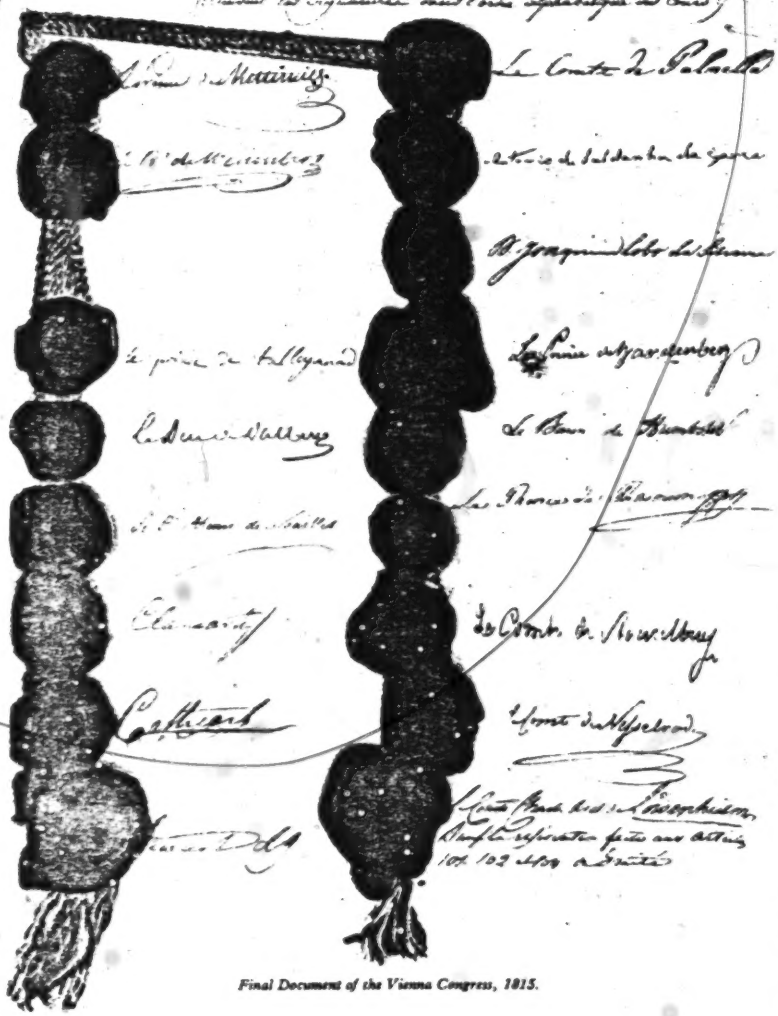

Final Document of the Vienna Congress, 1815.

the private residences of the Austrian aristocracy. Imposing military parades were always a draw. The biggest display of this sort coincided with the first anniversary of the Battle of Leipzig. Less pleasant was the great wild boar hunt held in the autumn in the Tiergarten at Laxenburg. The beasts were herded together in the smallest possible space and driven towards the gentlemen of quality who had posted themselves in order of precedence. When the Emperors missed, the kings got the chance of a shot. If they also missed, the mere princes could be relied upon to finish off the luckless boar.

During the winter months, pleasant excursions by sleigh to Schönbrunn gave the Viennese populace something to stare at.

The weaknesses of the prominent figures attending the Congress were naturally soon noised abroad. The gluttony of the King of Württemberg, for whom a semicircular opening had to be cut out of the table to accommodate his swollen belly, was a current joke. Everyone had some story to tell of the amorous exploits of the Czar and the former Viceroy of Italy, Eugene de Beauharnais, in the humbler suburbs of Vienna, or of the parsimony of Lord and Lady Castlereagh. Attendance at the many masked balls naturally cost money, and the clan-fixed Lady Castlereagh is said on one occasion to have tired her hair with her husband's Order of the Garter, thus unwittingly causing general amusement. The "enfant terrible" of the Congress was Castlereagh's brother, Lord Charles Stewart, who, when mildly intoxicated, challenged a Vienna fiacre-driver to a bout of fisticuffs in the street. The cabby apparently got the best of it, for Lord Charles had subsequently to receive medical attention. The violent temper and the irritability of Don Pedro Gomez Labrador, the Spanish delegate, was another source of malicious stories,

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made use of this attitude of the Austrian Minister of State at the right moment. The peace negotiations of Chatillon ended abortively. The allies renewed their pact and decided to conclude no separate treaties, but to fight on until their united forces had overthrown the adversary. On March 31st, 1814, Friedrich Wilhelm III of Prussia and the Czar Alexander entered Paris by the Porte St. Martin, and on April the 11th Napoleon signed a document of unconditional abdication at Fontainebleau.

The first Treaty of Paris is a rare example of wise moderation on the part of the victors. France, which had disturbed the peace of the Continent through two centuries, holding it in thrall and repeatedly making war in its territories, retained her possessions, which had been increased, since the outbreak of the Revolution by 5000 square kilometres, with a million inhabitants. The allies demanded no reparations and even allowed the French galleries and museums to retain all the art treasures which had found their way to Paris in the course of the Napoleonic Wars. This peace was the result of the Anglo-Austrian policy of the balance of power which sprang from the wise and statesmanlike recognition that the stripping of such a political factor as France of her rights and her power would not bring pacification, but would only give rise to new crises. When, therefore, the great Congress

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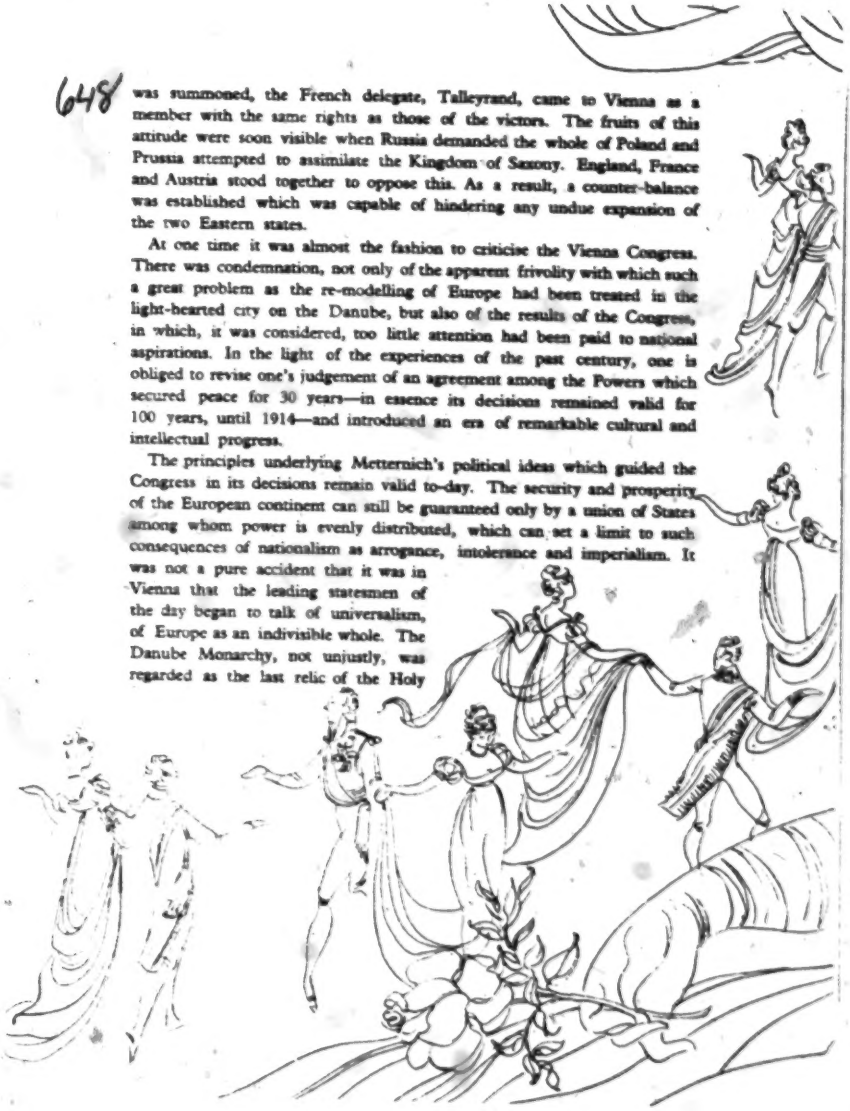
was summoned, the French delegate, Talleyrand, came to Vienna as a member with the same rights as those of the victors. The fruits of this attitude were soon visible when Russia demanded the whole of Poland and Prussia attempted to assimilate the Kingdom of Saxony. England, France and Austria stood together to oppose this. As a result, a counter-balance was established which was capable of hindering any undue expansion of the two Eastern states.

At one time it was almost the fashion to criticise the Vienna Congress. There was condemnation, not only of the apparent frivolity with which such a great problem as the re-modelling of Europe had been treated in the light-hearted city on the Danube, but also of the results of the Congress, in which, it was considered, too little attention had been paid to national aspirations. In the light of the experiences of the past century, one is obliged to revise one's judgement of an agreement among the Powers which secured peace for 30 years—in essence its decisions remained valid for 100 years, until 1914—and introduced an era of remarkable cultural and intellectual progress.

The principles underlying Metternich's political ideas which guided the Congress in its decisions remain valid to-day. The security and prosperity of the European continent can still be guaranteed only by a union of States among whom power is evenly distributed, which can set a limit to such consequences of nationalism as arrogance, intolerance and imperialism. It was not a pure accident that it was in Vienna that the leading statesmen of the day began to talk of universalism, of Europe as an indivisible whole. The Danube Monarchy, not unjustly, was regarded as the last relic of the Holy



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Roman Empire, a relic which lasted on into the 20th century, preserving in many respects the spiritual traditions of mediaeval universalism. In addition, considerations of practical politics were taken into account. No second state of Europe could be so dangerous to the rising tide of nationalism as Austria. A hundred years before Geneva, the Danube Monarchy was a League of Nations, based on national tolerance and limitations imposed in the name of a super-national common weal. This truly civilised state concept sought to extend itself through the general system of States throughout Europe. Friedrich von Gentz, the faithful right hand of Metternich and one of the most important publicists of the "*Vormärz*" epoch which preceeded the Revolutionary period in Austria, sums up this Austrian conception of a communal life for the European States in a few concise sentences: —

"Through their geographical position, through the uniformity of their customs, their laws, their needs, their mode of life and culture, all the States of this part of the world constitute a great political league which has been called with some reason the European Republic. The various components of this League of Nations form such a close and continuous community that no important change which is carried out in any one of them can be a matter of indifference to the others."

These mellow sentences show how the Eutropean problem was regarded in Austria. In the Europe of those times, there was no better guarantee for this much-needed cooperation than Austria herself, a State in the heart of the Continent, with interests in the German areas, on the Apennine Peninsula, in the Balkans and in East Europe. Her mere existence was a barrier to a possible predominance of power in either

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as were the exaggeratedly simple tastes of Frederick VI of Denmark, who earned the nickname of "King of the Tandelmarkt" (the well-known second-hand market of Vienna).

Apart from a round of unbridled pleasures and entertainments, Vienna also offered rich artistic fare to her guests. The Imperial and privately-owned art-galleries, whose "inexhaustible riches" are enthusiastically described by Varnhagen von Ense, were widely praised. "It is unbelievable", wrote the Archduke of Weimar, Karl August, to Goethe, "what quantities of treasures have been accumulated here from every branch of art and science, and how many persons of distinction one meets here who take their possessions very seriously".

It is hard to believe that the concert at which 20 pianos were played each by two persons simultaneously, so that no less than 80 hands were pounding the keys at the same time, proved a pure musical treat. But the concerts of chamber music were of a very high standard. The gala concert given by Beethoven personally must have been an unforgettable experience. The Maestro's "Fidelio" met with the most enthusiastic applause from the international audience.

The Danube City, with its gay atmosphere, its light-heartedness and sense of humour, its human virtues and failings and its love of beauty, offered an auspicious background to this unique Peace Conference. One can question whether it would have ended so satisfactorily in any other metropolis.

Western or Eastern Europe and set a limit to sudden and exaggerated imperialist or nationalist demands.

The tragedy was that in the person of Metternich the conception of the balance of power had become petrified as a political doctrine which was combined with an obstinate adherence to the social system of the "*ancien régime*" that stifled the vital need of the masses to expand and develop. The intellectual trends of the "Age of Enlightenment", together with new romantic conceptions, had begun to penetrate political life with ever-increasing strength. Social, liberal and national forces were crying out for recognition and attempting to change the structure of state and society in accordance with the new theories and the requirements of the age. These influences which, struggling for expression, seized popular imagination with elemental force, could not long be successfully opposed even by the most carefully devised system. The outmoded past found itself confronted by the youthful aspirations of a new-born century. The deep insight and the skill which England in particular has always shown in a sound blending of progress and tradition was not to be accorded to the Austria of Metternich. His rigid adherence to the formulas of a dead and irrevocable past brought about a stifling inner-political stagnation from which the forces of the age were only able to liberate themselves in eruptive fashion. This rigidity and inability to change, the panic fear of revolutions and revolutionary movements, had the further result of hindering the natural development of the European state system. Such a policy of intervention in favour of "legitimate" regimes as soon made itself evident in Italy and Spain could bring no permanent solution. The President of the United States, Monroe, made an energetic protest during the War of Independence of the Spanish Colonies in South and Central America against any intervention of European Powers in questions which concerned the American Continent. England under Canning also distanced

648 herself from a policy which, under a pretence of preserving the balance of power, set bounds to the internal independence and freedom of the peoples. Even Russia, whose Czar Alexander had been the creator of the three-power-pact of the "Holy Alliance", after some initial hesitation allowed considerations of practical politics to rule, and gave her support to the revolt of the Greeks against Turkish rule. The revolution of 1830 which placed the "Citizen King", Louis Philippe of Orleans, on the throne of France, led to the independence of Belgium and occasioned the great Polish uprising. It might have served as a warning that it is impossible to rule in defiance of the vital forces of the age. But the "*Vormärz*" system of government was no longer capable in itself instituting the necessary reforms. The Revolution of 1848 was the inevitable outcome of internal necessity.

What calls for admiration in Metternich is his conception of a pan-European policy, his idea of a league of nations and his intellectual universalism. In him the policy of a European balance of power experienced its last triumphs. After his fall, national passions were let loose. An unbridled reaching out for power and unchecked national egoism replaced well-thought-out cooperation and a workable balance of forces. The age of imperialism had set in which was to find its continuation in the bloody world wars of the 20th century.

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LAND OF MUSIC

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533 The music of Austria is born of her scenery and is deeply rooted in the people. When Grillparzer says: "If you from Kahlenberg have seen the verdant land, so you will know myself, my works, and understand", these words convey not only the thoughts of the poet, but are at the same time an expression of that indescribable charm which affects the composer even more than the poet.

The way was prepared for Austrian music by centuries of development. As early as the 12th century, Reimar von Hagenau tells us that "poor and rich dance and fiddle". At the Ducal Court, Walther von der Vogelweide sang his loveliest songs and Neidhart von Reuenthal played for the people, and for their dances.

During the 15th and 16th centuries when the Dutch were fixing the trend of music in Europe, the best composers from the Netherlands were making a name for themselves at the Austrian Court. After the establishment of the *Wiener Hofmusikkapelle* by the Emperor Maximilian I, Austria had gravitated steadily towards the centre of the musical world of those times. Men of note such as Heinrich Isaac, Ludwig Senfl, Paul Hofhaimer of Salzburg (said to be one of the greatest organists of his day), Jakobus Gallus and Philipp de Monte produced compositions of merit in Vienna, contributing in no small measure to the development of sacred music in Austria to a degree which was unequalled to any other country.

The aristocracy as well as the middle classes found pleasure in this church music, which has been enthusiastically cultivated up to the present day. All the great figures in the musical world who were connected with the Catholic Church served the *Musica Sacra*. Instrumental church music is an integral part of Austrian music

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in the truest sense of the word, and is hardly challenged by the opposite tendency of Cäcilianism.

With the coming of the opera and similar forms of art such as the oratorium and cantata in Italy in the 17th century, the supremacy of the Dutch was ended in the world of melody. The Austrian Monarchy favoured the new fashions in music, and summoned to the Court Italian composers who were accorded a brilliant reception. [644] Famous men such as Bertali, Cesti, Draghi and Caldara made the Imperial Court a centre of music in Europe. The Vienna Court set value on elaborate scenery in opera productions. In 1667, for the marriage of Leopold I with Margaret of Spain, Cesti's ceremonial play "Il Pomo d'Oro" was enacted with such a display of splendour that it was still talked about forty years afterwards.

Among the leading composers of this epoch, the Austrian-born Court-Composer and Court-Orchestra-Leader of Leopold I, Johann Joseph Fux, made a special name for himself. His works include eighteen operas and ten oratorios, as well as church music; they paved the way for Gluck and subsequent Vienna classics.

The Hapsburgs, who had always been fond of art and music, not only patronised the latter generously, but had themselves composers as well as musicians in their family. The works of Ferdinand III, Leopold I, Joseph I, and Karl VI occupy no mean position in the history of baroque music.

Apart from the baroque drama, which was especially favoured by the upper classes, popular items such as ballets and light musical interludes were introduced into the performances. The composing of these provided local musicians with respectable employment.

The death of Karl VI proved a turning point in the history of music in Austria. Maria Theresia, who succeeded her father on the throne, inherited great financial burdens which she could only overcome through strict economy at court. This put an end to the splendour and versatility of the baroque opera in Vienna. The Court Theatre was transformed into a National Theatre which —managed by a private person—was open to everybody. In it, Italian and German operas were alternately performed, as well as French comedies with music and ballets. Contemporaneous with these developments in Austria, a new trend of thought was dawning in Europe which aimed at the introduction of popular sentiment and simplicity into poetry, music and art. The Italian tendency in music, which was deeply rooted in the soil of Austria and to which, after the fashion of the

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times, even composers of Austrian origin were faithful, had gradually to be ousted before the new ideas could take effect. Keen competition developed between the composers and musicians of the two nations of which Vienna had again become a focus. Apart from the Italians Scarlatti and Salieri, there were already famous Austrians at work such as Wagenseil, Gassmann, Dittersdorf and Monn, who had won special recognition for their part in the development of instrumental music. Their work was a foundation for the new forms of sonata and symphony which later became perfected in the Vienna classics.

Maria Theresia's accession to the throne meant the gradual disappearance of Italian grand opera in Austria. But at the same time the great theatre, the Opera, became a national heritage, enabling the public to influence the selection of the pieces which should be produced. Thus the comedy with music, which had previously been confined to small suburban stages, won wider recognition and developed in these new surroundings into an important form of art, based on popular support.

At this period of change in the baroque form of music and the gradual tendency to seek new types of musical expression, a musician appeared whose mission it was to revolutionise opera, and at the same time to link baroque with classical music. His name was CHRISTOPH WILLIBALD GLUCK. At this time the intellectual world was absorbed in the controversy as to which was the most important factor, the author or the composer and musician. Until then the author had ruled dictatorially over the spoken word, while the arias had been purely the affair of the composer and his melodies—as well, of course, of the singers.

To this Gluck opposed his own vigorously presented conception, that the only thing that mattered was the musical-dramatic work of art as a single and indivisible unit.

On the occasion of his meeting with Händel in London and with Rameau in Paris, where he learnt the harmonious combination of ballet and choir, and from

the various countries he visited during his journeys as an orchestra conductor, Gluck received many inspirations. As a mature person of wide culture—the Vienna Court had long before conferred on him the appointment of Composer for Theatre and Chamber Music, while the Pope had decorated him with the Order of the Golden Spur—he began his work of reform, after having composed a series of charming musical plays and ballets. Turning his back on the plots based on intrigues which were the fashion of the day, he took as his pattern the drama of antiquity, with its human passions, its spiritual conflicts and its great heroes. His music takes on an elevating character, the Italian coloraturas give place to simple songs better attuned to the spirit of the libretto, the chorus taking an active part in the performance. His first work was the "Orpheus", followed by "Alceste" and "Paris and Helen". Gluck's great successes in Vienna were soon heard of in Paris, from which city he received commissions to write several works. Despite intrigues and theatre scandals, his important and daring compositions "Iphigenia in Aulis", "Armide" and "Iphigenia auf Tauris" were triumphant in the French capital. Gluck returned covered with honours to Vienna, the city to which he owed his decisive musical success. At the close of his busy life, the musical trinity of Haydn, Mozart, and Beethoven was moving gradually to the front and a new era of music was born which led Austria to olympic dominance in the world of melody.

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During the early classical period, the musical life of Austria was mainly limited to private circles. It was the aristocracy rather than the middle classes which became the patron of music, and almost every feudal family retained an orchestra for which new compositions were constantly required. The best musicians of the day formed part of these orchestras, where they found abundant opportunity to put their creative talents to the test.

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Thus we find JOSEPH HAYDN, the oldest of the Vienna classicists, spending most of his creative period at the court of a prince. In him we had a musician of genuinely Austrian character. His life was outwardly uneventful, and his fame grew but slowly. At a time when Haydn was at the height of his success, when the whole world honoured him, he retired, quietly and unassumingly, to his country seat at Gumpendorf on the outskirts of Vienna to wait peacefully for the death which overtook him at a historic moment, that of Napoleon's sojourn in Vienna and the Battle of Aspern.

Haydn had come to Vienna at the age of eight, as a "Sängerknabe" and even then knew how to play the violin and piano. But when his voice began to break, the choirmaster abruptly turned him on to the street. On a November morning, Haydn was found by one Spangler, a church vocalist, half-starved and half-perished, on a bench in the open where he had spent the night.

"When I at last lost my voice, I had to eke out a miserable existence for eight whole years by teaching the young. Many geniuses are ruined by this wretched

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Franz Schubert

Hedge Roses

On his way a boy espied
Pretty blushing roses,
Fresh and bright the hedgerow's pride:
To admire he turns aside,
And to pluck proposes.

Roses, roses, roses red, pretty blushing roses.

Thus he speaks: "I gather thee
Gayest of the roses!"
Rose says: "Better let me be,
Or you will get sting by me."
Then her spines disclosed.
Roses, roses, roses red,
Pretty blushing roses.

Still the rude boy pills away
This fair queen of roses,
With a wound he has to pay.
But in vain the rose does pray,
Him in vain opposes.
Roses, roses, roses red,
Pretty blushing roses.

GERMAN TEXT BY JOH. WOLFG. GOETHE

ENGLISH VERSION BY H. STEVENS

[Facing p. 112]

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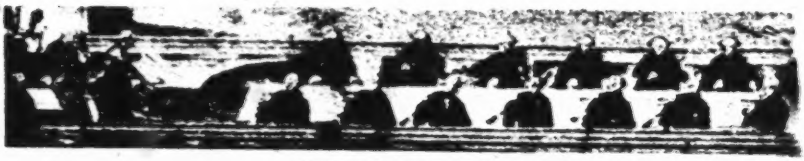

Esterházy Castle; The Haydn Orchestra.

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means of gaining a livelihood which leaves them no time for study. I would never have made what little progress I have, had I not been driven by my enthusiasm for composing to work on into the night."

Haydn's first string quartettes were formed in the hospitable house of Baron Fürnberg, born of private musical evenings. After a temporary position as orchestra leader at Count Morzin's, Haydn at barely thirty years of age became in 1761 conductor in Prince Esterházy's private chapel in Eisenstadt. With an orchestra and theatre at his disposal, his musical talent there blossomed forth during almost thirty years of activity into genius. He was the creator of the classical string quartette and the early-classic symphony.

After the Esterházy Orchestra in Eisenstadt had been dissolved, Haydn returned to Vienna, relieved of anxiety for the evening of his days. As an ageing man he made two journeys to England, writing for this purpose his twelve most beautiful symphonies, among which was the "Surprise". Accorded a great reception in London, he was given an honorary degree at Oxford. The outcome of the journey to England, where he heard Händel's Oratorium, was "Die Schöpfung" and "Die Jahreszeiten".

In 1809, on May 26th, Haydn assembled his staff of servants, had himself carried to the piano, and played the Austrian National Anthem (his own composition) three times. This was his last musical effort. Five days later he died.

Haydn's tireless creative urge resulted in 120 symphonies, a countless number of pieces of chamber music, piano concertos, sonatas, and *divertimenti*, as well as 24 operas and masses which in their simplicity and popular character all display inspiration and grandeur. Sonata, chamber music, and symphony are born of Haydn. With them he created a new world of melody. Through his instrumental music Haydn became the creator of the classic style which Mozart and Beethoven were to bring to perfection.

WOLFGANG AMADEUS MOZART was born in Salzburg in 1756 as the son of Leopold Mozart, himself a musician of note.

Unusual phenomena marked his career from the outset. At four years of age Mozart tried to write a piano concerto and in his fifth year he was composing minu-

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FROM THE HEILIGENSTADT TESTAMENT OF LUDWIG VAN BEETHOVEN

O H YOU PEOPLE WHO HOLD ME OR DECLARE ME TO BE HOSTILE OBSTINATE OR MISANTHROPIC HOW GREATLY YOU WRONG ME! YOU DO NOT KNOW THE SECRET CAUSE OF THAT WHICH GIVES YOU THIS IMPRESSION FROM CHILDHOOD UPWARDS MY HEART AND MY SPIRIT WERE INSPIRED BY GENTLE FEELINGS OF BENEVOLENCE AND WERE ALWAYS READY FOR GREAT ACTIONS BUT ONLY CONSIDER THAT FOR SIX YEARS I HAVE BEEN AFFECTED BY AN INCURABLE CONDITION ... BORN WITH A FIERY AND LIVELY TEMPERAMENT VERY SUSCEPTIBLE TO SOCIAL PLEASURES I WAS EARLY FORCED TO SEGREGATE MYSELF AND TO SPEND MY LIFE IN SOLITUDE WHAT HUMILIATION WHEN SOMEONE IS STANDING NEAR ME AND HEARS A FAR OFF FLUTE AND I CANNOT HEAR IT OR WHEN SOMEONE HEARS THE SHEPHERD SINGING AND I CAN HEAR NOTHING SUCH EXPERIENCES NEARLY DROVE ME TO DESPAIR AND IT WOULD HAVE TAKEN LITTLE TO MAKE ME END MY OWN LIFE ONE THING ALONE THE ART OF MUSIC RESTRAINED ME

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ettes. One day he was found to be playing the violin, and nobody knew exactly when he had started to play, or even when he had tried to for the first time. His father, Leopold, went on long concert tours with the six-year-old boy and his highly talented sister Nanneri, visiting Germany, England, Austria and Italy over a period of ten years. Everywhere there was the same wild enthusiasm over the "wonder child". Mozart's first sonata was played in public in Paris when he was seven years old, soon to be followed by his first symphony. Joseph II entrusted the twelve-year-old boy with the composing of an opera, and "Bastien and Bastienne" was the outcome. At fourteen, Mozart was appointed concert director of the archiepiscopal orchestra in Salzburg and received the Order of the Golden Spur from the Pope. Medals and decorations accumulated, the number of orders for orchestral compositions kept increasing. But all attempts to secure a better position were fruitless.

In his fourteenth year Mozart became a member of the Philharmonic Society of Bologna. He displayed inconceivable virtuosity in his mastery of violin, piano and organ.

A journey to Vienna in the train of the ruling prince brought a decisive change. Young Mozart, whose work had aroused great admiration at the Court of Vienna on his very first visit to the city, was one of the first of the great masters to sever connection with the ruling prince, thus bringing to an end a position of dependence in which he was regarded rather as a subject than as a musician and a free creative artist. He left Salzburg to reside in Vienna. From then on there was no trace of the popular to be found in his compositions, no further concessions. The characteristic and inimitable Mozart style was born. He had set foot on the path leading to the "Unique Musician", even if Beethoven was the first to tread it.

Now set in a new and pain-filled phase. Did the world lose interest in Mozart or did he turn his interest away from the world? Even his appointment as "Composer to the Imperial Court", did not save his family from being continually in want. Even though "Il Seraglio", which was first performed in the year 1782, proved a promising beginning for his work in Vienna, the immortal works which he created in the course of the next few years, "The Marriage of Figaro", "Don Juan", "Cosi fan tutte", "Titus", "The Magic Flute", and his wonderful compositions for string quartettes and piano concertos did not bring the eagerly awaited pecuniary success. Mozart, however, did not deviate from the lines on which he had planned his works. It was during the three summer months of 1788 that he created the three great symphonies, the E-flat-major Symphony with its strongly contrasting moods through which the idyll tries to continue, the Symphony in G-minor which might be called Mozart's "Tragic Symphony", and the Jupiter Symphony, characterised by brilliance and triumphant force.

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Mozart at the Spinet.

The urge to create became a drain on Mozart's vital forces which burned themselves out prematurely. The Requiem became one for the genius himself; in the middle of November he fell seriously ill. Splendid offers from all over the world now came too late. On December 4th, Mozart wanted to hear the "Magic Flute" once again. In the afternoon he sang the Requiem with friends. He died that same night.

The body was blessed at the catacomb entrance to St. Stephen's Cathedral. Only a few friends were present. They followed the coffin as far as the Stubentor, but there, because it was raining and snowing, they turned back. Nobody was present as Mozart was buried in a common grave at St. Marx Cemetery, and when his widow visited the cemetery after some time, the new grave-diggers could not say where the body was lying.

Can posterity ever make good the neglect of contemporaries towards their great brothers?

LUDWIG VAN BEETHOVEN. When the sixteen-year-old Beethoven came to Vienna to become a pupil of Mozart, the latter, on hearing his improvisations, said: "Take heed of that one. One day he will make the whole world talk of him."

Born in 1770 as the son of a drunkard, the boy grew up to want and hardship. When twelve years old he composed his first piano variations and sonatas. He confronted the miseries of life—the courts took him out of the hands of his father, and his mother died of consumption—with his tempestuous will: "I will thrust my hand into the jaws of fate. I will not let it bow me down entirely".

When twenty years old he made another journey to Vienna, his patron, Count Waldstein, writing in his autograph album on parting: "Through unremitting zeal you have received the spirit of Mozart from the hands of Haydn".

The landscape and atmosphere of Vienna may be proud of the fact that they satisfied this intellectual Titan throughout his life. The slopes of the Wienerwald knew him as he hastened through them, the quiet paths climbing to the hills, the

villages dreaming among their vines, the pastoral atmosphere of the green countryside and the wide vistas of the Imperial City. 533

Anything which is said about the work of Beethoven can only have an approximate meaning. Within the bounds of such inadequacy it is possible to say: Beethoven's music is one single confession of faith, a single recognition. It is a passage from Heaven to Hell: It is a constant restoration of order to chaos, a turning back from an apostate creation.

One can cite certain high-notes of what we feel in his works—the heroic, the radiant quality in the first movement of the Eroica, the gloomy, uncanny force of the Fifth, of the Symphony in C-Minor, the sweetness of the Sixth, the Pastorale. In the Ninth, Nature's instrument, the choir of human voices, has to come to the rescue in order to express the joy of overcoming, prevailing.

The name of no other composer is glorified by similar achievements—"Coriolan", "Egmont", the third "Leonora Ouverture", piano and violin concertos and "Fidelio", the great anthem of true marital love. The "Missa Solemnis", breaking through the framework of devotional music, the "Moonlight", "Kreutzer", and "Waldstein" Sonatas, the "Pathétique", the "Appassionata".

Beethoven moved as an equal among princes and rulers. After a few years of work there were no longer any difficulties with publishers: "For one thing, I also have six or seven publishers and even more. People no longer bargain with me—I demand and they pay".

In spite of this, the talented man was not spared the necessity of saying "*Miser et pauper sum*" — "poor and wretched am I".

In his twenty-sixth year an atrophy of the acoustic nerves began. Everywhere a constant buzzing in the ears went with him. It led in the end to complete deafness. At thirty-two years of age he drew up the "Heiligenstadt Testament": "Oh you people who hold me or declare me to be hostile, obstinate or misanthropic, how greatly you wrong me! You do not know the secret cause of that which gives you that impression. From childhood upwards my heart and my spirit were inspired by gentle feelings of benevolence and were always ready for great actions. But only consider that for six years I have been affected by an incurable condition ..... Born with a fiery and lively temperament, very susceptible to social pleasures, I was early forced to segregate myself and to spend my life in solitude. What humiliation, when someone is standing near me and hears a far off flute and I cannot hear it, or when someone hears the shepherd singing and I can hear nothing. Such experiences nearly drove me to despair, and it would have taken little to make me end my own life. One thing alone, the art of music, restrained me".

533 Soon it became necessary to write on scraps of paper everything which was to be communicated to Beethoven. He himself refused to recognise the disease, and although he could not hear a sound, he insisted on conducting in person. When he conducted a performance of the Ninth Symphony in 1824, he did so in appearance only, for the orchestra paid attention solely to the signs given by the concert director. After the second movement there was thunderous applause, but Beethoven did not hear it, and the singer Unger had to turn him round so that he could see the clapping hands and acknowledge the ovation.

When Beethoven breathed his last in the midst of a thunderstorm on March 26th, 1827, he was mourned by the whole world.

FRANZ SCHUBERT. — Among the vast crowd of mourners present at the funeral of Beethoven was Franz Schubert. The eulogy at the graveside written by Grillparzer was delivered by Anschütz, a famous actor of the Burgtheater. The earth began to cover the coffin and the mourners left the cemetery.

Schubert retired with his friends to an inn and, lifting his glass, toasted "To him whom we have buried"! At the second glass he said "To him who will be the next"!

Nineteen months later he himself, the great prince of song, was also dead, barely thirty years old.

Schubert the dreamer! Small was the world in which he spent his too short life. It was the Vienna of the Biedermeier period, in which a happy, light-hearted man composed for a circle of good friends songs of the most varied types, masses, and symphonies in the style of the "Hausmusik" of the Biedermeier period.

Born in 1797, Schubert learnt singing from the choirmaster of Lichtental. When he was eleven he was accepted into the "Konvikt der Sängerknaben" (Choristers). About this time he committed his first notes to paper—at that time against the will of his father. As an assistant schoolmaster and later as teacher at Himmelpfortgrund he was exempted from many years of military service.

At twenty-one years of age Schubert gave up teaching in order to devote himself for the future solely to the writing of music. He enjoyed the most moving support of his friends. They found him lodgings, bargained with publishers, presented him to wealthy middle-class families, provided him with inspiration and amusement and were loyal to him.

In course of time musical evenings among women and music lovers grew into the famous "*Schubertiaden*". There were hours of pure enjoyment when Schubert played his new compositions. A source from which sprang the joy of life, of untiring creation, had come into being. Vienna in the Biedermeier age had found its most perfect form of expression.

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Gustav Klimt; Beethoven Frieze; Music.

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533 Schubert's works, which reveal the whole delicacy of feeling of his times, are very numerous. They include more than 600 songs, 6 masses, 30 pieces of chamber music and 450 piano pieces, as well as 17 stage compositions and 9 symphonies.

Side by side with Beethoven, the instrumental dramatist, Schubert had become the instrumental lyric writer with his "Erlkönig", "Gretchen am Spinnrad", "Forellen-Quintette", "D-minor-Quartette", "Der Tod und das Mädchen", and "Wandererphantasie". To him was it allotted to achieve perfection in song-writing. In his 26th year Schubert was attacked by a severe illness. A letter to a friend expresses deep resignation: "Imagine a person whose health simply refuses to mend".

He understood nothing of dealing with publishers, giving away his compositions for laughable sums. Modest and shy, he gave his first concert in 1828 which was also the year of his death. Barely 31 years of age, he was carried off by typhoid fever.

Of his works the "Unfinished Symphony" remained lost for more than half a century. This wonderful composition was first found in 1875, this music in which nature herself seems to raise her voice in song, in music telling of joy and sorrow in life.

"Unfinished"—this word is symbolical of Schubert's early demise. In a higher sense it could be applied to Austria. The heart is moved when Schubert is played. One recalls the memory of all those whose lives have been spent in the devotion to high ideals. Never has Austria been sparing with her sons in this respect.

[565] With the death of Beethoven and Schubert the long process by which music ceased to depend for its encouragement on the patronage of courts in favour of that of the middle-classes was completed. Apart from the "House Music" of the aristocracy, there now arose musical societies among well-to-do circles in the cities which gradually paved the way for public concerts. At the beginning of the 19th century musical societies were formed in Vienna and in Austria generally for the purpose of encouraging music in all its branches. One of the most famous is the "Gesellschaft der Musikfreunde", founded in 1812, followed later by the great Vienna choral associations, the "Singverein" and the "Singakademie". Together with the "Vienna Philharmonic" (founded in 1842), they remain today outstanding centres of Austrian musical culture. Through the male voice choral societies which gained a footing in Austria in the last half of the past century, Austria's heritage of folk song and the male choir literature then established found a permanent home. It is also to the credit of these societies that they have awakened and kept alive a love of singing and music-making among the broad masses of the population.

Lighter music had not until this time been prominent among musical developments in Austria. But with JOSEF LANNER and JOHANN STRAUSS there now

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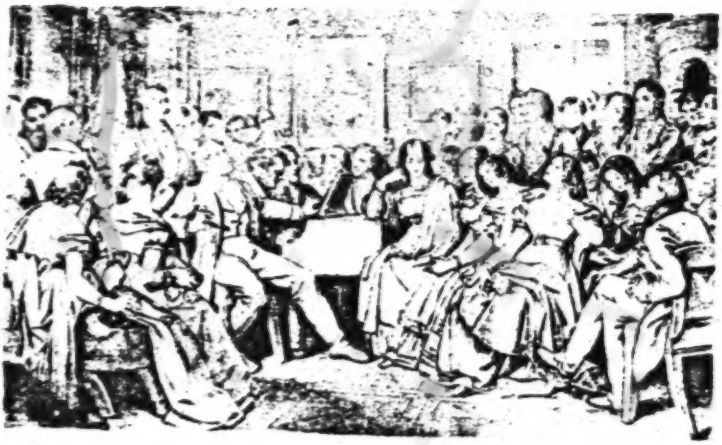

Moritz von Schwind: A Schubert Evening.

began an epoch which gained Austria—and especially Vienna—a name in the world for such music of this type also. Their waltzes, minuettes, polkas and marches fired the music-loving city with enthusiasm, and in all the countries which were visited by the elder Strauss, his melodies were enthusiastically welcomed. Still greater fame was reached by his son, JOHANN STRAUSS, born in Vienna in 1825, whom the world has dubbed "The Waltz King".

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The elder Strauss apprenticed the boy to a book-binder, but he was not to be kept down, and one day he ran away, straight into the arms of a musician. When only 15 he was playing the violin in the famous Lanner Quartette. At 19 Strauss the younger conducted his own orchestra in public for the first time in the Dommayer Casino in Hietzing, playing his own compositions, openly competing with his famous father, and with striking success. His waltzes preceded him throughout the whole world. "Morgenblätter", "Künstlerleben", "Wiener Blut", "G'schichten aus dem Wienerwald", "Wein, Weib, Gesang", "Frühlingsstimmen", "Seid umschlungen Millionen", "Freut euch des Lebens", "An der schönen blauen Donau", "Der Kaiserwalzer". In Germany and Paris, in London and St. Petersburg, everywhere the same enthusiasm was aroused. The famous orchestra of Johann Strauss played a part in Queen Victoria's marriage festivities. In Boston, on the occasion of the hundredth anniversary celebration of the Declaration of Independence, Strauss conducted a crowd of several thousands included in the choir and orchestra. "As we

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533 had begun more or less simultaneously, my whole attention was concentrated on seeing that we also stopped at the same time" he declared.

In Vienna Strauss ran an orchestra of 300, which was split up night after night among various restaurants, or provided ball-room music. He himself tore from one restaurant or ball-room to another, conducting every night at five or ten different places.

He wrote over 500 compositions, including 14 operettas; "Indigo", "Die Fledermaus", "Prinz Methusalem", "Eine Nacht in Venedig", "Das Spitzentuch der Königin", and "Der Zigeunerbaron" among them. The songs of Schubert and the waltzes of Strauss were the favourite offspring of the Vienna Biedermeier period. Few other countries can boast of having made equivalent contributions towards the gaiety and pleasure of mankind.

Apart from Johann Strauss there were a whole series of successful composers of modern music,—to begin with, JOSEF and EDUARD STRAUSS, the brothers of Johann; then MILLÖCKER and ZIEHRER, ZELLER and HEUBERGER. Their numbers continued to be added to in the twentieth century, the most prominent among the late-comers being FRANZ LEHÁR.

In the latter half of the 19th century, and then almost at the same time that the Viennese waltz and the Vienna operetta were at their best, three new stars arose in the firmament of music: Brahms, Bruckner and Hugo Wolf.

Like Beethoven, the young JOHANNES BRAHMS, born in 1833, was attracted to the music-capital of Vienna in order to show his talent there. Like Beethoven, he was never again able to escape from the city's charm. It was in 1862 that he came to Vienna, where he was received as a successor to Beethoven. The reception accorded to his artistic talents was shown in his selection to be choirmaster of the Vienna *Singakademie*, which occurred when he had been in Vienna only one year. After one single departure from the capital, he returned to it in 1869, to remain true to it as an independent composer until his death. His longing for the beauties of nature found complete satisfaction in Austria. Thus we find that his most famous works were written by the lakes of Carinthia, in Styria, in the Salzkammergut and in the Wienerwald, which has its charms at all seasons of the year. He found inspiration of many kinds for his creative labours in folk songs and Viennese waltzes. Basing his efforts on those of Beethoven and Schubert, he left behind him four symphonies, the "German Requiem", a great amount of choral and orchestral music, chamber music and about two hundred songs. His death in 1897 left a painfully felt gap in the Austrian world of music.

The second great musician who achieved outstanding fame shortly after 1890 is ANTON BRUCKNER, the great symphonist and mystic of music. He first saw the light of day in the year 1824 as the son of a village schoolteacher in Ansfelden, Upper Austria. The boy received his first impressions of music in church through

533 the organ, which he loved whole-heartedly all his life. After losing his father when 13 years old, he became a choirboy in St. Florian Monastery, where he became acquainted with the devotional masterpieces of the Vienna classicists. There followed bitter years of wandering as assistant in various small village schools until he finally succeeded, in 1845, in getting an appointment as teacher to his beloved St. Florian. There he was made monastery organist. The great knowledge of organ playing and compositions which he acquired through untiring perseverence (his "Missa Solemnis" was completed during these years), he owed to his appointment at Linz as Cathedral Organist. During his twelve years there he studied the theory of music untiringly, learnt to know the world of opera and concerts and occasionally sat in Vienna for examinations by musicians of note. A decisive experience for Bruckner which proved a turning-point in his creative work was his discovery of Richard Wagner's music. He, who until then had kept strictly to the classic, found in Wagner's work the path which he was himself to tread in future, and the technical equipment wherewith to do so. This change from the classic to the romantic school is noticeable even in his D-minor Mass, composed in 1864. In the year 1868 he accepted a call to Vienna to become Professor at the Conservatorium. Here he wrote his great symphonies which were little understood by his contemporaries. Bruckner's music does not philosophise and does not seek to express ideas, but is content to be just music, the music of a profound, simple and devout heart. At times it approaches the mystery and the solemn splendours of the Catholic Church.

For a time this man of a rustic devotion found enemies on all sides who belittled him wherever he achieved any success. Of modest character, he felt bewildered by the wickedness of the world. None the less he continued on his chosen path, sustained by his unshakeable faith in God, although often filled with melancholy. Success and honour came to him toward the end of his life; he received them with childlike gratitude. The Master was especially delighted at receiving the honorary degree of doctor of Vienna University.

"I, the Rector Magnificus of the Vienna University, bow to the former Assistant-Teacher of Windhaag."

And the Emperor granted Bruckner an apartment in the Belvedere Palace.

Deeply mourned, yet only fully understood by a later generation, he departed this life in the year 1896. With the monumental Nine Symphonies, the mighty "Te Deum", the three great masses and his remarkable choral works, Bruckner has assured himself a permanent place in the history of music.

HUGO WOLF. For days and weeks he was simply not able to put the fullness of his concep-

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tions on paper, so prolifically did they flow to and beat over him.

Hugo Wolf was the creator of a new art of song-writing. He himself was like a fine, over-sensitive instrument. He understood how to reproduce moods of unsuspected delicacy. His nerves were alert to every impulse, sensing and preserving each vibration and burdening themselves with them all. Hugo Wolf was always tense, always a prey to changing emotions, rarely calm and never at peace. Thus this musician also burnt himself up at the age of 37. In 1897 his creative powers and his life itself were eclipsed by insanity.

Fanny Elsler as one of the Three Graces.

Dismissed as a boy from school, put on the street after holding a position as leader of the orchestra at the Salzburg Municipal Theatre, Hugo Wolf long carried his finished compositions about with him in his pocket, unable to find a publisher for them. At 28 his life was decided for him. He began to compose songs, ideas and melodies crowding into his brain. Within 6 months he had written the music for 350 poems. Then his creative powers ceased abruptly. Years, fruitless years were to follow, in which all he wrote was four acts of the opera "Corregidor", a few pieces of choral music and the poetic symphony, "Perthesilea". At 36 fortune smiled on him once more. Again songs came to him. Now his songs were being played everywhere and there were even publishers for them. A year later he became a victim of the illusion that he was Director of the Vienna Court Opera. This was followed by an anxious period of ups and downs which ended in an asylum. Hugo Wolf lost all memory of his own identity: "Yes, if I were Hugo Wolf ...".

There was scarcely a concert programme which did not bear his name. But the wandering mind of Hugo Wolf was occupied with other matters.

The spring from which music has flowed through Austria throughout the centuries did not by any means dry up with these three famous names in the world of melody. GUSTAV MAHLER, the great director of the Court Opera in Vienna who brought

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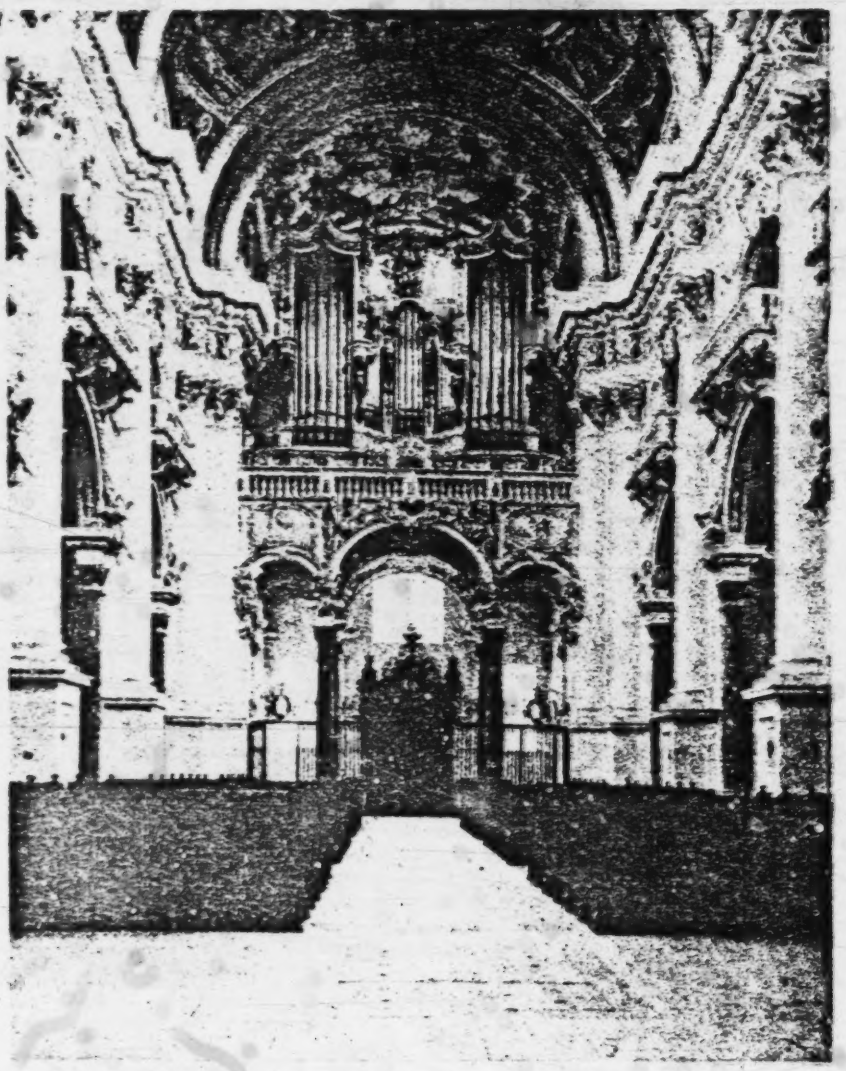

The Bruckner Organ in St. Florian.

himself to an early grave, the unforgettable creator of moving symphonies such as the "Lied von der Erde", and the talented FRANZ SCHMIDT who was born in the twentieth century gave a new impulse to Austria's heritage of symphony. RICHARD STRAUSS, although not an Austrian by birth, has the closest spiritual ties with this country and its music. What is his "Rosenkavalier" but a public declaration of faith in Vienna?

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WILHELM KIENZL, JULIUS BITTNER and FRANZ SCHREKER have scored notable achievements in operatic music. JOSEPH MARX, following the lead of Schubert and Hugo Wolf in song, has enriched the literature of music with costly gems of true Austrian workmanship. ARNOLD SCHÖNBERG, ANTON WEBERN, ALBAN BERG, EGON WELLESZ, ERNST KRENEK and others are among the representatives of the new—and newest—musical trend in Austria, the musical-historical value of which it must be left to the future to judge.

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THE RINGSTRASSE

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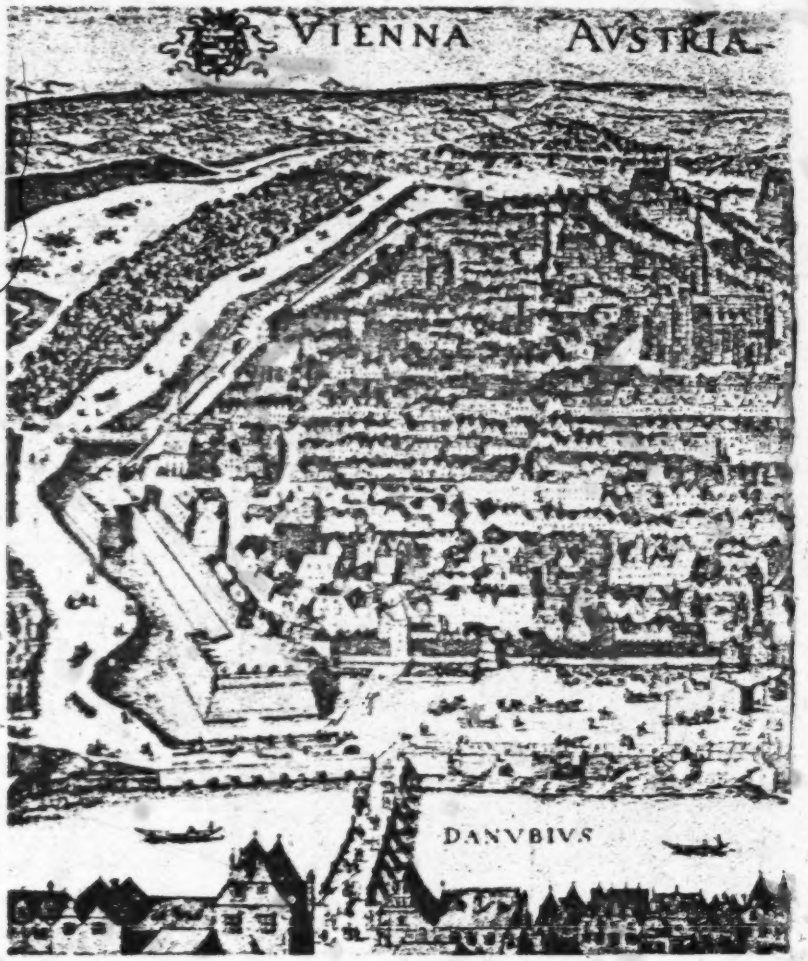

Vienna, 1609.

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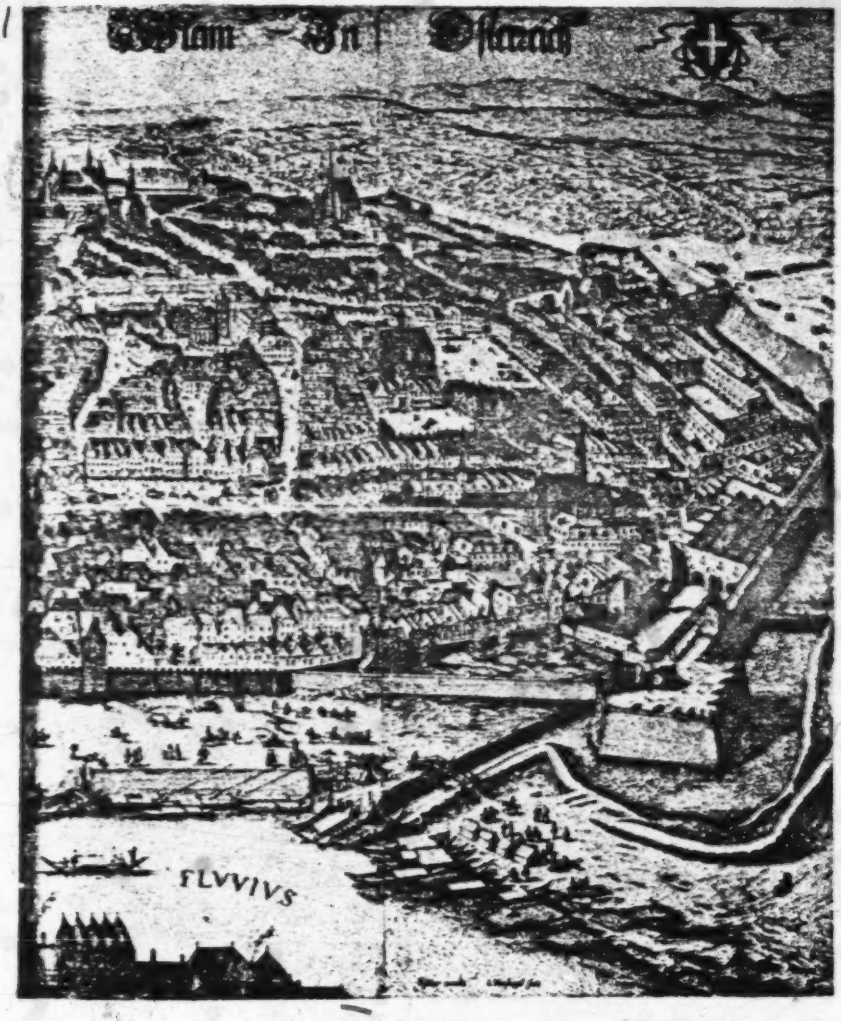

Ruking by Hofmayd.

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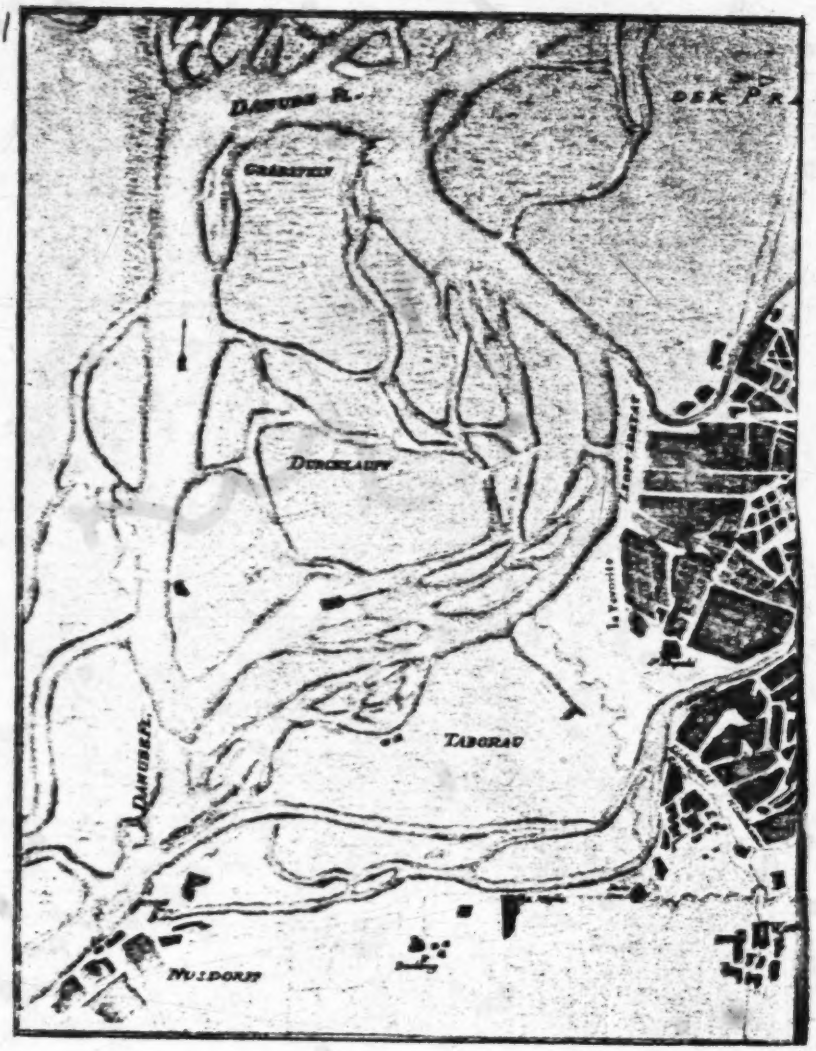

Bureau Vienna

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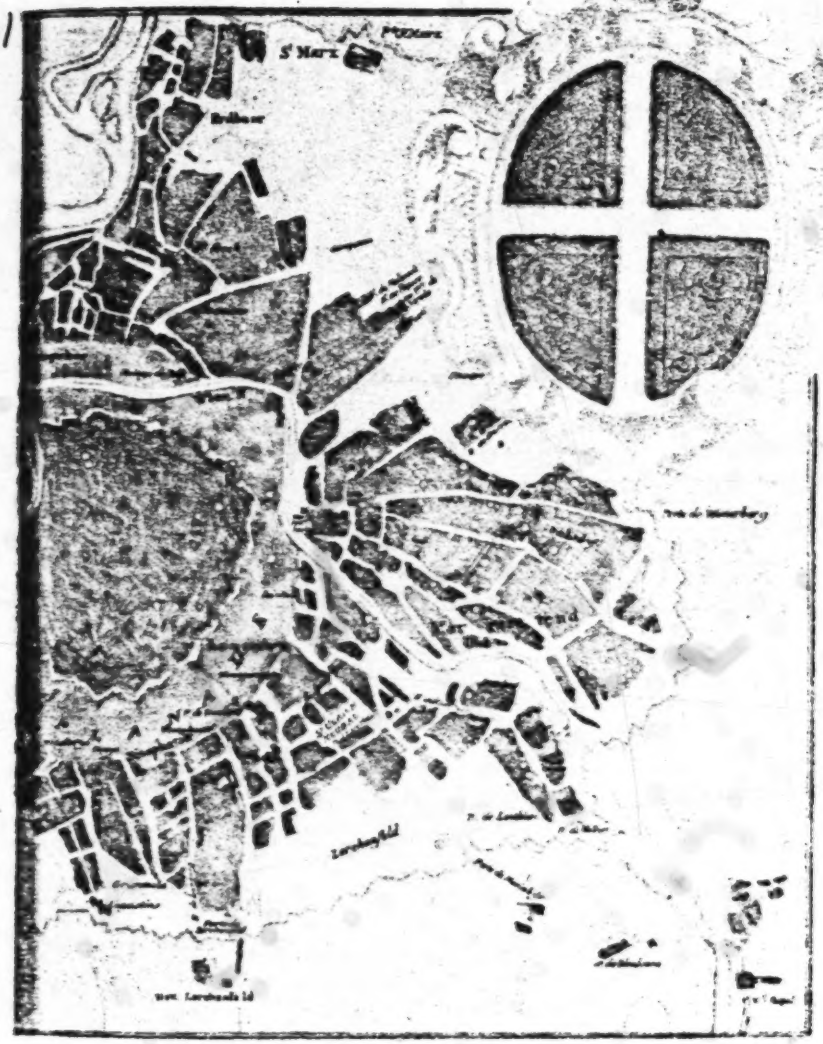

about 1730.

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THE VIENNA RING-STRASSE.

A wide green belt with parks and stately buildings, it is the pride of the country and perhaps of a whole continent. It can be compared only with the Paris boulevards.

Foreigners and visitors stand beneath the trees on the broad and well-kept avenues admiring the great buildings, or wander around the squares which branch off from them, abandoning themselves to the festive spirit invoked by this great roadway and enjoying the stimulus of its light-hearted magnificence. Untrammeled by thoughts of time the crowds stroll by, glancing idly now at their immediate surroundings, now at some more distant prospect, now surveying the bustle in the streets of the Inner City, now catching a glimpse of the needle spire of St. Stephen's as it appears above some ancient, narrow alley. Left and right lie enticing parks, clumps of flowering bushes. The disconcerting smiles of Viennese girls strolling among the crowds lend a special quality to the whole scene.

But pause a while in pensive mood before the Dominikanerbastei and imagine that you can detect among the blocks of modern houses traces of an old gateway, or find in the embankment of the bastion the remains of a defensive wall. Or let some one point put to you the traditional Beethoven House on the Mölkerbastei; from there it was at one time possible to look out across the glacis, then unencumbered by buildings, into the countryside as far as the Schneeberg and the Semmering Pass. Surely you will then want to know just how the former fortified Imperial residential city came to exchange its walls and ramparts, its bastions with their flanking sentry-beats, the deep city moats with their lively frog population and massive gates with barrier and draw-bridge, for the sunny splendour of the buildings on the modern Ringstrasse.

In Hufnagel's famous etching, mediaeval Vienna rises again before us almost in plastic form. There, side by side, yet clearly distinguishable, are the homes of nobles and burghers, the church and the cemetery. Some of the buildings date back to the Babenberg period, to Leopold the Glorious. Lack of space compelled the builders to pile as best they could story upon story, and to construct below

these deep cellars and catacombs. Many churches grow up amid the streets of the city, the arcades where the drapers sold their goods and the market-places. Some of these churches are Romanesque but most are Gothic. Rarely does one find specimens of Renaissance, for in the 16th century the Turkish foe stood menacingly on the frontiers. 361

When after two centuries the threat of the Janissaries subsided and they were forced to evacuate Austria, Hungary and Transylvania, with Prince Eugene thrusting them far back into Wallachia and the Balkans, and the nightmare of the threat from the East had vanished, city and countryside heaved a sigh of relief. Unexpected, undreamt-of prosperity sprang from the blood-drenched soil of Austria. Baroque, breaking through the old forms with elemental force with hardly a transitional period, transformed the whole appearance of the city. The Imperial Residence was still enclosed by bastions and still an armed fortress. But in response to the passionate impulse of Baroque, new buildings were everywhere springing up. Soon there was no street so narrow that it had not its distinguished portal or delightful façade, behind which a daringly conceived stairway led to halls richly decorated with frescoes. The damage inflicted on the city by the prolonged and stubborn siege soon disappeared from view among the many new palais and winter residences of the aristocracy, the churches and secular edifices.

But the builders of this period were not to be restricted within the existing city boundaries. Surmounting bastions and glacis, their daring plans created a baroque landscape immediately beyond the gates of the city, with gardens, parks and the summer residence of the nobility. Soon the Viennese saw grand façades arising, the palais of the Schwarzenbergs, the Trautsohns, the Rofrano-Auerspergs, the magnificent Palace of Prinz Eugene, the Belvedere, and the cupola of the Karlskirche.

Nor were these great buildings the whole story. New districts housing the citizenry soon became new suburbs—Leopoldstadt, Josefstadt and other areas of prosperity. Beyond the new suburbs another line of fortifications, the "Linienwall" was constructed. Beyond that again, on the slopes of the Wienerwald, lay amidst vines a girdle of shady villages, tempting the city dwellers to excursions in their leisure hours.

Thus in the 18th century Vienna consisted of three separate zones. Plans enough were drawn up to unite them. But the early death of the Emperor Joseph II, enthusiast for

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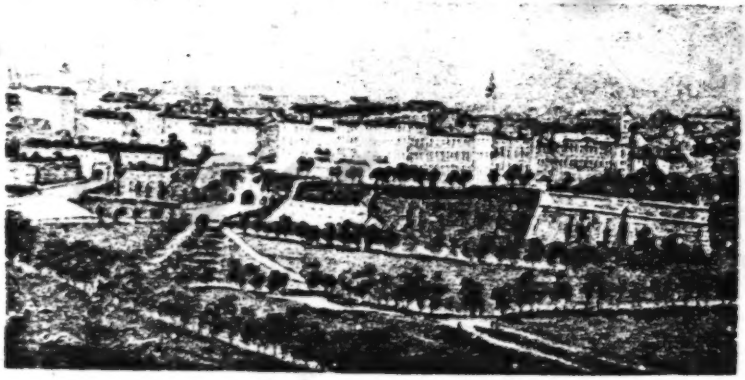

The Kärntnertor with a View over the City.

The Heart of the City, with Fortifications and Glacis.

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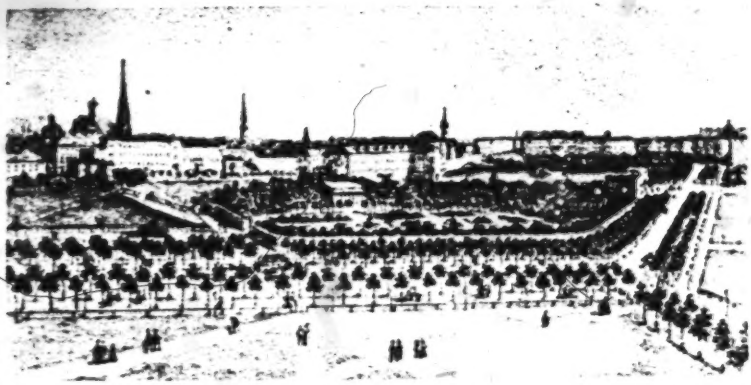

The Newly-Finished Ringstrasse.

Connections of the centre of the City and the Outlying Districts with the Ringstrasse.

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reforms, and events in France, caused history to take a different course. The Napoleonic age had dawned, bringing with it decades of struggle and wars. Just as generations before the taxes imposed to enable the Turks to be fought had robbed the country of prosperity, so now the constant levies and expenditure on armaments prevented the realisation of more peaceful aims.

Although by 1814 Metternich's policy had brought external perils to an end, the Crown Lands had been bled white. The wounds inflicted during the era of "Glorious Imperialism" had cut too deeply into the flesh of Europe for it to be possible to take up the threads where the masters of the Baroque had been forced to let them drop.

178 And there was something else. Not only had the peoples once again changed their rulers, the war period had altered their sense of values. Life had come to have a new aim—a happiness whose keynote was modesty and simplicity. So was born the age of Biedermeier.

Biedermeier! This meant the reverse of all that had been before. "Gloire" and "Victoire" had lost their demonic power. The people were sick of the unfurling of banners and of resounding phrases. The career of hero, militarism as an ideal, had become a memory of bitterness experienced, stripped of all illusions. Even the roughest and most brutal could no longer find attraction in the eternal round of levies and billeting, leave-taking and the whole paraphernalia of soldiering. The brave music of a distant drum had lost its power to attract; now was the time for the loaf of bread beneath the bough. A flower from the hand of some fair maiden meant more than a breast full of medals, good talk among friends more than the resounding word of command. Popular interest turned to the everyday things of the new age—a house, a garden, a song, a serenade; a store in the market, nosegays and miniatures, the sweet notes of an old spinet, the gentle gestures of love and all the forms in which unpretentious happiness expresses itself. Biedermeier is a reaction of mind and soul turning its back on the heroic age of marching and slaughter. Biedermeier stood for the right which the Little Man had wrung from the world to seek peace and happiness—the Little Man who, it was implied, must be regarded as a human being, as a decent human individual.

For a whole generation Austria lived in this, her idyll. Yet at the same time a tragic development was in progress. Metternich's peace, at first a benevolent godfather of Biedermeier, had hardened into the rigid system of a ruling class which had petrified from the head downwards. Bohemian artists enjoying a riotous evening's amusement, lovers beneath the garden wall, were questioned by the prying police as suspected enemies of the State. Freedom of speech was once again suppressed. Grillparzer committed to paper his embittered petition on the freedom of the press. 565 641

The first shots of the 1848 Revolution rang out. Prince Metternich, now an old man, left the city in a hurry; troops were called out, there were sharp commands to fire and blood flowed in the streets. The idyllic episode was over and history ad resumed its course. 669

When the young Emperor, Francis Joseph, ascended the throne at the age of 18 and everyday life gradually took on the colour of the new order, people in Vienna began to realise that the heart of the city was still ringed round by ancient fortifications. On the last day but one of the year 1857 came the historic moment when Francis Joseph put his signature to an Imperial document ordering that the bastions should be razed and the glacis levelled. There had been much controversy on the subject before this decision was taken. Artists of note, among them the painter Amerling, had gone on their knees to the Emperor, begging him to let the historic fortified area stand as it was. 361

Now a period of feverish activity set in. Vast building projects were initiated which were to keep excitement alive in Vienna for years, almost for decades. Great spaces were now available for the erection of new buildings, for the bastions and the glacis had formed a ring around the Inner City many kilometres long and hundred of metres wide. Enormous sums were realised by the sale of these great building plots. More ambitious and comprehensive planning was called for. It was not just a question of conjuring the Ringstrasse into existence; the surrounding areas had to be opened up by the construction of new roads and linked with one other by harmoniously conceived blocks of buildings. Apart from the Ringstrasse and its surroundings, over 90 new streets and squares and over 500 buildings were added to the city at this juncture.

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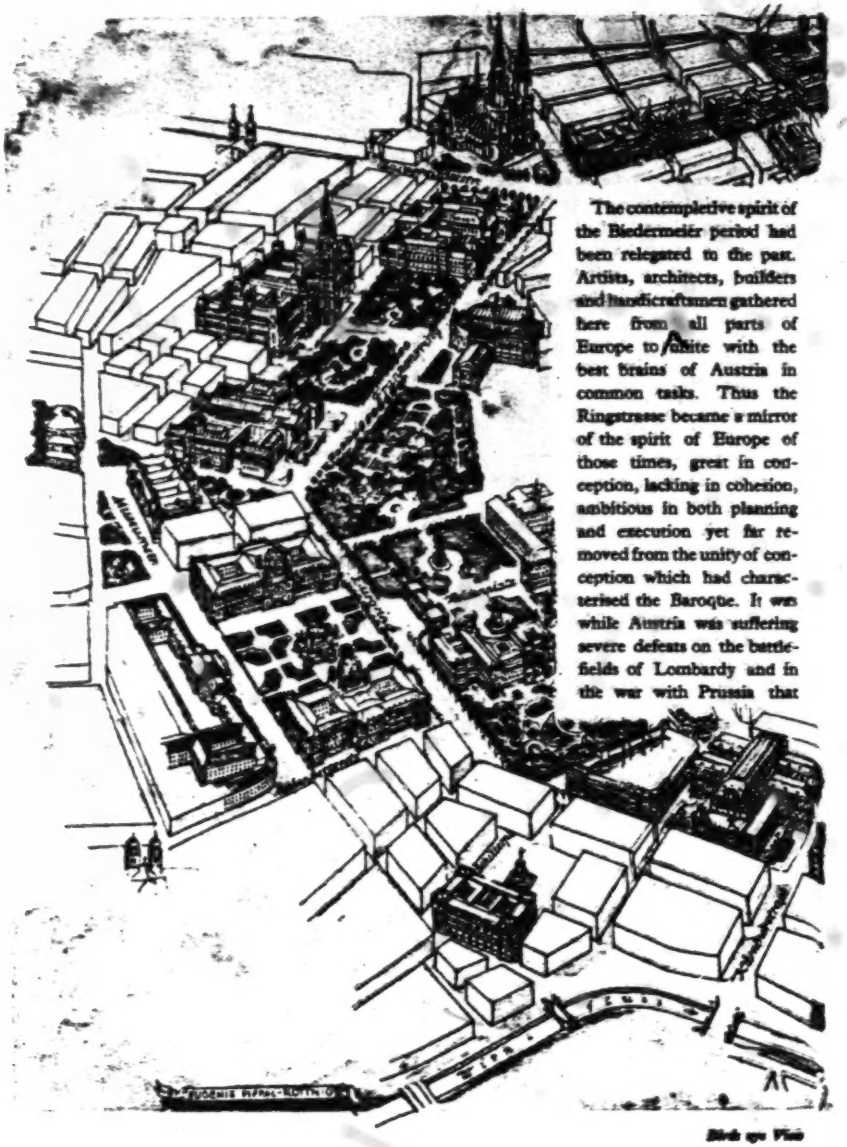

The contemplative spirit of the Biedermeier period had been relegated to the past. Artists, architects, builders and handicraftsmen gathered here from all parts of Europe to unite with the best brains of Austria in common tasks. Thus the Ringstrasse became a mirror of the spirit of Europe of those times, great in conception, lacking in cohesion, ambitious in both planning and execution yet far removed from the unity of conception which had characterised the Baroque. It was while Austria was suffering severe defeats on the battlefields of Lombardy and in the war with Prussia that

Birds eye View

361 this magnificent girdle, the Vienna Ringstrasse, came into being.

361 These were the artists of the Ringstrasse and
341 these their achievements. The Dane, Theophil Hansen, was responsible for the impressive Parlament buildings, whose ceiling reliefs and columns were modelled on the architecture of antiquity. The Academy of Fine Arts reflects the forms of the Lombardian Renaissance. In the Heinrichshof, opposite the Opera, Hansen created an admirable, well-thought-out example of city block-building.

Compared with the graceful elaborations of Hansen, the new-gothic Rathaus of Friedrich Schmidt appears

of the Ringstrasse.

361 severe and cold. Even though late-gothic city halls in Belgium may have served
341 as a pattern for the imposing splendour of the edifice, the sober horizontal lines and the buoyancy of the structure betray native genius.

The Votivkirche was built by Ferstel, a Viennese with wide education, in his 27th year. Later he built the new University, in which there is an arcaded courtyard of exceptional beauty. His stairways, however, are not to be compared with Hasenauer's wonderful flights of stone in the two Museums (the Museums of Natural History and Art) and in the Burgtheater. Van der Nüll and Siccardsburg were the brilliant and ill-fated builders of the Opera. When the new Opera House was solemnly opened with Mozart's Don Giovanni, in 1869, both of them were already dead.

532 Between the two Museums, Zumbusch placed the great monument to the Empress Maria Theresia, while opposite, on the Heldenplatz, Fernkorn erected the bold equestrian statue of the Archduke Karl and Prince Eugene. Feuerbach painted the colossal "Fall of the Titans" for the Academy of Fine Arts, and Gesser ornamented the Stadtpark with the delightfully Viennese "Donauweibchen". Among many other masters of their crafts who might be mentioned are Semper, Kundmann, Tilgner, Hellmer, Weyr and Bitterlich.

361 The Ringstrasse was thrown open to the public in 1865, before the magnificent Ringstrasse buildings had arisen. The Viennese looked with critical eyes and reserved comment. They mourned what they had lost, without being able to form a proper judgment of the innovations, which were still only fragmentary. The whole city now went through a transitional period of change and expansion. Somewhere about 1870, something gradually came back which the Viennese will never willingly dispense with—"atmosphere". Then, when it was possible to stroll along the Ringstrasse as once on the bastions, when bands began to play in the newly-laid-out

1 [on the Ringstrasse-- Analyst]

361 parks and the trees in the avenues for the first time cast their shade, then the ice of prejudice began to melt; the Ringstrasse and Vienna belonged one to the other.

In the outside world great events were taking place. Bismarck had the triumph of the entry into Paris and shortly afterwards the shock of the great bank failures made itself felt in every country.

In Vienna everything unpleasant was nonchalantly disregarded. People got more and more accustomed to the Ringstrasse. New builders came before the public eye, first Otto Wagner and later Adolf Loos. Vienna was on the way to becoming a great capital. New districts were planned on a grand scale, mansions sprang up in the heart of the city, the zone between the Ring and the Gürtel, and the settlements on the far side of the former Linienwall had now grown together. The contours of further municipal building projects became visible.

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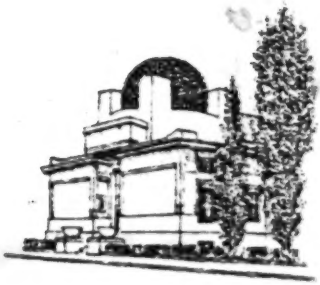
Then for a time, Vienna gave itself up to the dizzy magnificence of the Makart period. The name Makart had become a symbol. Among the Makart fashions there was the "Makart Red", the "Makart Collar", and the "Makart Rose". Above the pompous coiffure an enormous cartwheel hat was worn, with flowers and swaying feathers—the "Makart Hat". The styles of a bygone century were revived in a bombastic new baroque mode which dominated the middle classes of the city for 20 years and was adopted above all by

the new rich and the recently ennobled in a pompous display of magnificence.

the new rich and the recently en nobled in a pompous display of magnificence.

A memorable event of those years was the Makart Procession, which took place on the occasion of the Emperor's Silver Wedding in the year 1879. It was a brilliant parade of national costumes, peasant-groups, arts, crafts and allegoric scenes. The Emperor Francis Joseph accepted the homage of the paraders beneath a giant canopy which had been designed by Otto Wagner. At the side of the Emperor stood the fabulously beautiful Elisabeth, dressed in crimson and wearing a Makart white feathered hat with a gold-embroidered mantilla. Among the onlookers were those artists who at the turn of the century joined in founding a new movement which bore the name of "Sezession".

Vienna, still the brilliant metropolis of a happy Empire, was preparing for its next task. The City had need of a progressive municipal administration, and certain public undertakings were to be socialised. There arose a man in the Imperial City during the last decade of the Monarchy who became its greatest Burgomaster, a man of genius and a burning patriot, Dr. Karl Lueger.



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THE VIENNA SCHOOL OF MEDICINE

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Gustav Klimt: Death and Life (Secession).

Between two eternities, prior to birth and after death, mankind, rising out of darkness, has a glimpse of the golden light which means life, and at the same time is forced to realise the terror of a never-ending night. Against this vague, primitive fear of man wars that faithful servant of the body, and even of the soul, medicine. Here we would speak of Austria's share in this radiant force and its fight for life against death, of the Vienna school of medicine.

Even at the Rudolfine University of Vienna, in 1365, there was a medical faculty. When compared with what had been achieved in the fields of theology and philosophy, achievements in that of medicine can, indeed, only be regarded as a forerunner of what the Vienna School of Medicine was later to bring forth, an academic stump on to which the green twig was to be grafted by a later age. Medical-scientific thought, not especially kindly to those bygone centuries, alternated between a rigid adherence to ancient theories and the unchallenging tolerance of medievalism.

One name, however, must be remembered with honour. It is that of the great doctor of the middle ages, the excellent physician who cured leprosy, gout and dropsy with great skill, Philippus Theophrastus Bombastus Hohenheim, known as Paracelsus (1493—1541).

He pointed to five sources of illness: the stars, poisons, heredity, the mind, and the afflictions of God. He said

7: Marboe U-3 (no date) 1948 EK1 Austria

Historical Austria EK2

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Gustav Klimt: Death and Life (Section).

759 "There is a cure for all sicknesses, without exception, but there are some which still defy our knowledge". He discovered hidden relations between forms and colours, learning not lost or forgotten. He believed that heart-shaped leaves were of assistance in cases of heart trouble, and for jaundice he prescribed yellow chellidonium,—the Greater Celandine—but his medicines took effect!

His extensive theory of medicine was a mixture of deep philosophical insight and the magical superstitions of his time. To this experienced master great credit is due for having introduced chemistry to medicine. His words formed the basis of medical studies for centuries.

874 When the wise Empress Maria Theresia ascended the throne and began to rule and care for her empire and people as a great family, the *alma mater* Rudolfina had been in existence for almost four hundred years. The Empress' attention was soon attracted to the school of medicine of her capital. But the University was far removed from her modern far-sighted ideas. A State within a State, ruled in many cases by mediaeval privileges and ordinances, the University proved unable to grapple with the great task of becoming the mental nursery-garden of the Reich. Maria Theresia found in the Dutchman van Swieten a man with sufficient personality to reform the University. With him began what is now known as the First Vienna School of Medicine. It was a collaboration planned in the modern spirit between teacher and pupil, based on a knowledge of research work which had been handed down through generations, and a self-sacrificing devotion to suffering humanity. Van Swieten got rid of the musty, old-fashioned staff of teachers, summoning the best brains to Vienna from far and near. Among them were the botanist Jacquin, the gynaecologist Crantz, de Haën as professor of practical medicine, and, later, Stoll, the famous clinical worker.

The work of van Swieten and his contemporaries is marked less by new discoveries than by great organisational achievements. The whole subject of medical science was examined and catalogued and a well-thought-out system of research and teaching instituted. The teaching methods of the faculty have in the main remained unaltered until the present day.

757 One detail of the developments during this period must be mentioned—percussion, that form of examination in which a doctor sounds the body of his patient from the outside. It was discovered by Leopold Auenbrugger, the son of an innkeeper in Graz, who is said to have been given the idea of examining patients in this fashion through the winegrower's practice of ascertaining the state of a barrel's contents by knocking on it.

743 The Emperor Joseph II, "the People's Friend", was specially interested in medicine, but from another point of view. Within a short time he founded the Allgemeine Krankenhaus and the Medizinisch-Chirurgische Akademie. With the Allgemeine Krankenhaus, Vienna was given a general hospital for public assistance and for the

furthering of science; few cities of Europe had so large an institution. It was able to take in over 2000 patients, the number of beds in all the other Vienna hospitals put together being only 1400. Through this gift the Vienna School of Medicine found its historic sphere of activity. 743

By founding the Medizinisch-Chirurgische Akademie Joseph II wished to combat another evil. The death-rate among soldiers in the Seven Years' War, for instance, was shockingly high. Even in times of peace infectious diseases took a heavy toll, but in wartime the slightest wound often led to gangrene and fever. The Emperor sought a remedy by the founding of a special school for the thorough training of military surgeons and their assistants. The Garnisonsspital, with a capacity of 2000 beds, was established near the Josephinum, and at the same time an excellent system of military doctoring was extended over the far-flung territories of the old Monarchy. The more important garrison towns received well-equipped military hospitals, and medical attention spread until it was soon more concerned with the civilian population than with the Army. 708

A man of versatile personality was needed to take charge of and to develop the great institution of the Allgemeine Krankenhaus. In 1795 this task was entrusted to Peter Frank. His life's work was the establishment of a corps of police surgeons, but he made improvements in all directions. He modernised the curriculum, performed operations in an operating theatre of his own and developed a system of pathological anatomy. 743

Frank brought about radical changes in the treatment of the insane. Until the turn of the 18th century the mentally unbalanced were quite simply labelled fools. They were locked up in a tower called the "Tower of Fools" (Narrenturm), where the population could take delight in the strange picture they presented. Frank did away with the Narrenturm, transforming it into a branch of the hospital where sick people might be cared for. Under this far-sighted physician—who, by the way, refused to wear the customary wig—Vienna became the first city on the continent to introduce Jenner's inoculation against smallpox. One of his personal friends was the aged Haydn. 758

The Second School of Medicine became famous through the names of Rokitansky, Skoda and Hebra. It is still interesting to examine the pictures of the pre-revolution doctors in the yellowed pages of the biedermeier period. When these men started work in their youth there was little common stock of medical knowledge resulting from research, experiment and exact post-mortem. But by the time the names of these men had appeared on the faded leaves of the biedermeier age at the end of their life's work, the foundations of modern medicine had been laid and clinical practice as well as methods of examination and treatment had been developed. If the doctor of today is able to make a correct diagnosis without any special technical means, but only through putting questions and by the observation of his eyes 874 757 759

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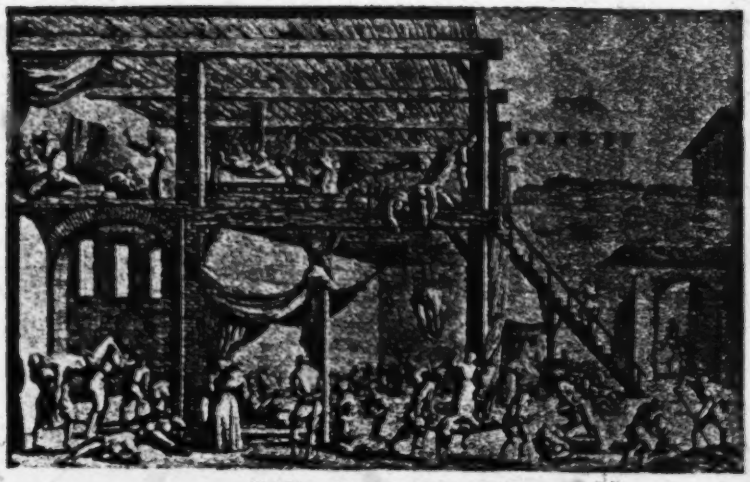

The Plague Hospital, Vienna, 1679.

[874] and by his exploring and tapping hand, he has to thank the praiseworthy research
757 of the men who belonged to the Vienna School of Medicine of pre-Revolution
759 times, that is, to the Second Vienna School of Medicine.

The man who overcame the mental limitations of his age, passing beyond "Enlightenment" and scepticism to empirical medicine was Rokitansky. Post-mortems —he is said to have carried out more than 80,000 of them—combined with the study of clinical reports, resulted in the evolution of a great new body of doctrine. Rokitansky's work in the Pathological Institute and his collaboration with the internal specialist, Skoda, the dermatologist Hebra, the progressive surgeon Schuh, and Kolletschka, the unfortunate friend of Semmelweis, were of essential importance to practical medicine.

Not all those who battled within the venerable walls of the Allgemeine Krankenhaus to preserve life saw their efforts crowned with success. The fate of Semmelweis, for instance, rings in our ears like a ballad of devotion and despair. About the middle of the century the gynaecological authorities in Vienna were concerned with the burning question of why three times as many mothers of new-born children died in the clinic where students were being trained who also worked in the dissecting room, as in the adjacent section in which midwives were trained.

The historic hour of Semmelweis struck when he read the post-mortem diagnosis on his friend Kolletschka, who had cut himself while dissecting a corpse, and realised

that this diagnosis was identical with the post-mortem diagnoses of the dead women. 759
In both it was a case of infection, carried to the birth clinic by the hand of the doctor 757
from the dissecting table.

Semmelweis now began his fight, but however convincing the evidence he brought forward may seem to us today, his contemporaries wished neither to see nor to believe it. He was destroyed by his discovery of this evil, and by the inertia of his contemporaries. But posterity had been saved from the scourge of puerperal fever.

New knowledge was being gained in many other fields. Schuh was the first to make use of chloroform in surgery. Türck, a pioneer in the field of neurology, became by his introduction of the laryngoscope the founder of laryngology, the science of affections of the throat.

Side by side with the first clinical specialists must be placed other distinguished personalities among the pre-clinical workers. Foremost of these was Josef Hyrtl, the son of an oboe player in Haydn's orchestra. He put together the entire anatomical knowledge of his times, exploring, often by methods of his own, the last unknown regions of the human body. Half a world clamoured for his book on anatomy, his scientific writings and his preparations. Doctors came from all the capitals of the continent to hear his lectures; he spoke the language of a poet and his sparkling humour was matchless. The medical faculty of Vienna University had now become world-famous.

The second pillar of pre-clinical teaching, physiology, continually received fresh impulse through the many discoveries in physical chemistry. Brücke, whose works on the subject broke into new fields of knowledge, was its most conspicuous representative from the Vienna School.

During the second half of the 19th century physics, optics and chemistry competed with each other to find new possibilities of development for medicine. Surgery based on narcosis led to undreamed-of progress. More and more special fields were opened up through internal medicine and surgery. The microscope and the discoveries of bacteriology revolutionized medical thought, to which, at the end of the century, further wonderful opportunities were presented through the discovery of the X-rays. In this general situation the Vienna School of Medicine gained a lead in its third phase, which made it for a long time a leading school in very important fields. Here the name of Billroth has become historic. This great surgeon, son of a North-German pastor, became one of the medical men of Vienna in 1867. He was a doctor with all-round experience, bold, and original in his methods and technique. Through his operations—he specialised in the larynx, oesophagus, stomach and genital organs—he paved the way for a new epoch. He chose his students with uncanny instinct and developed his methods into a new medical school. His favourite pupil, Eiselsberg (involuntarily one recalls the time of van Swieten), was summoned to practise in Holland.

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The Josephinum, Vienna.

759 From the almost uncountable number of doctors who in those days were the
757 pride and glory of medical Vienna, only a few are mentioned here in conclusion:—

Albert, a brilliant teacher of comprehensive knowledge; the surgeons Gussenbauer, Winiwarter, Eiselsberg, Hochenegg, and Nothnagel, the masters of diagnosis, Bamberger, Neusser, Noorden, Herschl, Pirquet, Paltauf, and Weichselbaum. Each of these names meant new discoveries, each of them is world-famous. Meinert and Obersteiner devoted their lives to the study of the nervous system and the brain. Laryngology was greatly developed by Chiari and Schrötter, while Politzer and Urbantschitsch became pioneers in the study of diseases of the ear, a branch for whose work in which Barany, a Viennese, was awarded the Nobel Prize. The significance of the X-rays was early recognised in Vienna. Holzknecht, the leading expert of these times, fell a victim to his own research work.

The little Austria of the year 1918 saw its highest duty to lie in the preservation and extension of the cultural values of the greater Austria. Poverty-stricken and sadly restricted in their field of work, the Austrian people did not fold their hands in idleness. The lecture halls of the colleges were just as full as in better times. Scientists and doctors worked for starvation salaries for the sake of the sick at the great task of research. The reputation of the Vienna School was not only not lost, but won fresh laurels. Billroth's inheritance, the schools of Eiselsberg and Hochenegg, became important to the whole world, and orthopaedics and accident surgery received

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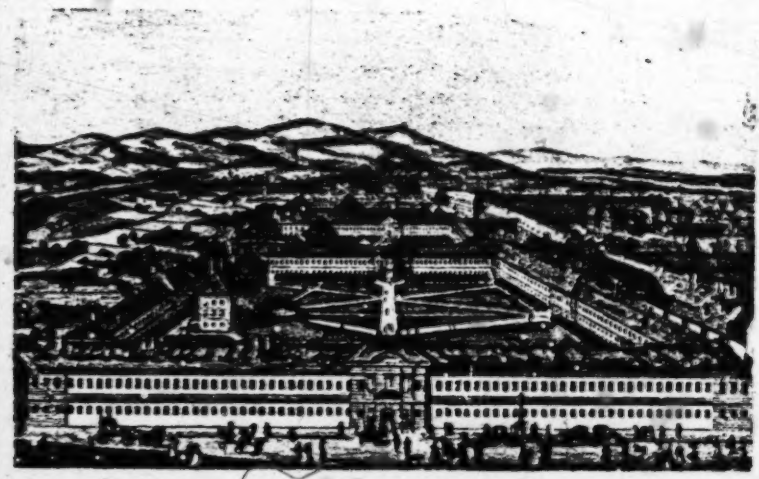

The Allgemeine Krankenhaus, Vienna.

fresh impulse through Albert Lorenz and Böhler. Internal clinical science found such excellent men as Quostek, Ortner and Jagić. In Eppinger a man came to the fore who made use of every refinement of chemical and technical methods in his researches, and whose reputation soon spread beyond the confines of Europe. The pharmacologist and physiologist Loewi discovered the heart hormone and was rewarded with the Nobel Prize. The same was the case with Wagner-Jauregg, who succeeded in banning the demon of paralysis by the induction of a curative fever. And where else could Siegmund Freud have gained his deep insight into the hidden places of the human soul than here in Vienna, where the most varied types of humanity meet and reveal their innermost thoughts? In Vienna the organising genius of Leopold Arzt continued the work of Hebra, Economo added to the knowledge of cerebral pathology, and Landsteiner, another Nobel prize-winner, worked out the scientific and practical basis on which blood-transfusion could be carried out.

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Even in the pre-clinical field the old record has been maintained. Fürth played an authoritative part in the adrenalin synthesis, and the talented physiologist Exner was succeeded by Durig, whose Institute is among the most active in existence. Tandler, a pupil of Zuckerkandl, and himself an anatomist with a world-wide reputation, found insufficient outlet in his own branch and devoted himself to providing Vienna with hygienic and social welfare organisations, tuberculosis centres,

759 mothers' instructional centres, children's homes and sanatoria, school dental clinics,
757 etc., which are a model to the world.

Here we would honour them all, those who have been mentioned, as well as the unnamed. Thanks are due to all these doctors of the Vienna School of Medicine, for they are part of the world's great body of medical men, the servants and healers of humanity. Across frontiers and the trenches of wartime comes their appeal—to keep the peace and to love one's neighbour.

Gustav Klimt: Medicine (Section).

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THE CAPUCHIN CRYPT

[153-]

766

Beneath an overcast sky in the midday hours of November 30th, 1916, the late Emperor Francis Joseph was driven over the Vienna Ringstrasse to the Crypt of the Capuchins (the Kapuzinergruft), the resting place of his forbears, where the Hapsburg rulers in ancient and venerable halls, in crypt and tomb, await their resurrection. Since the early morning, a vast assemblage of mourners had been collecting behind the ranks of the troops lining the streets. The closed windows of the surrounding houses were filled with onlookers and the crêpe-covered pavement-lamps and arc lamps burned in the daylight, creating a strange atmosphere of gloom. This fateful day meant more than the end of a 68 year reign, much more than the close of an epoch, for the last hour of the Austro-Hungarian Monarchy had struck.

Long before the end, the coming collapse had cast its shadows before. Among these were the tragedy of the Crown Prince Rudolf at Mayerling, the fatal attack by an anarchist on the Empress Elisabeth, the murderous shots fired at Francis Ferdinand, the heir to the throne, and his wife at Sarayevo in 1914. The Emperor was fated to stand beside all the biers and to see those around him dying off, one after the other.

Once again the Ringstrasse echoed the hoof-beats of horses sharply checked by the bearing-rein, the rumbling of funeral coaches drawn by caparisoned steeds, the rolling of muffled drums and the funeral march of the Trabant- and Arcières-Bodyguards. It was that same Ringstrasse which the Emperor had ordered to be built two generations earlier, the growth of which he had watched from the windows of his palace; he had seen its beauty as a unique monument to all that had been achieved during the francisco-josephinian era for Vienna and the Empire.

The summons had gone forth to assemble the funeral cortège of the Emperor. It was at the same time the funeral cortège of his Empire. On this last occasion, the Dual Monarchy paraded its might before the world. But with mourning for the deceased Monarch was mingled anxiety and fear of the inexorable decrees which Fate might be about to pronounce. Just once more the venerable Monarchy called its colourful mixture of peoples and nations to march past, formed up the hierarchy of its social order—aristocracy and parliamentary deputies, guilds and citizens, in accordance with the well-established formulas of age-old ceremony and with effortless ease. For one last occasion its army, rich in honour and tradition, was summoned to march past in sombre, funereal array.

On the outskirts of this silent zone, where boys were climbing street lamps to get an unhindered view of the procession, and where newsboys were shouting the headlines of extra editions, the situation was characterised by different slogans —"Przemysl", "Battle of the Isonzo", "Representation for the People", "Wilson"—and "the Republic".

766

The historic scene at which half Europe had its princely ambassadors and special envoys was nearing its close. Starting from the Stephansdom and traversing part of the Karntnerstrasse, the funeral procession turned off at right angles to the Neuer Markt, to the quiet church of the Capuchin Brothers. Swords flashed in the air, commands rang out, the escorting troops froze to attention and the coffin of the Emperor was carried into the church for its last benediction.

On the right-hand side of the hall of mourning a space had been cleared. There the "Steps of the Dead" lead down to the Emperor's Crypt, last resting place of the Hapsburg Monarchs since the time of the Thirty Years' War. The folk of Vienna who filled the great square outside, pushing their way on to steps and stairways, and craning their necks to catch a better glimpse of what is going on, ask to be told—of course, it happened long ago—how it was in the days of "Franz the Kaiser".

"Before the closed doors", they tell one another, "the coffin was placed on the ground. The Master of Ceremonies lifted his baton—heavy black tassels hung from it—and knocked three times on the door.

"It had been locked from the inside by the Monastery folk and behind it stood the Pater Guardian with a lighted candle. He is in no hurry to open, and first asks: 'Who demands entry?'

"The Master of Ceremonies—the same one who times out of number, in the long gallery at Schönbrunn, had announced the coming of his Liege to invited guests—gives answer: 'His Apostolic Majesty, the Kaiser Franz.'

"The Church, however, sees a coffin before it in which a dead man lies and rejects any idea of majesty. Therefore the monk answers: 'I do not know him.'

"The Master of Ceremonies then lifts his mace again and knocks on the door with a triple rap. 'The Sovereign Kaiser Franz wishes to be admitted.'

"Unshaken and grave comes the answer: 'I do not know him.'

"And once again the voice of the monk questions: 'In the Name of God, who wishes to enter?'

"Quite simply the Master of Ceremonies returns: 'Your brother Franz, a poor sinner.'

"Only now is the door to the crypt opened and the new guest received into the realm of his forebears with that reverence of spirit which the pious monks accord to all men who believe in the resurrection of the dead."...

Waiting, whispering and conjecturing, the masses fill the square. In the meantime the monks have carried the coffin down to the crypt, where it is once again set down and the Master of Ceremonies asks: "Do you recognise the Emperor Francis Joseph?"

He is answered by the Pater Guardian "I know him. He will rest securely here."

Now the dead ruler is carried past his predecessors—twelve emperors, sixteen empresses and over a hundred archdukes lie here. The tombs of the founders

766 of the crypt, Matthias and Anna, are simple and humble, plain four-sided leaden caskets. The coffins stand side by side in long rows, bearing coats of arms, or the heads of lions beside the metal carrying rings.

Surprisingly magnificent sarcophagi stand beside them. Baroque, with its determination that one should live with every atom of one's force—and so die—has descended into the realm of the dead. Eagles about to soar in flight and couchant lions support massive coffins. Heads of veiled women, their faces wrung with grief, ornament the corners.

Maria Theresia and Franz von Lothringen! This monumental sarcophagus is a memorial of love on which the Empress and her husband are artistically depicted facing one another in lifelike fashion. At their heads waits an angel with a trumpet to arouse them on Judgment Day. Eleven of her children are grouped around the Empress, Joseph II in a simple coffin of copper.

Now Francis Joseph, after doing his duty like a soldier up to his last breath, has joined the ranks of his ancestors.

728 In October 1918 came the collapse of the Central Powers. English officers, standing in front of the Hotel Imperial, held in their hands newspapers with the headlines: "The War is Over."

For Austria it was much more than a war which was over. If the essential Austria had been no more than what was then laid to rest under the insignia of the Double Eagle, the country would then—in 1918—have certainly come to an end.

Instead, there occurred something entirely unexpected, something unique. The little Austria which remained after the destruction of the Monarchy, a severely mutilated torso to which in widespread circles in Europe it was sought to deny not only all rights, but even its ability to exist, this fragment of the heart of a continent defied the blows of fate and arose again, re-establishing its sovereignty as built up on and supported by the labours and solidarity of its workmen, peasants, and middle classes.

Eternal, indestructible, resurrected Austria!

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PART II

LAND · PEOPLE AND NATIONAL COSTUMES

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533
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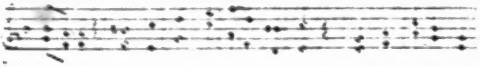
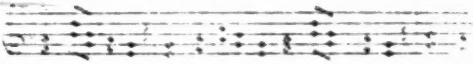
ÖSTERREICHISCHE BUNDESHYMNE

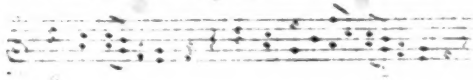
and der Berge Land am Strome · Land der Äcker
Land der Dome Land der Hämmer zukunftsreich! Heimat bist du
großer Söhne Volk begnadet für das Schöne vielgerühmtes
Österreich · Vielgerühmtes Österreich ·



Reiß umfehdet wild umstritten liegst dem Erdteil du
inmitten einem starken Herzen gleich · Hast seit frühen Ahnentagen
hoher Sendung Last getragen vielgeprüftes Österreich ·
Vielgeprüftes Österreich ·



Einig in die neuen Zeiten · frei und gläubig sich uns schreiten ·
arbeitsfroh und hoffnungsreich · Einig laß in
Brüderchören · Vaterland dir Treue schwören · vielgeliebtes
Österreich · Vielgeliebtes Österreich ·



MELODIE VON W. A. MOZART
TEXT VON PAULA PRERADOVIĆ

[-159-] [-158- is blank]

539

THE AUSTRIAN NATIONAL ANTHEM

Land of mountains, land on river,
Land of ploughed fields, land of churches,
Land of hammer, land of future,
Motherland of mighty sons,
People blessed with beauty's crown,
Austria of proud renown!
Austria of proud renown!

Scene of feuds and bitter strife,
Still you lie amidst this region
Like a heart with courage high
Since your earliest ancestors
You have borne a mission's burden,
Sorely tested Austria,
Sorely tested Austria.

Courageously towards a new age,
Strong in faith and free we march
Joy in work and hope is ours
Our word as brothers thus united
To thee, oh Fatherland, is plighted,
Much beloved Austria,
Much beloved Austria.

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BE-TWEEN RHINE AND ARL-BERG

VORARLBERG

[-161-]

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WORD-PALETTE VORARLBERG

Alpine gateway · Europe's great watershed ·
East-West · West-East Express ·
Formerly portals 'gainst Alsace and Burgundy ·
Austria's Rhine Province now ·
Sharply defined in landscape · customs and its people
Shepherds' pastures · pine-fragrant valleys ·
Schesaplana · deep blue Silvretta · distant prospects ·
The moving shadows of cable-railway cabins across verdant
green slopes · Promontories jutting out into
Lake Constance · valley of the Rhine ·
Garlanded breeding cattle · "Maisäss" · peasants' seasonal treks ·
"Ländle" · not "Land" · "townlet" · not "town" · freedom on every pathway ·
Sparing · deliberate gestures · practical · consequent minds ·
Industry freed from smoke and soot · "white coal"
from her native mountains ·
Production without proletariat · rising birth-rate in the towns ·
Gay-coloured textiles · ball and chain shot · exquisite
hand-made lace ·
Ski-lifts · swaying passenger-conveyors · thrill of
lightning descent ·
Blue shadows of ski-tracks on the snow ·
Silently whispering legends of wintertime ·
White springtime in Austria ·

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VORARLBERG
GERMANY
SWITZERLAND
LIECHTENSTEIN
SWITZERLAND
TYROL
BREGENZ
DORNBIRN
SCHWEIZ
FELDKIRCH
BLUDENZ
Dreiländerspitze

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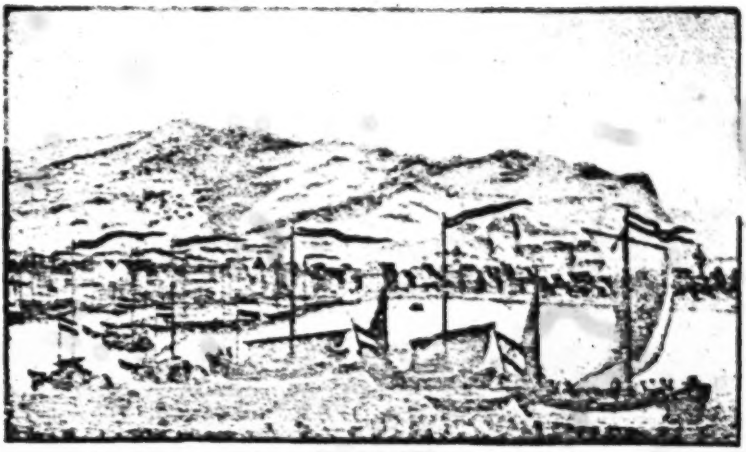

Bregenz in 1799.

361 131 BREGENZ AND LAKE CONSTANCE. Old and venerable Bregenz, Austria's gateway to the West, has maintained its leading position in the life of Vorarlberg throughout the centuries and today it is still the capital. It has been favoured in its situation. On one side it nestles beneath the protecting spurs of the Northern Alps; on the other it stands astride the route which traffic has followed from the earliest times along the banks of the Rhine, one of the natural highways of Europe. These factors have made of it a little town with a charm which is all its own. Its strategic importance was proved again and again during the chaos of barbarian invasion by the Saracens or from the East, during the quarrels of feudal overlords and the inroads of the Appenzell folk and the Thirty Years' War. These have left marks on its countenance which, do it honour and give it a claim on one's respect. These lines are not the wrinkles of age, but an indication that the spirit behind them has learnt how to overcome adversity and to pursue a settled course with courage and consistency.

Modern Bregenz is once again proving by its actions the existence of this driving spirit. It is fully aware of its importance as Austria's open gateway to the West, and from this realisation has come the strength to begin reconstruction, which in view of the Motherland's difficult position after the second destructive world-war is doubly important.

133 361 496 The cable railway which leads straight from the town to the commanding heights of the Pfänder reveals that the attraction of Bregenz lies not only

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361
[496]

IT ALL BEGAN WITH THE FLOOD

When Noah first set foot from the ark on dry land, he found himself not on Mount Ararat, as is generally believed, but in Vorarlberg, at the summit of the Widderstein. It is true that the venerable mountain mentioned in the Old Testament is not the only one which claims to have been the landing place of the Ark after the flood. But the attempts of other places to steal the glory of having been the second cradle of mankind must be disregarded in view of the claims which Vorarlberg can advance. When the first ascent of the Widderstein was made, remains of the bulwarks of the Ark — or at least of some of them — were still lying on the summit. This discovery, the Vorarlberg people claim, of course put an end for all time to the controversy as to which country Noah first set foot on.

133

The second patriarch of the human race was thus the first inhabitant of Vorarlberg.

Alas that efforts to continue the history of Vorarlberg from this point onwards should oblige one to admit that the descendants of the Old Testament here must have remained analphabets through several thousands of years, at least until the birth of Christ, for they have left to posterity no record that they ever existed.

Otherwise, Vorarlberg's first inhabitants seem to have known a very elementary form of civilisation. There are few traces of their activities, other than a few primitive hearths sheltered behind rough walls. Much ingenuity was called for to find even these.

In fact, the first tidings of Vorarlberg come to us from one of the many branches of the family of Noah, those who called themselves Romans. They selected the fifteenth year after the Emperor Augustus ascended the

in its historic importance and cultural activity, but also in its geographical position. This overhead railway is one of the oldest and most popular in Austria. Certainly the view from the Pfänder over Lake Constance and the Swabian Plain which lie below, spread out like a map framed by the Swiss and Vorarlberg mountains, can hardly find its equal. And the lake itself? In its manifold beauty, whether it presents a limpid surface ruffled by tiny sparkling waves which caress the swimmer, or some masterpiece of colouring by nature which takes one's breath away, with the tinted curtains of the sunset changing from minute to minute, or the threat and fury of unleashed elements, lies a magic attraction from which few are immune and which tempt the poet to take up his pen in their praise.

THE AUSTRIAN GEOGRAPHY OF THE RHINE. As the whole world knows, the question of the left bank of the Rhine has been the starting point of many bloody European wars, even of the world wars.

Strange how the most complex questions change their whole character when treated in Austrian fashion. The left bank of the Rhine! Who knows that Austria possesses a left bank of the Rhine, or that the river is crossed by two Austrian bridges? That the Vorarlberg parishes of Höchst, Fussach and Rheinau belong to the left bank? (It may be

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View of the Town of Bregenz.

133 mentioned here that Goethe crossed Lake Constance from Fussach when he returned from Italy in 1811.)

The landscape which extends on either side of the Rhine's artificial channel is a peculiar one. Suddenly transported there, one would not believe oneself to be in a mountain district any longer. Swamps, in part made fertile through drainage, spread out for miles. Looking north, one has the illusion of being in a sunken plain. A colony of many varieties of birds inhabits this stretch of land. Few can withstand the charm of the softly waving reeds. The broad expanse of country, the rustling and whispering of the brittle stalks and slender foliage of the reed-banks seem to liberate the spirit. Unconsciously one breathes more deeply, the eye drinking in greedily the distant blue, the ear attuned to the voice of nature. The heart is soothed by the spirit of the moors in the all-pervading stillness, broken only by the harsh cry and the beat of the wings of some startled bird.

361 The largest Rhineside market town in Vorarlberg is Lustenau, celebrated like all Rhine settlements for its rich harvests of carefully tended fruit. As a settlement the big market town presents a singular picture. The houses, scattered over an area which is wide in comparison with the number of its inhabitants, are often hidden behind the dense foliage of fruit trees which entirely conceal them from the road. Lustenau is more or less of an enclave. Both in language and physiology, its inhabitants differ considerably from those of the rest of the Province, who

throve to pay a visit to their very distant relatives in Vorarlberg (who had remained on their patriarchal inheritance) to teach them new and more modern ways of living and, as opportunity offered, to honour in their shells.

These drastic methods of instruction seem to have taught the ancient Vorarlbergers within a remarkably short space of time how to build streets and houses, indeed even regular settlements. They served their apprenticeship in this new art by setting up a fortified castle with its dependent courts and buildings which their distant relatives from the South named "Brigantium", or Bregenz, perhaps in honour of the family of Brigantius which lived there. As at the moment it was the thing to engage in trade, and to give their Vorarlberg connections a concrete example of what trade means—chiefly, taking what one wanted from others and giving them in exchange what one found useless—the Romans founded a Brigantium branch of their world-wide exchange system. As this town on Lake Constance was at the crossroads of some of the most important highways of the time, it soon became well-known to the civilised world.

Thanks to the attentions of their Roman relatives, the people of Vorarlberg and their province soon began to play a part in history.

A trace of special worldly wisdom confronts one on the wall of a house on the outskirts of Montafon:

An honest mind and dealings fair,
Result in naught but wretched cars.

A BRAVE PEASANT FOLK

Until the end of the Middle Ages many of the upper valleys of Vorarlberg were very sparsely populated or totally uninhabited. About this time began the exodus of Germanic races

jokingly accuse them of being descended from "gipsies". That is, of course, an exaggeration, but it contains a small grain of truth, for while other parts of Vorarlberg were subject to some feudal lord or other during the Middle Ages, Lustenau was a "freier Reichshof", meaning that anyone might take up residence there without special permission. It was small wonder that all kinds of wandering folk made use of this freedom, though not to the disadvantage of the present day inhabitants! Their vivacity and ready wit have been in part responsible for the prominent part which the people of Lustenau played and still play in Vorarlberg intellectual, more especially musical life and sport.

"HERE STUDIO DORNBIRN!" This call-signal coming over the ether a dozen times a day has made familiar the name of a town in Vorarlberg which until recently, despite the fact that it has the largest population of the province, led something of the existence of a sleeping beauty. Only in textile-trading circles has its name been famous for many years beyond the frontiers. Dornbirn is Vorarlberg's industrial centre. Such a description is usually in itself sufficient to condemn a place, conjuring up as it does a vision of tenements, soot-laden air and a forest of smoking factory chimneys. All who cannot picture an industrial town otherwise are recommended to visit Dornbirn, which has the additional appelation

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Sample of Peasant Weaving from the XVII Century.

361 of "Garden City". The social problem is solved here in noteworthy fashion,
288 for although more than half the population is dependent on industry, it has no proletariat.

In grappling with its problems, the town has, of course, been helped by its
133 favourable geographical position. The winter sport resort of Bödele which is easily reached by a picturesque road brings life to Dornbirn as soon as the white carpet covers the ground. In summer its chief attraction is a beautiful and sinister gorge which is reached by a romantic artificial flight of steps—the Rappenlochschlucht. Closed in by walls of rock which tower vertically to a height of several hundred feet, crossed far above by a bridge, the turbulent mountain waters far below foam and roar through the gorge. The spectacle is well calculated to awaken a wholesome respect for the might of those forces which give shape and form to surrounding nature, and through her to our own lives.

133 From the tree-covered summit the hoary keep of Neu-Ems Castle overlooks
712 the valley of the Rhine. The steep crag commanding the town bears the ruins of Alt-Ems, before its destruction in the Appenzeller War one of the greatest castles of the German Reich, equal in size to the famous Wartburg. The palace built by Count Kaspar still stands today at the foot of the Castle Rock. A number of other buildings and historic names lend to Dornbirn that magic of departed grandeur which always lingers around historic walls and ancient monuments.

133 THE GARDEN OF VORARLBERG.
In the midst of the plain through which flows the Rhine rises the Kummenberg, a witness to the activity of the Rhine Valley Glacier in the Ice Age. To the south its tree-covered

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from the canton of le Valais, in Switzerland. At the beginning of the 15th century the number of these peasants who came to settle in Graubünden and Vorarlberg was steadily on the increase. These new arrivals seeking employment were readily welcomed by the land-owners, and the uninhabited upper valleys were allotted them to build new homes. In order to persuade them to settle permanently the gift of land was accompanied by various privileges. In this manner the uncultivated part of the Tannberg, in the Upper Bregenzerwald, and especially the two Walser valleys which have taken their name from it, developed into the home of a sturdy peasant race which has become a permanent factor of the national and economic structure of the Province.

Anyone who wants to form a picture of the strenuous way in which these descendants of the old inhabitants of the Valais who have retained much of the peculiarities of their former country in their speech, dress and customs gain a bare existence from a grudging nature, needs only to observe how they live in the Grosse Walsertal. Generations of bitter struggle for daily bread have produced a sturdy and weather-beaten folk whose existence is deeply rooted in the soil.

The people of Vorarlberg are not uniform in character, but form rather a mosaic of various sturdy elements welded together by historical developments.

slopes rise gradually, but to the north it falls away 133
steeply. It is well worth the trouble of climbing, for looking down from its heights one has a delightful outlook over the entire Vorarlberg part of the Rhine Valley. In the east the picturesque houses of the market town of Götzis combine their greetings with those of the massive ruins of Neu-Montfort. The chief picture to [311]
the north and south is that of innumerable tiny rectangles of grass alternating with arable land, a clue to the agricultural structure of the countryside. An unusual trick of nature affords amusement to visitors to the summit of the Kummenberg: pieces of paper or material which are thrown out over the yawning depths are returned to their owner by the air currents. Even hats which have been tossed over are said to come back of their own accord, but not everyone cares to put this to the test.

To the south of the Kummenberg a vale 361
branches off from the main Rhine valley which is 245
called the "Garden of Vorarlberg". About a dozen pleasant villages cling to the foot of the mountain or have found themselves a sunny place half way up it, and in blossom-time the whole countryside is one fragrant bridal bouquet. On the sunny slopes flourish delicious grapes; Fraxern, hidden in a hollow between the green hills, is famous for its wonderful black cherries, which attract crowds of visitors who arrive with baskets and carts. Viktorsberg, looking

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The Parish Church in Bregenz.

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Vorarlberg is Austria's estate on the Rhine. Between the eastward-flowing Danube and the westward-flowing Rhine, between the one which finds its outlet in the Black Sea and the other which flows into the Atlantic Ocean, lies Austria, the bridge and watershed of Europe. In 1363 the House of Austria acquired its first possession in Vorarlberg in the shape of a small estate near Götzis. This was the start of a long process which led to the unification of a Province. As military leaders under the Emperors Karl V and Philipp II, the Counts of Hohenems embodied large numbers of serfs from their estates in their armed forces. From then onwards, Vorarlbergers have constantly emigrated from the Province, as labourers, stucco-workers and carpenters, selling grindstones or herbs from Montafon, or in the employment of Bregenzerwald builders of the Baroque. It was not until industrialisation set in that this industrious race had the chance of finding work and a home in its native country.

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It is characteristic of the Vorarlberger to dislike and avoid ostentation and exaggeration. In accordance with this reserve, he is sparing of gestures and words. These characteristics help to a clear-cut political sense and a natural feeling for democracy.

The people of Vorarlberg prefer their four small or medium-sized towns to one large one. They do not mind having to go sometimes to Bregenz and Feldkirch, sometimes to Dornbirn and Bludenz, for these towns after all lie close together. The Province is thus spared many a problem which may arise out of having a single large town in an alpine area.

The "Ländle" ("Little Province") has its characteristic industrial character.

down from the lofty Warte, is one of the oldest recorded settlements of Vorarlberg; even Karl der Dicke (Charles the Fat) is said to have toiled up there on a visit to the pious hermit Eusebius. Röthis, however, the heart of the Vorarlberg vineyards, lures one with many a sparkling drop, golden-yellow and ruby-red, down into the valley.

The chief town of the Vorarlberg Garden is Rankweil, which played a prominent and decisive role in the history of the Province throughout the whole of the Middle Ages and on into modern times. At one time the whole population used to congregate for the trial of criminals there. Today, as one of the greatest pilgrimage centres of this Catholic province, it has again become a meeting place for crowds in holiday mood. Its symbolic building is the double-towered Liebfrauenkirche, built on the remains of a former fortress, which confronts the stately Felsenwarte.

THE STUDIERSTÄDTLEIN (the "Students' Township"). Feldkirch has not always been called the "Studierstädtlein". Like Bregenz, it has had one of the most colourful histories of any place in Vorarlberg. In earlier centuries it was with equal justice called the "Officers' Township", but today both terms are inapplicable. It is noteworthy that in each case its municipal character was emphasized. Even today this is the most noticeable thing about it. Of all towns in Vorarlberg it has best preserved the character of the mediaeval burgher settlement. Like Bregenz, Feldkirch formed part of the Montfort property. Through repeated partitions of the estate among members of the family, which weakened all its powers of resistance, Feldkirch came at an early date into the possession of the Hapsburgs, thereby gaining in comparison with other areas which had remained under the rule

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of local feudal lords, special privileges which ensured it unusual opportunities for development.

The picture of a mediaeval townlet which Feldkirch presents today is furnished mainly by the streets of the inner town, consisting of solid and impressive buildings in which merchants have carried on their affairs for many generations. Such evidence as survives of former defensive constructions like the Churer Tor, the Katzenturm and Schattenburg Castle, which towers over the town, conjure up visions of scenes long past to attract a stranger's attention.

361 871 Feldkirch was called "Studierstädtlein" in bygone days when it was of great importance—one might almost say of unparalleled importance—in educational affairs. It had a grammar school, a college for teachers which attracted students from all over the country, and the famous Jesuit college "Stella Matutina", well-known throughout Europe.

361 635 It could with almost equal justice have been called the "Township of Bureaucrats", although it was never a centre of government. But the majority of the other administrative bodies of the province are established in Feldkirch. The cosmopolitan character of the bureaucracy of the Austro-Hungarian Monarchy has affected the racial composition of the local population.

361 498 Feldkirch, as a junction on the only direct East-West route, is of importance to the Austrian traffic system. It is the main railway station on the frontiers of Austria with Switzerland and Liechtenstein, and thus a connecting-link in the West European transport organization.

133 DO YOU KNOW THE LEGEND OF THE THREE SISTERS? No? Then wander from Feldkirch through the Ill Ravine, the "Felsenau", that deep channel which the river has for centuries been cutting through the imprisoning rocks and which is still so narrow that there is only just room for the railway leading to the Walgau to run beside it. A feat of engineering was called for to carry the road over river and railway on a precarious bridge. Once one emerges from this narrow gorge, the character of the countryside is seen to have completely changed. Even the air is cooler, and the natives say that east of the Felsenau (i. e. in Walgau) it is "a jacket cooler" than in the Rhine Valley. You walk all

With only four factories employing over 500 persons, it is the smaller and medium sized specialized industries which are typical. First comes the textile trade. The Vorarlberg cotton industry, which enjoys an international reputation, produces not only the finest multi-coloured woven cloth in Austria, but also high class printed goods. Woven silk and specialized woollen and knitted goods are also typical of local industry. Vorarlberg's reputation for embroidery and hand-made lace has spread far beyond the confines of Europe. Other Vorarlberg industries concern themselves with refining and specialized finishing processes, for the Province is lacking in almost all raw materials. Cogwheels, gears, pumps and machines, sliding scales and specialized tools are all made here. The factories for the construction of elevators and cable-railways are based on "White Coal", on the natural water-power of the Province, the exploitation of which has been developed to a high degree.

the more easily and vigorously and you are quickly in Praetzaus. 133

Here it was that three sisters once lived—at a happy period, no doubt, for, according to an accepted legend, a spring of pure gold flowed at the foot of the Garsellaspitze. One sunny Sunday these three sisters, instead of going to church as custom and piety dictated, started out towards the Garsellaspitze. Who knows whether it was the flowing gold which led them astray or whether they simply wanted to gather berries? In vain did the church bells call them once more to mass. The three sisters, their heads filled with mundane matters, ignored the summons. Soon they found a place where berries grew so thickly that they were able to fill basket after basket in a short time. As a last reminder of neglected religious duties came the faint tinkle of the transubstantiation bell. When they ignored this final warning, they met their fate. Unable to move, their bodies froze and turned to stone. When the faithful left the church after mass they stood and stared, for at the foot of the Garsellaspitze rose up side by side three tall rocks. The three sisters, however, were never seen again. Their baskets full of berries were found there on the following day. So came the three rocks by the name of "The Three Sisters".

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WHERE THE UNICORN HAS ITS HOME. Yes, indeed, the mythical unicorn still exists in Vorarlberg, in the above-mentioned Walgau—in the coat-of-arms of Bludenz, its chief town. Here the landscape is sunny and smiling and the people vivacious and cheerful.

Despite the dominance of the unicorn in the Walgau, or

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Rankweil.

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Tisis.

rather in Bludenz, it is not dangerous to live there. On the contrary, this little town on the Ill with its romantic past and its industrious present offers many attractions and opportunities to visitors. To begin with there is the picturesque centre of the town with its narrow streets and mediaeval avenues. The Obere Tor is decorated with a fresco of Friedrich of the Empty Pocket which recalls how the people of Bludenz afforded their liege lord sanctuary and loyalty after he had been outlawed by the Emperor. There is a parish church built on a dominating cliff, and the more massive than beautiful Castle Gaienhofen, which has been put to various uses in the course of the years. As far back as the Celts and the Romans there were settlements on this site. The attractive and charming surroundings of Bludenz have earned it the name of "Gateway of the Alps". For one who wishes to get to know all the passes from the valley level to the snow-capped mountains of the main Alpine range it would be hard to find a more favourable centre than this little town of the Walgau.

133 Arriving at Bludenz by train, every traveller is struck by a snow-capped mountain of bare rock rising sheer out of the green valley. This is the Panüler Schrofen, the western "shoulder" of the Scesaplana, queen of the Rätikons. As the culminating point of a whole chain of mountains this giant is not only an attraction for local tourists, but is one of those peaks which have made history in the opening up of the Eastern Alps. Thanks to its commanding height, it offers an almost unrestricted view of the countryside, including a charming glimpse of Swiss Prätigau in the depths below.

THE VALLEY OF WHITE COAL. The Montafon valley played a part in national transport centuries ago, for it is the gateway to southern Europe, and more immediately to Veltlin. Today it is a power centre for countless industries scattered over a considerable part of Central Europe.

133 361 On the way from Bludenz to Montafon one passes through Vandans, a village which is threatened as no other by the primitive forces of the mountains. Millions of cubic metres of rubble and boulders lie waiting in clefts of the Vandanser Rock Wall, like a wild beast crouched to spring, ready to hurl itself down at a given moment on to the peaceful human community, carrying death and devastation. An attempt has indeed

Feldkirch; Churer Gass.

been made to guard against such an occurrence by the construction of mighty barricades. Whether man will be found to have succeeded in banning such elemental natural violence, the future will show.

Further up the Ill lies Schruns, the chief town of the Montafon, nestling picturesquely in an arm of the valley. Few places in Vorarlberg have been so fitted by climate and surroundings to become a health resort as this pretty market town.

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Stuben on the Arlberg.

It is indisputable that the people of the Montafon are very different from the rest of the population of Vorarlberg, as their customs, temperament and language plainly show. Montafon has withstood germanisation longer than any other part of Vorarlberg, and has thus preserved certain characteristics of its original Romanic population. 563

Opposite Schruns lies Tschagguns, once much visited by pilgrims but nowadays more of a centre for winter-sport. Tschagguns has particularly good ski-ing facilities and is also the starting-point for trips to the Rätikon, the excursion being facilitated by a cable railway to Grabs, 4,800 feet above sea level. In the area accessible from Tschagguns, the exacting mountain climber will find the same satisfaction as the tourist who wants only to discover and meditate on the beauties of nature. The way to the Gauertal, which is widely known for its beautiful scenery, the end of the valley with the Lindau Hut rising from the last scrubby pines in the foreground, backed by the Three Towers in the distance, has been characterised by the most experienced and best-known Alpine climbers as unique and incomparable. 361 529 133

Bregenz Tower.

A few miles beyond Schruns, on the slopes of the mighty Kapelljoch, which is to be made accessible by a cable railway, in a narrow part of the Montafon Valley lies the district of the "Fratte", which divides the valley into Outer and Inner Montafon, or, as the inhabitants say, "Outer and Inner Fratte". The first hamlet of the Inner Fratte is St. Gallenkirch, whence the valley of the Suggadin river stretches away in the south to the mountain health-resort of Gargellen. Surrounded by the most bizarre of mountain scenery, the latter is, perhaps, artistically

361 considered, the most attractive place in the entire Province. What makes of it a
529 health-resort is the fact that of all places in the Province, it has the record
133 for sunshine, and that it has the same wonderful climate as the Swiss health-resort of Davos, only 18 kilometres distant as the crow flies.

That the Montafon, particularly the Inner Fratte, has lost its original character
361 of a mountain farming area is immediately evident when one comes to Parthenen,
133 last of the valley settlements. At first glance it is recognised as an industrial township.
377 Montafon's name of the "Valley of White Coal" is here justified, for the district in which Parthenen is situated is devoted to the production of electrical power. Cable-railways, elevators, narrow-gauge railways running at a height of over 5,000 and 6,000 feet, extensive plants and tunnels several kilometres in length show at first glance with what energy technical knowledge is striving to render the forces of nature of service to man. The source of these forces is the glaciers of the main range, the "Blue Silvretta", famous as a ski-resort in spring. It is easy to repeat without giving the matter further thought that the beauty and natural charm of the mountains are destroyed when their useful potentialities are exploited by mechanical means. It is far wiser and more just to go oneself (and how much simpler the many inventions of the much abused mechanical developments have made such a trip), to ascertain with one's own eyes that the two enormous artificial lakes at Vermunt and Obervermunt have lent a touch of beauty to the picture which was lacking in the monotonous valley which they have superseded. For the mountain lover there still remain the combs and peaks of the monarch of the Vorarlberg Alps, the 9892 foot high Piz Buin, which he can approach with untroubled heart and a determination to dare its perils, without any risk that his ideal picture will be found marred by the spirit of a profit-seeking age.

529 THE LOFTY CASTLE OF THE
526 WHITE ART. It is not so very many years ago that winter was regarded as a visitation of God. More especially was this the attitude of the mountain folk whose means of livelihood were drastically curtailed during the cold months by the many feet of snow. This attitude only underwent a change when human ingenuity succeeded in making use of two strips of wood bound to the feet with one end bent upwards, which brought with them greater freedom of movement even over deep snow. This happened in Austria towards the end of the last century. One of the areas in which this now widespread

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Old Montafon National Costume (Woman).

"White Art" was developed and cultivated is the Arlberg, which takes its name from the pass which was well-known as a connecting-link between Tyrol and Vorarlberg even in mediaeval times.

The name Arlberg is a magic word which arouses echoes in the heart of every skier, of whom there are hundreds of thousands today. There is scarcely another part of Europe which satisfies so many demands of modern ski-ing as this mountain-world on the borders of Tyrol and Vorarlberg. It gave its name to a well-known ski-ing style, and the name of Hannes Schneider is inseparably connected with the conception of ski-ing. You will quickly get an inkling of the Arlberg district's meaning for the sporting side of modern ski-ing if, at the end of winter, you glance down the lists of winners of the great international races; again and again you find Arlberg names at the head of them. The importance of the Arlberg from a ski-ing as well as from a tourist point of view will be understood and never forgotten by anyone who has ever spent a week there at the height of the season.

[496] The line of approach to this eldorado of the "White Art" is the Arlberg railway, which ascends from the Vorarlberg side of Bludenz in daring curves, overcoming the natural barriers of the narrow Klostertal by many a viaduct and tunnel to reach Langen-on-the-Arlberg, nearly 4000 feet above sea level.

On arriving in Langen one is at once confronted by a scene of activity. Motor-sleighs and innumerable horse-drawn sleighs, vast piles of luggage and a crowd of shouting and excitedly gesticulating people—a gathering of many nations—fill the square in front of the station. Within a few minutes this confusion resolves itself into an orderly line of vehicles which sets out over the Arlbergstrasse and Flexenstrasse with a rattling and tinkling of bells towards Stuben, Zürs and Lech, [491] well-known winter-sport resorts. The drive over the Flexenstrasse, especially in winter, is an unforgettable experience. No one can fail to be impressed by the manner in which this important highroad has been built in defiance of natural obstacles, with a vast expenditure of time and money, but with a due regard for the beauties of nature.

The less attractive the Arlberg scenery around Zürs is in summer, the more appeal the treeless white slopes have in winter when they are softly blanketted

in deep snow sown with glittering crystals. When a blue sky rises in an arch above, it is enough to make every heart beat more quickly. One feels an irresistible urge to set forth on skis, to plough a shadowy blue track in the virgin white, to hear the crackling and whispering of the myriad shining snow crystals, to abandon one's body and spirit to a purity and freedom which is only to be found in the alpine heights in wintertime. And the experience of the whirlwind descent, the snow flying up like clouds of star-dust! Here there is enjoyment for everyone, even though their numbers run into thousands. There is room enough for each one to get away from the others and to make a track of his own. The great hotels are ready to furnish proof that city dwellers who cling to their standard of comfort are also catered for. A first class ski-school provides individual and successful instruction in the White Art, and the ski-lifts enable those setting out on a ski-tour to reach attractive areas without effort. 529 526

Lech-on-the-Arlberg is even more beautiful scenically than Zürs, although it does not lie so high and is less fashionable. Perhaps just for this reason it is more intimate and cosy. Lech attracts many guests in summer as well, although it is chiefly a winter-sport resort, furnished with all the necessary modern equipment.

Before we say good bye to the Arlberg, let us take a glance at one of its wild and romantic beauties—the avalanches. Many readers may be surprised to hear avalanches numbered among the beauties of nature, but their surprise betrays that they have never experienced the grandiose spectacle of this wintery force on the Arlberg. When on fine days towards the end of March and in April the modestly blooming violet begins to oust the snow in the valleys, high up amidst the peaks, still in full winter costume, an ominous rolling and a muttering begin which strike a chill into one's very bones. Lying in the sun in a safe corner, one can watch this drama of nature for hours without wearying. Again and again one looks up as one catches the rumbling sound, and in a few seconds gigantic masses of snow like a great white river throwing up showers of spray cascade down over black rocks into the ravine below. Long 133

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after the avalanche has subsided to the view, the accompanying thunderous roar continues, itself gradually subsiding into a silence which leaves the ear keyed up for the next demonstration.

The Walser villages are interesting, in character easily distinguishable from other places in Vorarlberg. Every farm is built at least a stone's throw away from the next, according to Walser custom, and isolated houses are to be found as high up as the last slopes which it is at all possible to reach by vehicle.

The picture of the Great Walser Valley reminds the observer that it is not always man who rules nature, but that sometimes it is nature who forces man to acknowledge her imperious rule. The impression left by a visit to the Small Walser Valley is a much friendlier one. This district, which economically is an enclave not only within Vorarlberg but also within Austria, has an individual note due to the highly developed tourist trade which is everywhere in evidence. The natural traffic routes of the Small Walser Valley connect it with the adjacent Allgäu, but it has no direct connections with Vorarlberg or Tyrol. This valley, which offers many opportunities for winter sport, but is also attractive in summer on account of its beautiful scenery, has built up a remarkable tourist connection. It can boast of a very large number of comfortable inns and hotels. You will find them all along the only road, which links up the market towns of Riezlern, Hirschegg and Mittelberg, and on the slopes above. Obviously such developments have an influence on the way of life of the native population. But it is surprising to learn that in the Lesser Walser Valley even simple peasant's farms are furnished with many of the comforts of civilisation. Most of them have central heating, running hot and cold water, mechanical washers and modern kitchen conveniences run by electricity.

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[133] 361 MODERN NOMADS. The Upper Bregenzerwald, that is, the country above the Bregenzer Ache from the Bezau onwards, is chiefly mountainous in character, declining to hill country in the Lower Bregenzerwald. Populous settlements are scattered through the vales which branch off from the wide valley; solitary, 'sun-

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scorched farms reach far up into the green heights, to the scene of activity of a nomadic race. This exists here today in the heart of Europe, for the peasant of the Bregenz forests has remained a wandering shepherd despite all the developments of civilisation. He spends the winter in close companionship with his neighbours in the village, but as soon as the snow is finally gone from the mountains and the pastures on their slopes are beginning to turn green again, he moves off with family, goods and chattels to the "Maisäss", or "May residence", a solitary farm which is situated halfway between the valley and the Alps. In summer the peasant drives his flocks and herds up the Alps, most of the other members of his family returning to the valley to work in the fields and harvest the hay. If, at the end of summer, pasture at the highest levels becomes too scanty, he and his family return to the Maisäss until here also the approach of cold weather makes the pasturage too meagre. Only then does the family occupy its quarters in the valley. With such a system it is not surprising that even large villages present an almost lifeless appearance at certain times of the year.

The church at Schwarzenberg well repays the art lover for a visit. The village, which has nowadays made a name for itself as a winter-sport and holiday centre was the second home of the well-known painter Angelika Kauffmann. 361

In conclusion, among the notable peculiarities of the Bregenzerwald the so-called "Bezegg Column" must not be forgotten, that symbolic monument which recalls the former council-house of the staunchly independent and democratic peasants and artisans of the Bregenzerwald. This building could only be entered by a ladder which was removed as soon as the councillors had assembled and was not put back until the questions to be discussed had all been cleared up. This steadfast democratic spirit together with the commercial activity of its population is Vorarlberg's most valuable contribution to its great Austrian homeland. 344

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LAND IN THE MOUNTAINS

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G E R M
VORARLBERG
IMST
INNSBRUCK
LANDECK
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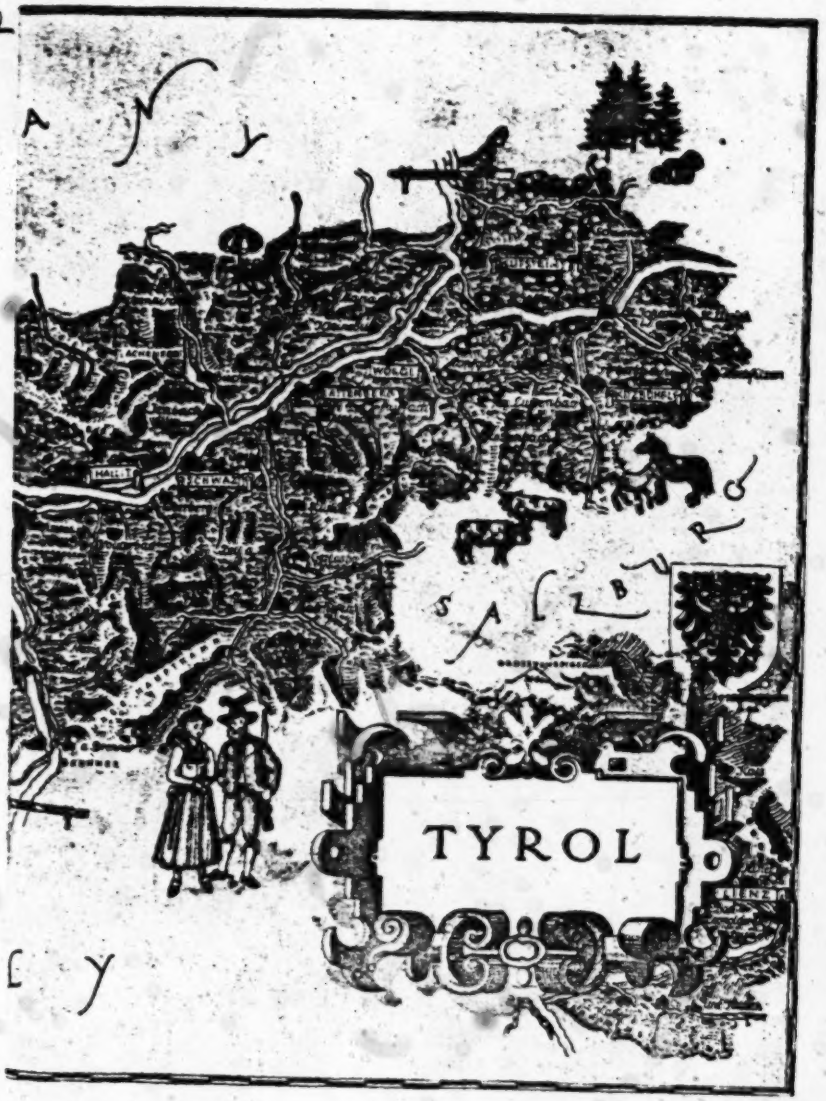

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WORD-PALETTE TYROL

Country of earliest-known mountain passes.
mules following Alpine tracks.
The rolling echo of stone-avalanches in the mountains
From afar, going farther to Pope or the Emperor,
winds the column.
The earth with a hundred towers, peak above ridge,
ranges of sheer cliffs, meadows, pastures, south wind and
prevailing winds across the mountain ridges.
Fir-trees, stone pines, black cock and chamois, poachers in
the coverts.—By sparkling rivers,
Shining white townlets, markets and farms.
Decorative gables and oriel windows, gently sloping roof,
weighted with stones.
Hand-painted chests, rustling ribbons, broad brimmed hat
Wood-carvers of saints, weavers, smouldering charcoal
in pine-fragrant woodlands.
Watchfully circling eagle, a man climbing after the starry edelweiss
A solitary Christ on the wayside wooden cross
For the sins of the world, for the turbulent blood.
Ghosts, proverbs, curious customs.
Frank glances, frank words, open and free as in 1809.
Dance of Death, the last rally.
At Mantua in chains: "Adieu, thou cruel world!"
Homeland, beloved soil—Holy Province of Tyrol

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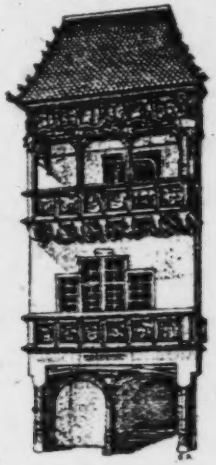

Innsbruck, Goldenes Dachl.

Europe is distinguished from the other continents by its combination of the maximum number of diversities in the minimum space. Austria is similarly singled out among the other European countries. And within Austria, the same distinction applies to Tyrol. The strong feeling of unity found in this province, contrasted with the diversities of its population, landscape and climate make it as strange yet alluring as its own name—Tyrol ....

THE FORMATION OF THE PROVINCE. North Tyrol can be said to be divided into two by the axis of the Brenner line and to be evenly balanced on either side of it. Taking Innsbruck as lying on the axis itself, we have Hall and Zirl, Telfs and Schwaz, Imst and Jenbach, balancing one another. The two great valleys on either side, the Ötztal and the Zillertal, have the Silltal between them. The curve of the Inn near Landeck is counterbalanced by its bend near Wörgl; there its upper branch runs south, as here its lower branch runs north; there the railway leaves the river and climbs to the snowy Arlberg, here it branches off to the ski-ers' paradise on the heights between Kitzbühel and Hochfilzen.

In the Alps the Seefelder Sattel forms a continuation of the north-south axis. On the one side stretch the Mieminger and the Wetterstein, on the other the chain of the Karwendel. The pass and lakes of the Fern lead from the Upper Inn Valley, the lake and pass of Achen from the Lower Inn Valley towards Bavaria.

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Ötztal Costume.

Beyond this territorial formation lies, in the north-west of the Province, the Außerfern, with intervening gateways—the district of Reutte through which flow the rivers Lech and Loisach, and in the south-east of the province of East Tyrol, the district of Lienz, watered by the Isel and the Drau.

The formation of Tyrol is regular—not rigidly symmetrical, but harmonious. The features which offset one another have both similarity and differences. The Ziller Valley, for example, at first broad and almost devoid of interesting features, rises a bare 300 feet at Mayrhofen. There it splits up into the "Gründe", like the fingers of a hand, and suddenly reveals its whole beauty; only the "thumb" has extended earlier at Zell in the Gerlos. In contrast, the valley of the Ötz rises by the "steps" of Ötz, Umhausen, Längenfeld and Sölden through delightfully contrasting gorges and basins until, after passing Zwieselstein, at Gurgl and Vent, it reaches the highest farmhouse, which lies at a height of over 6000 feet. The Sill Valley is unlike both. Starting from Innsbruck, the capital of the Province, it carries the main railway line and the main road up to a deeply cut pass with glaciers left and right. The Upper and the Lower Inn Valleys are equally important, but as different from one another as night from day, as are the chalk formations from the primary rocks south of the Inn.

132 The wanderer—in Tyrol one has to wander—comes across sudden changes in scenery as well as sudden changes of weather. North and south contest one against the other. The Föhn (south wind) forces the snow to retreat high up into the mountains in winter—the temperature may rise 70 degrees Fahrenheit in twelve hours—and in August a cold spell may cause a very sharp fall. Mountain and valley intensify the contrasts. He who freezes at midday in the eternal winter

A PAGE OF HISTORY

Meinhart the Second (of Görz) who was Meinhart the First of Tyrol, the man who formed the Province into a political unit in the thirteenth century, giving it the name of his castle near Meran, Schloss Tirol, is little remembered today. His wife, Elizabeth, on the other hand, still lives in the memory of the people. The widow of the Emperor Conrad the Fourth and mother of Conradin, she gave Tyrol the impressive background of the Staufer Empire. She set up a permanent memorial to her unhappy son in the Monastery of Stams. Meinhart, through the marriage of his daughter with the son of the Emperor Rudolf I, established the first connection with the House of Hapsburg.

Popular interest concentrates much more on the stirring story of Meinhart's grandchild Margaretha Maultasch ("Pocket-Mouthed Meg"), who drove out her first husband to marry her own cousin. She was excommunicated by the Church on the grounds that this marriage implied a double sin. It was long years before the ban was lifted. She survived her second husband and only son; in 1363 she made over "the land on the Etsch and the Inn Valley with Schloss Tirol and all else appertaining thereto" to Rudolf the Endower. Fourteen gentlemen of Tyrol put their seals to the deed in the name of all inhabitants of the Duchy, of the "clergy and laymen, nobles and commoners, neither living in the towns or in the country". With this impressive voluntary deed Tyrol began its life in the federation of Austrian Provinces. It soon found an opportunity to prove its loyalty.

Friedl with the Empty Pocket, popular despite his outlawry and excommunication, confirmed the freedom of the Province at the Diet of Meran in 1423, when for the first time burghers

of the ice world of the Ötztal may enjoy eternal spring the same evening 9000 feet below amid vines and chestnut trees. The modern mountain railways make the contrast even more unbelievable.

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THE TYROLESE. You will find among the people of Tyrol as many contrasts as those which characterise its landscape. To Tyrol the Bavarians came from the north and north-east, from the west and north-west the Allemanians, and from the south, Latin races infiltrated. The remnants of an aboriginal population whose source is obscure sought refuge from the invaders among the crags and crannies of the mountains where their descendants are to be found to this day. Throughout the length and breadth of the country you will come across curious names of village and pasture which recall these various races. Tyrol, which resembles Switzerland in this respect, managed to weld these various tribes—and later the people of German, Italian and Ladinian race—together, to live peacefully in a small area. Today these elements have overcome the limitations of nationalism and feel themselves to be above all Tyrolese. Once again the forces making for unity proved stronger than those tending towards separation, and the passes, as the word implies, have become links, not barriers.

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In Tyrol, inhabitants, dialect, costume, methods of building houses and of agriculture

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Egger-Lienz: Dance of Death.

differ from valley to valley and often from village to village. Strong, blond giants are to be found side by side with dark-haired, slender, agile men. In a few disproportionately-built men and women lives on the race of the giants of legend.

As the peasant, so his cattle. In the valley of the Lower Inn the cattle are heavily built and piebald; in the Upper Inn Valley there is a lightly built, grey type, rich in milk, growing in grace and agility as the pasturage becomes more scanty and difficult of access. In the mountain villages and remote enclaves there still survive many individual specimens of breeds which are otherwise becoming extinct.

342 The inhabitant of the valley of the Upper Inn builds his house of stone, he of
592 Lower of wood. The one keeps house and farm undivided, the other divides up
184 the farm and even the house, so that not only may several families live under one roof, but in the four corners of a large kitchen there are sometimes four ranges, each belonging to a different person who is expected to keep within the imaginary lines which mark out his own share of the floor. The Lower Inn rings with laughter and song and no one is ashamed of an illegitimate child. The inhabitant of the Upper Inn is reserved and sparing of speech; with him, the smouldering of no less violent passions is not easily to be detected.

197 There are many varieties of dialect. The people of the Ötztal call "Ferner"
184 what those of the Zillertal name "Kees" and which are called "Gletscher" —glaciers—only by the town-dwellers. The drawling and slurred vowel sounds, the clipped nasal consonants of the mountain dwellers, recall the speech of Latin races. The accent of the lowlander, in contrast, is graceful and often almost affected. In the broad valleys branching off from the main Inn Valley the inhabitants of the inner and outer valleys have little in common. In the Gschnitztal, for instance, Trins is a Romanish settlement, whereas Gschnitz at the foot of the valley is of German
609 origin. One consequence of all this is that anyone who moves from his own parish, even if only to a neighbouring one, is regarded all his lifetime as an "immigrant".

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Innsbruck; Grave of Maximilian.

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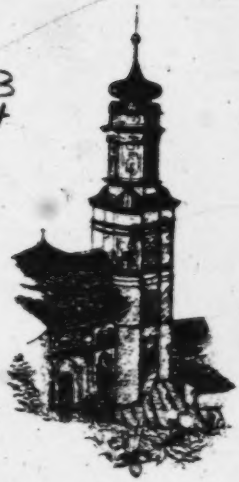

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Valders.

But if one asks what, in view of its many contradictions, Tyrol really is, one is again confronted by something strange and mysterious. It is a fact that, looked at from outside—for instance from Salzburg or from Vorarlberg, Bavaria or Italy—Tyrol presents the picture of a close-knit unit. Is it the mountains which hold together the Province (which in all documents is referred to as the "Land in the Mountains" because it is entirely dominated by mountains and because from north to south the whole territory consists of mountainous country which never descends to the level of the plains)? Is it a gift conferred by the gods for good or ill fortune; is there some idea of sacred mountains behind the song which tells of the "Holy Province" of Tyrol? ...

The peculiarly pious devotion of the mountain dweller to his homeland and his liberty has done as much to create the feeling of unity as has the great history of Tyrol which people keep alive today in many customs and many forms.

341 THE ARTS. In Tyrol, art belongs to the soil. The supreme period of its architecture is reflected not only in venerable abbeys, stately mansions, churches and the houses of the nobility, but also in many a farm-house and its outbuildings, in wayside crucifixes, chapels and shrines.

Apart from the imposing buildings and monuments which served the interests of the aristocracy and the well-to-do citizens—the most important example of these is the Tomb of Maximilian beneath the lofty vault of the Hofkirche in Innsbruck—the simpler output of native craftsmen is often impressive and singularly moving as, for instance, that gem of art, the little rococo church in the dreamy hamlet of Gschnitz. Built in the spirit of devotion, its existence threatened on all sides—from avalanches and landslides from the mountain above, from the torrential river below in the valley—it seems amid the forces of nature to do honour to God in the Highest, man upon Earth, and to act as a gracious mediator between the two.

Stams; Cistercian Monastery.

532 The artistic sense of the people is most apparent in the national costumes and

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Inuter Phantom Procession.

?: Marboe U-3 (no date) 1948 EX1 Austria EX1

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Rattenberg.

implements. Wood-carving is as native to Ladinian Gröden as to the Allemanian Lechtal. Represented by Michael Pacher of Bruneck (d. 1498), Joseph Koch of Lechtal (1768—1839), the Italian-Tyrolese Giovanni Segantini (1858—1899) the Bozz Tyrolese Franz Defregger (1835—1921) and Egger-Lienz (1868—1926), Tyrol has distinguished herself honorably in plastic art.

536 The Tyrolese folk drama is renowned. The theatre, good and bad, false and true to life, plays a large part in the life of the Province. The old Pradler-Bauern-Theater is a joy to the people of Innsbruck, with its plays of chivalry composed of [796] a blend of moving pathos and coarse jokes. The passion plays of Erl and Thiersee harp up the Roman Catholic tradition, while the carnivals, among which the Imster Phantom Carnival is fairly well-known, although not so much so as it deserves, [776] have heathen origins. The customs and legends connected with these are similarly rooted in heathen superstitions, such as the magic of the "Rauhnächte" or the "Expulsion of Winter" or the "Ringing in the Grass". They tell of the "Perchte" (benevolent spirits) and the "Saligen Fräulein" ("Happy Ladies"), the "Alm Dwarf", the "Venediger Gnome" and the "Ice Mannikin". Mountain and forest, water and air, cattle, trees and bushes—all are full of spirits. To compose and to think, to say and to sing, is all one.

534 Music is cultivated chiefly in the lowlands. From there came the violin maker, Jakob Stainer (d. 1621), the father of the German violin. The harp and trombone, like, of course, the zither, are played at home. In this country of mocking ballads, he earns praise who can devise humorous couplets on the 522 spur of the moment. Ribald practical jokes and dry humour are likewise typical of the Tyrolese. The mountain dweller is apt to ponder more over the next 812 world. Sometimes he developes into a rustic philosopher or scholar in remote districts, such as the map-maker Peter Anich and Blasius Huber from Oberperfuss.

and peasants were able to appear on a footing of equality with the nobility. Friedl's action conferred on Tyrol a democratic constitution, the like of which was not seen elsewhere on the Continent for many centuries.

With this Duke Friedrich ("Friedl") began Tyrol's period of greatness. The then very important North-South line —from Augsburg and Nürnberg to Venice—and the protection afforded by its mountains, made it the treasure store of the Empire. Bozen Market became famous throughout Europe. On the mines of Schwaz was founded the power of the Fuggers.

Friedrich's son, Sigmund the "Münzreiche" ("the Rich in Coin"), was considered to be the richest prince of his day. The Münzerturm ("Mint Tower") in Hall, the castles of Sigmundshaus near Schwaz and Sigmundsburg near Bozen are monuments both of his name and of his jovial extravagance.

Tyrol reached its zenith during the reign of Maximilian I. The Emperor loved this Province above all else; he formally gave it the proud description "Heart and Shield of our Empire"—the Empire on which, his forbears, Karl the Fifth, could boast, the sun never set.

It is not as the last of the knights of Europe that he will always be remembered by the people of Tyrol, but as one of themselves, a bold hunter, mountaineer and courteous gentleman. Tyrolese legend has the Emperor Max rescued from peril in the mountains on the Martinswand by an angel in the guise of a Tyrolese peasant. The cave in the sheer cliff is still shown from which he could have found no way out save for divine assistance.

By the Goldene Dachl which he built—legend attributes it to Friedl of the Empty Pocket—and by his tomb in the Hofkirche, Maximilian has ensured that for all time Innsbruck will be held in honour as his residential

Münzerturm in Hall-in-Tyrol.

VILLAGE AND FARM. The Tyrolese mountains are impressive, but Switzerland has these too, still more impressive ones (with the exception of the Dolomites in South Tyrol, which cannot be compared with any other range). Tyrolese towns and villages have a character which is all their own, showing a strong community feeling. Note for example the varied and original treatment of the dormer window. Nothing is more typical and characteristic than the Tyrolese village and the Tyrolese farm. 361

Sometimes huddled together, sometimes loosely scattered, the farmhouses are grouped about the church whose slender tower with gothic spire or baroque dome seems to gather together the surrounding buildings, directing them towards the heavens. Even more closely than the living do the dead crowd about the church. Honourable 361 764

Hall-in-Tyrol.

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361 [764] men, all of them, as the inscriptions on the crosses of iron or wood testify, yet as in life grouped according to rank and precedence.

For the living it is a comfort to have the dead among them; for the dead, to continue to play a part in life. The sound of church bells calling to early mass [788] starts the day; only the goatherd's horn has summoned the herds even earlier. At eleven in the morning the bell calls to dinner, and with the vesper bell the day is ended. The tolling of the bell marks out each working week, and marks out the year according to the festivals of the Church.

Public affairs centre on the church square. There official announcements concerning the parish are posted. Similar information is given out there after the service on Sundays. The cattle drink at the village well, and the men [562] at the village inn. The women take no part in public life.

Every farm, whether it stands apart amidst its 351 own fields, or whether it keeps good neighbourly company with others in the village, has an orchard and a small garden near the house. The garden grows vegetables and spices. Its many-hued flowers, pinks and lilies, asters and phlox, crown-imperial, mignonette, sweet-smelling herbs,

Wooden Mould.

city. The bronze Guards of Honour who, it was planned, should watch over him in the grove, belong to the many great conceptions which are perhaps more impressive in their unfulfilment.

With Maximilian, whose body actually lies buried in his native town of Wiener Neustadt, the star of Tyrol began to wane. Under Ferdinand I the Province became affected by the religious and social unrest of the Reformation, which was embodied in the person of Michel Gaismair; at the same time, however, the Council of Trent met in the south of the Province.

It was this ruler who divided his provinces into three, and for a hundred years Tyrol had its own regents. The very first one, the Archduke Ferdinand, won the heart of the Tyrolese through his love match with Philippine Welser, of Augsburg, as well as through his encouragement of the arts and sciences, which found lasting expression in the collection of Schloss Ambras, near Innsbruck.

Next it was a princess, Claudia of Medici, whose memory was enshrined in Tyrolese hearts, above all through the courageous rule of her Chancellor, Wilhelm Biener, who lived at Büchenhausen near Innsbruck and who fell a victim to the executioner's sword in the fortress of Rattenberg. It was at this time that the Porta Claudia was set up at Schwaitz as a protection against the Swedes. Tyrol indeed escaped the Thirty Years' War, but

borage and rosemary and the coloured glass balls 351
on sticks are the pride of the farmer's wife.

On entering the house it is easy to find one's 342
way round. The living room and kitchen are on 352
the ground floor, the sleeping quarters on the first story. The living room is panelled. In a darker corner away from the window stands the cosy, tiled stove, and in the window-nook the large table. A small bench runs the length of the walls, spreading out to form a comfortable chimney corner behind the stove. The cupboards are built into the walls and the tall grandfather-clock is built into the panelling. A font of holy- 353
water is always to be found at the right hand side of the door, and a crucifix, decorated with a red and a yellow ear of maize, gives its blessing to the daily bread from the window corner overlooking

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Weaving Pattern, XVII Century.

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the table. Potted plants fill the tiny window; alone the electric light with its wiring disturbs the picture.

In the kitchen the covered range has almost completely banished the open fire, but the chimney-place is still often vaulted. It is called the "heaven", although covered with oily, shining soot and black as hell. But this heaven does not "hang full of violins", but full of sides of smoked bacon and sausages. In the dairy the wooden cream dishes have given place to the centrifugal separator and metal utensils. But the butter-tub, in which the butter is made by churning or pounding, still remains.

Except on feast days the peasants' diet is sparingly supplied with meat but rich in fat. *Knödel* (dumplings), small cakes, dough-nuts, stewed fruit and *Schmarrn* (a sort of broken-up pancake), thick soup and potatoes make up the simple, healthy fare. All eat from one dish. Grace is said before and after meals. Occasionally there will be butter and bacon to eat with the black bread which the true peasant bakes himself.

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Much more could be told of the peasantry of Tyrol, of cowsheds, haylofts and threshing floors, of the ricks of hay and corn, of forestry and hunting, of mountain pastures, cow pastures and hay-fields, of sheep-pens and shearing, of fences, gates and stiles. How many townfolk know that a proper fence, like a peasant house built in the old manner, needs no nails and no scrap of iron? What do they know of the customs at weddings and baptisms?

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For the farmer, his "*loden*" cape of coarse, woollen cloth is sufficient even when the weather is coldest. He must be able to move his arms freely, and at work in the open he does not feel the cold. In the house he goes about in shirt-sleeves. When he is abroad he carries an enormous gamp to protect him from the rain.

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The farmer's wife wears long dresses almost suggesting a nun's habit, covered on weekdays by a blue working apron. On Sundays she dons her special finery—

On Sundays she dons her special finery—

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the terrible danger with which it threatened them bit deeply into the minds of the people; in such old customs as the "Schwedenritt" the memory of this lives on.

With the extinction of the Tyrolese branch of the ruling house, Tyrol lost its political eminence in 1665.

At the turn of the seventeenth and eighteenth centuries, after nearly a hundred and fifty years of peace, it became one of the battlefields of the War of the Spanish Succession. At first Prince Eugene was successful in the south of the country, but later it was occupied by the Bavarians. The Tyrolese rising, the merciless battle at the Pontlatz Bridge in the depths of the Upper Inn Valley, and the Battle of Lang below the Brenner Pass, put an end to the "Bavarian Rowdies" and showed for the first time the almost unconquerable strength of a mountain people when it allies itself with the powerful natural defences of its native soil.

Peace returned to the Province and once again a great princess left her mark on the capital. Maria Theresia had come to Innsbruck to celebrate the marriage of her son Leopold; a triumphal arch was to commemorate the event. Five weeks later the beloved husband of the Empress died in the Hofburg at Innsbruck. That is cause about that, to remind one of the inconstancy of fate, the arch shows on the side through which the bridal pair entered the city, scenes of joy and of life. On the other, which faces the town, are scenes of mourning illustrating the transitory nature of human fortune. To this day it is called the Arch of Triumph. The triumph of life over death, or of death over life?

The Napoleonic Wars brought to Tyrol its heroic epoch which culminated in the year 1809. Its tragedy was that Tyrol was important enough to be overrun, but not of sufficient importance

a shot-silk apron, and a kerchief over the short laced bodice; from the small, hard hat with gold braid and tassels hang long satin or velvet ribbons down her back; in her hair is a silver pin and she wears an old fashioned necklace of garnets. In winter-time she wears in addition a black shawl with long fringes. The children are movingly solemn duplications of their elders.

Andreas Hofer.

OF MOUNTAINS, TREES, MOUNTAIN PASTURES AND ANIMALS. Eagle and ibex, chamois and marmot, black-cock and capercailzie are all symbolic of the mountains, as are also almrausch and edelweiss, gentian and auricula, nigritella and artemesia. But as is often the case with symbols, the more frequently they are employed in old coats-of-arms and modern posters, praised in word and song, displayed stuffed, pressed and dried in museums, or grown and cultivated in gardens, the more legendary they become. 136 137

Many of them have long ceased to be representative. The eagle and the ibex have been forced by the greed of man to flee to sheltering heights, the edelweiss and artemesia to withdraw to inaccessible crags. Other alpine fauna are rarely seen by the tourist, since they avoid the times and places of his choice. Equally invisible are the mountain flowers which cannot flee from man. 137

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Schwaz.

When the townsman takes his holiday, they have often ceased to blossom, or have fallen to the sweep of the scythe. In July and August the mountain is dead, and May and June, when its flowers blossom, is not the time for most tourists. So it should be for those who are only looking for mountain peaks, precipices and ice-fields and to whom flowers are no more than trophies! But anyone who really loves flowers, and is not simply out to collect rare specimens should be less ambitious, and should ascend the gently rounded hills which are despised by the alpinist and labelled cow mountains, cow-pastures, high hillocks or sheep mountains.

Starting out from the valley, he will soon reach terraces on which lie villages and isolated farms. Above these, yet before the hardly penetrable undergrowth of young trees is reached, begins the belt of larch wood, or larch meadows. These trees, the noblest and jolliest of all those whose needles turn yellow and carpet the earth in autumn, and which put forth indescribably delicate and tender shoots in May, love light and air. They grow in broad coverts, often intermingled with birches, and casting delicate shadows. Sometimes it seems as though it was not the wind which moves their branches, but that it is these softly waving branches themselves which set gentle currents of air in motion when one reverently enters their lofty precincts. Even the ground at their feet is soft and gaily be-decked. In May the gentians blossom here, in June the orchids of countless knightly orders; the columbine nods and the lilies-of-the-valley spread perfume, the field tragopogon turns its yellow wheel, the dark-blue devil's claw threatens.

Kufstein.

How delightful to wander through this park! Behind the intertwined fence, to which the larches have contributed their hard, reddish wood—a silky silver-grey in winter, which withstands the weather and does not rot—begins the steep, thick-set mountain forest and the tiring climb. One hears the ringing blows of the axe, as the felled trees crash down

Kitzbühel.

to be able to effect a decision. Tragedy has accompanied the country up to this very day. Despite the courage of its people it was for the first time split into three parts. This only lent more importance to the heroic stand of the small mountain population against the foreign emperor as an example of a national uprising which was seen to be reflected on a much greater scale. For this reason also the names of Andreas Hofer, Haspinger and Speckbacher, the second battle at Prantlerz Bridge, and the three battles of Berg Isel have become history. The last words of the "Sand Innkeeper" of Passeier before his execution "at Mantua, in chains" rang out like the tolling of a bell to awaken the slumbering consciences of his contemporaries,—"Adieu, thou despicable world". Through his tragic fate and self-sought heroism, Andreas Hofer has become a symbol of the unity and freedom of the Province.

For the same reason the heroic defence of the southern frontier of the Province in the first World War by the "Standschützen" (Tyrolese peasant riflemen) which is for ever linked to the name of Innerhofer, will never be forgotten, all the more so because they were tragically unable to save South Tyrol from its fate. But even the attempt made from Tyrol during March 1938 to offer a last resistance to the threatened occupation of Austria which was condemned to failure will be preserved in the living history of Tyrol as often as the events of 1934 to 1938 are recalled. Over the struggle for South Tyrol, for its right to self-determination and to its national existence since 1918, it is best to be silent here. But whoever has scanned the history of Tyrol, however casually, will not be surprised that that lives on in the hearts of its people which history and culture have created in the course of centuries, and which frontiers have now divided.

Carol Singers.

into the runways which go down from mountain to valley. Here is the realm of the huntsman—and the poacher's kingdom.

On the fringe of the tree-clad zone, where the forest begins to dissolve, there are new features. The trees are not at all stunted—indeed, they were more so in the crowded spaces of the wood. Here each one stands alone, perfected in strength, beauty and individuality.

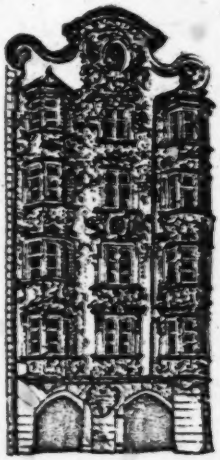
The stone pine, the mightiest of native conifers, first makes its appearance at this height. Its growth is slow and deliberate. After fifty years it is no taller than a man, and the giants have lived through the Napoleonic Wars and even the Peasant Revolts. Unlike the other conifers, every stone pine is an independent individual, broadly spreading or rising to a slender top, sometimes regular,

137 sometimes fantastic in shape. Its needles are double the length of those of the pine tree, of softest blue-green, sometimes black-green, in contrast to the blue-grey of the pine. The cones of the stone pine are the largest of any. If one breaks a twig, a pleasant-scented resin oozes out.

As soft and delicate as is the impression conveyed by the larch, so is that given by the pine dark and sturdy. No fields lie below it, only rocks, the leaves of christmas roses and juniper.

The last of the firs and larches which have thrust their way up into the higher altitudes are of a different type. The larch has become bearded, fissured and gigantic, retaining few of its more delicate charms. The great weight of snow has pressed the branches of the mountain fir close to the trunk and crushed them downwards towards the ground. In winter wild creatures seek refuge from the elements in the warm tents provided by the down-bent branches. What appears in the distance to be the well-formed crown of a single fir-tree is revealed on nearer approach to be the tops of a whole family of trees. Closely grouped around the parent tree, children and children's children have come to maturity in its shadow. They afford mutual protection and shelter and have become to such an extent one single tree-family that when the progenitor in their midst begins to decay, its descendants close the gap until the ancestral tree has recovered itself as the rejuvenated and immortal tree of the species. [342] Only the fir-trees—and of these, only the mountain firs—behave in this way. Larches and pines have no family ties. The lightning which fells one of them, the storm which uproots it, affects that one tree alone.

Anyone who imagines that he is leaving the abundance of the valley for the poverty of the mountain will be surprised when he finds luxuriant virgin forest. But he will lose his astonishment when he discovers that he is treading under foot black, peaty earth more fertile than can be found in any garden. Only where the inimical wind and snow ravage the mountain passes does the realm of the last giants end. Only whatever can live through the winter beneath the snows, and nothing else, can survive here to flourish luxuriantly during the brief summer. Here is the lovely world of alpine flora. One's foot sinks deep into rich carpets. The crocus



Baroque House in Innsbruck.

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Innsbruck, Maria Theresienstraße

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forms white or lilac islands and streams in the moist ground. The bloom of the gentian reflects a deeper and softer blue than that of the southern seas. Beneath the blue sky rises the curve of the mountain slope, dotted with yellow auriculas and besprinkled with the lighter blossoms of the anemone.

Clumps of saxifrage scent the air; creeping flax covers the stones; dusky red primulas edge the dark clefts in the rocks. Where the snows melt, leaving the ground bare of other vegetation, nod the delicately fringed bells of the soldanellas. Here on this hill the pastel shades of the bluish globularia mingle with those of the white primula and pale yellow auricula. In the depression where the little stream tinkles and twists, heavy yellow buttercups and marsh-mallows raise their shining heads out of the vivid blue of forget-me-nots. On the Sonnberg grow nigritellas, scented and chocolate-coloured. Many other herbs and flowers are to be found here whose names amidst this riot of colour slip the memory of the wanderer, though he recognizes and constantly re-discovers them.

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Well may one be bewildered by the magic of contrast—the burning sun alternating with the cool shadows cast by the clouds by the tonic air, or by the snow caps in the background against which a cow shed, a tree, a cluster of alpine roses or a carpet of flowers stands out clearly.

Even in March, when the remaining snow still sparkles with great crystals like glowing diamonds, the sun rises victorious, while from the roofs of the cattle sheds the melting snow and ice drip to the ground and the stored-up hay gives forth a summer fragrance as it awaits transport by sledge to the valley, these regions remain a realm of brilliant colouring, of soft footpaths where movement calls for no effort.

Everything above the level of these alpine pastures is exposed to the fury of the elements. Only a few sheltered spots remain islands of life. Sheep graze as far up as these. These heights mark the limit of all forms of life. Yet is there not life in the rock which stretches itself and in the glacier which cuts and scours it, crushing and moulding it afresh? Here summer and winter have not yet been divorced. Is that the roaring of a torrent, or of a distant wind? The rain turns to snow and

Street in Innsbruck.

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hail. Whether it is the waters of a lake, or ice which fills a hollow in the rocks, whether it is water or an avalanche which crashes downwards in a mist of spray, it is fundamentally the same thing; the transient-permanent and the permanent-transient, the fixed, the fluid and the fleeting are merged together in struggle and in play.

A WORD TO THE VISITOR. The height of summer or the depth of winter are not necessarily to be recommended as the best seasons to visit Tyrol, although—or rather because—these are the most popular tourists' seasons, when all the world travels. If you make a comparison between the seasons of the year and the hours of the day, you will appreciate this. In March, the year's morning, the countryside reveals itself full of promise, and new life is stirring on every hand. June is the noon of the year, heavy with blossoms. In the twilight of September the ripe fruit falls with the fading leaves as the new buds are forming. Peace descends with the last evening hour when the countryside, replete, goes to rest through the Christmas midnight of the year. Let then the connoisseur of delights choose from these four seasons marked out by the clock of the year the one best suited to his personal tastes and needs.

The tourist can be confidently recommended to establish his first centre in the Innsbruck area. This must not necessarily be in the town itself. Igls to the south of it and the Hungerburg to the north, the unspoiled mediaeval town of Hall with its saline springs and deposits, and Seefeld, on the plateau of the watershed between the Inn and the Isar, all belong in this sense to Innsbruck, combining the charms of a town with those of the country. After all, why should one not spend a rainy day of the holidays in museum or café, enjoy a theatre or concert in the greater freedom which goes with a holiday abroad than one can feel at the end of a humdrum working day?

All around Innsbruck lie quiet, shady forests which offer such a wide variety of walks for a whole day, half-a-day or even for an hour as could not be exhausted in a year. Here the Upper and Lower Inn Valleys run together, the valleys of the Wipp and the Stubai joining them from the South. The Sellrain also flows from the West into the Innsbruck basin. In all these valleys terraces have formed from 600 to 900 feet up called the "Mittelgebirge" which are most massive at Innsbruck where they are broader than the valley itself. 133

They are well populated and well developed. They lie in the fertile middle belt. The views they afford looking downwards into the valley, or of more distant prospects, are just as attractive as the views you will see on gazing upwards into the mountains or at your immediate surroundings.

[496] 133 Within half-an-hour the cabin of the cable-railway swings one up from a height of over 1700 feet to well over 7000 feet, to the Hafelekar, whence one gets a fine view of the mountains of the wild Karwendel range. But one cannot see as far as the heart of the Karwendel, to the mysterious and death-haunted Ahornboden. In one hour the cable railway lands the visitor amid the extensive pine-woods on the Patscherkofel, opposite the Stubaier Ferner (glacier). In half a day one can reach the Stubai Alps and the glaciers of the Ötztal and Zillertal. Three hours by road or rail take one over the Brenner, in the south, to Bozen and Meran. It is from this neighbouring other-world that the Föhn, the heady south wind, streams [243] into the Province of Tyrol. Its burning breath does the maizecobs to a turn even in autumn. The maize stocks are left standing in the harvested fields of the Innsbruck valley until late in the year, while the reddish gold and brown cobs lend the splendours of their colouring to the gable walls beneath the protecting eaves of the peasants' homes.

The immediate surroundings of Innsbruck exhausted, a short train journey of one to three hours will present the traveller with new and attractive beauty-centres: the dark Achen Lake, set amidst steep and gloomily-romantic cliffs, the little fortress of Kufstein with its giant organ whose thunderous pipes are audible from afar and its imposing background of the many-peaked Kaisergebirge, the smiling and sunny surroundings of Kitzbühel with its mountain pastures and ski-ing areas. Or one may go further up the Inn Valley to the glacier world of the Urgebirge Valleys as far as the Paznauntal which ends so impressively below the Trisanna Bridge and Wiesberg Castle, to the sun-bathed townships of Imst and Landeck. Still further [496] on lies the world-famous Arlberg and the Fernpass with its lakes. There is distant Ausserfern with the Plansee and the bizarre chalk mountains of the Lechtal and the Zugspitz mountain with its rack-and-pinion railway.

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HOSPITABLE LAND OF FESTIVAL

SALZBURG

[-207-]

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SALZ-
KAMMERGUT
TYROL
ITALY
EAST-TYROL
GROSSGLOCKNER
GROSSE

102

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WORD-PALETTE SALZBURG

A landscape gay at the birth of the world
Towering mountains-tree-shaded shores and
wild-foaming Ache
Golden the sun-dust 'neath steep-arching rainbow
A lovely world-breathing happiness
Monks in monastic cloisters-hand carved altars
Veiled in drifting mists-wayside Madonnas
Princely gestures-rich vestments and ritual-archipiscopal palace
The music of redemption-organ concerts-many-voiced choirs
Mozart's "Krönungsmesse" in festive Abbey
Attentive horses frozen to stone-melodious mystery
Foreign visitors-devout or non-believers
"Everyman"-The summons from turret and tower
Faust's city on the heights
Seduction of the proud spirit from earthly seraglio
Andantino-Rondo allegro-Mirabell
Johannes Wolfgangus Theophilus
Amadeus Mozart

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In former times a legendary lake is said to have covered the northern part of the Salzburg Province which is also called Flachgau. It took its origin in the neighbourhood of the Lueg Pass, following the bed of the Salzach, still narrow, until it broadened out in the high ground between Hallein and Anif. As it increased in size and strength it covered the whole district; Waller- and Mattsee were swallowed by it and even the course of the Salzach was no longer recognisable.

But this whole picture has been developed from what exists today. The actual process was the reverse. Neither river nor lake were swallowed up by that ancient sea at a time when neither Anif nor Hallein existed. It is nearer the truth to say that all this slowly emerged out of the vast expanse of water as the flood slowly receded. It was only then that the lakes of today emerged as evidence of the former vastness of these still unusually deep and restless lakes; only then did the Salzach carve out its bed, towns and villages springing up along its banks. But in that forgotten Chalk Age, when this almost boundless lake covered the land, the waters were even then broken by a few islands—the Salzburg Stadtberge. They are older than the surrounding plain, more established and calmer. They heard the sound of the receding waters, the farewell croaking of frogs and the splash of gigantic prehistoric monsters wading the fords. On their slopes many of these beasts must have sat humped together in hopeless melancholy. Month for month the darkening moon

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Salzburg, 15th Century, Woodcut.

133 sank behind them, the all-knowing vultures encircled them. On their slopes the first birds laughed, and in their impenetrable forests the little songsters built their nests.

The charming legend of Franz Solanos tells how this holy man was accorded a rare favour on his deathbed: clouds of birds gathered at his window, flew about his weary head, sat confidingly on the edge of the bed and perched by thousands on the branches around his cell to lend beauty to his last hours with their gladsome song; blackbirds were there, chaffinches, robins, larks, thrushes and yellow-hammers. There was even, the legend tells, a canary to blend its song of triumph with the contrasting notes of an albino blackbird which warbled ecstatically from so far away that it was invisible. The soul of the holy man was raised ever higher amid the heavenly concert until it was finally wafted into eternity.

The end of the prehistoric ages before man appeared on the earth is supposed to have been similarly accompanied by the song of birds. Well may they have chorused, not their pity or grief, but their anticipation as the earth emerged from the receding waters with its promise of nesting places and abundant food.

Salzburg must have been born to the accompaniment of some sweet and impressive melody, a melody that the Province embodies today.

133 Not all the Province of Salzburg arose out of the waters. Going south one meets more

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Irrsdorf, Gothic Doors.

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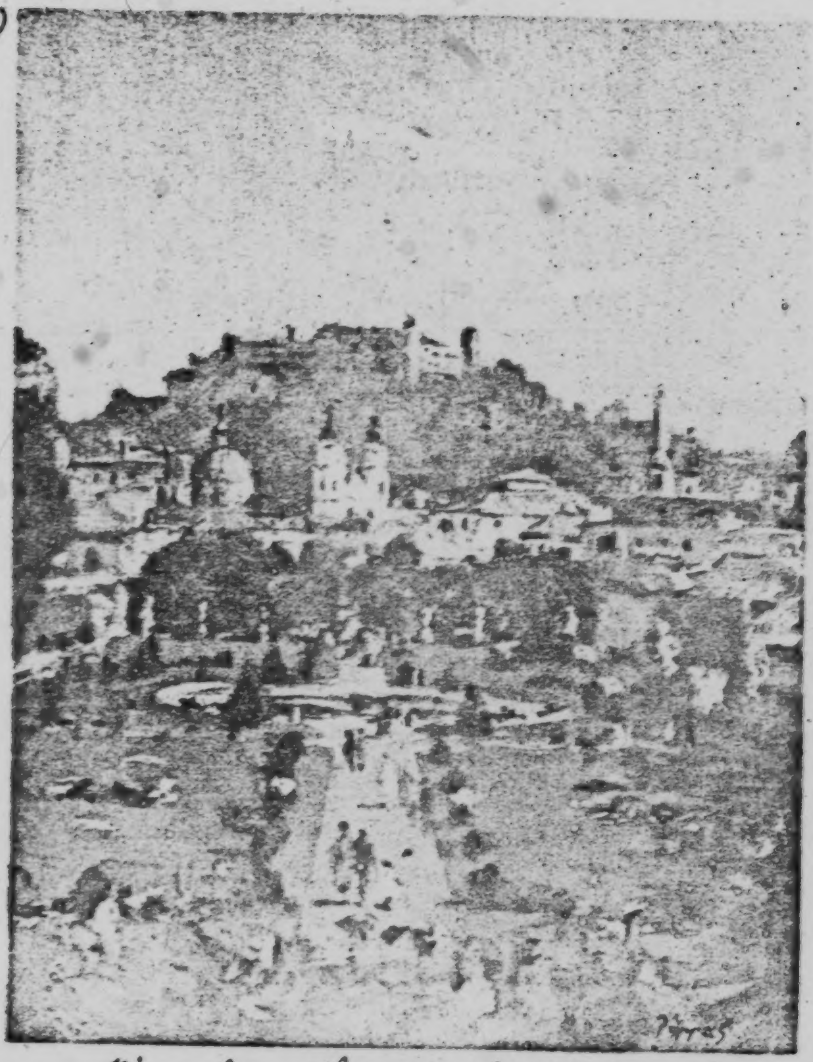

View from the Mirabell garden

133 and more prehistoric volcanic rocks and lava formations, slate flattened by pressure during millions of years, granite formed of sandstone ground up and re-formed by intense heat, porphyry and mica. The Province is not only old in so far as its history is concerned. Long before history began, what is now Salzburg was steeped in ancient lore—a lore which indefinably conveys its message to man, slowing down the steps of those who tread its soil and enriching their minds.

Seen as a whole, the contours of Salzburg Province may be compared to one of those mid-summer cloud edifices, the cumuli, which, bathed in the rosy light of evening, pile curve upon curve in baroque extravagance, rising to a slender spire. At this narrow extremity, close to Bavaria, lies the formerly famous but nowadays [792] little known Benedictine monastery of Michlbeuern with its romanesque church and the statue of the venerable Meinrad Guggenbichler, whose carved church doors with the moving figures of Mary and Elisabeth in Irrsdorf, to the south-east, are all too little prized.

This northern part of Salzburg, characterised by pleasant hills, the lakes of Mattsee and Wallersee lying amidst green meadows and sub-alpine vegetation which often merges into moors with their reeds and heather, is crowned by the chief city of the Province.

361 When first approaching the city from the station, the visitor has no inkling of Salzburg's venerable beauty. The broad street is flanked on the left by the embankment of the main line to Bavaria, a pebbled walk beneath chestnut trees, placards, a kiosk. Later come grocery stores, inns, paper shops, hotels and souvenir shops, as in many another provincial town. The unusual, the characteristic note of Salzburg is struck quite suddenly by the Mirabell Palace, in the Rainerstrasse. Now rises curtain after curtain to disclose the Salzburg of legend and romance. The Dreifaltigkeitsgasse leads past the Seminary to the first church of Fischer von Erlach. Thence beneath the Sautter Archway one reaches the Linzerstrasse which from time immemorial has borne the traffic through Salzburg. The Romans themselves passed along this delightful highway, coming from the direction of Radstadt to cross the Tauern Mountains.

Tower after tower crowned by the glittering symbol of Christianity pierces the blue morning sky above the ancient heart of the city on the left bank, the church spires seeming almost to reach

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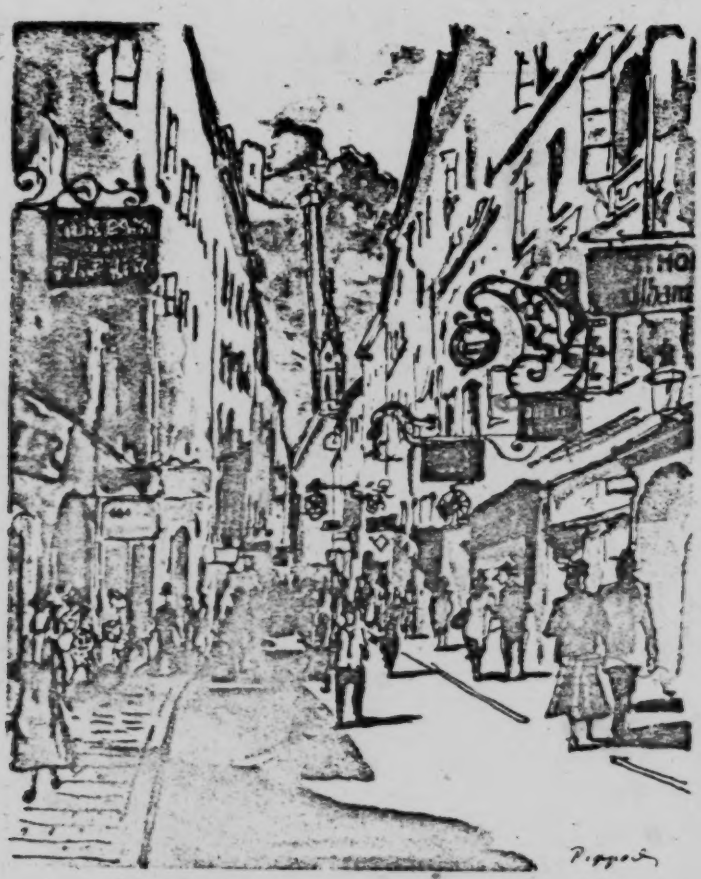


Salzburg; Getreidegasse

About the year 700 A.D., St. Rupertus built a church in honour of the Apostle Paul and a monastery for the monks of the Benedictine order on the sunken and over-grown foundations of Juvavum.

Even under Charlemagne the bishops of Salzburg, Vergil and Arno, showed particular devotion to Christian church music. The surroundings of St. Peter soon rang with the real Gregorian choral chants.

Neidhart von Reuenthal and Tannhäuser are the predecessors of the "Monk of Salzburg", who wrote a great many religious as well as secular compositions in the second half of the fourteenth century at the court of a quarrelsome archbishop.

Within the Bishopric, Leonhard von Keutschach was the first of that line of sharp-profiled, religious princes, concerning whom there has been much conflict of opinion who during the changing periods of gothic, renaissance and baroque styles, placed on the face of Salzburg the stamp and sign of their own self-willed and often secular personalities. Castles are the stone evidence of their activities and their might, above all the unconquered fortress of Hohensalzburg. The turnip in the coat of arms of the bishops calls to mind the architect of Keutschach, as does the "Hornwerk", a musical

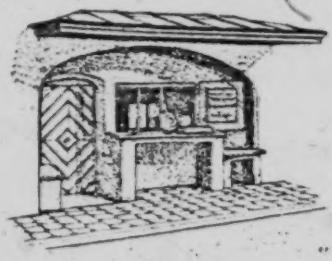
up as far as the fortress which rises sheer and stately high above all buildings of the city and the green of its own woods. 361

The extensive fortifications above house no dusty romances. There are apparently no ghosts in clanking armour with fluttering pennons or mist-enshrouded châtelaines to haunt them. Sober and impressive magnificence is the keynote of this unconquered bulwark of the Bishops of Salzburg. 344

No prince ever ruled here as heir of an inherited kingdom, no heroic knight subdued the surrounding lands by his strong arm. The law and the customs of a court muffled the blast of trumpets. No single family, but a long series of unrelated regents of a spiritual treasure peopled these finely-proportioned rooms. On the throne sat the lord of the Province who was at the same time guardian of his subjects' souls—a strange picture of duality.

The roofs of ancient Hohensalzburg were overshadowed by the call for solemn decisions, by the complexities, the temptations and the responsibilities of rule.

A traveller, one who loved the countryside, thus describes his first glimpse of the City of the Bishops in their stronghold; "Arrived at the terminal station of the lift which takes one from the city to the fortress,



Old Bakery.

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curiosity which still exists. This instrument is a curious musical apparatus consisting of 200 organ pipes—the so-called "Bull of Salzburg".

At the beginning of the sixteenth century the aged musician Paulus Hofhaimer after 29 years spent in the service of the Emperor Maximilian, was appointed Cathedral Organist in Salzburg. Theophilus Paracelsus named him in the same breath as Albrecht Dürer, and one of his contemporaries said of his organ-playing :—"Master Paulus is so vastly versatile that one can listen to him for years. One does not so much wonder from what source the ocean feeds all the rivers as from where this man derives all his themes".

The great organist tradition of Salzburg was carried on in 1520 through the appointment of the master of song, Heinrich Finch, as Composer to the Cathedral, while Petschin and Glanner, talented pupils of Hofhaimer, developed the art of part singing and classical melodies as well as that of organplaying.

Wolf Dietrich von Raitenau, Prince and Archbishop of Salzburg, can only be understood in the light of the renaissance period. The words of Hamlet concerning his father may well apply to him : "He was a man, take him for all in all, I shall not look upon his like again", and for the Salzburg which was created by him there is the speech of Grillparzer : "See, how the romptuous lies, adorned with towers and noble lines, by art made fair what God so richly decked".

A glance at these times and at Europe helps to give the picture of the

Rudolf von Alt : Residenzplatz.

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we left the car and climbed up into the fortress by means of a long flight of steps on the outer wall. The ticket-girl in the moss-covered courtyard assured us, with a patient glance at those who were waiting, that the next tour of inspection would soon begin. Inevitably the vague first remarks which our cicerone drawled out mechanically were concerned with a torture chamber, with terrible racks on which the sinners were stretched until they were so elongated and thin that the sun seemed to shine redly clear through them. I asked myself whether the tiresome imagination of later generations has not been responsible for many an instrument of torture which is shown to us as an authentic reason for our flesh to creep. The room which was shown us here as a torture chamber was anyway not used for the ignoble purpose of tormenting human beings. We were shown "sitting-prisons" which might equally well have been window nooks, and the sightseers were then led past a wonderful stove for which a million dollars is said to have been refused. Via many stairways we reached the beat of the

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Salzburg, Horse Trough.

castle guards, which seemed to have no end, and finally the great organ which once bellowed out over the city like a bull if an enemy was sighted in the distance. At last we climbed the famous observation tower.

"Outside the confined space of the fortification, we suddenly felt free as the birds as we came out upon the topmost pinnacle, which is higher even than the bastion itself. Our guide described the surrounding beauties in homely terms. 'Over there', he said, 'you may see the Gaisberg, that green hump there, and beside it the rocky Tennengebirge, the Göll and behind them the Übergossene Alm'.

"I quickly turned away in order, solitary as one can be in a crowd, to have the entrancing panorama to myself.

"Clearly outlined, as in a vision, I saw how the Alps extend almost up to the city boundaries, but not further to the north. The magnificent eagle-like ridges of the Untersberg and the Stauffen are the last efforts of the world of rocks to extend its domains. The mountains shut the lovely city into a spacious acute angle, but so respectfully that they do not actually touch it.

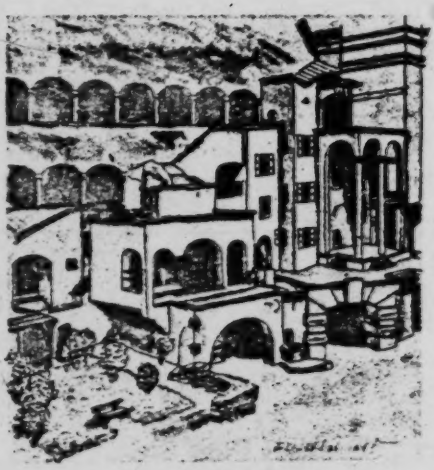
"The south-east is marked out by the luscious green of conifers and grass-lands which spread over the guardian Gaisberg. To the South, a little apart from the latter, arise the bare cliffs of the Tennengebirge; further to the West lies the marble mountain of the Untersberg. In the far West, almost on a level with the city, are outlined the sharp ridges of the Stauffen. The acute angle formed by the mountains is occupied by a vividly green and very level plain which seems to have thrust itself through the gap to the South, the Lueg Pass, where the waters of the Salzach have forced their way through the rocky wall.

"From this narrow gorge of the Lueg Pass debouches not only the wide Salzburg plain, but also the silvery Salzach, which winds its way swiftly through

man of Raitenau something of its right place in history. By land and by sea the Turks were seeking to plant the green banner of the Prophet in the West. Spain, the Pope and the Doges' Republic of Venice had fitted out a great fleet of galleys which were assembled in the harbour of Messina for the fight against the overwhelming traditional enemy. Austria was making an attempt to shield the open frontiers of the Continent from the forward-thrusting East during years of fighting, while in Europe itself the religious wars had broken out. In France the Huguenot War was raging, while Scotland watched its queen, Mary Stuart, die under the headsman's axe. Don Carlos died mysteriously in Spain and in Germany the subjects were expected to accept the religion of their ruler together with his bread. Philip II of Spain and Queen Elizabeth had started new epochs in their kingdoms, while Italy had found its way to baroque style and culture after the glorious period of the Renaissance.

In the Roman-German Empire the brilliant period of Karl V, whose arrival was welcomed by Albrecht Dürer and whom Titian painted before his death, was past. Emperor Rudolf II had retreated to his gloomy castle at Prague in order to forget the cares of the Empire in astrological meditations. Groups of persons exiled on account of their faith wandered from country to country, while the conflicts which were to lead to the murderous Thirty Years' War were coming to a head.

In these troublous times, in 1587, the twenty-eight-year-old Wolf Dietrich was placed on the Archbishop's Throne of Salzburg, chosen by the prelates of the Cathedral. His ambitious dreams given practical shape by travelling as a cavalier through Italy, France and Spain, there came as a flash the idea of attaining sovereign power with a



Fauststadt.

bushes to the cluster of Salzburg islands. The hill which is crowned by Hohensalzburg forms a slight hollow in the protective shelter of which the old city, guarded from above, to the rear and on its flanks by the mountain, and in front by the river, opens its eyes to the morning sun. The rejoicing peals of the bells of two dozen churches sound like the wakening cry of a happy and beloved child.

"To the North and the North-West the long plain so expands that everything approaching the city in olden times was visible days ahead. At midday the sun shoots burning arrows into this open countryside. There lies Bavaria with —far away—Passau, city of bishops. From here the northern, Germanic world reaches out to meet these territories so closely linked with the South. Here the skies above Salzburg arch dominatingly over the surrounding heights.

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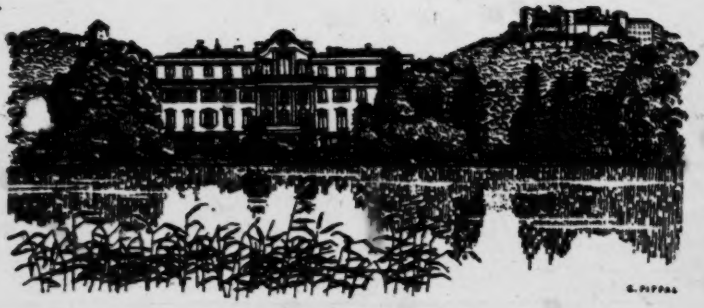

Leopoldskron Castle.

133 "The picture would be incomplete if one failed to mention the many spots where the green of the meadows, moors and hills is pierced by rocky, barren stone. Constantly the soft blanket of earth is broken by a chalky dolomite hump, a rocky ridge of the same ancient grey as the massive Hohensalzburg, which rises sharply or in milder contours from the soil. The Gaisberg also displays this almost yellowed grey tone, particularly in places where the new motor highway cuts into it, carrying a suggestion of the skin of a snake, or of the sun-bleached baroque façades which are such a feature of Salzburg. But one would seek in vain for a comparison for the proud, starkly outlined peaks of bare rock, which here and there jut out from the crest of the Untersberg.

"Turning towards the south-east, one cannot fail to be reminded of the sandstone of the Vienna Basin, the so-called Mediterranean Terraces of tertiary rock on which, as Stifter says, "the fiery stream of wine lies slumbering". The Plainer Hills are of a similar rock-formation, rising above the later morraines and the moors of the Salzburg plain. According to dependable reports, there was once a vineyard here which became the basis of the cellars of the good monks of St. Peter's in the valley below."

000 Our traveller, aroused at last from solitary contemplation, found himself alone on the tower of Hohensalzburg. His cheeks changed colour, for the air had undergone as great a change as the walls of the fortress, and the sun suddenly lost its power. To the West lay a leaden pall which within seconds dissolved in rain, sweeping in sheets over the blotted-out plain. The long grass visibly and gratefully revived beneath it, and from the moors rose clouds of mist. But before the ground was really damp, the sun was victorious, building its own triumphal arch across the heavens. Not enough with one, two

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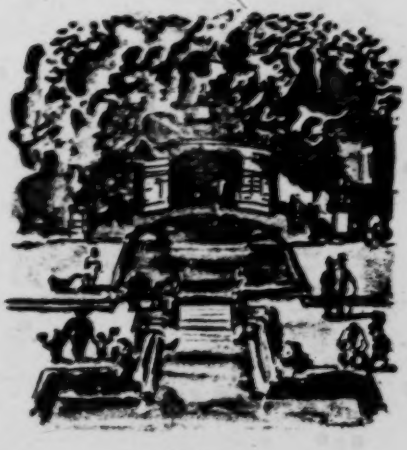
unknown chance of its realisation: Salzburg should become the Rome of the North.

During his 26 years of government this religiously worldly Archbishop changed the Salzburg of the Middle Ages, the narrow and picturesquely winding streets of which offered dangerous hiding places for disease and plague, into a proud city of magnificent open squares. The Princely Residence, the Chapter-House, the Royal Stables, the Cloister Walk and the renaissance Chapel of St. Sebastian, the pleasure palace of Altenau-Mirabell, and the re-planning of the Cathedral Square are all stages of his great building activities.

Music played its own part in the splendid court ceremonies, the Salzburger Hofkapelle being founded in 1531. The composing of religious music for the Cathedral and the compositions for festive concerts attracted Germans as well as Italian composers.

That which Wolf Dietrich was unable to complete was continued by Marcus Sittikus. The foundations of the new Cathedral were laid according to the plans of Solari. The pleasure castle of Hellbrunn was built and the stone theatre in the extensive game preserves. At the same time that the "Defenestration" of the Imperial Envoy from a window in Prague, 1618,



Hellbrunn.

great vivid rainbows were painted against the paling violet of the skies, perfect in form and of impressive grandeur. The spot where they rose out of the soil was clearly visible. On the square before the Cathedral a seraphic ray of multicoloured fire shot up, curving joyously into the heavens, to descend to earth at the extreme edge of the plain where it joins the mountains. Below this rainbow again, starting from the roof of the Bürger hospital, the second arch bent in proud submission.

These two open gateways to the West rose sharply defined over the landscape. Little birds formed a living garland about the multicoloured double doors, fluttering, wind-swept, over the nectar-soaked plain, wheeling, returning, and vanishing noiselessly in the skies.

A description of the sights of the city alone would fill a book, many volumes or a whole library. The story could start in the cloisters of the first Salzburg Christians in Petersfriedhof, going on through the period of the rule of

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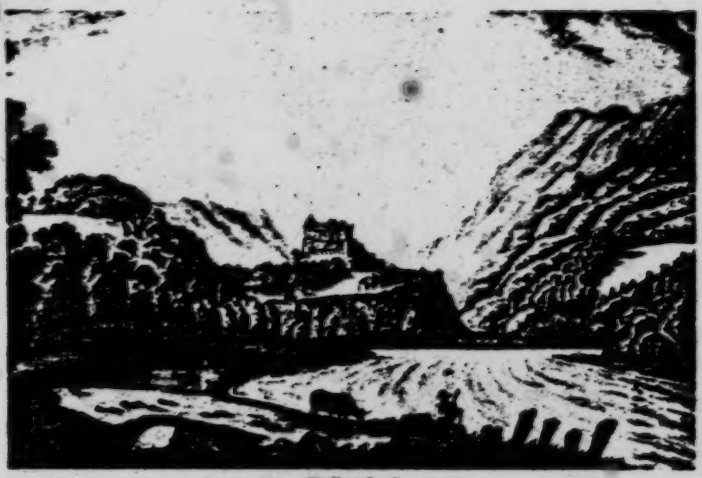

Werfen Castle.

175 the bishops, the peasant revolts and days of baroque glory to the rapid change in history after the last of the archbishops, Prince Colloredo, had fled "abroad" (meaning Vienna), to abdicate there. The Duke of Toscana succeeded to the Province, but he soon exchanged it for the rulership of Würzburg, Salzburg thereby becoming Austrian territory until, soon afterwards, it was given to Bavaria by Napoleon. Four years afterwards it was "repatriated" at the cost of money, or rather of land, namely the left bank of the Salzach, remaining from this time onwards a Crown land of the Monarchy and finally becoming the modern Austrian province.

133 All this and much more the swift green Salzach saw, this river which rises in the western corner of the Province, high above on the Salzachgeier and traverses the land like the veins of a transparent leaf. Following the course of the Salzach upwards from Salzburg, one soon reaches the Lueg Pass, and on emerging on the other side of the tunnel one usually finds entirely different weather. The cloudy sky which one has left behind is here clear. Glorious mountain air comes down from the Hochkönig which, with its glacier, the "Übergossene Alm" (the "Drowned Field") is some nine thousand feet high. To make the ski descent from Hochkönig to Werfen, a run of over 2400 yards, is a rare experience for sportsmen. On the opposite side the Tennen-

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greeted the starting point of the Thirty Years' War, the open-air stage of the Hellbrunn Steintheater, one of the oldest of the German out-of-door theatres, was producing an opera called "Andromeda". "Il Orfeo" and other plays followed, bearing witness to the Archbishop's love of art. The latter soon afterwards erected a baroque stage in the Italian style in his official residence.

In 1628 the Cathedral was completed by Paris Lodron. The sumptuous interior, with its 12 balconies and several organs concealed under the great dome, made it possible for Orazio Benevoli, composer of the Cathedral Dedication Mass, to make use of the many-choired, many-voiced style of the Venetian-Roman school with unimaginable effect. That unforgettable "Dedication Mass" has gone down in the history of great music, employing as it did 16 vocal and 36 instrumental voices with the assistance of 3 organs, the singing voices being divided up into no less than 8 different choirs which were posted on 12 different balconies. It was at this period that the Salzburg cathedral and church concerts, which were to grow into an honourable tradition, made their promising start.

So was born and developed that unique atmosphere of Salzburg musical and theatrical culture which was built up by Benevoli, Bernardi, Megerle and Hofer, Muffat and Biber, Eberlin and Caldara up to the pre-Mozart period of Leopold Mozart, father of Wolfgang Amadeus, Cajetan Adlgasser and Michael Haydn, brother of Josef Haydn.

On January 27th, 1756, a son was born to the Archbishop's Concert Director, Leopold Mozart, who was baptized under the name of Johannes Chrysostomus Wolfgangus Theophilus Amadeus. This child was destined to become Salzburg's greatest son.

"Perchtenlauf" in St. Johann im Pongau.

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gebirge rises starkly with its gigantic caves of ice; the gloom, the echoes and the changing light of the latter have the fascination of the underworld. The castle high above Werfen, one of the few in these chivalric-clerical surroundings, has never been taken by storm and is therefore well preserved, although it was once almost gutted by fire.

The course of the Salzach now takes a sharp turn to the left, bringing it close to the vast bulk of the Hohen Tauern. Within this curve lies the entrance to a charming freak of nature, the Liechtensteinklamm. The Arlbach here cuts its way violently through the Radstadt chalk. The gorge resulting, the Liechtensteinklamm, is extremely narrow. Still today the inexorable water cuts into the proud and deeply wounded rock, sawing it in twain. One follows the vigorous water-saw on a slippery plank-walk, along the cleft in the path, deafened and often drenched in fine spray. From time to time one is startled

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The Wolfsgraben.

by a mysterious roaring from the depths of the mountain. Soon one finds oneself within this mountain, remote from the sun even though it be at its zenith, trapped in a damp gorge, surrounded by high walls but sure of one's way on the narrow path which has been carved out of the stone. The water foams angrily through narrow passes, tearing at the rocks, wearing away the stones, swirling and growling through the hollows it has worn in the walls, leaping, tossing, screaming, as though a terrible rebellion had broken out in the usually placid element.

133 529 The next lateral valley is watered by the Gastein Ache, the healing and magical waters of which are well-known. The two Gasteins, Hof- and Badgastein, are world famous. The reputation of these health resorts has been connected for centuries with the names of illustrious visitors. These two spas which formerly slept in winter now attract crowds of visitors through their ski-lifts. They seek health in the neighbouring mountains, which vary from giants which climb to 654 glacial heights to more gentle hills. Nearby lies the Sonnblick with a meteorogical station lying at a height of 10,000 feet above sea level. A further lateral valley 133 serpentines in the bold curves of a car road up the gigantic bulk of the Grossglockner, providing enchanting glimpses of rushing mountain streams glittering far below and of white, foaming waterfalls which sway in the wind like the beards of ancients. Over all this, a vast sea of cloud.

This giant world of the alps rules the emotions of man with almost painful majesty, commanding his ear, absorbing his glances, and forcing him to speak almost in whispers. One can imagine this vast mass of rock with its thin covering of arid grasses groaning under the indignity which the splendid road has imposed upon it. One can almost feel the mountain rising and falling as it breathes deeply, seeking to hurl the crawling, twisting car into the depths which make one giddy as one looks down.

In the far distance light and shade change as in a Rembrandt picture. Amidst this stupendous landscape, one experiences a feeling of liberation and lives through a whole gamut of emotions, passing from sheer amazement to a sense of com-

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prehension of all things in which time no longer plays a part. The motor road climbs to a height of almost 7800 feet, ending at the foot of the ascent to the highest peak (12,000 feet).

The Glocknerstrasse. View of the Edelweiss Peak.

The Glocknerstrasse takes its start in the pretty little valley town of Bruck-Fusch, near the Zeller Lake, on which the railways and motor roads leading to the Saalach Valley also converge. Zell-am-See, in winter a happy training area for skiers, becomes in summer a gaily-coloured and picturesque holiday resort.

Valley after valley winds through the giants of the Tauern world until the Grossvenediger is reached, and finally one of Salzburg's two frontiers, that with Italy, which is dominated by the Dreiherrenspitze.

Let us return gradually to the eastern end of the Province where the Niedern Tauern sink by degrees to lay themselves at the foot of man, so to speak, in the Tauern Pass. It must not be imagined that they make it any too easy for him; even this pass, swept by snowstorm and avalanches, is 5400 feet high. On this high plateau lies a blue-white alpine paradise, which makes way for the road to the Lungau, a region consisting mainly of high plains characterised by their clear, sparkling air filled with the faint scent and whispering music of the otherwise rarely-seen larches. Mauterndorf, Maria Pfarr, Moosham (a casket of treasures from a mediaeval museum) and finally Tamsweg, well-known as the coldest place in Austria, and also for its beauty. Spread out in generous profusion are a number of strong, well-built settlements, solid in construction, with beautiful old churches and a horizon of mountain silhouettes. Further away, beyond the confines of the province of Salzburg, towers the mighty Dachstein.

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Behind the nobly formed Bischofsmütze and the remote stretches of the Gamsfeld the Schafberg lifts its beaky nose over the dark waters of the Wolfgangsee, the bizarrely picturesque mountains grouped about it like stage scenery.

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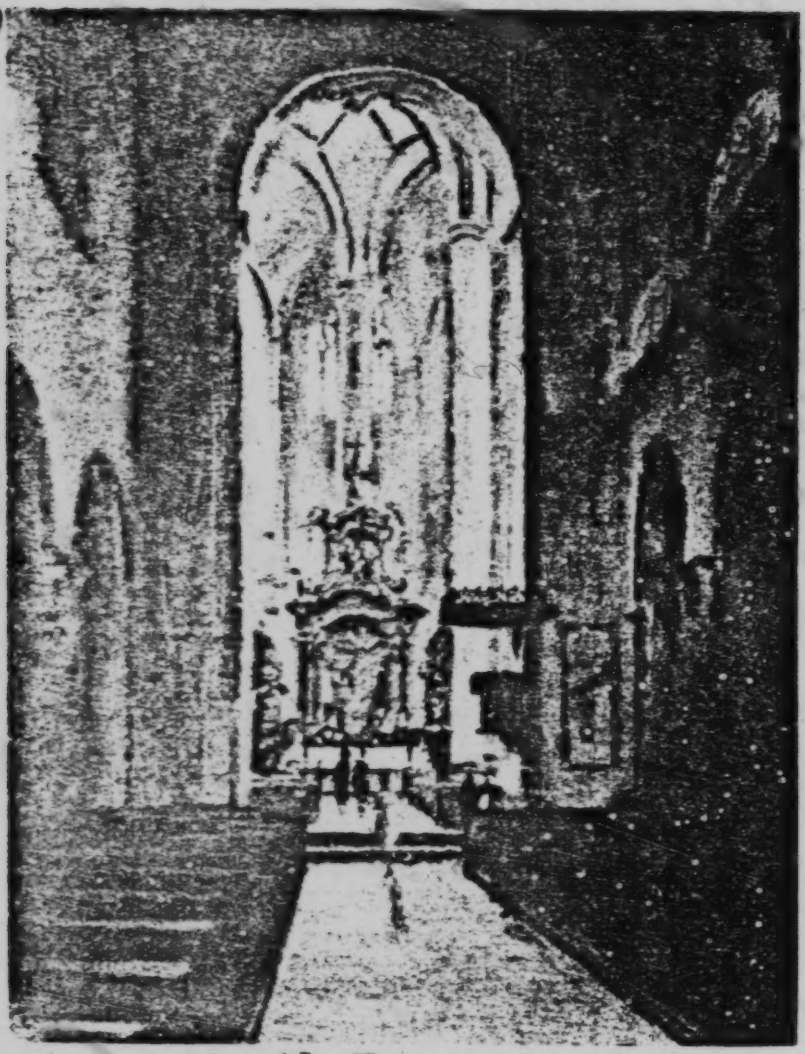

Salzburg, Franziskanerkirche

133 From the heights of the "Landauer", a shady resting place opposite, one looks down into sheltered St. Wolfgang. From here a cheerfully puffing engine takes us up the rack-and-pinion railway to the Schafberg. The view from the summit discloses a picture of such divine beauty that the name given to one of the stations, "Himmelspforte" ("Heaven's Gate"), seems quite justified. Beneath the precipice which falls abruptly away stretches the pale blue of the dancing Attersee, the whitely shimmering Mondsee (Moon Lake), while the deep blue of the Wolfgangsee completes a unique Trinity which even if it should not be compared to holy things, must yet be admitted to be divine in its gaiety, and has a beauty which almost hurts the eye as it gazes upon it insatiably.

Belfry.

Travelling westwards from the Wolfgangsee one arrives once more at the city of Salzburg. The road offers variety enough as it leads past the small, jade-coloured Fuschlsee, following the bends and curves of the Gaisberg as it winds around it, passing the bare Nockstein before it reaches the city on the Salzach.

000 But let a visitor speak again, that same admirer of Salzburg whom we last met on the "High Fortress", who finds himself attracted again and again towards the capital:

"Even after a few days away I felt drawn again to Salzburg. It seemed to me that there was sanctuary there, and security; a feeling of being in a chosen home, such as one gets in a castle. Thus in the evening we turned towards the city. The fields became darker and darker, a deep black-green, with inky spots of pine-wood above which this or that summit was still daubed in flaming colours by the setting sun. Yellow-white houses lay scattered about like crustaceans on the sea shore. The bushes beside the pale grey roadway were rounded off, macabre as evergreens against a white wall.

"In the sky and on the earth glittered golden stars. A penetrant smell of shave-grass arose from the earth. A myriad grasshoppers filled the air with their shrill, uncanny harping. We seemed to smell the very perfume of the shadows. The moon broke suddenly, violently, through a bank of clouds. The cool of the evening softly touched forehead and cheek.

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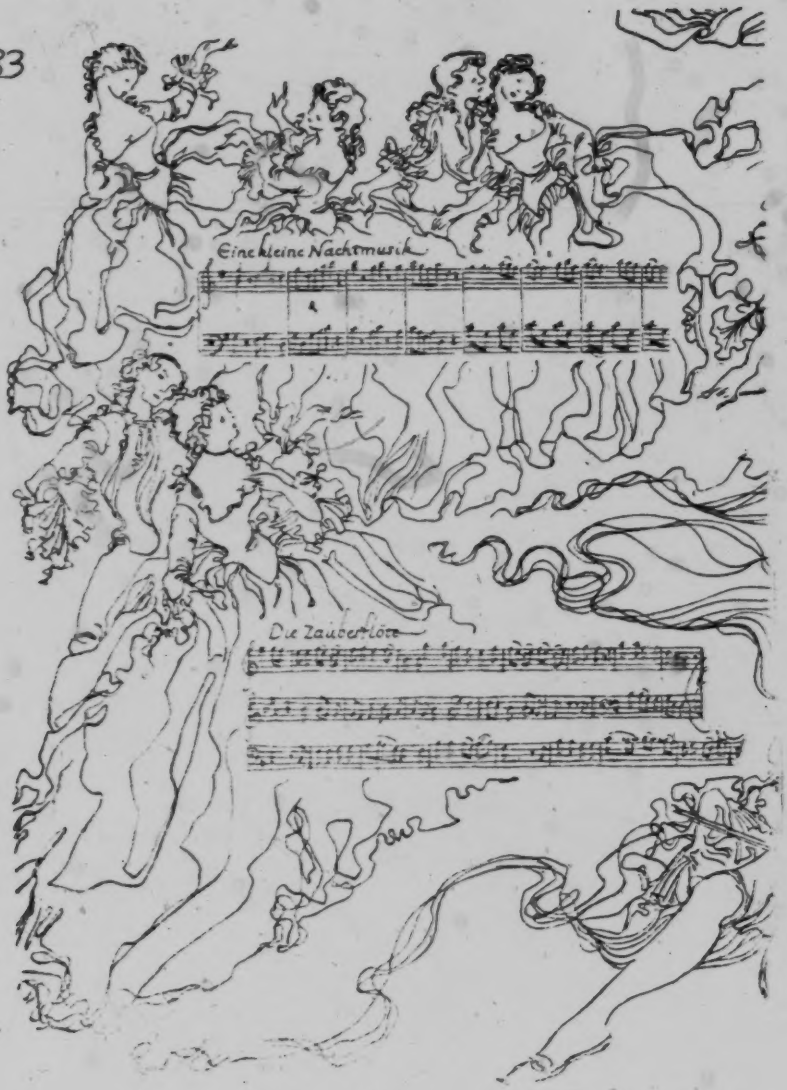

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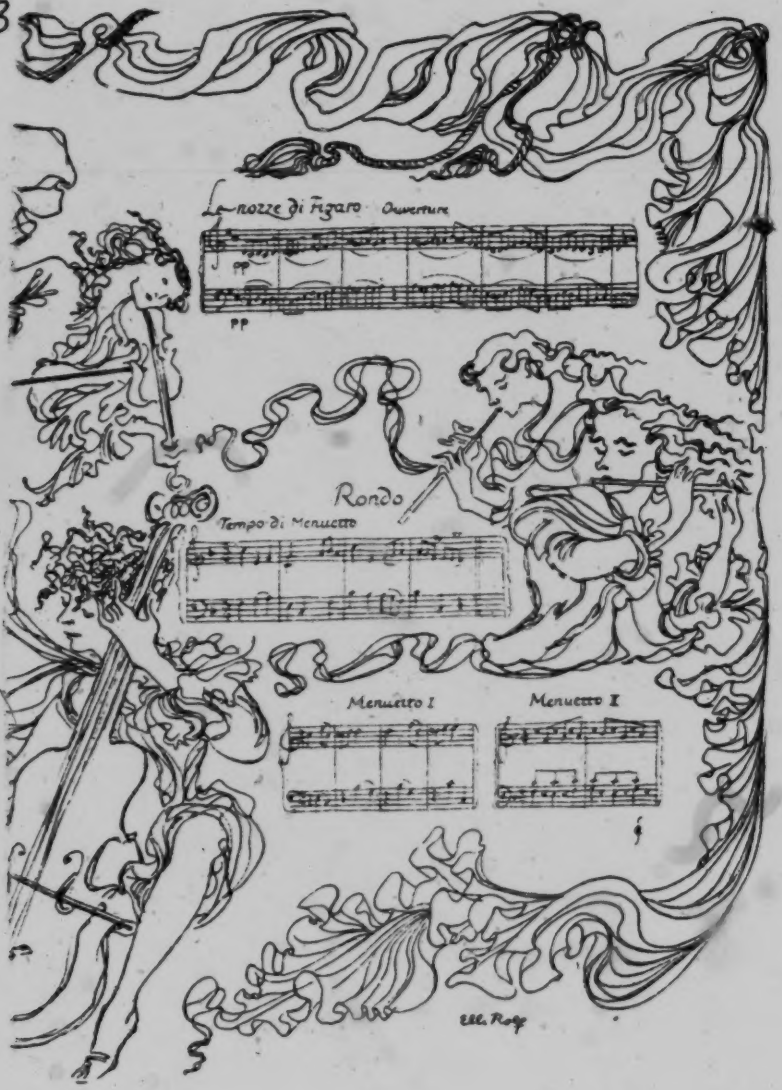
Le nozze di Figaro Ouverture
pp
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Rondo
Tempo di Menuetto
Menuetto I
Menuetto II
Ill. Roy

000 "Dreamily we approached the beloved city with its nervously winking lights and faint sounds, deadened by distance. These faded until it was still and silent, amidst a sea of misty meadows, where the quiet eyes of the white water-lilies looked up joyfully into the dark blue heavens. The lights of the city held the warmth of this promised land, its noble outlines its charm. Out of the darkness rose a jagged rock, crowned for all time by the great fortress of Hohensalzburg.

"I closed my eyes to fix forever this picture which rose so movingly out of the steaming fields; this moving mingling of sage-green and cream-white, crowned by the centuries-old silhouette which had been made to fit it; a song carolled by the awakened senses, an indestructible fount of happiness."

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SUNNY FRONT-IER PROV-INCE

CARINTHIA

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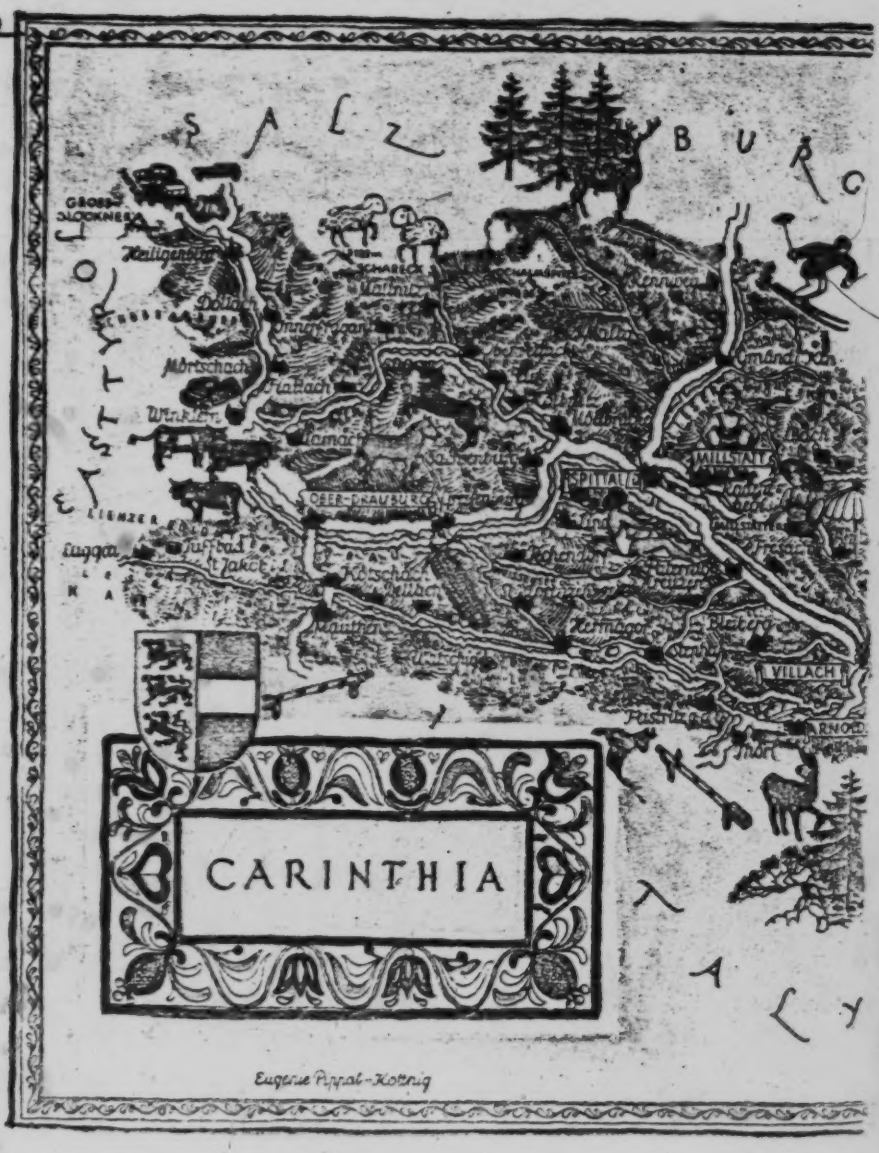
SALZBURG
JUGOSLAWIEN
GROSS-GLOCKNER
Heiligenblut
Mörtschach
Winklern
Lienz
Lugga
Jakob
Kaltenbach
Malnitz
Obervellach
Ramach
Sachsenburg
OBER-DRAUBURG
SPITTAL
Kremsbrücke
Kötschach
Mauthen
Kötschach
Kirchbach
Paternion
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Mörl
CARINTHIA
Eugenie Pippal-Kotzing

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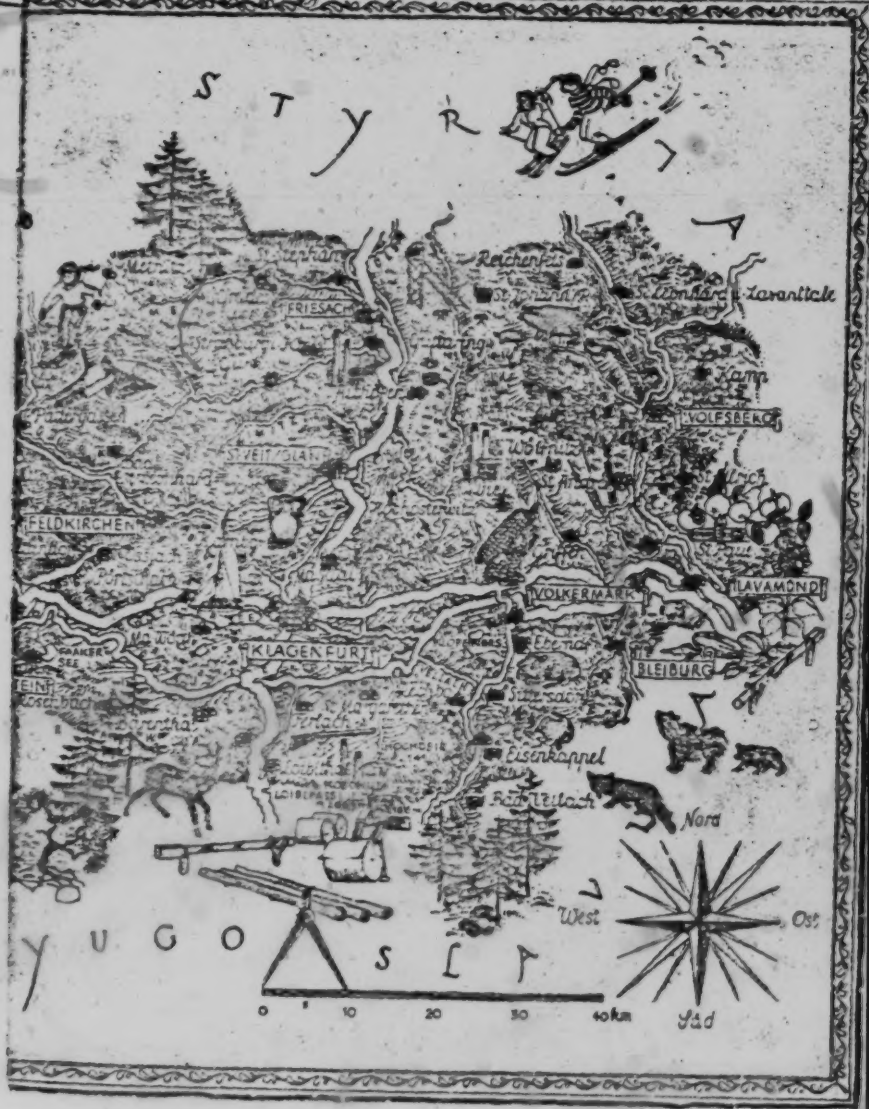
STYRIA
FRIESACH
ST. VEIT/GLAN
FELDKIRCHEN
KLAGENFURT
VOLKERMARKT
VOLESBERG
LAVAMÜND
BLEIBURG
Eisenkappel
Nord
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Ost
Süd
YUGOSLAVIA
0 10 20 30 40km

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WORD-PALETTE CARINTHIA

A land in the South glittering frontiers
Drifting clouds from the sea
Alps challenging the heavens great lakes attractive lesser waters
All around the frowning beetling crags
Down from the glaciers the little streams the cascading
veils of foaming white waters
In far-flung forests grazing game and sunlit foliage
Roman remains round-arched vaulting frescoes on ceiling and wall
"lichtsaulen" shrines charnel houses fortress churches
Abbeys holy St Hemma
And holy ferryman St Christopher
Gleaming white roadways turnings sharp curves mountain
passes tunnels on the heights
Alongside vast depths behind the far distance above the circling
Of eagles in the heavens and cloud-cast shadows on driven snow
In courtyards and villages games and song "Reiftanz" of miners
Spirited horses Smiling and bowing pacing and turning
In hollows and valleys the warm lakes
Little wavelets caressing island mountains creeks and shore
The reeds in the wind
The wind in the sails the buoys wind-blown
Regattas and diving tower Youth and sunshine
The Dragon defeated

Evening on the Ossiachersee.

Over Carinthia hovers the atmosphere peculiar to a frontier province, the perfume of far-distant lands which, coming as it does here from the Slavonic East and the Latin South, makes one's heart beat faster even in settled times. The irresistible stream of life constantly carries a trace of foreign customs through the filter where contact is made with other territories, influencing both nature and the works of man. The force of nature is so strong that it is able to combine even opposing elements into a united whole, forming from them something individual, compact, harmonious, truly Austrian and specifically Carinthian.

SYMPHONY OF THE COUNTRYSIDE. In its physical features the province resembles a mussel-shell, with level ground and deep rills which extend far up into the surrounding framework of mountains. At first falling steeply, then more gradually, the mountains sink into the plain from the west, north and east. To the south stands a disconnected Alpine wall.

Nature has left but few passes in this girdle of mountains, and even these are barely usable in winter. All the valleys lead to the lowest level where the waters collect, to be released eastwards by a single outlet, that which the Drau has made by its own force.

But what a variety of contours, what play of colours this mussel-shaped Province offers. It would be hard to find such a many-toned melody of colour and form within another area as small as this, with its bare 10,000 square kilometres.

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133 The types of rock and strata, of erosion and accumulation, vary within very limited areas. The work accomplished by long-vanished glaciers of the Ice Age is etched in intriguing lines. Below in the valleys lie lakes with shallow and sandy creeks of an almost southern warmth, above them terraces and debris of moraines now thickly wooded. In the hollow lie the isolated hills and the bogs. Up in the mountains you can find romantic lakes and waterfalls, harsh clefts and bare ridges and the wild confusion of the crust of a forgotten world, petrified while still in eruption, then scoured and pounded by wild storms. Add to this the colourful variety of the vegetation, enriched by the flora of the adjacent Mediterranean, Illyrian and Baltic territories, the deciduous forests and woods of mingled firs and larches, and the flowering carpet of the mountain pastures. Who can explain the presence amidst all this profusion of the Wulfenia, a plant native to the Himalayas and unknown in any other part of Europe?

ANDANTE MAESTOSO. Where the province joins Tyrol and Salzburg, it is dominated by the Hohe Tauern, which culminate in the majestic pyramid of the Grossglockner (approximately 12,000 feet) above the Pasterzen Glacier. The colours of the meadows and woods stand out sharply contrasted against rocks and snow. Through it runs the magnificently constructed alpine highway to Salzburg. On the Carinthian side the Möll foams past the well-known mountain village of Heiligenblut, to be joined by the waters of the Malta from Ankogel and Hochalmspitze. Through the glistening spray of a hundred waterfalls it flows into the Lieser, which absorbs it near the ancient town of Gmünd (traversed by a road in use since Roman times which leads over the Katschberg to Salzburg), and bears it onwards to the Drau at Spittal, the starting point of the Tauern railway. Shortly before this the river is joined by the overflow waters of the Millstättersee. This area

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FROM HISTORY

In the year 976, when the Emperor Otto conferred the Eastern Marches on the Babenbergs, he also separated Bavaria from Carinthia. From this time dates the independent existence of the Province, at first as a subject duchy. In 1077 the house of Eppenstein established its independent rule, to be followed by that of Spanheim and—after the brief interlude of Ottokar of Bohemia—by the line of Meinhard, an offshoot of the family of the Counts of Tyrol. In 1335 the province became a permanent possession of the Hapsburgs. Carinthia, the frontier province, fell like other districts a victim to the disorders and famines of that period. The constant bloody invasions of the Turks, Hungarians and Venetians gave its patriotic inhabitants opportunity to prove their loyalty and courage in the face of the enemy. The Emperor Friedrich III sent word to the Carinthians that "they had earned for all time thanks, honour and praise from the Holy Empire."

Then Carinthia developed during almost three centuries of peace and achieved great prosperity. The riches found in the mountains played a big role—iron, first mined by the Romans, came from Hüttenberg, lead from the Bleibergergraben and the Karawanken, gold and silver from the Tauern. Feudal overlords were still powerful in the land: the Archbishop of Salzburg in Friesach and the Bishop of Bamberg in Villach were the mightiest. They created these towns, whose commanding positions on the great traffic routes gave them an importance which even exceeded that of the old ducal town of St. Veit. The Duke and the Court officials of the Princes of the Church gave the countryside the imprint of the rule of a mediaeval aristocracy through their numerous castles and country residences. This imprint lingers on formerly prospered from the water-power of the mountains, as old stamping-mills and finely escutcheoned mansions in quiet valleys and on deserted heights still bear witness. Today it belongs to the devotees of mountain climbing, ski enthusiasts, and worshippers of the world of the great mountains who find happiness among the edelweiss, gentian, rhododendron and scented nigritella, to the marksman who pursues the noble chamois up the mountain clefts and to motorists who find pleasure in following the curves and twists of the excellent mountain roads.

ALLEGRO CON MOTO. From here up to the Styrian Alps, and running parallel to them, stretch the Noric Alps. Here there are a few summits over 6000 feet, but as the world of eternal snow and ice is left behind, the majestic note gives peace to the sighing of vast forests. Within the wide crescent which they form together with the lower groups of the Gurktaler Alps, the Nockberge and the Metnitztaler Alps as far as the deep valley of the Olsa, life is peaceful,

Glocknerstrasse.

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Klagenfurt Etching, 1547.

133 with a tempered gaiety. The softly rounded hills and grass-covered slopes with their carpets of flowers strike a bucolic note. This is a domain of shepherds and of modest travellers who come here in summer in search of peace and placid beauty. In winter it is a ski-terrain which not even the novice need fear to tackle. The cable railway to the Kanzel, above the Ossiachersee, which is extended by a ski-lift to the heights of the Gerlitzen, saves a long climb. Broad valleys which are all traversible lead from the Glan, the Gurk and the Lavant through a fertile and cultivated area back to the Drau. The Brennsee and the Afritzersee maintain Carinthia's reputation as a country for warm lake bathing. High up on the Turrach Pass which leads over into the Valley of the Upper Mur one sees the dark, shining surface of a small lake. Towards the East, where gaps leading from north to south mark out the line of the mountain ranges and the flowing water, the melody of the landscape becomes softer as one crosses the saddles of the Kor and Sau Alps with their abundant fauna until it blends into the farewell song of the Drau. Along a railway line and the dreamy road which Rudolf Hans Bartsch calls "the road of the Styrian wine carrier", Carinthia's chief river passes over into the rich vineyards of
133 what was formerly Austrian South Styria. Not
491 far from Wolfsberg, chief town of the fruit-producing Lavant Valley, the "Paradise of Carinthia", a modern car road leads over the

Lavant Valley Costume.

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Villach, 17th Century.

in the ring of castles surrounding St. Veit, of which the famous Hochosterwitz may be called a "Carinthian Grail", in the castles crowning Friesach and in the fortified mansions near the Italian frontier. A later creation of these proud overlords was Klagenfurt, now the chief town of the Province. Sheltered by the castles and towns splendid buildings arose—in Klagenfurt the Provincial Diet Hall, in Spittal-on-the-Drau a dream of early Renaissance in the shape of the Palazzo Porcia. Here and elsewhere grew up many a comfortable burgher's house which spoke of prosperity resulting from thrived trading, and some fine churches.

The Napoleonic times did not spare peaceful Carinthia. General Bonaparte marched through the Province in 1797. The Imperial grenadiers occupied it in 1805 and 1809. Open rebellion against the foreign conqueror was organised by Johann Baptist Türk, the Carinthian Andreas Hofer. He moved too early in the day to be successful and it was not until 1814, under Metternich, that the great hour of liberation from foreign rule struck.

During the stormy year of 1848 the inner unity of Carinthia was again demonstrated. It was the same during the first World War, the mountain

saddle of the Pack into the Graz basin, thus affording a quicker and more comfortable connection with Styria than is provided by the railway which runs by way of Friesach and the Neumarkt Saddle. On the southern slopes the peasants' houses lie at very high altitudes. The Benedictine monastery of St. Paul, a well-known educational centre, is situated here. In the mountains are iron ore and coal. The wind sweeps through the extensive forests, and across flower covered fields in which the blue squill, a child of the South, is still to be found.

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[illegible]OSO. South of the west-east line which the [illegible] Drau Valley cuts through Carinthia, at the foot of the frontier wall formed by the Carnic-Julian Alps and the Karawanken, the melody of the landscape is different again. After the *Andante* of the Hohen Tauern and *Allegro* of the Noric Alps which is transformed into the softer airs of the Lavant Valley, comes the wild *Furioso* of the storm-swept Kalkgebirge.

Between the Gail and the Drau, the Gailtaler Alps sometimes rise to a height of 6000 feet. To the south they fall away in impressive walls of rock. On the more gentle northern slopes

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On the Millstattersee.

133 *frontiers of the Province proving an insurmountable barrier. In 1918 South Serbia laid claim to Carinthian territory and foreign troops soon invaded a country which had collapsed after four years of war. But the Carinthians stood firm in loyalty to the Motherland, and the Province emerged intact from the defensive battles of the year 1919 and the plebiscite of 1920. The inflexible patriotism of its people had triumphed. History repeated itself after the second World War in which Austria was involved. The old saying "Carinthia free and undivided" will be bequeathed by the present seventy-three generation to its sons, as an inheritance which is part of the very existence of the Province.*

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WHAT THE PEOPLE ARE LIKE

Anthropologically there are two main races clearly traceable in Carinthia: a blond, tall, long-skulled type and a dark, tall, long-faced but short-skulled type. Both types are about equally prevalent. The eastern type of man, smaller, with a broader skull and darker skin, is less frequently met with. Here and there in many places there are isolated traces of a Mongol race, revealed by the characteristically wrinkled eyelid and the position of the eye. It is typical of Carinthia that none of these traits indicates a national division. They result from centuries of constant racial intermingling, being found quite as frequently among the German-speaking as among the Slovene inhabitants of the Province. It seems that the original Celtic peasant inhabitants gradually mixed with Germanic, Slovenic and other elements which penetrated the Province as the result of colonisation, wars and the expeditions of merchant caravans.

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Living in this area marked out by its natural boundaries, these peoples, aided by the effects of common conditions of life and progressive intermarriage, gradually developed into that Austrian-

lies the picturesque Weissensee, the only alpine lake which can boast of a bridge. The Gailberg offers a way over this mountain range connecting the towns of Kötschach and Oberdrauburg. A second road leads over the Kreuzberg between Hermagor in the Gail Valley and Greifenburg in the Drau Valley. Where the two broad river valleys meet lies Villach, on the extensive mountain plateau of the Dobratsch which has been given the name of "Carinthian Rigi" on account of the wonderful view from it. The acrothermal baths and the valuable metals won from the Bleiberger Erzberge are some compensation for the devastation caused by landslides in the dawn of history on the south side of the Dobratsch. The wierd scenery must be in part the reason why a famous colony of painters has settled in these parts, in the village of Nötsch. Among them are such well-known artists as Franz Wiegele, Arnold Clemenschitsch, Kolig senior and Herbert Boeckl, as well as Anton Mahringer and Raimund Kalcher.

Only south of the Gail Valley and of the lower reaches of the Drau is the wild character of the frontier mountains fully apparent. The wall of the Carinthian-Julian Alps stretches from Tyrol to the Gailitz Gorge through which passes the railway-line to Italy. In the Monte Coglians it attains a height of 9000 feet. It has a single negotiable pass—a military road even in Roman times—at Plöcken. The crests of the ranges tower upwards in pyramids or sheer walls of rock in a bewildering variety of forms, differing according to their height and the type of stone. Dense beech woods alternate with open fields, the meadows of the Gartnerkofel reflect the majestic violet blossoms of the Wulfenia. The Wolayersee reflects an impressive view of the surrounding country.

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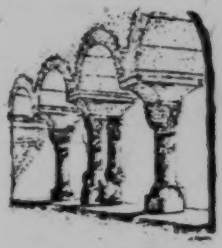
The Landhaus, Klagenfurt.

Lower down in the Gail Valley lies the reed-girdled Presseggersee.

Next comes the unbroken wall of the Karawanken Alps, their highest point, the Hochstuhl, lying well above 6000 feet. This range is a continuous chain of peaks, ridges, rocky clefts and awe-inspiring precipices as far as the Obir, the slopes of which in places suggest a monstrous stairway. The rose-tinted "Alpine glow" of these mountains in the setting sun is an unforgettable picture. The great pyramid of the Mittagskogel is reflected in the Faakersee, which many consider the most beautiful lake of Carinthia. Nature has allowed few streams to flow from this mountain, but the river named after Bad Vellach is an exception. Here, in the neighbourhood of Eisenkappel, ancient volcanic formations give a picture of a prehistoric mountain world. Its wildness is modified by the beauty of the Drau Valley, a considerable part of which is known as the "Rosental"—"Rose-Valley". This picturesque name has nothing to do with roses, but may be connected with the rectangular fields of ripening buckwheat which, with their rosy shimmer, are a pleasure to the eye when one looks down from the terrace of the Hollenburg on to the old armoury of the "Gun-Maker of Ferlach". The name really derives from the lords of Raseneck-Rosegg, who owned a fortified castle at the same place. Apart from this, the rudeness of nature is tempered only by the pine forests, and, in spring, by the sea of narcissi which bloom in the mountain pastures. Josef Friedrich Perkonig, the great writer on Carinthian scenery, called these parts "the quiet kingdoms". The Karawanken can be traversed by the Wurzen Pass, the Loibl Pass and a road crossing the Seeberg; at Rosenbach they are pierced by a railway tunnel.

PASSACAGLIA. All these different groups of mountains which vary so greatly from one another combine to form a delightful enclave in the heart of Carinthia, where the varied motifs of the scenic melody are repeated in a comprehensive recitatif. From the prehistoric mountains, mighty glacial streams which dug for the lakes of today their deep beds descended to the valleys. There are more than 200 of these in Carinthia. The rivers brought gravel and clay and continued



Millstatt, Cloister Walk.

alpine type which is nowadays implied by the use of the word "Carinthian", creating a feeling of natural common weal, without entirely destroying specific indications of individual differences. An extravagant capacity for enthusiasm, a light-hearted joi de vivre and love of good food, an impulse towards what is great and profound, are ascribed to the Germanic element. Rough and primitive strength, loyalty, a coarse sense of humour and self-confidence are believed to originate in the Celtic admixture. From this last the people are considered to derive a certain uncomprehending tendency to reject all that is new or unusual, the much criticised tendency to leave everything as it has always been. Whether this be true or not, all these qualities do, in fact, mark out the Carinthian generally, with little distinction as to his mother tongue. They equalise out in the souls of the people, stormy contradictions blending in the calm of a purposeful attitude towards life. Light usually triumphs over the darkness of the depths.

NATIONAL CUSTOMS.

The colourful customs of the inhabitants derive from age-old sources. In Central and Lower Carinthia, they date from the Celtic part of the prehistoric migrating hordes and the days before the birth of Christ. Heathen processions around the mountains in spring which led to the heights of former Celtic places of worship, became in Christian times Easter pilgrimages, such as the strange "Vierbergelaufen" in the Zollfeld area. The customs and legends of Upper Carinthia date back to the times of Teutonic invasion). Prayers for good harvest weather and for fertility embodied in the old custom of blessing the fields, the solstice fires and the marriage customs as well as those of the "Rauhnächte" have undergone many a change since they were first

Gail Valley Costumes.

building on the inheritance of the moraines of the ice age. The mountain winds carried seeds from afar. Thus there came into being a mixed landscape of thickly covered, isolated summits, ranges of hills, meadows, ploughed fields and stretches of water.

In this enclave lies the largest lake, the Wörthersee, the centre of summer holiday life, a reservoir of warmth covering an area of some 20 square kilometres. On its shores are many country houses, colonies of bathing huts and popular holiday resorts, among which the most important are the spas of Velden and Pörtschach. The Wörthersee is also a first class centre for sport of all kinds. On its beaches are crowds of bathers, swimming and playing games of water-ball; beyond them rowing boats explore the bays and inlets, while further out again, white sails swell in the wind and speed boats flash by, many towing a surf-riding board on which a bronzed figure is precariously balanced. In late winter, the wide surface may become a skating rink of vast dimensions. On the shores of the other lakes, large and small, life is less intense, but more idyllic. The Ossiachersee dreams pensively in the shadow of

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Shrine.

the Gerlitzen, with the secularised monastery of Ossiach on its shores. The broad and open Millstättersee, named after the health resort of Millstatt in the centre of which are a monastery and church of venerable age, looks serenely out at the world. Of the "Thousand Statues" which classical scholars claim to have been the origin of the name there is today no trace, unless one is prepared to find a modern version of them in the muscular figures which crowd the great diving-tower of the swimming pool, a true campanile of water sport. The Faakersee lies amidst fascinatingly beautiful scenery. Far away in the south of the Province smiles the little Kloppeinersee, which can boast of being even a few degrees warmer than the Wörthersee.

This lake owes its agreeable temperature to its sheltered position. Although the southern sun reaches it across the wall of mountains, the latter wards off cold winds. During the greater part of the year, this lake forms a calm island of fine weather amidst the surrounding storms. If one looks across the countryside from the Ulrichsberg, Carinthia's most typical mountain, one gets a good picture of how all the varied elements which make up the landscape blend harmoniously together—the central part of the great mussel of Carinthia and the surrounding mountains, with the valley of the Drau which traverses the entire Province from the Porta Tyroliae at Oberdrauburg to Unterdrauburg at the other end and beyond, receiving all the tributary streams and the ribbons of the highways which, a true network of roads, lead from all directions to the heart of the Province.

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RESTING PLACE BETWEEN NORTH AND SOUTH. Whoever wishes to enter or leave Carinthia must traverse a high pass or a narrow gorge, no matter from where he comes. So nature has ordained.

For this reason the roads have stood from time immemorial, however much they may have been improved by science. Their wearisome length, their task of linking the Adriatic arm of the Mediterranean with the Danube Valley area, have influenced the way of life of human beings and their choice of settlements. Carinthia is and always has been a resting-place for recuperation after climbing up from the sea level and overcoming the barrier of the southern Alps, before preparing to cross those to the North.

Glan Valley Costume.

The pattern of the Roman roads has been indelibly recorded. There is the Noric Road, which

instituted. Hüttenberg has its "Reiftanz", a miners' festival which expresses the longing for light of those who hew coal in darkness below ground. The "Kufenstechen" in the Gail Valley where horse-breeding is important to the people, derives from old tournaments. A ring which is held out on to the course by a girl has to be speared at full gallop. The "Kranzelstechen" in Weissenfeld in the Gurk Valley is a similar custom.

On such festive occasions, or at the ceremony of the dedication of the local church, one sees the old national costumes which are heirlooms in the valleys. At other times simple garments of home-woven linen and "Loden" (coarse woollen cloth) are usually worn.

VILLAGE AND FARM

Variety lends a special charm to farm and village. Scattered in small groups, the buildings stand in colourful and attractive gardens filled with flowers and enclosed by hedges. Built here of wood and there of stone, flat alternate with sloping roofs, and pergolas crossing the garden from one side to the other with those running the length of it. The wooden pillars supporting the veranda roofs are always carved; doors and windows are framed in colour and decorated by flowers. The "Kachelofenstube" ("Tiled Stove Room") contains hand-carved furniture and gaily painted chests. In the remoter valleys the "Rauchstube" ("Smoky Room") is still to be found. Originally it was a living room with an open fireplace and hand-made copper vessels. Shrines and wayside crosses differ greatly one from the other. Grain chests display the pleasure taken in artistic hand carving and colouring.

The food of the country people is simple and wholesome. Milk and sweet dishes made from flour form the basis of nourishment. Of the latter the most popular in town and country are the large "Nudel", a sort of cake, made of

Gmünd.

begins at Aquileia and forks north of Osoppo, the western branch crossing the Plöckenpass and the eastern the watershed of Pontebba. Where it emerges from the high mountains arose the modern Mauthen on the site of Loncium, and where it crosses the Gailberg into the Drau Valley grew up Oberdrauburg. Here one branch leads past Aguntum-Lienz through the Puster Valley to the Brenner and another past Teurnia (now called St.-Peter-im-Holz), Spittal-on-the-Drau and Gmünd to the Katschberg and on to Salzburg. The eastern fork runs from Pontebba-Tarvis to the place where the trading centre of Villach developed, and past the Ossiachersee and the Wörthersee to Virunum at Zollfeld, near the point where Klagenfurt was established, and further on to St. Veit, where the former dukes of the Province held court. Further along its course

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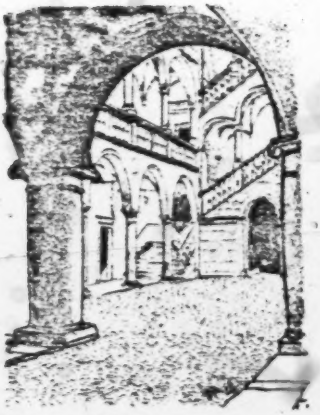

Spittal, Castle Porcia.

to the Neumarkter Sattel and Styria arose the proud town of Friesach. From Virunum a road led eastwards. On this route lie the larger towns of Southern Carinthia, such as Völkermarkt and Bleiburg.

This natural network of roads is as much used as ever today. This has maintained the prosperity of the settlements along its path. The fulcrum may have varied its position slightly as the area developed, but it has always lain within the triangle Villach—Klagenfurt—St. Veit. The advent of the locomotive, of the automobile, even of the airplane have brought little change in this respect. These routes follow the historic, natural highways. At most, where in olden times an obstacle was circumvented, it is today surmounted by an artificial construction, or bored through by a mountain tunnel as the Tauern railway does at Mallnitz and the Karawanken railway at Rosenbach. Even the airplane flying high above follows the old Pontebba route in order to avoid dangerous storms.

361 THE TOWNS OF CARINTHIA. The Carinthian settlements have earned their right to be called towns more through their historic past than for any other reason. They are small in size and their economic importance varies greatly. Nowhere do they crush nature like a stone fist, forcefully suppressing it. It is nature which encircles and penetrates them, surrounding them with a framework of lovely scenery, predestinated and naturally developed as centres of a district. This may be the reason why for a long time none of them was given the absolute dominance of a capital. An additional reason may be that the three most important places all lie in the centre part of the Province close together, having originated in different feudal territories of which they formed the centre.

The old ducal town of St.-Veit-on-the-Glan, where Walther von der Vogelweide sang, as well as his less talented colleague, the Carinthian Zachäus von Himmelberg, was pre-eminently a fashionable court centre, which later came into competition with the picturesque little mountain town of Althofen, an iron trading centre. Today it is a typical provincial town,

Klagenfurt, the Dragon.

a soft flour paste with the edges folded over, and filled with "Topfen" *(curds), herbs, poppy seeds or dried pears. For festive occasions there are the* "Leinölkrapfen" *(a sort of doughnut) and the* "Reindling", *a cake filled with cinnamon, sultanas or currants. The chief dish is* "Sterz", *made of buckwheat or maize. Normally meat is only eaten smoked except on feast days. Peasants engaged on exhausting work may eat bacon at tea time or it may be eaten with potatoes, cabbage or pickled turnips at the mid-day meal. For drinks there are cider and Schnaps, home-made spirits from the fruit growing on the farm.*

Although the mountainous nature of Carinthia does not afford its inhabitants a very luxurious existence—in comparison to that of the peasants in the plains it may almost be called poverty-stricken—it provides in its variety rich food for the spirit. The special temperament and mentality of the people find joyous expression in the magnificent songs of Carinthia, which have been spread, through Koschat, far beyond the native frontiers. Sung in jolly company by three, four or five voices, women's and men's blend harmoniously with that of the "oversinger" who remains an octave higher. It makes no difference whether the language of the song is German or whether, as in places near the southern frontier, it is sung in the Carinthian-Slovenian dialect. Sometimes, in fact, the two are mingled, with amusing effect. In the field of religious melodies there are many shepherd's songs which express in direct countryman's fashion the story of the finding of the infant Jesus in language which is sometimes moving, sometimes amusing. The most revered song, however, is and always will be, for Carinthians, the "Kärntner Heimatlied", *written by J. Ritter von Gallenstein in 1817. Its verses describe the beauty of the Motherland Province in moving terms of deep affection.*

Maria Wörth.

a shopping place for the needs of the surrounding countryside. Numerous castles and fortress-ruins are all that remain to remind of its proud past. 361

Villach has always been an excellent centre of communications. Belonging to Bamberg until the middle of the 18th century, it early received valuable privileges which together with a highly developed trade and the rich mineral yield of the mountains made it a very prosperous centre of culture. It likes to be called the "Town of Paracelsus", who lived there with his father for fourteen years. Its particular attraction is provided by the mountain which looks down into the streets and highroads from all sides. People say jokingly that this is the only town in the world where it is possible to hunt the chamois in the streets. This is, of course, not strictly accurate, for the forests of the Dobratsch mountain merely touch its outskirts. As a health resort it would be hard to beat, for mountains and lakes present the most varied attractions, while the warm springs of the medicinal baths offer a cure for many painful illnesses. A faint flavour of life in Italy, whose frontiers are not far [529]

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off, lends a certain piquanterie to Villach. It has developed industrially along lines which have done nothing to diminish its attractions.

Klagenfurt, the administrative centre of Carinthia, is the only town which is a municipal city according to accepted ideas. Even Klagenfurt is a natural picture framed by the most delightful scenery, and so near to the Wörthersee that it can be considered as belonging to the latter. The life of the town benefits by the crowds of holiday makers who visit it every year and by their demands save it from provincial stagnation. One should not be put off by the name, for it has nothing to do with "Klagen" (moaning) as the legend of the Dragon claims, but is simply a distorted version of "Glanfurt". The Dragon is to be found in the municipal coat-of-arms, and, in stone, guarding the fountain in the main square of the town, which bears evidence of its distinguished past in its old patrician houses. Emperor Maximilian I presented them to the provincial noblemen who had converted the small village of those times into a strong fort protected by stout walls against Turkish and Hungarian invasions, and probably against unruly neighbours as well. The prosperity of Klagenfurt really dates from the time when the development of Triest caused the road over the Loibl Pass to be built up as the shortest means of communication. Old farms with shady walks, dreamy inns where southern wine sparkles in the glasses,

Lesach Valley Costume.

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St. Veit-an-the-Glan.

well-kept gardens on the remains of the city wall, and wide avenues produce an atmosphere of peace and ease. The Government buildings, museums filled with treasures of prehistoric times, the proud Diet Hall with its "Wappensaal" of the Carinthian noble families, grammar schools and theatres, bear witness to the cultural level of life in Klagenfurt. On market day it is transformed into a little provincial town, where natural produce is exchanged for manufactured articles and the industrial products of many local factories, thereby maintaining a satisfactory balance between town and country.

And Carinthia's many other small towns? It would be tiresome to name them all and recount their merits. They are all witnesses to the industry of citizens, tradesmen and labourers, the forebears of some of whom have been settled in the district for generations. All of them are in close touch with the peasantry and fit well in with the wonderful natural surroundings of Carinthia, which invite the traveller everywhere to linger awhile. Some towns, such as Friesach, are almost overloaded with the beautiful and valuable monuments of a proud past. Churches and chapels richly decorated with reliefs and paintings, strangely formed charnel houses and beautiful wayside shrines ("Lichtsäulen") bear witness to pious gratitude. That this sentiment did nothing to weaken the powers of resistance and the realisation of the value of freedom is proved by the existence of fortified churches and the remains of the *Fliehburgen*. These fortified places of refuge owe their construction

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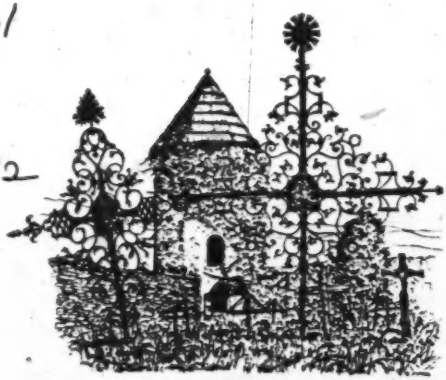

to the peasants' determination to resist attacks from the Styrian-Carinthian frontier districts which had often been invaded from the East.

AN ARTISTIC PEOPLE. The plastic arts have been widely influenced by the melody of the landscape and by the individual note which characterises Carinthia. This influence can be seen at work through the centuries. Even the works of foreign artists produced in Carinthia bear the Carinthian stamp.

341 The *Herzogsstuhl* ("Duke's Chair") at Zollfeld and the little church of Krainburg, one of the oldest churches existing in Austria, bridge the gap between the Roman remains which have been unearthed, and the romanesque period. On high points which were carefully selected you will find country churches in which services are still held and massively built charnel-houses. In the decorations of the romanesque monastery churches it is possible to trace the course of history; to see how, for example, the provincial romanesque reliefs yield to the Nordic passion for representations of the Stations of the Cross (for instance those of Millstatt), or how the style of great German buildings spreads into Carinthian territory, influencing the building of the monumental abbey at Gurk. Secret beliefs of the people in the supernatural as well as symbolic representations are revealed in the carvings on the doors and in the many-arched porch of the Abbey.

The religious severity of the choir construction is the first sign of Gothic, which blossomed in the 15th century into many pure gothic churches. Wooden statues of the Virgin Mary vie for recognition with richly carved triptych altars.

The renaissance and baroque styles are afforded little scope in secular monuments. But in the churches we find massive early baroque altars, which were succeeded by daintily carved rococo pulpits and by the famous Pieta of Rafael Donner in Gurk Abbey.

532 Carinthia's architectural and sculptural treasures have to yield place both in respect of quality and numbers to her paintings. There are a great number of romanesque wall paintings, noteworthy for their magnificence of conception and delicate colouring. The painting of Bishop Romanus in the Keep of Friesach is supposed to be the oldest fresco in Austria, dating from 1130, while that of the Apostles in the "Winter Church" of Maria Wörth is nearly as old. Again and again the removal of plastering

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Gurk, Romanesque Fresco : Adam and Eve.

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Strassen, Gothic Fresco : The Interment.

brings to light new marvels of colouring from long past ages. The smallest and most humble of churches sometimes becomes famous overnight. Even the frescoes revealed show a rough peasant uncouthness; this is always matched with a brilliant talent for painting. The pastel-coloured frescoes of the "Master Heinrich" in the western nave of Gurk Abbey are perfect in form and conception, and have a European reputation. 532

A well-qualified Carinthian expert in the fine arts has written of the development of Carinthian painting in the 13th century: "At the beginning of the romanesque period every scene was allotted a definite place on the wall, the colours being given merely symbolical value and the whole conception governed by severely inkonographical laws which attached little importance to the portrayal of persons, and disregarded entirely the surrounding scenery or superficially indicated it by symbols. But at the end of this period we find scenes where active beings replace the unreal puppet figures of the earlier epoch. Parallel to this change is the addition to lifeless drapery in the painting of figures of broken, serrated lines hinting at movement. Then came a flowing softness of outline which still refused to suggest the reality of the body beneath the drapery. Finally we see the artist overcoming the shapeless softness of outline, the suggestion of a living body beneath the garment and the soft lines slowly merging into lovely Gothic."

The strong urge towards painting in Carinthia has influenced the local Gothic. Elsewhere you will find that it is an aim of Gothic to curtail wall space in favour of windows. But in Carinthia, Gothic is moderated, the buildings more solidly constructed, in order not to lose any possible space for wall paintings. In small buildings with little wall space, you will find that the mural decorations have been frequently over-painted. The many churches of the Province, especially the wonderful Gurk Abbey, the abbeys of Millstatt and St. Paul, the church of Maria Saal and a host of others, some of which are in remote spots, offer striking examples of this trend in art. In order to provide still more space for special occasions there are the so-called "Fastentüecher" ("Lenten Cloths")—stretched canvases something like the "Armenbibel" ("Poor Men's Bible") with painted scenes of the Passion, with which the altar is covered during Lent. One of the largest belongs to the Abbey of Gurk, a pious gift of the Countess Hemma who, canonised, has been made the patron saint of the Province. 341 532

Metnitz, Charnel House.

133 489 ROUNDING OFF THE PICTURE. The broad belt of mountains whose waters flow into the Carinthian basin, towards which their valleys also run, and the uniform transport network which has consequently developed and has its centre here, have helped to give Carinthia remarkable political and economic unity.

361 438 Within its confines there are no dividing barriers. No one area of Carinthia could exist independently of the others. They supply one another's needs. Without serious loss no one of them could be separated from the others and attached to some neighbouring economic territory dependent on a too distant centre. Their life is indissolubly united with the whole Carinthian plain and its towns which are the essential nerve-centres—Klagenfurt, with its government-offices and most of the higher schools, a scientific centre of the Geschichtsverein (Historical Research Society) for Carinthia and the museum collections provides for administration and cultural life, Villach as a railway junction of great importance looks after the technical requirements of the communications system. These two towns with St.-Veit-on-the-Glan and the rest of the smaller towns give the area its necessary economic backing.

Thus this compact organisation is permeated by all those elements of which the living body of Carinthia is constituted. It is surrounded by the eternal symphony of colourful scenery, interesting through its peculiar mingling of culture and national dress, exciting by virtue of the far-away magic beyond its frontiers.

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GREEN FOREST BROWN ORE

STYRIA

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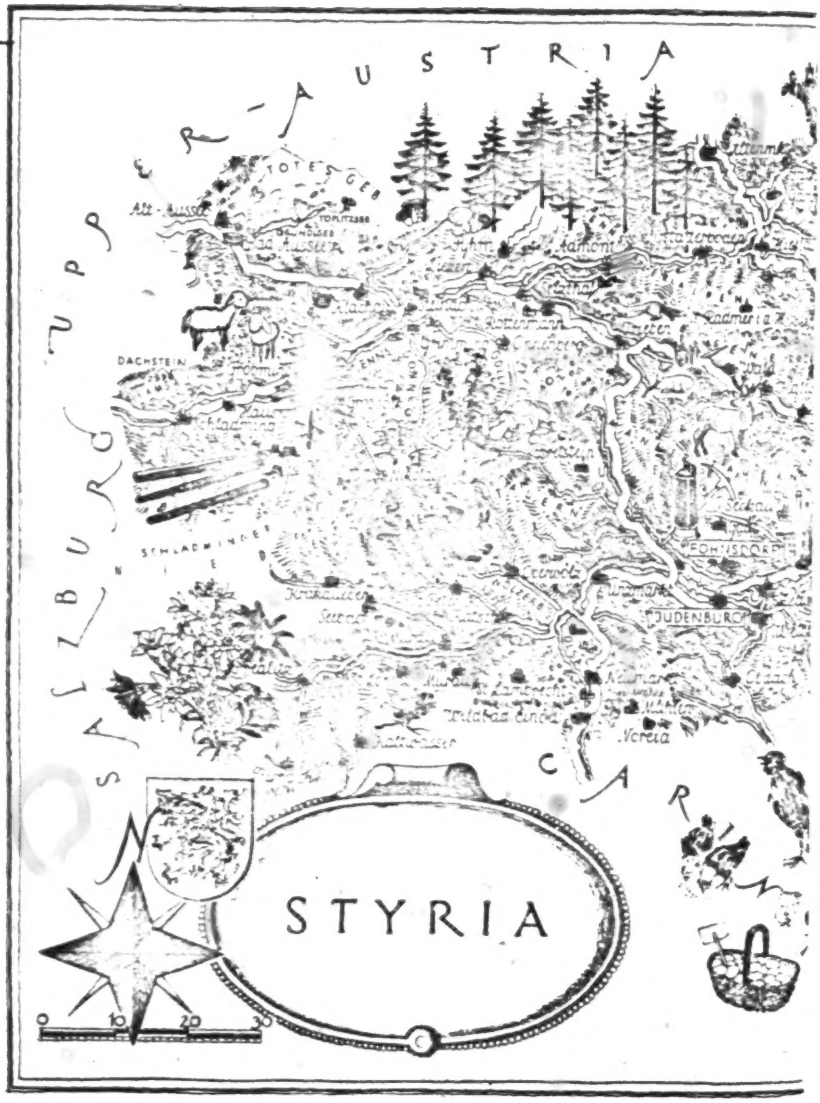
AUSTRIA
SALZBURG
STYRIA
TOTES GEBIRGE
DACHSTEIN
SCHLADMINGER
JUDENBURG
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LOWER AUSTRIA
BURGENLAND
YUGOSLAVIA
MARIAZELL
MARIZZUSCHA
SENNERZ
KAPFENBERG
GRAZ
HEILBACH
POLLAU
HARTBERG
FÜRSTENFELD
Burgau
Pinggau
FRIEDBERG
Semmering
Radkersburg
EUGENIE PIPPAL-KOTNIG

WORD-PALETTE
STYRIA

Clearing·digging·prospecting·cutting·
Ores and woods·
Weather-beaten refuge from the foe·a·enal·armoury·
Open Turkish frontier·
Iron in the hills·hammer-masters·miners·
proud workshops·
Council Hall·Clock tower·shaded wells·bourgeois comfort·
Mill amidst fruit orchards·waggon wheel·storks·
Scarecrow in the vineyard·
Library of the abbots·abbey and priory·
Mountain famed in song·
"Schuhplattler"·yodler·benevolent master·
Procession·pilgrims·holy shrine·
Heritage of ancestors·
Wooded homeland·

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Graz, Mausoleum.

This Province, on the northern fringe of which the Kalkalpen stand as shimmering walls, and into which, between the Radlpass and the Wechsel, the sources of its streams and rivers flow from the primeval formations of the Lower Tauern and the Styrian border mountains, this Styrian land, which ends with its broad valleys of ploughland and gently sloping vineyard hills to the east and the south, has never lacked admirers to sing its praises. 133

Styria takes its name from the Count of Steyr, who in the 12th century was entrusted with this territory as a frontier outpost in the south-eastern corner of the Empire. Frequently overrun, defeated and rebuilt in the course of the changing centuries, its history has indeed been that of an outer march. Its name brings with it the memory of stubborn struggles, and the silver panther on a green field stands to honour its spirit in its coat of arms, kept immaculate by manly courage. 103

How shall one try here to describe the Province in a few words? At what boundary should one begin, at what places pause to use that district and its inhabitants to illustrate the whole? Obviously from Graz, the capital, we must try to get a glimpse and general picture of past and present. A fishing village and a market-place near the Mur Bridge in the shadow of the fortifications of the Castle Rock—this was Graz more than 900 years ago. Civic industry, the good and ill fortune brought by the centuries, have filled its history. Emperors have reigned there, and there also servants of art and science have come together from all quarters of the globe. Today Graz is a town with a quarter of a million inhabitants, surrounded by busy industrial 361

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361 districts, but the old Cathedral with the Mausoleum, the Armoury and the Joanneum are carefully preserved and living witnesses to its colourful past.

The other towns of the Province are no less worthy of consideration; Bruck, formerly so wealthy, with the famous Market Fountain in front of the Kornmesserhaus, the iron-producing town of Leoben, the trading centres of Judenburg and Murau, the last of which has grown up so charmingly around its Schlossberg.

Space calls for brevity. We must limit our wanderings to three districts; from them, we can learn to know the whole of Styria.

133 WEST STYRIA. It is part of the secret of Western Styria that the colourful and clamorous life of our times which is to be met within a number of mining and industrial settlements from Steyeregg to Piberstein is constantly influenced by the underlying muted tones of the ancient soul of the Province, which lives on in its quiet woodland solitudes. The southernmost point is the mountainous country beyond Eibiswald, crowned by the distant heights of the Koralm Range. The Freiland forms part of the Province and above it the tiny church of Maria-Osterwitz, which grows up into the clouds. There is that little corner behind Modriach and Pack which seems lost to the world, where they adhere more closely to ancient custom and habits of work than elsewhere. There is the Gössnitz,

with its steeply sloping fields rising above the rushing mill-streams below. Still valleys sweep in attractive crescent form around and below the peaks of the Stubalpe. Everywhere in these barren farmlands from Radlpass to Lower Gleinalmspeik, the fields and meadows have been conquered from the wilderness of vast forests by means of fire and plough. Everywhere on these islands created by persistent, back-breaking peasant labour, the brown wooden farmhouses beneath their silver-grey roofs of slate defy the gales which come raging from the storm-centres of the mountain fields, and in age-old "Rauchstuben" the life-blood of ancient legends thaws again before the warmth of the open fire.

Beyond the savagery of the mountains, a world of vine-covered hills unrolls like a gay-coloured scarf before the dark girdle of the forest peasants land. On the sun-side of the mountains below the heights, the vineyards on the slopes are staked out with serried rows of vines on supporting poles. This is the picture which begins in a small way at the "Gasselberg", where with care it is possible to produce a Schilcher which has the proper tang alongside many an unassuming vintage. In the Styrian Schilchertal, between Ligist and Eibiswald, the view broadens and opens out. The vineyards there on the Hochstrassen and on the clear-cut, towering mountain ridge of Greisdorf are famous from olden times. The Engelweingarten above Stainz should be saluted with joyful respect, as should all the carefully tended vineyards where the Wildbach grapes ripen.

At the foot of this double garland of forest and vineyards is fruitful soil in which Turkish wheat prospers under a burning sun, yet despite all the riches which lie in the soil or come from the bright skies above, bad weather, misfortune and hard times have made the population adopt a grave and sometimes resigned attitude towards life.

A friend of the Styrian motherland wandering throughout the strip of country which we call West Styria and observing it with affection, would soon notice that beneath the noise and bustle of the fleeting present there lies hidden the treasure of a rich past. Roman inscriptions on stones and the tombstones of Italian officials and native Norics which are

Women of Leoben.

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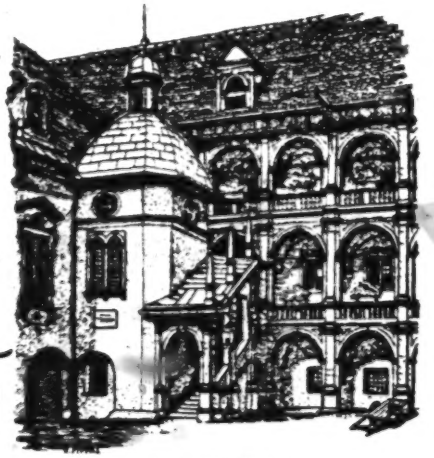

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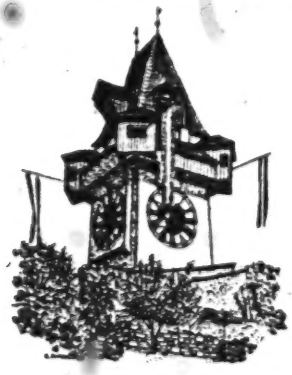
Graz, Diet Hall.

turned up in the fields by the ploughs of the peasants, now decorate the walls of many a building. On the towers and churches, especially of Mooskirchen, Stallhofen, Piber and Köflach they have been preserved as an indelible greeting from distant centuries when the world-wide power of the Roman Empire allowed our Homeland to share in its civilisation and culture.

Long after grass and the wilderness had erased the traces of Roman Noric civilisation, and a new way of life, Christianity and order had come to the Province of Salzburg, the castle of Deutschlandsberg became a centre of Salzburg planning and working. Later on, but of no less importance for development and trade, the nowadays so quiet town of Piber grew to be a far-reaching centre of culture when the house of Eppenstein gave their property to the Benedictines of St. Lamprecht. Their priory, in the parish of Piber, was a coveted living which once even boasted of a bishop. The Bailiff of Piber, however, taxed the lands of the Kainachtal down to the last peasant farm in the mountains. A circle of fortified castles guarded the roads and byways leading to Upper Styria—Haunstein, Klingenstein, the Primaresburg near Lankowitz, over the ruins of which the forest of Franziskanerkogel grows, Leonrod in the Gössnitz Valley, nowadays popularly known as Höllerrock Castle, Krems, where the keep still towers steeply above the Schlossberg, and the proudest of them all, Ober-Voitsberg, in whose shadow the inhabitants have enjoyed the privileges of citizens of a princely city ever since the time of Duke Friedrich the Handsome (1367). For many centuries life was mainly a peaceful exchange



Graz, Clock Tower.

of peasant labour and civic industry, the wine carriers from Hungary and the lowlands bringing greetings from far-off lands. Occasionally great nobles who broke their journeys had brought the exciting atmosphere of the big world. Like shafts of lightning historical moments lit up this forest-hidden land when the Turks came to trouble even the lonely vicarage on the Pack, or later, when the French marched in via Eibiswald and Preding. After the modest deposits of iron ore had been exhausted, the valuable timber caught the eye of the iron-masters. The streams drove the wheels of the hammers in the scythe workshops. The manor house to which one of the largest, the Tunner-hammer, belonged, still stands today amidst the smoke and noise of the colliery. Ever since Archduke Johann drew up with his own hands the plans for the construction of the railway line from Graz to Köflach in the fifties of the last century, and had them put into effect despite obstinate opposition, West Styria has become more aware of the vigorous life of modern times.

EAST STYRIA. Four main roads give access from the chief town to the rich fruit-bearing country of East Styria. Around this territory winds the River Mur, sweeping southwards from the sharp angle it makes at Bruck, and then eastwards to leave Austria at Radkersburg, forming a living barrier along the boundaries of East Styria.

The white ribbon of the first road runs past Maria Trost, climbing the hill within view of the massive Schöckel, descending to Weiz where it forks, one branch leading to the northern hill country, while the main road runs dead north, right into the heart of Peter Rosegger's "Waldheimat" ("Wooded Homeland"). The second highway is that famous

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one which from its earliest days has been known by its name of the Rica. Its asphalt surface climbs steeply to the high road, affording sweeping views from the inn-benches which date from the days of coach-travel. Bordered by forest and meadow, it descends gently into the Raab Valley. From Gleisdorf, where a branch leads off through Feldbach and Fehring to Hungary and another to the far-distant territory of Hartberg, its main branch continues as the Ungarnstrasse (road to Hungary) through Fürstenfeld to the Province of Burgenland.

The third road wanders towards the East Styrian hills, running past St. Marein-on-the-Pickelbach down into the Raab Valley. The fourth road over the Hühnerberg is the last in the network of roads which serves the quiet peasant life in the valleys between the Raab and the Mur.

These roads all vary, passing over hills and through valleys, past wooded mountains and vineyards linked together by fertile fields. The further east one travels along the valleys, the more they widen out as the space between the ranges of hills broadens until, in the distance, they remind one of the nearby Hungarian Plain. In the same measure that the countryside loses the shelter of the mountains do the human habitations grow together, isolated farms gradually giving place to hamlets, villages and market towns. The farms which in the middle districts consist of rambling house, cattle stalls and outbuildings, loosely grouped around one another as the terrain dictates, now move their components nearer and nearer together until on the other side of the bend in the Raab they become compact rectangles within which man, beast and the fruits of the soil are collected into one homestead.

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It is not hard to discover evidence of the changing fortunes of the Province. Tombstones have been found in remote parts of the forests with inscriptions in Roman letters erected to the memory of Celtic aborigines. By the roadside are overgrown tumuli which the peasants awefully refer to as "heathen graves". If one is to believe local legends, great princes are buried in some of them—perhaps even Attila himself, the King of the Huns. Later the Avars overran the country, destroying the deserted homesteads of the Romans and their culture, and driving

their slaves, the Slavs, before them with their whips. After the year 800 A.D. 175
when Charlemagne had broken the tyranny of the Avars, there came monks from Salzburg to preach Christian doctrines and with them Bavarian peasants. But soon the Magyar invaders swept in to interrupt the peaceful work of these settlers among the natives. Only after the Battle of Lechfeld was it resumed. Then, with the vigour of the adolescent Western world as a spur, a civilisation based on the hard work of a simple peasantry grew throughout the centuries into that unobtrusive, modest culture which has survived all the hard tests of the past. In those early days the villages grew up on river banks and in sheltered corners between hills, overshadowed and protected by the castles of the ruling knights; the Riegersburg, which crowns the steep slopes of the Felsberg, is a fine example of the latter. Protection from the danger which always threatened from the East was afforded 369
by the frontier towns of Friedberg, Hartberg, Fürstenfeld and Radkersburg. The burghers who lived in them and in the market-towns, proud of their social position, yet in close contact with the country-folk, kept the latter in touch with the developments of the age and brought to them profitable trade.

The Raab, the chief river of East Styria, flows broad, sluggish and dark from 133
the districts where the villages melt into fertile fields and the storks nest on roof-tops and chimneys. As it hurries through Passail the river is still an immature mountain stream. From this remote and pleasant market-town Peter Engelbrecht once found his way to the Imperial Court in order to teach Latin grammar to Maximilian, later the first emperor of this name. Further on, below the old Stubenberg castle of Stubegg lies Arzberg, where, as the name suggests, lead ore (with a [316] silver content) was mined.

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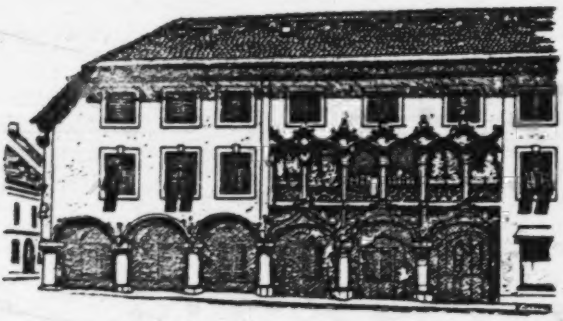

Bruck-an-the-Mur, Kornmesserhaus.

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Erzberg.

Then the walls of the Goller and the Gösser close in on the river at Raabklamm. Through this gorge a series of stone steps, foot-paths and bridges lead above the roaring, turbulent waters.

At the other end of this gorge rises Gutenberg, a fine castle which owes its impressive lines to the Stubenberg family to whom it has belonged since the 13th century.

361 St. Ruprecht-on-the-Raab owes its name to the Archbishopric of Salzburg which owned properties here since the year 860. Once a large parish and the judicial centre of an important district, it is today a notable market town which is sought out by holiday makers who appreciate its mild and health-giving summer climate.

Here the Weizbach joins the main stream; on its upper reaches lies the township of Weiz, a centre of industrial activity whose foundries even in far-off ages disturbed the placidity of the countryside, into which it is constantly spreading out its tentacles. Its landmark is the partly romanesque Taborkirche, records of which date from 1188. [346] The church on the Weizberg is built high above the town. Its exuberant-baroque twin towers afford a commanding view of the countryside in all directions. The cherished "Himmelsbergerin" as pilgrims call the shrine, is the work of Veit Königer, the Styrian baroque sculptor, and the painter Ritter von Mölk. The famous Renaissance Hall of the Joanneum at Graz was removed thence from Radmannsdorf Castle, today the seat of the Prefecture. Gleisdorf, once an old trading centre, was built on the ruins of Celtic civilisation. Many a well-preserved burgher's house bears witness to the prosperity of former times.

133 Just before Feldbach, the old market-town of the old Duchy which was raised
361 to the status of a municipality in 1884, the road turns off which leads past Castle
342 Kornberg with its many towers to the Riegersburg. The little town of the same name lies snugly ensconced on the lower slopes of the steep basalt rocks which are crowned by one of the most famous castles of the Province. Through seven gateways the approach winds into the inner courtyard, where a deep well is covered by a fine superstructure in wrought iron. Although Rutgerespurc Castle dates from the

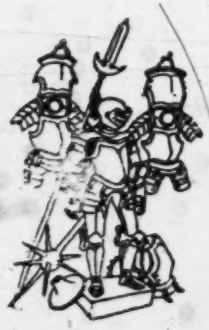
ON THE ERZBERG.

Styria is called "The Iron Province", and if one recalls the Armoury in Graz, that unique storehouse of the militant frontiersmen, one realizes how applicable is this name which chroniclers and poets are so fond of giving to the Province. It applies firstly to the mountain which forms the heart and centre of the countryside, the Erzberg. Since the times of the Romans the work of the miners on its slopes has been developed from early primitive methods to those of modern technique; the tall mountains around, and the old houses below the castle of the Osnaldkirche maintain the warmth and romance of Styria amid more mundane surroundings. The buried treasures of the mountains were welded into useful implements by the mills in Vordernberg and the iron works in the forest-glades until, in the middle of the 19th century, the works were able to make use of the newly-discovered brown coal mines. On this combination were founded the great iron works of Donawitz and Kapfenberg, which have made the name of Styria known throughout the world.

The Erzberg alone is enough to make Styria a rich Province. According to the legend it was in bygone times a mountain just like any other. One day a merman was caught in the Leopoldsteinersee. In return for his freedom he offered mountain treasure as ransom—gold to last one year, silver for ten, or iron to last for ever. The natives chose the last named.

The rust-brown iron mountain rises to a height of 2,400 feet by a series of gigantic steps, at the foot of which lies the market-town of Eisenerz, crowned by the "Schichtturm" and an old fortified church. Here beats the heart of the "Iron Marches" in its metallic depths. Thousands of miners can be seen on the iron-ore terraces, many of them working on the mountain as

12th century, it owes its present form and the insolent splendour of the interior mostly to the "Gallerin", born a Baroness von Wechsler, whose adventurous career is even today the source of many much appreciated stories.



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The Raab, along the banks of whose quiet, swiftly-flowing waters stand the great mills of the district, passes on into Hungary. Its basin has been made prosperous by peasant industry and toil.

The Feistritz starts its romantic course through Styria on the western slopes of the Wechsel, born of springs which arise amidst the wild mountain scenery of the Stuhleck and the Pretul Alps. For a considerable distance it is confined in a narrow valley, past Rettenegg and Ratten where the mining of brown coal has brought strange people and customs to the old forest peasant village, and is followed by the road and railway which serve the farms scattered on the mountain slopes or congregated into villages. [316]

Birkfeld, the old market-town of the Duchy lies well above the river. Anger, on the other hand, lies in the depths of the valley, surrounded by fruit trees, its dreams of the peaceful comfort of older times nowadays disturbed by the asbestos mills and the trucks from the soapstone quarries at Rabenwald. Through the cleft between Rabenwald and the Kulm, which affords a widespread view of the countryside, the Feistritz changes its direction to flow

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[342]

Hartberg.

east, and later southwards. Before it comes out into the open valley it passes below the forest-clad ruins of the ancient fortress of Stubenberg, the family seat of an old Styrian ruling family. Once again the Feistritz is swallowed up by a dark forest gorge, the Herbersteinklamm, at the end of which arises an imposing castle of the same name. Many periods have made their contribution to it—romanesque, gothic, renaissance, baroque. Peasants' straw-thatched farmhouses join the villages on the outskirts of the broad valley. Orchards follow the line of the low forest hills and on either side of the wide river lie fertile fields. Through an avenue of poplars the road leads to the picturesque and harmonious Castle Feistritz, well-hidden by the surrounding forests.

361 Out of the broad plain which was once owned by the Dukes of Styria rises Fürstenfeld, built up by the industry of its inhabitants, which has yet suffered the hardships of a frontier town up to the present day. The knights of Malta, evidence of an unbroken tradition, retain today their claim to a share in the property of the parish church which dates from 1232. A tobacco factory which has been established with its many branch buildings near the old castle soon recalls to lead us to the present.

133 The strip of land between the Feistritz and the Province of Burgenland is cut by the parallel rivers, the Safen and the Lafnitz. The hills which divide the two valleys rise up from the vineyards and forests until at Rabenwald and Massenberg they tower far above the stately Waldberge. Northwards these hills are overshadowed by the forest-clad mountains of the Jogelland which shut in the earlier course of the River Lafnitz.

Riegersburg.

133 342 At the foot of the mountains, between the serried rows of village houses which have often had to be rebuilt in the course of their tragic history, stand the residences

did their grandfathers before them. On holidays they wear the sober Maximilian miner's formal dress as has been the custom for centuries. Work above ground has made the old shafts obsolete, a giant electric crane replaced the old trucks.

These roads once led to Vordernberg, on the other side of the Erzberg. The brown one brought iron ore, the black one coal and the white, flour. Up to the time of Emperor Joseph II this once-wealthy mining and industrial town had the trading monopoly for all iron ore smelted there. Since Donawitz has been able to draw coal from Seegraben, the blast furnaces of Vordernberg have fallen on evil days.

Styria is also called "The Green March", because of the woods which cover the spurs of the alps, as vast forests in the heights and as cool coverts between the vineyards of the lowlands. They are peopled by mountain dwellers of ancient and hardy stock such as the Archduke Johann knew and loved. That princely friend of the people rescued the Province from economic and mental decay, making of it a pleasant garden where the concerns founded and encouraged by him exist today. Johann gave proof of his love for Styria by taking one of its daughters for his wife. The people and the forests have grown together to make up what is implied by the term "forest motherland."

IN THE CAPITAL.

The pleasantest way to reach Graz is to cross the Ries. The road descends in ever-sharper curves until after one steep drop one finds oneself facing the five terraces of the town. At once the eye is caught by the Schlossberg with its corpulent Clock Tower.

A sky of southern blue sets off the grey stones of the main square. Outside the Rathaus the flower and vegetable market is a riot of colour. The character of provincial nobility, originally built for defence 133
and as a refuge for the villagers, which today 342
illustrate modern farming methods or have become seats of responsible national education. Castle Neudau, the old Wasserburg may be named as one example of many.

Close to the edge of the mountains, at the 361
foot of the Ringkogel, over which the Romans built the Säumerstrasse, lies the town of Hartberg amidst country which has been cultivated since the earliest times. Today it is the seat of various administrative authorities, an outpost of northern East Styria. The fine lines of the baroque tower of the local parish church puts it ahead of many other pleasing pieces of architecture in Hartberg.

Pöllau, the market-town between Rabenwald 361
and Massenberg has become famous on account 346
of its old monastery church, a spacious building distinguished by its fine workmanship. The 532
most important interior decoration is the painting by the Master who created the Pöllau frescoes, Matthias von Görz.

The ancient Monastery of the Prebendaries 792
at Vorau stands in solitary grandeur. Founded 346
in the 12th century, razed to the ground by fire and rebuilt, ravaged by wars and consequently fortified like a castle, showing signs of decay yet refurbished in the styles of successive periods with added beauties, it has always been a centre of monastic discipline and learning, and of the religious and educational work carried on by the priests in the mountains and valleys of the district. The church has two German towers. On the walls of its brightly-lit interior the Masters of the early 18th century have put all the joyful triumph of the baroque age into their paintings, colouring and stucco work. The sacristy is known for its "Judgement Day", and "Last Supper",

by J. C. Hackhofer, and the library for its treasures of old manuscript.

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by J. C. Hackhofer, and the library for its treasures of old manuscripts.

Space must be found for a word about the hill country between the Raab and the Mur, the Land of the Seven Valleys which, separated from one another by forested heights, all guide their dark streams past quiet rural villages and mills hidden behind alder groves, flowing in the same direction towards the Mur. The latter, sweeping eastwards, forms a natural boundary for Styria. In the forests the edible chestnut is common, here and there casting its shade over a tumulus, which bears witness to long-forgotten settlements. Summer warms the air with southern strength, autumn bringing clear skies and the finest views from the footpaths which wind through vineyards and woods to white chapels.

529 The Gleichenberge and the Stradner Kogel are of volcanic origin. The curative properties of their springs are widely known. Bad Gleichenberg enables numerous visitors to combine the healing qualities of forest solitude, with up-to-date medical equipment.

245 The vine, which is cultivated in East Styria with varying results north of Hartberg, steadily improves in quality towards the south, reaching its zenith in the Klöcher Gebirge and around Halbenrain where the fine vintages are stored in the wine-cellars.

361 Mureck is a town of ancient Styrian civic culture, but its crown, the castle of Obermureck, lies on the other side of the Mur in what is today foreign territory, [342] as does Oberradkersburg, the ducal castle which since 1918 has been separated from the most southern town in Austria, the ever-loyal Radkersburg. None of the sufferings of a frontier town has been spared it. The tombstones in the churchyard of the gothic parish church are witness to the origins of its inhabitants. The venerable relics of Styrian civic life of olden times which are preserved in the tower of the Rathaus below the solemn frescoes of Fritz Silberbauer will encourage future generations to emulate the loyalty and watchfulness of their ancestors.

[498] THE STYRIAN ENNSTAL. Where the train leaves the narrow valley of the Palten to enter the broader valley of the Enns, it is greeted by a noisy network of sidings, signals and rails in the big station of Selzthal. The time-table describes it as a junction where many passengers change trains at an important crossing of north-south and west-east routes. Its name is better known in and outside the Province than many another which formerly meant fame and surviving tradition in the Enns Valley. A hundred years ago Selzthal was not much more than the name of a district, of a forest valley in which the charcoal-burners worked for the

and appearance of the old town is determined by a mingling of Late Gothic, Lombardian Renaissance and Italian Early Baroque. The well-known double-spiral stairway is a specimen of the extravagances in form of the 15th century. Half a century later the Diet Hall was built, a renaissance building of mature beauty. Within the severe exterior, dominated by massive cornice mouldings, one is surprised by the southern spaciousness of the three-storied arcaded courtyard. A harmoniously blended stairway leads to the banqueting hall. The bronze well in the courtyard is the work of native bronze casting. The adjoining Provincial Armoury, established in 1640, contains the greatest collection of historical armour and weapons in Europe.

The best work of the early baroque period is the tomb of the Emperor Ferdinand II. It was designed as a reminder of the triumph of the Counter-Reformation. The 16th and 17th centuries are responsible for the many arcaded courtyards. It was in the 18th century that the palais and residence of prosperous citizens were built.

SOUTH STYRIA, LAND OF VINEYARDS.

On the mountain tops shine small, white churches and summer bungalows gleam palely among groves and thickets. The shaded side of the mountain slopes are covered with forests, the southern sides bear sunny vineyards. The vines are often trained up poles which are usually the tops of fir trees, planted in the soil so that each vine looks like a well-grown tree. In the leafy vineyards are dozens of rattles, operated by the wind, which chatter at every gust. They are like wooden stars, little ones and big ones, which reflect the sunbeams, lending an unusual charm to the countryside. They give tongue at the least breath of air, their varied and often

Pöllau.

iron hammers of Admont Monastery, the iron-bearing rocks affording a meagre existence. Its few houses were not enough to form a village, and it belonged to the parish of Versbühel in the district of Rottenmann. But where the railway lines came to meet and cross, there the noise and bustle of the new life brought new inhabitants, new houses. Workshops and homes grew up amid the ever increasing noise and drifting smoke. In itself no beauty-spot, it is the gateway to a world of high mountains and age-old valley culture, the Ennstal.

To the right following the course of the river runs the Pyhrn railway, which then crosses the valley and disappears into the Bosruck Tunnel behind Ardning, emerging into the open to carry traffic to Linz in Upper Austria.

The track of the other line which leads to Amstetten follows the course of the Enns. From it one sees one picture after another of the ever-changing beauties of nature. The moss which spreads over the valley has in places been torn

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Admont Monastery, Library.

133 *musical notes enlivening the warm nights and sun-drenched, dreamy days. The more abundantly the vines have blossomed, the sweeter the ripening grapes,* [137] *the more wind rattles are set up to protect the cherished fruit. In their thousands they are supposed to scare away the bold thrushes and starlings. Although when they sound loudly a* 340 *cloud of scared birds rises into the sky,* 792 *they soon settle again among the sweet grapes. The wind-rattles really contribute more to the atmosphere of this part of the country than to the effective protection of the wine. Visitors as well as natives adore them; you quickly learn to distinguish the notes of one from another. On stormy nights of hail and thunder, it is as if they were calling in alarm to the ruler of the clouds.*

Styrian attributes:
Dour but galant the Ennstaler,
Charming the Aussee girl,
Thoughtful and grave the Murbodner.
Solemn, good trencherman the East Styrian,
Easily roused the Grazer,
Soft of heart the Lower Styrian.
And all tough and courageous in the cause of the Motherland.

up or dug out to form ditches and pits; between them stand the narrow sheds containing slabs of dried peat. The valley extends as a wilderness filled with the humming of a myriad insects busy above the red carpet of wild mustard out of which rise blackberry brambles and the white trunks of young birches. The Kulm, a tree-clad hill on the pale summit of which stands the pilgrimage church of Frauenberg, rises steeply from the banks of the Enns. With two towers and light coloured walls the old shrine reflects the light of the surrounding mountain peaks, which look like a festive garland supporting the blue of the heavens. For half a century the abbots of Admont have cherished this church of Our Gracious Lady with artistic and more than loving generosity. In the "Turkish Year" (1683) the church was invested with its baroque pomp as a worthy framework for the old shrine, to which Johann Thaddäus Stammel later added a glorious wreath in the shape of a delightful choir of angels.

A narrow avenue of chestnut trees leads to a Calvary Mount on the fringe of the mountains. The group around the Cross rises above a weather-beaten wall. It is the work of peasant hands and has an impressive solemnity seen against the background of the distant mountains. In the valley below the Enns emerges, a green and glittering torrent, to flow through meadows and alder bushes to Admont.

The two slender towers of the Abbey which are seen by the tourist from a long way off, were only built after the great fire of 1865, but the surrounding settlement and the foundation of the monastery date back to the earliest history of the Province. [103] Latest research claims to have established that the name Admont is of Illyrian origin, and that the "region of plentiful water" which this name suggests in Illyrian had therefore long been inhabited by human beings—by fishermen, woodsmen and hunters—when monks from St. Peter in Salzburg came, in 1047, to the monastery. It had been built by Archbishop Eberhard with money given by St. Hemma of Gurk, there to found what became one of the most prosperous and best known cultural centres of the Province. Worship and science, art, agriculture

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Bad Aussee.

and forestry all found a home here. Progress and civilisation were spread through the surrounding virgin forests and through the properties which had been given to the monastery in Sausal and Untersteier. Often threatened by fire, the monastery[1] has succeeded in preserving undamaged its famous treasury, the library with the frescoes of Altomonte and the masterpieces of J. T. Stammel up to the present day. During the heyday of the monastery, the flower of Austria's youth took their vows here, a long line of artists, men of learning and priests being noted in the chronicles of the monks during the course of a whole century. The great world, however, has forgotten most of their names, although historians still speak of Abbot Heinrich II, whose gifts of statesmanship resulted in the dignity of a Governor of Styria being added to his title of Abbot before he was treacherously murdered in 1297.

Better remembered in our own times are the names of the scholars Richard Peinlich and Albert von Muchar, after whom streets have been named by the provincial capital.

After a short, enforced pause, the rule of St. Benedict was re-established in the almost 900 year old cloister, a monastic revival in modern times of a venerable past.

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Towards the north, beyond the little village of Hall, where salt was crystallized out of the waters in the 12th century, and the hidden, solitary mills, the Haller Mauern majestically enclose the Admont Valley. How grand are the names of the Steinberge—Pyhrgas, Hochturm, Hexenturm and Natternriegel! And how grandly their cliffs and peaks glow beneath the summer sky. For nearly half the year through clear and frosty wintry days they are covered with a glittering mantle of snow.

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To the South the jagged Hahnstein rears its head, blocking the view to the higher peaks of Sparafeld and the Reichenstein. On the slopes of the Klosterkogel lies Röthelstein Castle. Lime trees stand in the outer courtyard, which is surrounded by a turreted and loopholed wall. A massive archway leads to the Residence which is known as a fine example of 17th and 18th century architecture.

1 [i.e. Admont Monastery -- Analyst]

On the left bank of the Enns, running eastwards, the road leads past the Grabnerhof, a modern agricultural college, and through the little village of Weng, climbing steeply to Buchau. 874

Through meadows and woods the little road leads out of a realm of solitude past traces of the bygone days of the "Ironmasters" to come gradually into more populated and livelier surroundings. In 1150 this place was called St. Gallus-in-Silva, i. e. St. Gallen-in-the-Wood—and the descriptive name is still applicable. 361

The main road from Admont to the East runs towards the Hohen Buchstein, at the foot of which road, railway and river enter that unique natural phenomenon which the Enns through countless aeons has carved out of the chalk cliffs, the Gesäuse. A sunny, cheerful forest valley, the river tearing its way through the rocks below, and on both sides high forests filled with the rushing wind and the songs of birds in the tree-tops. Now and again a stone avalanche falls from distant heights with the re-echoing crash of falling debris. Where small lateral valleys join the Ennstal they afford above dark forests glimpses of the gorges and heights of the Gesäuseberge. It is an exciting excursion, no matter whether the traveller looks out from the window of a train or the back of a car, or, disregarding the fatigue of going on foot in the old way, enjoys the beauty of the Upper Styrian mountain world in a four-hour walk. 133

Into the Gesäuse runs the Johnsbach Valley, once filled with noisy life by blacksmiths and their apprentices, but now a popular point of entry for mountaineers who whish to climb the heights of the Reichenstein, Ödstein, Planspitze and Hochtor. In Gstatterboden, on the calmer reaches of the river, the mountain giants are again visible in all their majesty.

Where the Erzbach joins the Enns lies Hieflau, long famous for its output of Styrian iron. The nearby Erzberg and the waterway of the Enns enabled Hieflau to establish and develop its furnaces, to turn out iron ingots and to build workers' houses. There are still some remains of the great Enns Dam, a picturesque construction of the hydraulic engineer Hans Gasteiger, who was buried in Kirchlandl in 1577. 361 327

The Enns, now flowing northwards, buries itself deeply between high plateaus on which farmers have long been settled amidst meadows and woods. Hastening past Gross-Reifling with its castle-like houses dating from the times of the iron carriers

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133 and raftsmen, leaving Altenmarkt behind it, the Enns, today the favourite torrent for adventurous souls in collapsible boats, flows across the frontier into Upper Austria.

[496] From Selzthal the railway runs upstream along the left bank of the Enns to Radstadt and Bischofshofen in the province of Salzburg. All along its course northwards stands a chain of the characteristic peaks of the Kalkalpen in exciting divergency—Hochmölbing, Totes Gebirge, Hochtausing, Grimming, Stoderzinken and the lower flanks of the massive Dachstein. Different again, less wild, but as unique in their own way, are the forested subalpine hills which run off here to the left. Behind them lies the wilderness of the Niedere Tauern with their many lakes.

361 Liezen at the northern edge of the valley, mention of which occurs in documents [438] of 900 years ago, was the most important transport junction before the railway came into being. Trade and barter brought prosperity from the salt carriers and the traders who arrived by way of the Pyhrnstrasse. The growth of the neighbouring town of Selzthal has brought losses to the former roadside settlement, but the persevering inhabitants have found other means of livelihood and today its flourishing industries have raised Liezen to the status of a town.

[529] Wörschach, a pleasant and peaceful spot at the entrance to a gorge, attracts from afar holiday visitors and health seekers year after year to the healing springs of its radio-active sulphur baths. Mountaineers and ski-ers climb from here into the mountain world of Hochmölbing, Warschenegg and Hochtausing, the climber often finding summer conditions on the verdant heights of the Schneehitzalm and the Bärenfeuchten between the numerous herdsmen's huts. The mere pedestrian crosses the Taschnermoos within view of the towering Grimming and goes on to the Puttererseе by way of Aigen.

[346] From Wörschach the road leads westwards to Niederhofen, whose little gothic church deserves the attention of all lovers of art—and of Styria. This building contains curious tempera paintings from about the year 1500 and three carved altars from the 17th century. According to Ferdinand Tremel, the Styrian historian, we have in it one of the oldest churches of the Enns Valley. In Stainach, to which the junction of the Salzkammergut electric railway and the Bischofshofen—Selzthal line have brought new life and trade, we catch sight of the rocky nest of "in der Pürgg" above. The great gothic church there, noteworthy for its antiquity as well as for its unusually artistic architecture, well earns its local name of "Steyrisches Kripperl" (Styrian Crib). Inns and farmhouses surround it, completely filling the gap in the rocky cliffs.

On the other side of the valley lies Irdning, an impressive market-town whose busy life confers many advantages on the wide mountainous hinterland.

From Liezen onwards one is impressed again and again by a mountain which rises above lower wooded heights like a vast, glittering castle of rock—the Grimming.

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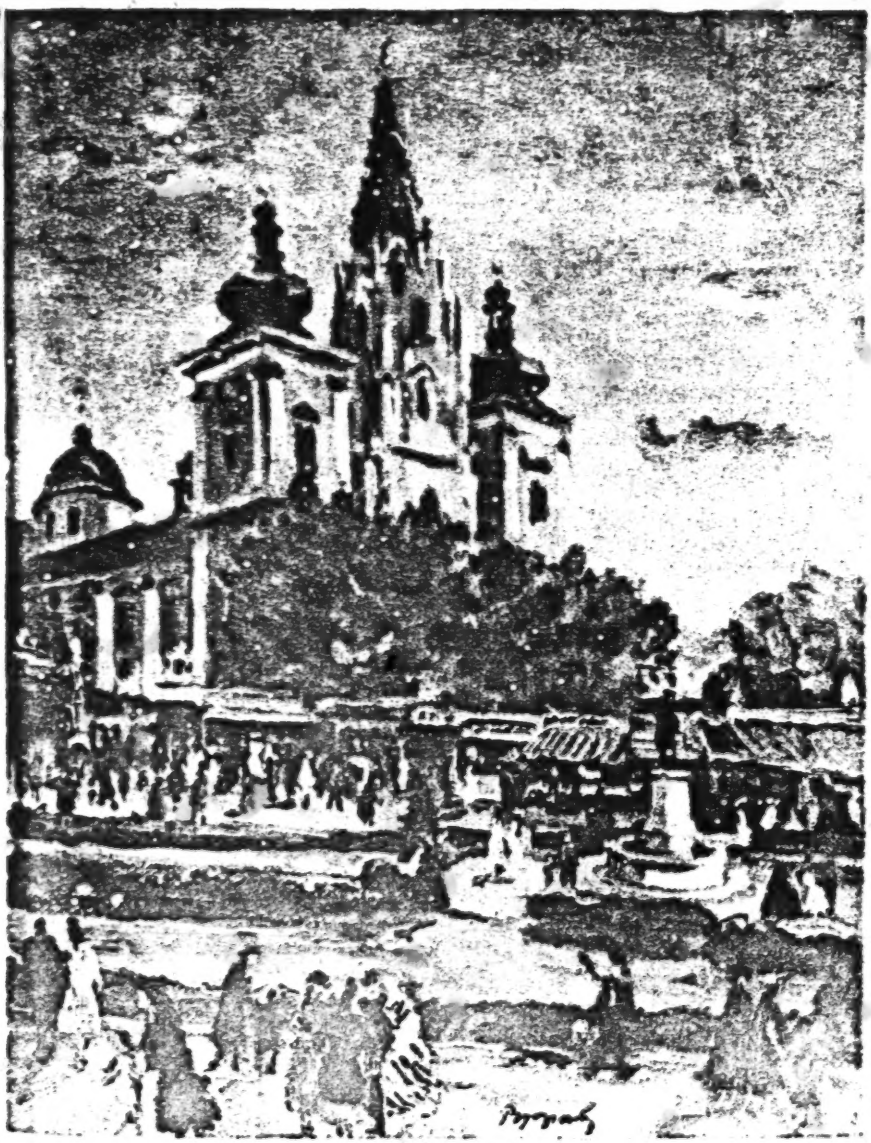

Mariazell

133 It is not surprising that in the Middle Ages it was described as the highest mountain in Styria and that the people paid tribute to its majesty in awe-inspired legends.

361 The market-town of Gröbming is worth a visit. Holidaymakers are attracted to it because of its fine situation and wonderful scenery. People from a wide area come to deal with officials who long ago established themselves here because of [346] the central position. Art lovers come again and again on pilgrimages to the beautiful gothic church whose great carved triptych altar of the year 1510 stands out among other art treasures.

Going upstream, we find the Enns flowing through increasingly cultivated and civilised country the nearer it gets to the old mountain town of Schladming. This place has been well planned and beautifully proportioned about a great square. Overshadowed by the towers of the Catholic parish church of the 16th century and the Evangelical church (1862), it presents a picture of dignified calm. In the past it has seen much want, warfare and tumult. It was the scene of peasant and religious wars. Fires and economic collapse ruined many an old family. The civic rights which were lost by Schladming in the year 1525 were restored to it again in 1925 in recognition of the courageous temperament and vigour of its 133 population. The Schladming countryside gets its individual note from two plateaus, the Rohrmoos and the Ramsau. The latter, lying at a height of over 3000 feet at the foot of the Dachstein, has been populated and cultivated for ages. The picturesquely-scattered farm-houses bear many evidences of their occupants' unquenchable love of the homeland. Thanks to its healthy situation in the heights and the approach it offers to the Dachstein via the Austriahütte, Ramsau is one of the most popular holiday centres of the Alps.

342 From Rohrmoos, a little further off, the view of the Dachstein range is if anything grander and more impressive. Here, as on the Ramsau, the farmhouses have in many cases retained the local peculiarity of the flatly inclined purlin roofs (as they are to be found westwards in the adjoining province of Salzburg). Together with the wooden shingle roofs weighted down by stones, they give the countryside its distinguishing note. These comfortable and homely dwellings are fast disappearing. Modern ideas and times call for economy with wooden shingles, pointing to the greater space and other advantages afforded by the steep roof.

133 HOCHSCHWAB AND MARIAZELL. On the borders of Lower Austria rises the broad and mighty complex of the Hochschwab. The range covers a surface of 400 square kilometres and includes over a hundred separate peaks. When the townsman sees these mountains, he has the feeling that Faust's magic

cloak has transported him into another world. The magnificent though distant views across the Danube to the high-lying plateau of the Waldviertel, to the West towards the Dachstein and beyond it to the Glockner, to the South as far as the barrier of the Karawanken are not easily forgotten.

Dachstein, Southern Slopes.

No less impressive is the wilderness of surrounding peaks and snowfields. The Hochschwab, that mighty giant, is approached through defiles and valleys where stand old foundries and deserted smithies. One's eyes are continually drawn to the towering walls of this gigantic range.

That is how the monk had seen it who is mentioned in the legend of the founding of Mariazell. In the middle of the 12th century, Otto VII, Abbot of Lambach, sent one of his monks eastwards to spread the teachings of Christ in the wilds of the mountains. He carried with him on his arduous journey an ikon of the Virgin, carved out of the wood of the lime-tree. But before long he found that he could no longer find his way out of the mountains, range upon range rising before him to bar his path. At last he sank down exhausted before a wall of rock, calling on the Virgin for help and rescue. In answer to his prayers the unscaleable barrier of rock parted asunder, granting him a miraculous passage to the valley behind it. There the holy man stayed and decided to build himself a cell in honour of the Virgin.

Now a town, Mariazell is delightful in summer as in winter because of its position and the surrounding scenery. Its central point is the great pilgrimage church, the largest in Styria. Gothic forms and baroque roof are impressively united. To the rear of the middle part of the nave is the chapel of Our Lady and the revered picture of the Virgin Mary and Child which is the object of worship.

The simple "Marien-Zelle" has developed into a place of pilgrimage, its religious influence reaching far beyond Austria into other lands. Processions of pilgrims seek comfort and strength here. Women and girls who wear a picture of the Virgin Mary of Mariazell on a slender chain about their necks, are supposed to be protected by it from sin and distress, and to retain for life a share in that charm and gaiety which enshrines this little jewel of a town in the mountains and spreads over the whole Styrian countryside.

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PROVINCE UPPER AUSTRIA ABOVE THE ENNS

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UPPER
AUSTRIA
SCHERDING
BRAUNAU
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St. Radegund
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EUGENIE PIPPAL-KOTTWIG

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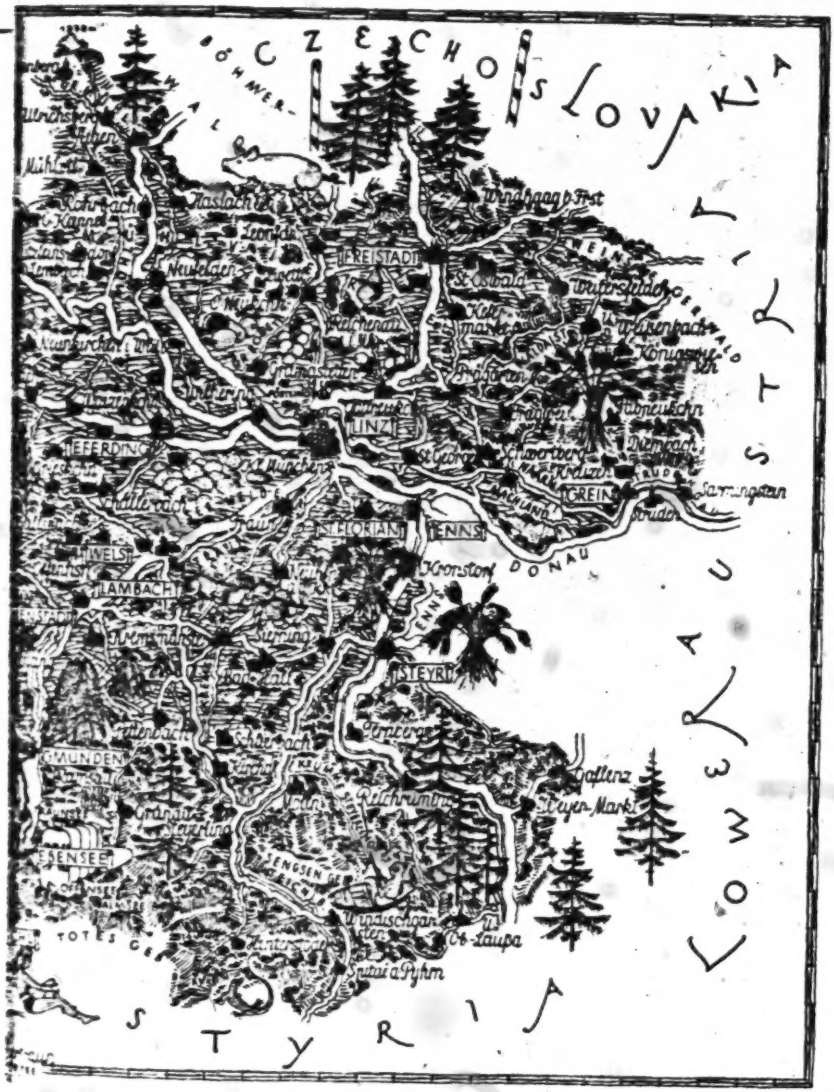
CZECHOSLOVAKIA
BÖHMER-WALD
FREISTADT
Windhaag b. Frst
Neustadt
Leonfelden
Kirchberg
Kirchmarkt
Königswiesen
Hohenfurth
Neufurchen
Ottenschlag
LINZ
Hellmonsödt
Kaltenbach
Kaiserwald
Kaiserberg
Kaiserwald
Kaiserwald
GREIN
Sarmingstein
Strudengau
HEFERDING
Mitterkirchen
ST. FLORIAN
ENNS
Kronstorf
DONAU
ENNS
WELS
LAMBACH
Steyrling
STEYRLING
Steyr
Steyr-Mark
GMUNDEN
Schwarzbach
Kirchdorf
Grünau
Grünau
Gaflenz
Kalkalpen
Kalkalpen
ESENSEE
SENGSEN SEE
Windischgarsten
Ob. Laussa
Spital a. Pyhrn
TOTES GEBIRGE
STYRIA
LOWER AUSTRIA

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WORD-PALETTE UPPER AUSTRIA

Church spires in a broad countryside.
Hills · hillocks · and furrows.
Farmer's calendar · sundials · hailstorms · summer lightning.
Yellow hemp · white unbleached linen.
the soft murmur of spinning-wheels.
Mountain forests · emerald-topped · high as thought can reach.
Rock crystal and many-hued stones.
Danube barges boat builders · stacks of salt · stacks of iron.
Fields of rye and maize · wheat tall as man.
wind-swept seas of grain.
Wars of the peasantry · open markets · towns of proud burghers
Prosperity · joie de vivre · devout and thankful hearts
Village churches · cloister · abbey and monastery.
Chalices panel paintings · fish ponds · choirs
Organ and jubilation.
Poplar avenues · fruitful countryside · picturesque
mountains on the horizon.
Salt in the lakes.
Water lilies · lovely play of light and shade —
Wind-driven wavelets.
Gay abandon of nature and man.
Blissful lives

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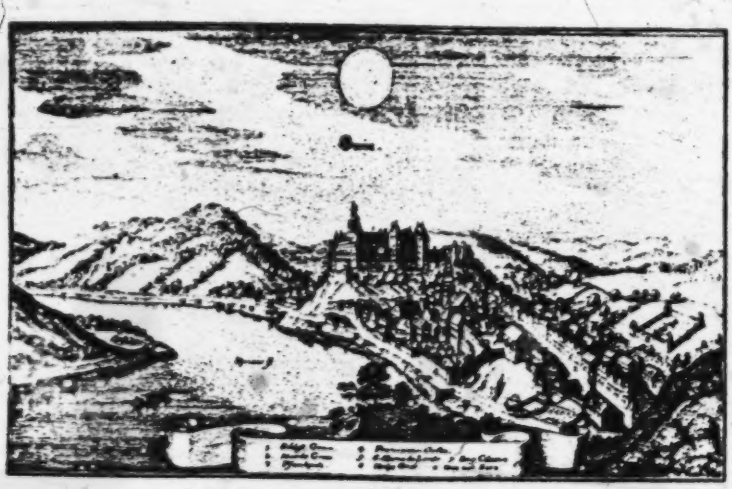

Four quarters make one whole: this expression was coined for Upper Austria. Security and tranquillity are the key-note of this province which stretches from the Alps to the forests of Bohemia, embracing a considerable stretch of the Danube. 131

The Upper Austrian peasant is not in the habit of making much fuss about his work and the city dweller is equally modest. But such modesty cannot be allowed to detract from the solid achievements of the peasants and townsmen which are Upper Austria's two first claims to fame. After these come her monasteries and convents.

But let the Province speak for itself and its inhabitants.

DOWN THE ENNS. Where the Enns leaving its narrow valley flows swiftly northwards to join the Danube, the "Green Province" joins Upper Austria at Steyr. Softly, gradually, the mountain ranges decline to smoothly rolling hills, until they subside restfully in the old iron town at the juncture of the Enns and the Steyr. For hundreds of years the hammers of armourers and cutlers have been pounding away on the banks of the river, for it is here that the iron of the Erzberg is welded into implements of peace and war. Together with the names of such well-known products as Werndl Rifles and Steyr motor cars, one comes across the name of Michael Blümelhuber. His part it was to produce delicate ornamental objects from the iron by his skill in steel-cutting. 133

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[487]

Schwertberg.

Downstream the raftsmen see from afar the massive blocks of the city tower of Enns. Known already to the Romans, Enns has been since olden times an important depot for salt, wood and iron. Goods not discharged there for road transport, stayed on the barges until the Danube Maut (customs house) was reached. The market-town there is still known as Mauthausen, and commands the waterway to Vienna and Hungary.

[316] IN THE MÜHLVIERTEL. In the great quarries carved out of the steep Danube cliffs one glimpses the primitive Mühlviertel scenery, based literally on granite. How many blocks of it have been cut and shipped upstream and downstream from Mauthausen, and used to build railways, roads and bridges, making the name of this picturesque market-town known throughout Europe! On the same bank further downstream before the Danube enters the narrows of the Strudengau is a fertile stretch of land known as the Machland. The chief town is Perg, once famous for its sandstone quarries from which millstones were cut. Close by is Baumgartenberg, which rises abruptly with the massive tower of its entrance gates and its high-roofed church out of the spreading orchards.

502

133 *Steyr; the old Dominican Church.*

A secular building of equal interest is the massive Greinburg with its granite arcades built on a cliff jutting out towards the Danube, dominating the town of Grein, framed by the forests and reflected in the waters of the Danube. Ships navigating this part of the Danube have to be on the lookout for rapids and whirlpools. Warnings are exhibited on the banks near danger spots and where necessary, hoisted on flag poles. The tugs toil upstream laboriously hauling heavily-laden barges past the picturesque riverside villages of Sarmingstein and St. Nikola.

Northwards from Perg and Mauthausen the Mühlviertel countryside broadens

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Steyr; market Square.

292

SALT FROM HALLSTATT.

Thousands of years before the birth of Christ, the salt deposits in Hallstatt brought settlers to this remote spot and soon gave them comparative prosperity. Mining was also carried on, bronze cast, coarse wool woven and many a beautiful vessel of clay skilfully formed, although without the help of a potter's wheel. In baskets and sacks the salt was brought along byways to the trading roads and there exchanged against Roman goods. When the overlordship of Rome came to an end, Hallstatt fell into oblivion, the barbarian invasions temporarily obliterating its very name.

In 1292 Duke Albrecht I of Austria ordered the salt works of Gosau to be opened. This led to friction with Archbishop Conrad of Salzburg, as salt was also produced in his territories at Hallein. Possibly this prince saw danger to his revenues in the competition. Possibly the new works at Gosau really lay on Salzburg soil. In any case when the news of Albrecht's death became known in 1295, the soldiers of Conrad of Salzburg, accompanied by a mob from Hallein, overran the Kuchelsal, destroying the salt-pans and the new trading-centre.

Salt mines in Hallstatt were first mentioned in 1311, as a concern run by the State. A new method of producing the salt had been developed; instead of it being simply hacked off in blocks, it was dissolved in water, and the solution pumped above ground into pans. For a time the salt thus recovered was transported just as it had been 1500 years previously; that is, it was brought in sacks to Lambach and there shipped down the Traun.

Hallstatt's production in 1311 was considerable, amounting to about 4800 tons a year. By 1534 it was already 10,000 tons, rising to 25,000 tons in 1571.

The discovery of the Ischl salt mountain in 1562 caused Hallstatt's

out. Circumventing the deep cut valleys, the 133
high roads lead to the hilly uplands. Before long one glimpses the wooded rolling summits with the Alps on their southern horizon. The surrounding hills are covered with dark green forests, against which ploughland, pastures and farms stand out beneath the sunlit clouds. The slender-spired, white-walled churches on the heights might be pilgrims' ships about to set sail towards shores in the heavens. From the depths rises the sound of the rushing waters of the Feldaist, which after flowing placidly through meadow land at Wartberg, has been trapped in a wide and narrow rocky gorge through which it has to storm its way into the open. There its dark sister, the Waldaist, which has its source among deep forests where in remote villages the inhabitants paint religious pictures on glass, flows placidly to join it.

Amid such surroundings lies Kefermarkt, 361
whose gothic church contains a well-known 532
carved altar, a fine example of late mediaeval art. It breathes the spirit of an artist who was at one with the people. St. Wolfgang occupies the central shrine, with St. Peter and St. Christopher on either side. The delicate tracery of the lime-wood carving branches upwards like the tops of trees. Something of the old-world peace that permeates the hill region which the traveller has just left seems to be embodied in the gentle inspired features of the central figure. In the face of the "Holy Ferryman" St. Christopher, one finds traces of the severity of the northern landscape. Any 132
day you can run across people with such impassive faces, with such dour expressions on those inclement uplands of the Upper Mühlviertel, where spring arrives a month later than elsewhere in Austria, and where even in summer the solitary farmhouses are endangered

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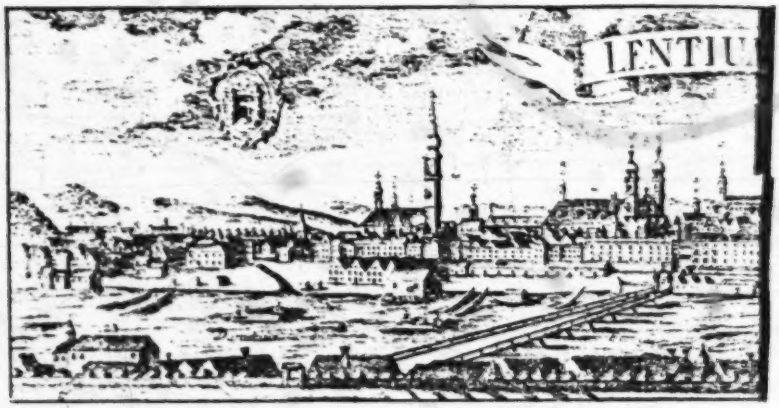

132 by raging storms. Here an early winter may often come to destroy the harvest, the fruit of bitter toil, and sweep away bridges and footpaths so that neighbour is isolated from neighbour.

361 At such times life is easier in the Upper Austrian towns—for instance, in Freistadt, the former frontier fortification north of Kefermarkt. Round the mediaeval town with its wide, turreted square lies a broad moat. On the wall which once defended the citadel whisper ancient lime-trees, casting their shadows over the children who play beneath them.

496 Not far from here runs the line between Linz and Budweis, the first "railway" line constructed on the continent of Europe, which unites the former Crown Lands of Bohemia to Upper Austria. In biedermeier times the citizens of Linz used to make excursions on this railway, travelling far into the country in horse-drawn railway carriages resembling post-coaches. These were in use for 40 years before the horse-drawn was replaced by the steam railway.

133 Up hill, down dale, sometimes in deep valleys, sometimes climbing up to the heights, the Mühlviertel, which has been called, not without reason, the "hunchback"-land, stretches further and further out towards the dim vastness of the Böhmerwald. At the foot of the Dreisesselberg, where Bavaria, Bohemia and Upper Austria meet, rises the broad Mühl from which the district takes its name, its golden-brown waters flowing on to the Prämenstratensian monastery of Schlögl. For many hours one can trace its meanderings through solitary mountain forests, following the sound of the woodsman's axe or the smoke of the charcoal-burners, where the grey wisps
288 float above the lofty crests of the pines. From courtyards and houses come the
248 muffled rhythm of hand-operated spinning wheels. Here flax is grown, spun and

bleached,

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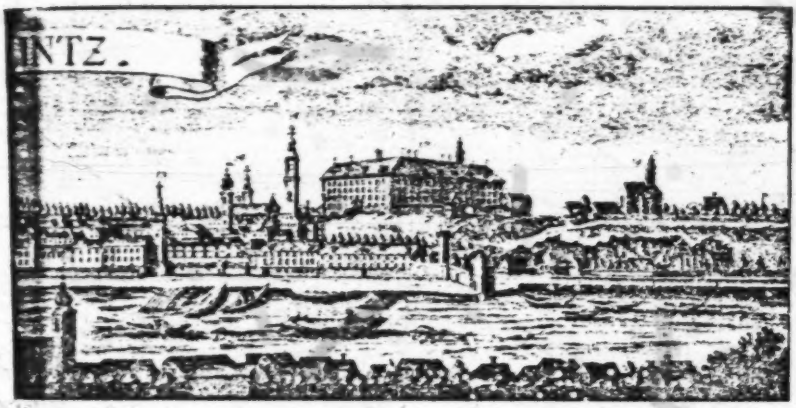

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importance to decline, but on the other hand production on a large scale was planned for the whole district. A conduit for dissolved salt in solution was constructed from Hallstatt to Ischl and later extended to Ebensee, thus laying the foundations for an industrial development, the principles of which are still valid today.

A difficulty inseparable from the recovering of salt was the considerable amount of wood required. The two salt-pans at Hallstatt in which the solution was evaporated needed 380 cubic metres of wood per week. Gradually but surely the forests disappeared, for apart from the need of fuel for the pans, building and mining timber was also necessary. In the middle of the 16th century Hallstatt had a consumption of 88,000 tons of wood per year. These proved the maximum figures for salt production. The discovery of the salt mountain at Ischl and the subsequent laying of the salt-solution conduit saved the forests of the Hallstätterlee.

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In 1750 the transport of salt underwent a great change through the regulating of the Traun. From now on the

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bleached. At Rohrbach and Neufelden the country opens out. Hops flourish on long poles and the Mühl is dammed to form a lake, the falls of which produce much needed water-power.

The wide ribbon of the Danube borders the Mühlviertel on the southern side, but the wild Urgebirge impedes the river's course, forcing it into creeks and side-arms. So were created the confined, deeply forested Danube narrows from Bavaria to beyond Lower Austria. A journey through those romantic reaches of the great river is not easily forgotten.

THE CAPITAL. Linz is a retiring town, a coy beauty. Anyone arriving from the railway station will not appreciate it. Nor will the motorist, if he follows the main road passing the iron foundry. The proper way to arrive at Linz is to land from the Danube. Then you will take it to your heart, for Linz is born of the Danube. St. Martin-über-dem-Felsen is its most ancient church.

The castle is an outpost. It has seen many changes, from monastery to castle, later to a

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712 princely residence and then to barracks. Since the time of Rudolf II it has stood, a massive block-house, above the town. The old town lies at the foot of the mountain, where the little houses start to rise towards larger ones. The growth of Linz dates from the establishment of its market; originally it was just a broad street adorned with lime-trees and wells, an example of the interpenetration of town and country. The middle-class houses of the square speak of old-fashioned comfort. Narrow house fronts conceal long courtyards with ornately arched entrances. The Rathaus with its baroque façade and octagonal tower is hardly more noticeable than other buildings.

Linz has always been a bourgeois town. Each stone proclaims that this is no creation of monarchs, that this is a town of self-satisfied middle-class folk. Its history is a record of industrious citizens.

The northern porch of the fine Diet Hall reminds one of the great days of the 16th century. During the Reformation Johannes Kepler taught here and wrote his first work, the "Harmony of the World". The severely monastic renaissance buildings contrast with the elaborate baroque outlines of the Jesuit Church. Ignoring the busy bustle of nearby factories, the charm of this town of free burghers lies in its quiet and dreamy atmosphere, the baroque note of the buildings on the main road and the hour when the far-famed women and girls of Linz stroll of an evening on the main square and along the Danube banks.

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361 UP THE DANUBE. Linz and (on the opposite bank) Urfahr are suitable points of embarkation for Danube steamer trips. The adjacent slopes of Frein- and Pöstlingberg, to which the little suburban houses on the river banks cling like birds'-nests, confine the bed of the stream at the start. The steamer passes between the impressive Kalvarienbergkirche and the slender tower of Puchenau, following the curve of the legend-haunted Kürnberg, in the forests of which are the walls of an ancient, weather-beaten refuge from invaders. Above the far-flung wall of mountains lies the Cistercian monastery of Wilhering. Built during the Crusades on an isolated strip of river bank, it was rebuilt after a disastrous fire with all the splendour of Austrian rococo.

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salt from Hallstatt—still 10,000 to 15,000 was a year—was rowed over the lake and taken down the Traun in small boats. From this time on a separate industry developed—that of ship-building, for there was a considerable fleet to keep in order. There were six-oared and nine-oared boats; upstream they were drawn by horses. The knowledge of ship-building acquired by the inhabitants of the Salzkammergut proved of good service during the wars against the Turks, for many hundreds of war vessels were built by them, to be used on the lower reaches of the Danube.

At the beginning of the 17th century, as a result of the Plague and the Turkish Wars, the Salzkammergut was involved in grave economic difficulties. In 1714 the Salt Office in Gmunden refused all responsibility for steady salt production "while the salt workers are literally dying of starvation". In 1715, people in Hallstatt were reduced to eating soup made of salt water and bran bread.

In 1717, scurvy broke out in Aussee. In 1770, the worst was so great that the miners saved the tallow issued to them for lighting purposes in the mines in order to be able to take it home on Fridays as extra fat.

The time was ripe for social upheavals, and in France the flag of revolution was unfurled. In Austria radical reforms were proclaimed by a progressive monarch, the Emperor Joseph II.

ANCIENT CUSTOMS.

The traditional customs of the Province follow the seasons of the year. Just before Christmas families work with devotion and skill to build up a Manger scene, often several yards long. From moss and roots a Salzkammergut scene is built up in which the Crib is placed with its carved wooden figures, which generally date from the 18th century. Midnight mass is solemnly

Wilhering Monastery.

As one passes through a romantic countryside, villages crop up here and there, crowding their red roofs around lofty church spires. Elsewhere the mighty keep of a mountain castle challenges the skies. The steamer threads its way among sandbanks where herons stand motionless as dream figures until suddenly one of them flaps his wings and writes the cryptic signs of his flight in the morning sky. In the far distance one can see where, to the south, the wall of the Alps blocks out the horizon; at times it seems to draw nearer and at times it seems to be swallowed up in the misty distance.

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The boat steams cautiously past the rocks of the Aschacher Kachlet, giving the passenger time to look at the tower of Eferding Parish Church, in which a certain Johannes Kepler once married the daughter of a simple citizen, Reutlinger. Beyond the ruins of Schaumburg we approach the hills of Aschach. The grapes embodied in the coat-of-arms of this market-town are a reminder of bygone days of Upper

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[272]

Aschach-on-the-Danube.

Austrian wine-growing. The green grapes on the sunny walls of many a farmhouse seem to be dreaming of these bygone glories. To-day, the mugs in the "Bauernstuben" ("Peasant Parlours") and the glasses on the inn tables are no longer filled with wine, but with the cider and perry from apples and pears which in late summer lie in great heaps before the old home presses, richly carved and decorated with mottos. The Upper Austrian is a great drinker of cider in pauses between his warm work in the fields, and at "Jause" (tea time), in cool, paved rooms or in the shade of an inn lime-tree in summer.

The wooded charm of the mountains lining the Danube Valley strikes an ever more solitary note. The hills and cliffs twist the ribbon of the river into loops until at Schlögen it makes a great bend around the foot of the mountain on which stand the ruins of Haichenbach. Next come the villages of boat-builders; further upstream we see on high ground the market church of Engelhartszell on the right bank, near the Bavarian frontier.

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IN THE INNVIERTEL.

[492]

Rich harvests are usual in this part of the country. The four-square farms nestle comfortably and with an air of independence in the rich fields. In the stables, side by side with the long row of sturdy cart-horses are fast trotters, which draw the farmer and his wife on cross-country trips, or when they enjoy the hospitality of a wedding feast in some neighbouring village. Baroque church

announced by trumpets from the tower, and hundreds of candles burn in the cemetery.

In the "Raunacht", before the Feast of Epiphany, you can watch the "Glöcklerlaufen" in many parts of the country around Ischl. Young men in groups of up to 30 and more carry transparent head-dresses on their heads in the form of chapels, fish, crosses, ships, etc., which are lighted up from within by candles. They are dressed in white, with dangling bells and run from house to house at a definite steady pace.

In the spring, at Candlemas, the time for changing servants, there is "Aperschnalzen". *This is a rhythmic cracking of whips which welcomes the first patch to be clear of snow. Later comes the* "Almauftrieb" (*the driving of cattle up to the mountain pastures*) *to be followed in autumn by their being driven back to the valleys. The procession up to the green pastures is a great event. The cattle are decorated with coloured ribbons and garlands of flowers, the leading bull carrying a bell. The calves often bear crowns of real flowers between their tiny horns.*

On Palm Sunday the palm bush is constructed. Branches of pine, willow and spring flowers are twined together in bunches to which ribbons and apples are attached, and are then fastened to long poles and carried to the church. Afterwards they are placed in the middle of the fields to make them fruitful, and left until the new grain or high grass has grown up all around.

Corpus Christi Day is a religious holiday throughout the Catholic countryside. Everywhere there are processions. At Hallstatt and in Traunkirchen, where there is too little space between lake and mountains, the Corpus Christi "Procession" is held upon the lake. On the water, verses are read from the four gospels, while guns thunder from the shores or in the mountains.

towers and the steep span-roofs of the houses look out over golden fields of wheat and barley, over level plains and gently sloping hills of arable land, over orchards heavy with fruit and extensive forests. Like a constantly recurring *leit-motif*, the chain of the Alps thrusts the many-shaped zigzag of its peaks into the sky wherever one glances southwards. Whether it be in the prosperous market-towns on the Inn, in Schärding or Braunau or the land up-country, in Ried or Haag, in old riverside-shipping towns like Obernberg or in the distant villages, everywhere you sense the Innviertler's *joie de vivre*, his passion for dancing and song, his simple enjoyment of marriage and church festivals. Trace this to its source and you will find that it is love of the soil, of the Province, of home—as you will find it interpreted in the dialect verses of Stelzhamer.

Braunau-on-the-Inn.

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If you are looking at altars and similar church decorations in this area, you will surely come across the name of Schwanthaler. An artist whose imaginative sketches have been exhibited all over Europe lives here in a romantic castle at Wernstein-on-the-Inn—Alfred Kubin.

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IN THE HAUSRUCK. Across the Province of Upper Austria runs a forest-covered range of alps, the Hausruck. Its massive height may well have seemed to popular imagination like the body of a giant resting embedded in the surrounding hills, lost in mysterious dreams.

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Schärding-on-the-Inn.

133 When this sleeping giant stirs—landslides of the underlying gravel beds, say the geologists—the giant Hausruck often shifts houses from their anchorage. Yet the people love him as a well-meaning giant, especially since he presented them with a treasure which adds to their prosperity. In the time of Emperor Joseph II, 316 fields of brown coal were uncovered here. Since then a mining population has 361 grown up. Wolfsegg, a market-town over which stern battles raged during the Peasant Wars, has given its name to the second greatest coal area in Austria. The fertile slopes of the Hausruck stretch out to the Danube Valley. At its lowest point lies Lambach, the old Benedictine settlement on the Traun. Its splendid baroque porch is worth attention. On leaving the neighbourhood of this monastery, one enters an area of almost irresistible beauty.

133 THE SALZKAMMERGUT. It is impossible to paint in words a convincing picture of the glories of the Salzkammergut. One can mention its name, together with those of various favorite spots there, to stir up feeling or memories. There is that feeling of elation which is inseparable from this area; everyone is susceptible to it, whether he comes from Upper Austria, Salzburg or Styria. A sense of expectancy masters eye and mind. Impatiently one's gaze wanders from the lovely immediate surroundings to the exciting view ahead, both impossibly lovely. An involuntary cry, a sudden embrace, may afford vent to the emotions—the Austrian will suddenly cry out: "God must have made this world in seven holidays!"

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These are a few among many such customs. There is the cavalcade of the peasants on St. George's Day, and other peasant processions. There is much competition among the young men. It is real work dragging logs to the alhmeins for the "Sonnwendfeuer" (Solstice Fire) or the tallest fir tree down to the valley for the maypole. If the youths of one village manage to cut down the carefully-guarded maypole of a neighbouring village, it is a notable achievement.

Inseparable from the customs of the people are their songs. Hence the many folksongs to be found everywhere—the "Almrufl", the "Jodler", poacher's songs and Christmas keys. The themes underlying the traditional folk dances are love and play. The "Ländler" and complicated figure dances alternate with the difficult "Schuhplattler". Thus do old customs give a clue to the people and their character.

What names of districts, lakes and mountains shall one cite? There is the towering triangle of the Traunstein, Schafberg and Dachstein, the latter a part of Styria, emblems of the three provinces they dominate, the beauty of each reflected in surrounding lakes. Then the lakes themselves—the Traunsee, with its two aspects, the one gay and southern, and the other romantic, gloomy—behind it the rocky silhouette of the "Schlafende Griechin". The Attersee, a vast stretch of water, home of softly-gliding yachts, with rows of summer villas on its banks. The sunny Mondsee calmly rocks its waterlilies in face of the steep and menacing Drachenwand. On the other side of the Scharfling is the Wolfgangsee, framed like no other by towering mountains. Theatrically they stand encircling the lake, the Zwölfer-, the Retten- and the Mittagskogel, the haughty Sparber and the long Bleckwand. The sharply-silhouetted Schafberg dominates them all. In the midst lies the lake—dark, dreaming—princess or child of this encircling range. On its shores lie unreal townlets like illustrations to a fairy tale, St. Wolfgang the loveliest. Morning, noon and night one can watch the fascinating interplay of fresh breezes, light and shadow. Clouds drift across the mountains like playful cherubs, to be joined by pudgier cherubs, born of the mists over the little river in their mocking contemplation of the earth beneath.

Further down the valley stands Ischl, the summer residence of the old Emperor Francis Joseph. In the fields you may find planted tall poles bearing bunches of flowers left over from the Easter celebrations, or twigs of palm-willow, which the superstitiously devout plant in the soil, believing that it is a protection against hail-storms.

Orth Castle.

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Corpus Christi Procession on the Traunsee.

133 Further up the Traun lies the Hallstättersee, a tight-lipped storehouse of
361 ancient secrets. The houses of the little market-town are piled one above the other on the narrow rocky terraces leading from the shores of the lake to the slopes of the Salzberg, on whose heights lies a famous ancient burial ground.
765 Lines of Hamlet come back involuntarily as one inspects the charnel-house with its many rows of skulls with religious inscriptions painted across the bony foreheads.

133 Indifferent to man's changing fortunes, the Dachstein, its royal peak towering above the mountain forests, watches eternally in its glacier armour. Below, the Gosau Lakes look up at it with unrevealing eyes of green in whose depths one can read only the reflection of primitive natural forces.

946 In the Salzkammergut, beauties of nature and of handicraft are never far apart, and on turning from the one you meet the other. There are carved statues and

pulpits, sacred images and churches with famous altars—Hallstatt, Mondsee and, at St. Wolfgang, Michael Pacher's wonderful altar triptych. 346

There is the old monastery settlement of Traunkirchen; on a steep hill jutting out into a creek of the lake which the Romans called "The Happy", the monastery lies adjacent to the church and the dreamy courtyard of the now solitary garden, cut off by an arched gateway from the outside world. Next again comes the cemetery, protected by a low wall of rock which runs down to the lake. The graves are huddled together, the mounds and crosses covered by rambler and ivy. Those whose minds incline that way may reflect in this lovely spot on life's reconciliation with death. 361

Turning back to pulsating, exuberant life, the picturesque streets tempt one to travel further, mountain railways wait to carry one up to the summits which afford such unique views of the lake district of the Salzkammergut.

Just as in Rome one drops a coin into the Fontana di Trevi if one wishes one day to return there, so one should linger for a parting glance at the promenade in Gmunden. Built in a series of rising curves, the epithet it seems to call for is "graceful". Country mansions, castles and middle-class homes rub shoulders with one another. Boats rock softly on the water, swans glide elegantly towards the shore and the silver-grey outlines of the lakeside castle are reflected in the waves.

Hallstatt

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FROM KREMSMÜNSTER TO ST. FLORIAN. Swiftly and smoothly the pastel-green waters of the Traun run through forest and field out into the fertile moorland near Wels, a town which has a colourful and distinguished past. The course of the Traun is followed closely by the smaller Krems. This river has given its name to a splendid abbey. Anyone seeing Kremsmünster for the

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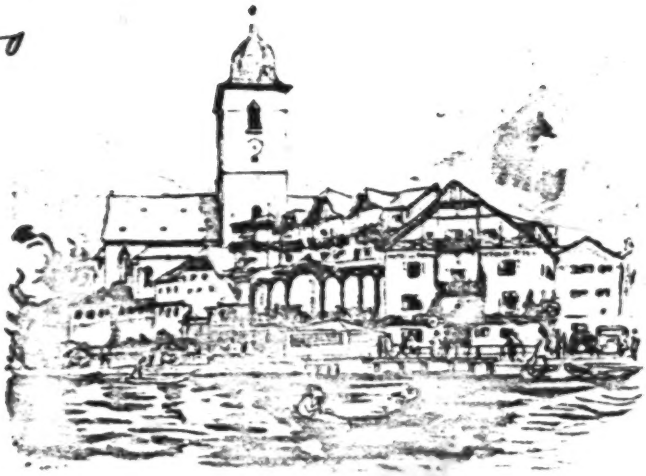

St. Wolfgang.

361 first time is immediately struck by its mighty, castellated walls with their great cupola-
133 crowned roof. From the high belfry of the monastery towers with their helmet-like domes come notes of praise to the Creator. Standing before the interesting arcades of the fish-tanks, one is filled with admiration for the architect of the abbey. When (for the arcades of this unique building go far beyond the utilitarian purpose for which it was intended) one looks at the skies reflected in the crystal-clear surface of the fish-pond, listening to the fall of the water pouring from the moss-covered carved figures round the spring above it, one has a feeling of having caught a glimpse of a forgotten and enchanted world in which the strange story that the fish here were once called to feed by the notes of a bell sounds quite reasonable. Looking out from the top of the "Mathematical Tower", from the Observatory, one can see far into the valley of the Krems which spreads before one like a beautiful garden following the slopes of the foothills. To the south one sees the multitudinous peaks of the Tote Gebirge. With its rugged ridges and snowy, glittering peaks, it is majestically overshadowed by the wall of the Hohe Priel. There are many all-day excursions to be made in this area across rising plateaus and a landscape of primitive beauty. As one approaches it through the Almtal or by way of Hinterstoder one enters the realms of great heights and brooding silence.

St. Wolfgang, Pacher's Altar.

346

Mondsee; Stiftskirche.

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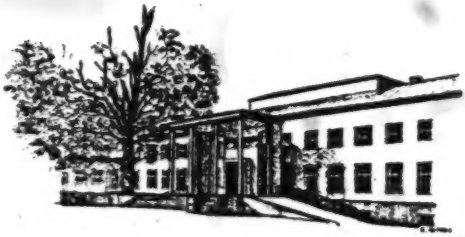
The world which is revealed at St. Florian is vast and majestic in a different sense. Below the heights of the Ennstal the towers of this magnificent building of the venerable Augustine Prebendaries rise into the sky, a brilliant masterpiece of the Austrian Baroque.



Bad Ischl, Pump Room.

One cannot help being deeply impressed by the beauty of this complex of monastic buildings, especially if the approach is made from the highroad up the steep hill and one passes through the main archway on to the outer courtyard. The effect of the delicate lines of the façade is irresistible. In the middle stands the massive gateway, inviting one to pass through and on to the point where stairways appear on either side and, straight ahead, the spacious inner courtyard.

The names of Carlo Antonio Carlone and Jakob Prandtauer appear here once again. Illustrious visitors have stayed here through all the centuries—emperors, popes, artists and great masters, the last of these being Anton Bruckner. The Monastery is indebted to Albrecht Altdorfer for a number of valuable panel paintings which, in their passion of portrayal, in the splendour of their glowing colours, represent all that is best in the Danube School. 532 533

Bridging the centuries, the rainbow of art reaches Bruckner's symphonies in which the spirit of the baroque period and of rustic scenery are expressed by the blending of ardent themes with clear and simple melodies. Grand stairway, "Emperor's Room", Library, gay ceiling frescoes, the carving on the dark choir seats and jubilant, trumpeting angels—all are born of that spirit which pervades the Province of Upper Austria, rooted in the primitive strength of the soil and religious belief.

St. Florian Monastery.

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PROV-INCE

LOWER AUSTRIA

BELOW THE ENNS

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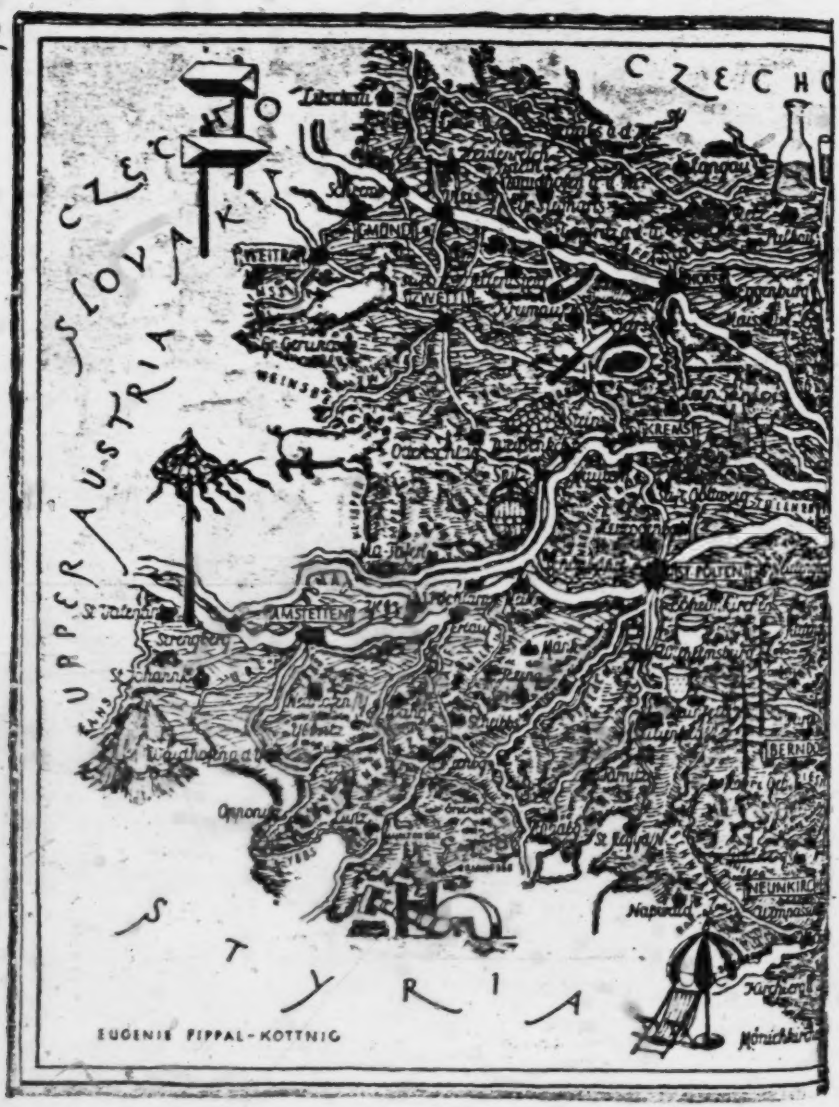
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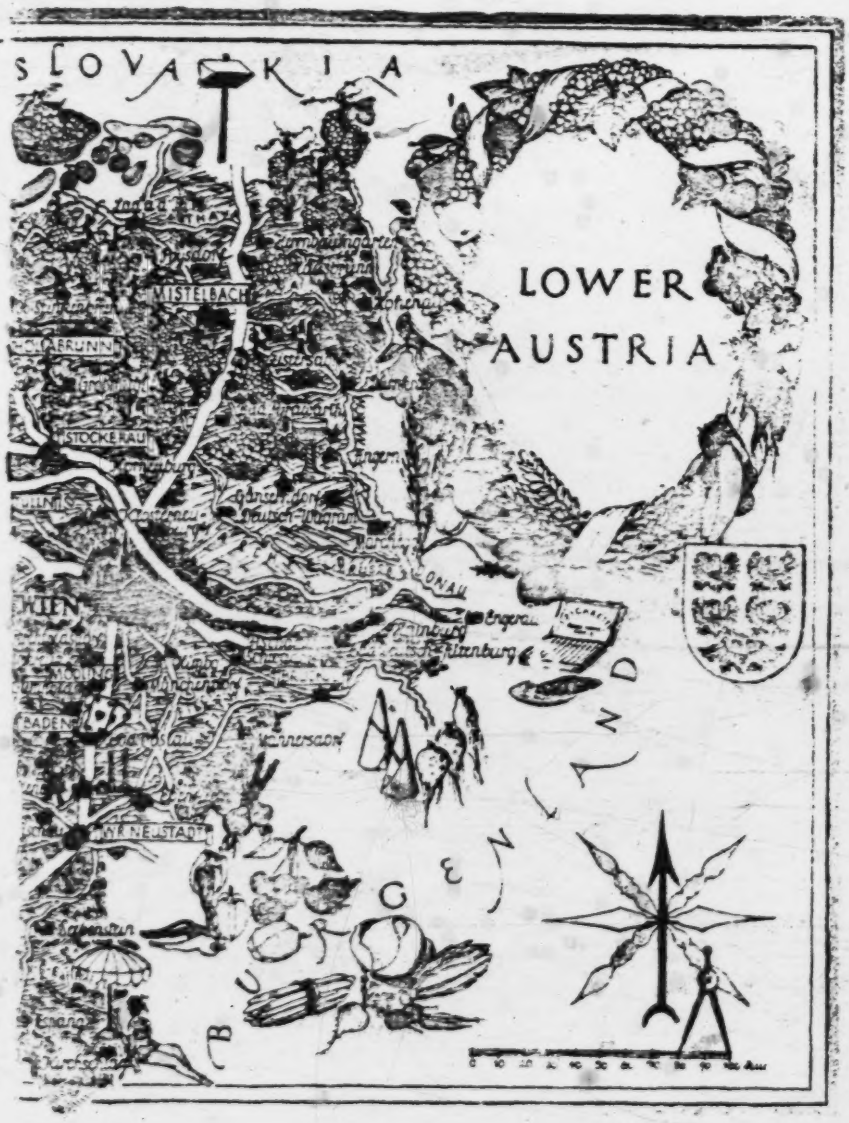
SLOVAKIA
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WIEN
BADEN
WR. NEUSTADT
BURGENLAND

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WORD-PALETTE
LOWER AUSTRIA

Primeval migration battlefield frontier
Soil of many races cradle of Vienna
Four quarters to a whole Charm of variety alps hills
Rivers and plains great expectations of mothers
Great gifts of Nature Corn poppy-seed apples
The crystal wine brown bread honest sons of the soil
Monasteries in the heights cloisters in valleys city gates with
heraldic bearings
Sunny courtyards four-square lofty threshing-floors well-filled stables
The cellars deep and cool hospitable folk
Northwards wild forests with abundant game In the midst
the great river
Baroque towers ruined castles bow windows and angle-nooks
cooing doves
Women in gilded bonnets harvest garlands vintage festival
In the south healing waters black fir-trees red beeches
Ancient track to the sea
At the heart the fair city safe and surrounded
beloved and protected
All generations all races mingled and scattered
Soul and handshake Eternal hills
Austria's Escorial

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Variety of scenery, of work and of people, multiplicity of colouring and tone, differences of speech, song, verse and custom, in village and in town—all this goes to make up, all this is given by our bountiful, inexhaustible, motherly homeland of Lower Austria.

Let thy sons tell of thee to friends:

IN THE SEMINARY AT ST. PÖLTEN. It was a long and exciting journey as your mother travelled with you from the northern vineyards across Vienna and the Wienerwald to St. Pölten. As the great cupola of the mighty Abbey tower rose above the horizon you could not suppress a slight quiver of excitement, and as the other towers joined it, spires and then again cupolas, you felt, without being able to express it, that there was something spiritual about this picture. Then it gripped you, the riot of colour and the flowing lines of Baroque. Overcome, you stood in the great abbey square, and then passed through the gates in mute expectancy. Marble columns, gilded capitals, ornate ceilings and the glittering gilt and colouring of the altar pictures impressed you deeply. 346

Rathaus and Trinity Column, Franciscan Church and Carmelite Monastery, bold tracery of gables, blossoming clouds of stone, haloes spreading rays of gold, they all plunged you in a single day deep into the rich treasures of a vanished world. Since that day your acquaintance with the great namer of Jakob Prandtauer, Daniel Gran, Altomonte, Mungenast and Kremser Schmidt have meant much to you.

In those times the board of the seminary was a frugal one and outside, overhanging the road to the town, there was a solitary pear, forgotten in the glossy green of the mighty tree-tops, tempting, round and invitingly yellow. For half an hour or more you tried to knock it down. The one who finally hit it was envied, but when he bit into it he made a face. For weeks it had to be kept in a cupboard, and only then did it become chocolate brown on the outside, the inside silver-hued and delightfully sweet. You soon found out that St. Pölten lay near the perry country. 874

874 The teachers took good care of you. They let your surroundings speak for themselves. You will never be able to forget the arcaded courtyard of the Schallaburg with its wonderful terra cotta work from the hand of an Italian master. Seitenstetten was rather far off, but you managed to visit it. Quiet and beautiful, yet busy in its own way, it is set in a fertile countryside.

241 Once two of you decided to go off together. Above your heads you bore a flag which was supposed to express the longing of its bearers for the open spaces and all things beautiful. They found their way to Mank, to Amstetten and further afield, discovering that this province possesses as many real farmers as it does great, rounded hills. Like castles on the latter stand the two-storied farms of the landed farmers. Theirs is the world in all its essence—ploughland, meadows, forests. Black-trunked, heavily grown pear trees stand before the farms, in gardens, in hedges. The peasant dialect is soft, easy going, manly and kindly.

000 Later you once stood with a girl up in the mountain-pass village of Annaberg, in the porch of the church. The curious high tower with its covering of metal plates showed clearly against the blue winter sky and in the far distance before you was the snow-topped ridge of the Ötscher. Then you set forth into the boundless glistening world through the dark-green snow-covered forest. There a wonder arose out of the earth, a wonder for you, child of the hills. Through the crystalline crust of the ice broke the faultless bloom of the first christmas rose, born of the silent force of winter. Carefully you picked the blossom, and carefully you gave it to the girl. Pure and white as the rose was this hour, pure as the eternally sparkling snows, young as the potent breath of the woods and as free of dust as the beckoning blue heavens.

133 788 You have not forgotten the sparkling summer waters of the Erlauf and Lunzer lakes. Surrounded by flowers and forests, tranquil, glitteringly blue, they call to you, offering rest to the weary visitor from the cities, and tempting the peasant pilgrims of Lower Austria away from their pious, easy walk of penance to the Virgin Mary at Zell.

000 STUDENTS IN THE WACHAU DISTRICT. Your St. Pölten teachers wanted you to see many and varied things, and so you found yourselves in the wine-gardens of Göttweig Monastery. Oh unforgettable hour! Blue as the night, golden as the moon, milk-white as the surrounding chestnut blossoms. St. Benedict is fond of building on mountains. Before us were the valley and the low country and there beyond, half hidden by fields, the Danube. Above were many hundreds of lights, gables, roofs, towers and mountains. On the morrow you passed through Krems, singing, because you were students, "A wandering apprentice I, knowing no cares ..."

How it echoed in the narrow streets! The past took you warmly by the hand. If you had found a blue-uniformed sentry standing guard at the Steiner Tor with

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Gottweig Monastery; view from Stein-on-the-Danube.

red top-boots and white leather accoutrements, you would not have been surprised.

When the happy crowd went on to Dürnstein, was it still an excursion? Was not it rather a dipping into the romance of the past? "At the Sign of the Singer Blondel" or "At the Sign of King Richard the Lion Hearted" are names of inns there. And when you lay up above on the remains of a castle wall, the dark water streaming past below and the dark forests gleaming on the slopes of the mountains, you had for the first time the feeling of getting to know the spirit of a countryside and of being close to all the fateful events it had seen.

361 792 Melk is throned in majesty. From a massive parapet of stone rise Prandtauer's glorious towers. The Monastery is vast and overpowering. It was the birthplace of law and order in the Danube district, as of Austrian culture and literature. The treasures which the magnificent library offers to the mind can hardly be grasped by the eye.

292 Everyone should at least once have seen the colourful silk dresses and shimmering gold bonnets of the women from the Wachau district. How lovely when the evening light falls on them as it did that time in Göttweig, and you hear the moving rhythm of the song: "So home we go in the full moon's light."

133 241 THE WALDVIERTEL. Eggenburg lies almost on the dividing-line between vineyards and forests, gently warmed by virtue of the declining and widening slopes. But high above, around the Nebelstein, the wind blows chill and raw. There the oats have to be mown by mitten-covered hands. As the Ottenschlag saying has it:—"Three-quarters of the year winter, one quarter cold." In places there are enormous blocks of stone which have carefully to be avoided by the plough. Vast forests of pine give the countryside a dark and rugged hue, relieved only by

Weissenkirchen.

the austere yet lighter shades of oats and rye. Colour is lent by blue flax, red and white poppies and verdant green fields.

The view is dominated by range upon sweeping range of eternal mountains. White highways curve gracefully up and again down the steep slopes. Everywhere at the highest point stands a dark-green forest of pines. At times the ground stops abruptly, and you can see whence the gigantic stone masses fell—and are falling still today—which formerly towered above field and forest as ancient mountains. A precipice drops steeply away, the debris of fallen stone-masses lying at its foot among the many trees. Past great piles of stones large and small flow the Thaya and the Kamp, sweeping stones with them. They swirl in endless bends around the foot of cliff after cliff. About their sheer walls stand defiant castles and dreamy ruins.

Apricot Gathering in the Wachau District.

Once you were invited to visit the forest district. For a whole day you journeyed through the woods and then you were forced to stop. Before you arose a great baroque tower, below it a forest of gothic pillars reaching towards the heavens, cloisters and a shaded well, the whole complicated gothic blossoming and romanesque fading—the monastery of Zwettl in its lovely situation on the banks of the swift-flowing Kamp amidst mighty forests. Continuing, you came to the frontier, high above. A piece of secular and chivalric history confronted you like a rock—Heidenreichstein, the most beautiful river-castle of the Province.

Usage and custom are rooted in the soil of the woodlands. On the house gables appear May blossoms in many colours. Young men plant green fir-trees, decorated with waving ribbons, for their girls. Mischievous "May paths" are devised with sawdust or water mixed with lime which are suddenly found leading over streets and byways from a certain door to another, thus making public what the parties concerned had kept a closely-guarded secret.

In many places the winter evenings still see the traditional "Rockreise". Women and girls "visit" friends in order to spin thread. Softly the delicate wheels turn, young men come and sing, and the women and girls tell stories of the robber chief Grasl, of the wicked Waldschrat and of God's vengeance on the inquisitive girl. Here and there an old loom is still standing.

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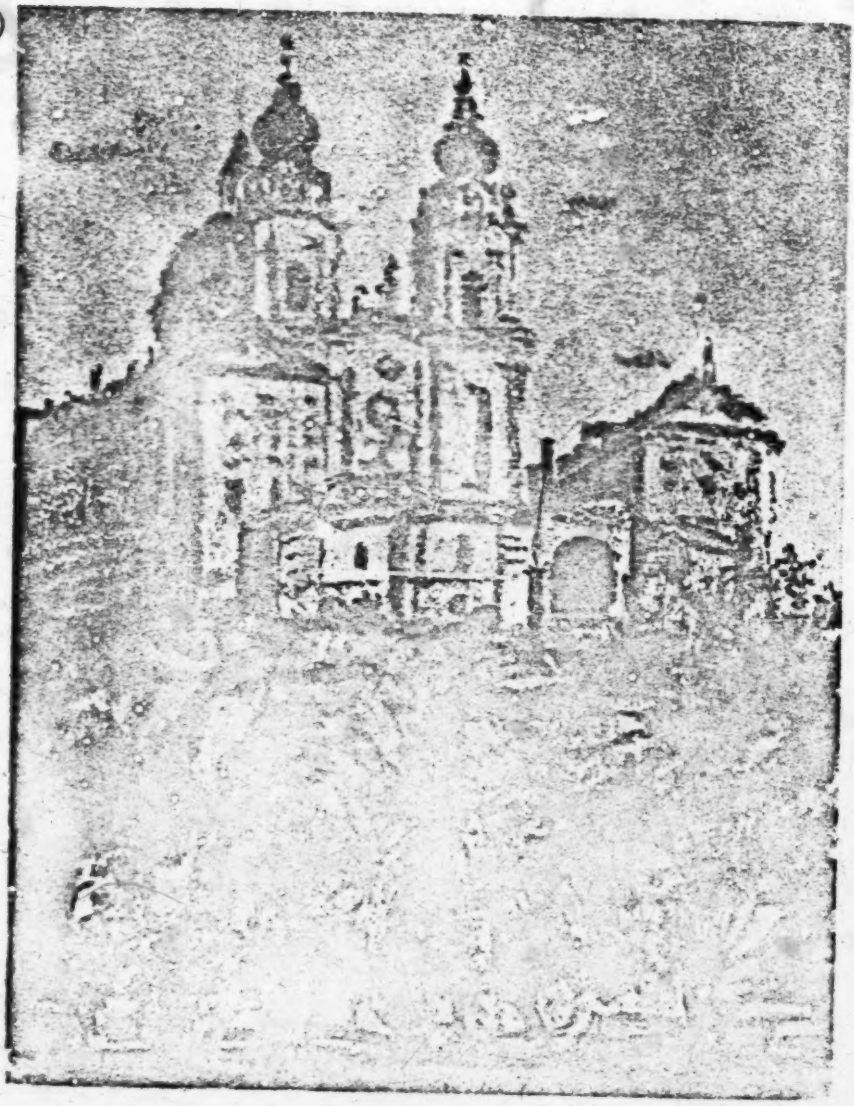

Melk abbey.

All the Provinces of Austria have frontiers with foreign countries, with the exception of Vienna. All the Provinces of Austria have capitals of their own, with the exception of Lower Austria. Vienna is surrounded by Lower Austria, providing it at the same time with a capital. Thus the Province of Lower Austria occupies a unique position in relation to the capital of the entire country, being closest to it in times of sorrow as well as in times of joy.

This Province is fourfold, the Danube dividing it from West to East. To the south of the river one part lies below and the other above the Wienerwald and in the North the third lies before the Manhartsberg and the fourth behind it.

The four quarters may also be regarded from another aspect. On the map, above and to the left is the Waldviertel, sombre and of manly strength. Adjoining it, consisting of broad, low and sunny hills is the fertile Marchfeld. Below to the left one finds charming sub-alpine country and finally the Wienerwald with falling slopes and plains in the east.

A many-rayed star of roadways spreads outwards from Vienna over the countryside. Parallel to the Danube, the Linzer Bundesstrasse follows an old Roman road over the Strengberg to Amstetten and St. Pölten. To the north of it the highways run towards Bohemia, the one heading for Budweis, the second straight for Prague and the third for Brünn. Pressburg (Bratislava), on the other side of the frontier, is passed on the journey to the Carpathians. On the way to Budapest or down to the Balkans one may pause awhile at Bruck-on-the-Leitha. Eisenstadt is on one of the roads to the vast Hungarian plains, while the serpentines of the Semmering continue to where

THE WINE DISTRICT. Your home lies below the Manhartsberg, its people and landscape familiar to you as a picture book which you have looked through countless times. 133

There above stands the hill you love the most, the Hutberg, just 890 feet high. From it, on clear autumn days, you can see the Schneeberg, Rax, Ötscher and Hochschwab; you can see over the boundaries of Lower Austria into Styria.

SPRING IS LOVELY. Approaching the vineyards, you find a young peach tree. Its delicate branches are full of pale, ethereal flames, daintily burning garlands of roses without origin or connection. You can see no leaves, only blossoms below which grows not the slenderest blade of grass. The vines are still cracked, brown and withered, their shy green shoots still pale and tiny. Innumerable grey sticks seem weather-worn and dead, the yellow earth still lies naked. Thus it is that the wonderful pale pink garlands of peach blossoms seem to have grown straight out of the dry wood and wintery earth. You could walk for hours and find nothing except beckoning bushes of flame above brown vines and endless rows of grey spikes. 245

This picture before you is full of a delicate grace, of a strange beauty of shading. From the lowest vineyards which rise gently before your feet, you meet three delightful colours, old acquaintances and yet uncannily strange. A vineyard hut, washed grey by the rain, without walls and straw-thatched. A cherry tree, heavy with shining white blossom, arising from deep-yellow earth! It is hard to believe that this picture lies on the banks of the Pulkau, not on those of the Yang-tze-kiang. Grey, white and yellow, that is the quiet, dainty widespread tricolour of all the flowering clay mountains

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Raab-on-the-Thaya.

of the Pulkau, in the Danube area—and in China.

BEAUTIFUL IS OUR SUMMER! Millions of vines reaching out towards the setting sun, a low, thick-set endless forest of pale green. Before you the fertile valley in its lovely frame. Ahead, hundreds and thousands of fields, ribands of flame through which one can walk for two hours, golden seas of shimmering grain. And in between, green clover and vegetables, caught in the rays of the setting sun.

In the middle of the valley, along the Pulkau, lie the villages. Large and solid roofs, a strong, bulky tower, and round about a circle of trees characterise the isolated vineyard market-towns and villages. They are large and straggling settlements, virile in character. You should pay them a visit and enter one of the houses. A strong and penetrant smell of home-made bread, bubbling pots, flour-bins, eiderdowns bursting with feathers, the breath of man and beast, warmth of straw and stables will greet you with familiar welcome.

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Where the valley sweeps broadly round are again pale green hills, vineyard upon vineyard. Next comes a wooded mountain, its crest gracefully sloping down and leading the eye on to the great beech and oak forests of Ernstbrunn. Hard is the life of the peasants here—never-ending round of toil. On winter nights when the vines are endangered, they tend the fires whose smoke fights the frosts. When at last they have completed the protection of the vineyards against damp, against drought, against insect pests, they turn, weary and worn, to the fields awaiting the reaper. As black clouds gather they fear for both. Through sleepless nights they aid the beasts in the struggle to bear their young. When they go to haul the trunks of great oaks from the forests, it is midnight before the horses are fed. The population has preserved its ancient manner of speech, as lively and as deeply rich as the ocean. The forces of long past centuries and an ancient home-

527

land linger on in word and custom. Marriage splendours, the dance of the vintage, "Weizauslösen" (de-husking the grain) and "Federnschleissen" (stripping the feathers of their down) lend colour to days and nights.

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In summer everyone should see a "Kirtag" (church festival). This is more than an annual fair, it is the great festival of the year, two days and two nights of feasting

they forth out into Yugoslavia and Italy.

The roads are on the whole the same which the Roman legions used 2,000 years ago when they traversed the Provinces, to be followed by the great barbarian hordes, by Attila the Hun, the "Scourge of God", the Avars going in one direction and the Franks and Bavarians taking the other. Swedes, Hussites, Turks and Janissaries, Poles, Pandurens, Napoleon's Guards, the song-loving regiments of the Austro-Hungarian Monarchy—and now the German and the Allied Armies—have succeeded one another.

On the same roads dukes, counts, princes and emperors, kings of Bohemia and Hungary went their ways. Here also passed itinerant monks and flagellants, merchants and preachers, travelling students, scholars, minstrels, troubadours, abbots, cathedral builders, painters, copper-workers, organ builders, the Brothers of the Rose, Father Abraham a Sancta Clara, hurrying couriers and ladies in swaying litters. In later years came Casanova, Augustine of the ballad singers and Mozart on his journey to Prague.

What multitudes have passed along these highways during the last thousand years and in the thousand preceding them. The land is a book of stone—a living book of the people who have walked it. In these parts life has marked faces with the signs of joy and care, of knowledge gained through endurance and wisdom through suffering, until they have become such as we see them today, formed as an old master paints a face on canvas.

Like the unchanging Danube, the vines and the gentle doves, the sons of this province cling to the customs of their forefathers and to their beloved soil.

Let us supplement the quartering of the Provinces by the mentioning of

at a generously decked table, after the walls have been freshly whitewashed, the doors newly varnished and the windows cleaned and polished. 796

HOW BEAUTIFUL IS THE VINEYARD COUNTRYSIDE IN AUTUMN! In the vineyards bells are ringing, not as a summons to festivities or to express joy, as the poets like to tell us. The narrow tracks sink into the soft yellow clay to a depth of three or four waggons and in the vineyards stand so many great tubs laden with grapes that the night is often far advanced before the last has been removed. Then it is that the tinkle of bells and the crack of the whip can be heard 245

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Lilienfeld.

245 from afar, so that approaching farm waggons can draw aside wherever the track widens to let the neighbour's laden cart go past.

274 The wine cellars are spacious. Not every wine-grower has a house for himself and his family, but all have storage room for barrels and utensils. A real wine district numbers more wine-presses than private dwellings. They are to be found in dry and narrow valleys, looking from a distance like compact villages.

The wine-presses are built against the mountain, steps leading up to them through meadows and bushes. Above them sway acacias, lime and chestnut trees and elderberry bushes. Beneath their shade the children find a pleasant spot for play and games.

To the song of the wine-mills the dull gold juice runs off the pressing-board, guided downwards by pipes and wooden conduits. The youngest apprentice drives up the cart with its tubs of grapes and goes back for more. The landlord and his men press them until nearly midnight. It is difficult work, toying with giant forces and needs to be understood. The great, dark press groans in all its joints when the massive stone rises, swaying, and the slender bars, taking the enormous pressure, crack and snap ominously with the noise of rifle shots. Below in the cellar drifts a ghostly mist, whitish or almost invisible. Above in the vineyard stands a curious, squat sort of mill above a manhole. It is the hand-worked pump which draws up the powerful fumes. Despite it, every year one or two men have

plains and towns. Dark are the woods around Weitra, Harmannschlag and Karlsift on the Bohemian-Austrian frontier; the countryside lies high with its heavy, dark earth. Zwettl, the town and the venerable monastery, are surrounded by vast forests. Above Ottenschlag and Martinsberg the Waldviertel closes in on the Danube, broken delightfully by the descending valleys of the Isper and the Weitenbach. Those wishing to proceed from Gmünd, the frontier station, or from Allentsteig or Waidhofen to the Danube, prefer the road through Gföhl, passing Senftenberg on the way down to Krems. Above on the Bohemian frontier, and also in the Thaya Valley, stand fortresses and castles: Heidenreichstein, Karlstein, Raabs and Riegersburg.

The ploughed fields gain more and more on the forests, the vines creeping up the sunny slopes. Near Horn the countryside opens out attractively. Here there is a plentiful choice of routes—uphill to Drosendorf and Retz, downhill through the Kamptal to Langenlois and the spacious Tullnerfeld, or straight across country to Eggenburg and Hollabrunn, or by a sharp turn through the Maissauer forest and mountain towards Stockerau and Kornneuburg.

So with a wide detour one arrives at the quarter lying below the Manhartsberg. Corn and wheat gradually replace forest and vineyards, increasingly so towards the March. Laa-on-the-Thaya, Poysdorf and Mistelbach lie on the way to the oil district of Zistersdorf. To the south the fertile corn-growing lands link up—Gänserndorf, Wolkersdorf, Deutsch-Wagram, Gross-Enzersdorf, Marchegg and Orth.

Around the hub of the Danube, the Alpine forelands penetrate deeply into Lower Austrian territory in the

Lilienfeld, Porch of the Monastery.

to be dragged unconscious from the cellar, 274
overcome by the fumes of the wine.

In the vineyards you see men's jackets and 245
hats amidst the vines, appearing and disappearing, for their job calls for bent backs most of the time. The day may be fine and sunny, here and there a grape picker full of fun and the harvest a bumper one—still, there is no romance about their task. All day long they shuffle with bowed shoulders from vine to vine, of which there may be easily a thousand in one vineyard, one vine alone often bearing a dozen bunches of grapes. Even the wine-grower's wife, despite the watchful eye she keeps on yield and profit, may straighten her shoulders with a groan among the tangled masses of heavily-laden vines to look out over the vineyard and exclaim: "God Almighty, will it never end?"

BEAUTIFUL IS WINTER AMONG THE 137
VINEYARDS. One sees a blending of golden earth, immaculate snow and the red thorns of blue-grey acacia trunks.

273 Along the roadside, steep steps below protecting arches amidst trees and overgrown with brambles and bushes lead down into the wine cellars. On a holiday, many old hands return gladly to the place they were once so eager to leave. One hears familiar salutations—"Grüss Gott, Herr Professor"—"Servus, Franz"—"Servus, Schani".

Such greetings express the brotherhood of those who work amidst the vines, a comradship which seldom dies. However distinguished the position some of them may have attained in the great world beyond, they are glad to return to the comfortable corner seat which was theirs of old—perhaps the more so because it is now unfamiliar. You could do worse than find such a corner yourself one day.

The white candle sputters and drips, held in a black iron spiral, as its gold-tipped flame lightens the surrounding shadows. Glasses hanging from the rough hooks of the black-wood glass-rack, reflect delicate or brilliant hues. The landlord, coming from the barrel with a brimming wine-siphon, takes them down one after the other and lets the thin stream of wine run into them, fragrant with summer, foaming and bubbling. As the traditional toast—"Gesundheit!"—"Good Health!"—goes around, one might think it the password of some secret society.

Day fades unnoticed into night as tongues are loosened and secrets shared. The wine and the earth which nourished it establish their rule over the hearts of men. *In vino veritas*—the inner soul of men, be it good or bad, reveals itself in words while the world beyond is wrapped in silence. Whatever the sounds of the street outside, they fail to penetrate into this roadside cave. Emperors and kings, battles and epochs cease to count. The world is that which lies within the orbit of the flickering candles. Here village school-teachers, priests, professors, doctors, their fathers and their brothers are one!

361 For many, Retz is the fairest town of the wine country. Here, during the dark days of the Thirty Years' War, the first Austrian hymnal was put together; it enshrines the soft and moving lyrics of Mediaeval German. That which Stifter's "Nachsommer" (Indian Summer) expresses in words, is told in stone in the beautiful municipal square of Retz. Below the square and under the houses lies cellar after cellar. In some of them you could drive with a carriage and pair. Above towers and crenellated walls, on the way to the forests higher up, stand two stately windmills, solitary and lovely, with no fellows in all Lower Austria.

133 IN THE MARCHFELD. You once stood day after day as the tireless lark filled the blue heavens with his song, while the great world stirred like a strong man awakening from a sound and refreshing sleep. This world seemed to be one vast wide-stretched field of green and brown, bounded only by the blue-forested Bisamberg and the Carpathians. Between these two were fields of pale, shimmering corn or misty plough-land. Above all arched the mighty dome of the skies.

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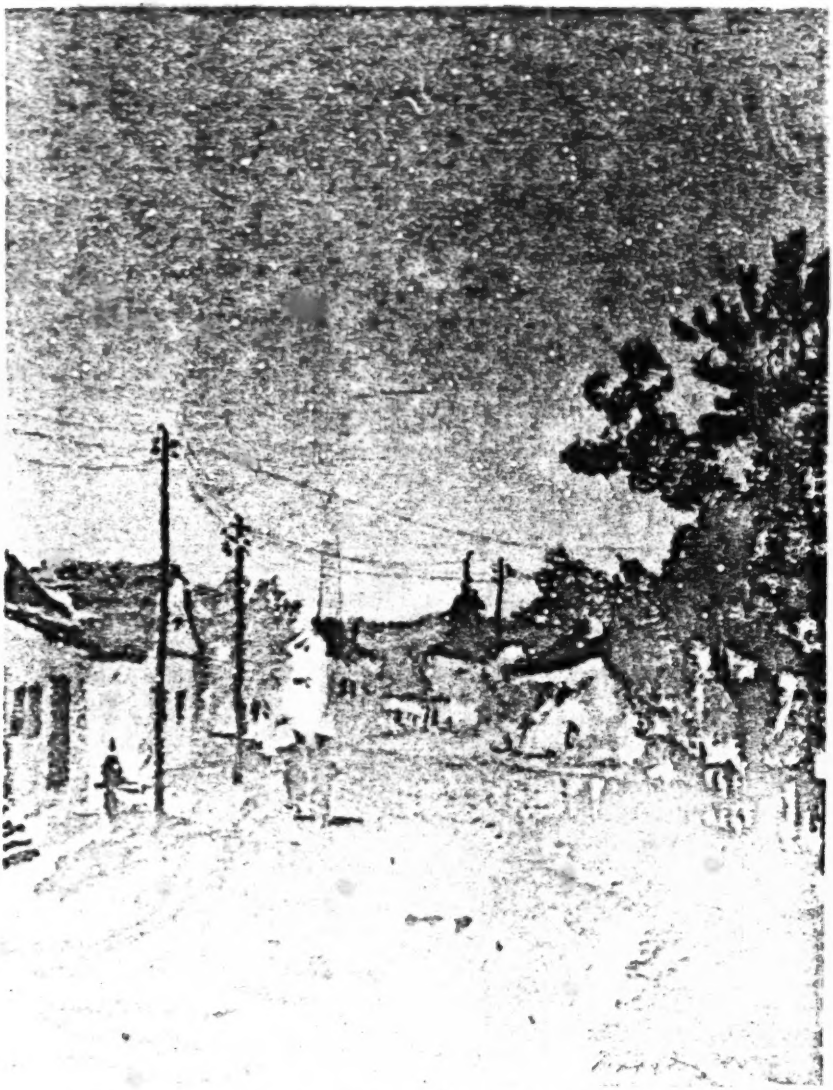

Village Street in the Tullnerfeld

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Klosterneuburg.

The tree-girdled villages with the red church spires were unpretentious and companionable. Around Easter the straight roads bordered with cherry trees became long avenues of fantastically beautiful blossom.

133 Gross-Enzersdorf marks the limits of the extensive island known as the Lobau, an unspoiled wilderness of water, trees and bushes. The river broadens out as the current flows more rapidly.

536 A son of Essling grew up to become a great master: Rafael Donner. Through Dürnkrut and Kroissenbrunn which appear in "King Ottokar, His Rise and Fall", Marchfeld has a link with Grillparzer.

000 IN THE DISTRICT BELOW THE WIENERWALD. Anton Wildgans called one of his books "Fate of Mödling". He lived near St. Othmar in a house above which grew dark umbrella pines between cliffs and sky. Any of you who want to appreciate the beauty of your country should read these books, the original manuscripts of which are preserved in the Wildgans House.

quarter above the Wienerwald. Waidhofen-on-the-Ybbs, Lunz, Scheibbs and the stretch from Mariazell to St. Pölten are far-famed for their rustic beauty. Further to the north of the Styrian boundary lie Türnitz and Lilienfeld, Hainfeld and Gutenstein near the contrasting shapes of the Mittelgebirge.

Along the road to Greifenstein, on the Danube, through Neulengbach and Altenmarkt, descending to the Hohe Wand, Schneeberg and the Rax, runs the boundary of the "quarter below the Wienerwald". Encircling Vienna in a mighty arch from Klosterneuburg to Heiligenkreuz and Baden, it descends to the plains along a line of thermal springs. On one side of the Südbahn grows a heavy wine; on the other is a chain of industrial centres—Traiskirchen, Sollenau, Leobersdorf, Berndorf, Wiener Neustadt, Neunkirchen, Ternitz and Wimpassing. The factory chimneys do not end until the Semmering district is reached at Gloggnitz and Payerbach. The Pittental leads to the "Buckliges Welt" of Edlitz, Kirchschlag and Aspang, while to the east of Vienna the approaches to Hungary lie in the flat triangle formed by Schwechat, Ebenfurth and Bruck-on-the-Leitha.

ON THE BANKS OF THE RIVER.

Restless flows the Danube through Lower Austrian territory, until it is reluctantly compelled to submit to control and regulation. At Strudengau it still gives birth to leaping rapids and circling eddies; twists itself at Ybbs to a dangerous bend, narrows to the legend-haunted valley of the Wachau and constantly forces the current to move now towards this bank, now towards the other, until it at last subsides into a broad and placid stream below Tulln. With

Baden, where the healing waters flow close to the roadside, proved a great attraction for you. To drink them you only needed to go down a few steps. On all the bridges over the Schwechat, you could smell the sulphur from the springs which were discovered by the Romans. The modern medicinal baths were in their time the temple of a goddess. In the piping times of peace you found there many people who had come from far off countries. The rich glow of the tulip beds in the Kurpark is a sight which you should not miss. 529

Kornhäusel, an architect of late classicistic style, built for Baden a town hall with Greek temple columns and a flat roof adorned by stone statues. His work, specimens of which can be found throughout the town, is of modest but genuine beauty. You keep finding pillars and rows of columns, Doric and Ionic capitals and caryatids, which, although of unequal value, lend a distinctive air to the town through their variety of form and the attempt to reproduce the beauties of antiquity. 341

Mozart's "Ave verum" and Beethoven's "Missa solemnis" are particularly treasured by Baden. Grillparzer, Schubert and further southwards, Raimund have all enriched this countryside with the breath of their art. 533 536

At the foot of the forests are extensive vineyards. Light, stony soil and a favourable situation give the grape a choice quality which has been further improved by careful tending. Gumpoldskirchner wine was taken around the world on one occasion on a Zeppelin flight. It kept its high quality throughout. 245 274

Hainburg, Wienertor.

133 You once stood in May in Wiener Neustadt on the Ungarfeld. There was the rocky wall of the Hohe Wand in the south. The Rosalien range appeared as a light coloured, enticing forest. Eastwards the green pasture-land opened out like a [874] gateway. The two gothic towers of the Theresian Military Academy were an unchanging landmark of the "ever-loyal town".

You first drove over the Semmering in time of peace. Then you were able to enjoy yourself quietly and at leisure. Giants must once have played in this area, using as dice the mountains which begin here, wild and majestic. A man of the determination of Karl Ghega was needed to tame this wilderness. He bent the mountains and the deep gorges to his will. His tunnels and viaducts alternate [496] in carrying the railroad to its highest point. The Semmering railway was the first mountain railway of the world which all others used as a model. All the railways of the Andes in South America learned from it.

[132] The Semmering district, in a pocket of warm air above cold and misty valleys, is Lower Austria's show-piece. People from all the world over come here in search of health and peace. The Viennese regard the Semmering, Rax and Schneeberg as their own estates in the Alps. Towards the east the landscape slopes gradually down to the forested knolls of the hill country. In Mönichkirchen the work of Anton Wildgans reached epic status.

IN THE WACHAU DISTRICT. In the first days of creation there may have been some question as to which was the stronger, land or water. In the Wachau, the river triumphed over the mountains, although it has still to follow a course prescribed by the former, as to where it should narrow, should turn, should form bays and inlets; rocks jut out to spur its flanks, hidden granite builds hurdles over which it is forced to leap. Between Melk and Krems nestle a dozen charming villages whose picture lingers long with the wanderers along the banks and the passengers on the Danube steamers. Weissenkirchen lies in the heart of the Wachau district in a sunny position to the south. Old courtyards, arcades, rounded archways and vinecovered houses call for attention. In the small village of Schwallenbach they will show you the old parish church and the "Devil's Wall". The boatmen of the Danube tell the story of its origin. The Devil's grandmother is said to have scoffed regularly at the columns of pilgrims and the ships of the Crusaders, moving the Archfiend one night to try to block the flow of the Danube by building this [172] stout wall. At Willendorf was found the sandstone figure of a "Venus" which archaeologists admire as a relic of matriarchal, pre-historic times. Spitz, a sleepy little Danube town at the foot of the Jauerling should not be overlooked. Backed by the four-square tower of the Hinterhaus ruins, it is in blossom time a fairy garden of pink and white. Standing out against the mountains behind are multi-coloured forests—pale green larches, rust-brown fir trees and dark pines.

361

Baden near Vienna.

it, it carries rubble and sand from the mountains, laying down its burden wearily in autumn when its level is low, only to drag it vigorously forward again on the swelling spring waters. In winter, ice-floes form into a barrage starting from the direction of Hungary, slowly advancing against the current and constantly fed by drifting ice. The ice-floes mount with loud reports one upon the other until, in some years, people are able to cross the river on them as on a bridge.

Flood warnings may be given at any time of the year. People are still caught unawares by the rising

To pay special attention to any one place of the Wachau would be to wrong all the others. There are St. Michael, Vösendorf, Rossatz, Arnsdorf, St. Johann, Aggsbach, Emmersdorf, Groisbach and Loiben. Everywhere are dreamy corners, arches and arcades, steep stairways and cliffs, ivy-covered walls overlooking the river.

Built on a rock high above the Danube, the monastery of Melk holds undisputed sway over the wide countryside. For 300 years the massed roofs of the village below have marched with the columned façade of the front elevation. It took a whole generation to build this

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Saubenstein.

mighty Benedictine monastery according to Prandtauer's grandiose design, the Prelate's Courtyard with its quiet fountains, the Imperial Wing, the great half-moon of the terrace between the two monumental and at the same time delicately contrasted towers, the high dome of the cupola, the library, the fine reliefs of the archways and the artistic ceiling frescoes. Stand beneath this baroque canopy and look upwards: Virtues, Wisdom and the Arts are seen attempting to lead the human soul to higher things.

Here one is confronted with a part of the spirit of Austria. Side by side with the inescapable reality of everyday life and the material world, thought and emotion have built an unattainable but equally real world

491 of the imagination in baroque style. It is in conformity that the Wachau district does not possess any broad, straight motor roads. Here everyone is forced to linger, to regard quietly his surroundings, perhaps also to ponder a little over himself and the world.

133 Melk stands at the beginning of the Wachau, which now passes Schönbühel to oecome the most famous part of the Danube Valley. Church and castle stand here on rocky ground near the river, showing a marked individuality of design. You would be well advised to stop at Aggsbach to climb to the ruins of Aggstein. The countryside here opens up like a burst and overripe fruit. Along the horizon roll the green waves of the mountains, hill upon hill. Far below the remaining walls of the once mighty castle gleams the "Rosengärtlein". Scattered around are farms, churches and fertile fields. Down in the valley vineyard follows vineyard. The sharp tang of woodruff rises on the air, and may later be met again floating in a refreshing wine-cup.

361 A culminating point in this feast for the eyes is Dürnstein. It rises up abruptly in complicated lines and its harmonious blending of ochre and white. Sheltering beneath the dominating ruins of the old castle and a baroque monastery tower is the clean little market town where the moving story of Richard the Lion-Hearted and his minstrel Blondel is still honoured today.

waters. Maliciously the latter lift the well-stacked piles of firewood, which they carry off with the same ease or difficulty as they do the rough-hewn logs which have been rolled to the river brink to serve as rafts. Using these as battering rams, the river attacks houses and barns, tears shiff and hoist from hook and chain and drives terrified animals into the fatal current.

Then once again the Danube flows peacefully past the watchful water-gauges, to trickle cunningly above the dams on to the fields and meadows. Grassland and forests follow the river's course for long distances. The vegetation grows luxuriantly in the damply-warm climate of the Danube Valley, producing a primaeval, awe-inspiring picture. On the sand-banks of the river lives a polyglot world of birds. Cormorants and grey herons stand watchfully in the

In Krems the Middle Ages live on into modern times—the old city gates, the patrician residence with its bow window jutting out above the street, the Parish Church with paintings by the Krems baroque artist Schmidt, the inns with their dark, carved furniture and pewter vessels on the walls. Behind the town the vineyards follow the river, the steep clay slopes threaded by horizontal lines of stone supporting walls.

The Wachau ends with a monastery on the right bank of the river, as it began with Melk above. Göttweig, in an open situation on the mountain side, may be seen from afar. Set back from the Danube harbour and the shipping routes, it stands calm and solitary, remote from the noise of the workaday world. It can boast of Dutch tapestries and delicate chairs in the Imperial Suite, these and the

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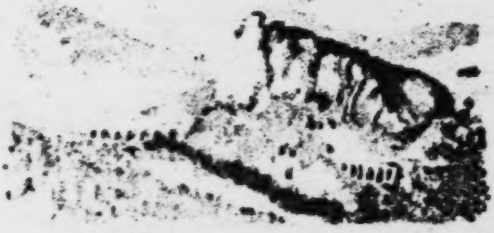
544

The Legend of Habergeas.

Wiener Neustadt.

361 ornate copper washbasins bearing testimony to the illustrious guests who have stayed here. Placid and secure behind its walls lies the first courtyard; from the walls one has a clear view of the surrounding countryside in all directions.

THE CHIEF CITY OF LOWER AUSTRIA—not under the law of today, but historically, is Vienna. The Province supplies this great mill of life with thousands of sons and daughters every year. There they become workmen, tradesmen, professors and priests. Many of their children and children's children fulfil noble tasks, becoming famous doctors, explorers, artists, technicians and statesmen. Their creative genius reflects honour back to their native valleys and farmlands, to humble homes, workshops, schools and churches.



Semmering.

Harvest Workers from the Cities.

bright sunlight, paying no attention to the peaceful raftsmen. Storks nest in the tall trunks of the silver poplars, quacking ducks and pheasants live amidst the labyrinth of bushes and reeds. Around solitary pools moves a world of beetles and dragonflies. Duckweed, river weeds, bracken and moss play their ageless game with the sunbeams. There the majestic step of the deer breaks through the undergrowth. Far from the dog's quick ear the rutting-call of deer rings out. Thrushes and reed-warblers trill their happy melodies.

The mother of Vienna is Lower Austria. Beethoven's fury-ridden journey to Wiener Neustadt, Schubert's gay excursions to Atzenbrugg, Raimund's forest refuge of Gutenstein, all arose from their dreams of the homeland, their life stories.

Great as a mother are you also, Lower Austria, in suffering and overcoming trials. A Province disturbed by the clash of arms throughout the centuries, a Province of battlefields, the tournament field of Europe, often laid waste, violated and ruined, you are always raised up again through the primitive forces of the soil, through a loving Providence and the work of ever-confident hands.

You, Lower Austria are truly an empire in your manifold life, your flowing distances and your directing centre.

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PROVINCE ON THE LAKE OF THE STEPPES

BURGENLAND

[-333-]

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WORD-PALETTE BURGENLAND

Foothills of the Alps · fanning out into the plains ·
Soft carpet of moss · rich and luxuriantly fertile ·
A breath of the South in colour and distant space ·
Unshackled play of the winds over vast open steppes ·
Golden sheaves of sunbeams over land where once the ocean rolled
Majestic stillness of eternal noon ·
Wide heaths · herons in the reeds ·
Feathered grasses by ponds of gleaming copper ·
Far-off shimmering twilight-darkened lake ·
Freestone arches of torture-chamber in an ancient keep ·
Martial terra-cotta statuettes above the soft-yellow facade of a castle
Dead-straight highway fringed by wild acacias ·
Soldierly ranks of gleaming · whitewashed houses ·
Village drummer · Martini Day · flock of waddling ganders ·
All-day hunting through great estates and ancestral forests ·
Slow-plodding oxen-team drawing the creaking farm-waggon
Green-in-green mosaic of vines · up-hill · down-dale ·
Be-shadowed soil · sunlight falling on vines and grapes
Round-dancing to tamburizza ·
Scarlet poppies · purple sage · reed-song and rhapsodies
Creative hymn · anthem of Austria · Haydn ·

102

ČSR
NORD
FLOWER
AUSTRIA
EISENSTADT
Neusiedl
Neudörfl
Rust
Deutschkreutz
Mannersdorf
Zockenhaus
Bad Tatzmannsdorf
Rechnitz
Großpetersdorf
Jurisdorf
St. Michael
Stadtschlaining
Heiligenkreuz
Güssing
HUNGARY
BURGENLAND
STYRIA
EUGENIE PIPPAL-KOTTNIG

131 The Burgenland has some strange features. It is the youngest province of Austria, yet it claims to be one of the oldest. For a time it belonged to Hungary, and just during this period it held a brilliant position in Austrian intellectual life, boasting of such mighty names as Haydn and Liszt, Hyrtl [103] and Semmelweis. Its name is taken from three castles which no longer lie within its frontiers, but is justified by other castles as well. It is of considerable length—160 kilometres from North to South, corseted somewhere in the middle to a wasp-waist only four kilometres in diameter. Its plains are sparsely inhabited, while its mountain land is densely populated. It has a raw climate in the south, while in parts of its northern areas, the climate resembles that of Helwan in Egypt. Its frontiers with foreign countries are longer than its inland boundaries, yet it is Austrian to the core.

133 The inquiring stranger who has set out on a voyage of discovery should first drive by car along the Bundesstrasse to Bruck-on-the-Leitha and here turn off to the right into the Leitha mountains which in the centre separate the Burgenland from Lower Austria. From the summits of the mountains one looks down on to the Neusiedler Lake. Over 900 feet above the shining surface of the lake one finds oneself beneath sighing trees growing on what was once the bottom of a great sea. The sea itself, it is true, disappeared thousands of years ago, but the work of its maritime life remains in the form of rich deposits of mussel chalk. Walking along any forest path in the Leithagebirge one can easily trace in the stones the fossil forms of long vanished animals and plants.

When the tourist is weary of scientific research he can clear his brain in the sparkling Neusiedler Lake or with the no less inviting wine which ripens on its shores.

423 The plain to the north of the Neusiedler Lake was always one of vast estates. Between the scattered villages lie the dairy farms of the great landowners, who have their castles and manors in the villages. In Kittsee, Gattendorf and Halbturn there are many examples of baroque art. Lukas von Hildebrandt, Maulpertsch and others were commissioned to work there for the Magyar feudal landowners, Esterházy, Batthyány and so on.

133 Adjoining this countryside, the moor-land district, is tucked away on the eastern shores of the Neusiedler Lake a cloud-overcast and wind-harassed group of lakes. There are a number of warm and brackish little lakes, scattered over steppes of pronouncedly eastern character. Sea-sparwort, feathered grasses and copper-

Up in the Leithagebirge, near the village of Winden is the Ludlloch, a place where, according to the evidence of human remains discovered there, cave men and cave bears lived in the time of the later Stone Age, i. e. 8,000 or 7,000 years ago. Unfortunately there is no means of the times extent, and it is therefore uncertain whether the cave men eat the bears or the cave bears the men. But as there are considerably fewer bears than men in the Burgenland today, it may be safely assumed that the bears headed the list of table delicacies.

The Burgenland is not unfamiliar with the question of land reform. Should the great estates be preserved as grain producing property or should homes be found for thousands of people in new villages? There are arguments on both sides.

A farm is a book of wisdom. The Burgenland owes its fertility to the hard working hands of its farmers who never neglect their soil, and who meet all their trials with placid good humour.

Although wine-tenths of the Burgenland is devoted to agriculture and forestry, it has over 200 industrial undertakings. There are saw-mills, wood-carving centres, parquet-flooring

gleaming pools lie generally 133
beneath heavy masses of clouds whose great shadows move constantly over the inhabitants, houses and flowers. St. Andrä near Frauenkirchen is the place which has a climate in summer similar to that of the Egyptian Helwan. Here, as on the eastern 245
shores of the Neusiedler Lake, flourish almond trees and other plants usually only to be found in the South. Between the lake corner and the heath district lies a strip of specially favoured countryside, one of the chief Burgenland wine districts, with its centre at Gols and Weiden.

The tourist may now find it hard to make a decision: what should come first? Here beckons wine. Ochre yellow is the earth which produces it. Blue shadows toy with every shade of green, that of the firmly tied vines and that of the serrated, dull-surfaced leaves. Soon the glasses 273
sparkle with Ruländer and Furmint, Welschriesling and Blaufränkisch and other famous vintages.

Above the water a silver heron sails 136
majestically through the air, reminding us that the shores of the Neusiedler Lake are unusually well-stocked by nature with wildfowl. In the reed belt surrounding the lake live the grandest varieties of herons; here you also find nests of the bustard, willow-wren and bearded titmouse—a colony of birds such as can be seen nowhere else in Austria. When a flight

136 of wild ducks settles down here with rustling wings you may be meeting with old acquaintances again from the Wiener Stadtpark. The only difference is that there they allow themselves to be tamely fed by children, strutting like actors in the pay of the Municipality of Vienna, while here they lead a free marauder's life in the nightly-stirring reeds of the Neusiedler Lake.

133 And the centre of all this, the lake. As you will expect, it too possesses strange features. In Austria, country of Alps, it is the only lake which is typical of those found in the steppes. Flat as a pancake, it is so shallow that you can fearlessly wade across it in any direction you choose, with no need to know how to swim, exposed to no other danger than that of inadvertently crossing the Hungarian frontier which runs through it.

On what one might call Western Austria's corresponding lake, Lake Constance, you find proud steamers sailing over the bottomless depths famed in ballads, but on the lake in the Burgenland the reckless sailor must only beware that the wind does not blow away all the water from under his keel. This must not be taken too literally, yet it is a fact that when the wind blows for days in a certain direction the whole water is actually driven together in the extreme corner of the lake. This phenomenon of the bewildering "Windstaue" is only one of the many peculiarities of the lake.

Another strange thing is that nobody knows whence its waters come, for the only tributary is the Wulka, an insignificant little trickle. Four times as much water as the brook contributes is regularly lost from its wide surface by evaporation. Logically, the lake should have vanished long ago. In defiance of all the laws of hydrography, it continues to exist, leaving scientists to puzzle out from what hidden sources it manages to keep going.

[691] Occasionally the lake falls on hard times, and about once in a century it disappears altogether. This provides an occasion for the peasants on its shores to measure its bed painstakingly, and to resume the bickerings about the ownership thereof which had been dropped during the preceding century or even the one before it. About the time that the legal costs of these quarrels have so accumulated that the lawyers begin to be afraid that they will not be able to collect them, the lake quietly rises again, taking possession of its old bed as if it had never chosen to

factories, brick kilns, lignite works. There are factories which turn out linen, hemp and jute, blankets and felt, pencils, artists' chalks, asbestos, jade, sugar and methylated spirit. There are canneries for fruit and vegetables, and workshops producing stucco supports from the reeds of the Neusiedler Lake.

BURGENLAND—THE GARDEN OF VIENNA.

Fruit, vegetables, grapes, the first early cherries, fresh lettuce, cauliflower, asparagus, strawberries, apricots, tender french beans—the first, long awaited harvest, doubly welcome after the winter, rolls in the spring towards the Vienna markets in a chain of high-piled lorries.

OGGAUER WINE.

In Oggau there is a Roman cemetery which dates back to the third or fourth century A. D., in the graves of which clay vessels have been found. Archaeologists say that these vessels contained the wine given to the dead to take with them on their journey to the other world. This calls for reflection. In those days every mortal expected that he would be served with nectar and ambrosia at the table of the gods. But the inhabitants of Oggau preferred to take with them their choicest wines rather than have to be dependent on the drinks of the gods.

Gustinus Ambrosi, the deaf sculptor, says of his Burgenland:

"How fortunate that I have travelled through the whole of Europe and have been able to drink in the splendour and magnificence of its many countries, with their thousand types of scenery, peculiarities and variations. Certainly it is nice to stay at home, but I felt the urge to get away and would have gone to the ends of the earth,

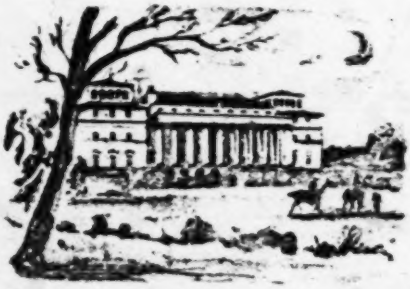
disappear. In former times it seems to have 133
behaved even worse, for old documents mention it sometimes as a lake, once as a swamp, once as a river, then as a stream, while others appear not to have known of its existence.

The country lying between Eisenstadt and 361
Ödenburg, Mattersburg and Rust, is the real heart of the Province. The lake parishes of Oggau and Mörbisch and the small "free town" of Rust are far-famed for their wine. On the gabled roofs and the chimney-pots stand pensive storks, in the vaulted cellars lie the massive wine barrels. As far back as the year 1364 the inhabitants received royal [424] permission to mark them with the coat-of-arms of Rust—a trade-mark protected by law nearly 600 years ago!

Leaving the delights of Oggauer and Ruster 361
wines, let us turn to Eisenstadt, the city of 533
Josef Haydn.

One does not need to be especially sensitive to atmosphere to feel the genius of the great master in this little town which is so closely united with the surrounding countryside. The tiny house where he lived is still standing. How

342



Esterházy Castle, Eisenstadt.

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Mountain Church in Eisenstadt.

seem to exotic climes, in order to learn.

If I add up, I find I have spent nearly half my life so far in eight European countries. And yet of all the impressions, of all the wonderful scenery which I shall never forget, which was the most wonderful? I found it in my little home province of Burgenland, which hardly knows of the existence of the great world outside..."

Softly rolling slopes, hedges, distant hills are blended in a mystic harmony. A wonderful green, almost olive grey tint reflects in still majesty the glowing rays of the sun. The landscape is a series of undulating waves in which the farmers tend their fields. In the distance lie the white rows of village houses. In some of the fields the red poppy grows so thickly in spring that the deep red patches spread over the countryside as if God had underlined in this red ink, the poppies waving in the wind, that this is a happy countryside.

At Güttenbach, in the district of Güssing, a buried relic of the Celts was found—a hoard of silver coins which aroused the enthusiasm of numismatists until one day some cold-blooded investigator established that they were only copper coins with a thin silver-plating. Lest we should think too badly of this Celtic official counterfeiting, let us remember that at the same epoch, in distant Asia, the forging of banknotes had long been a flourishing industry.

BURGENLAND—STORK LAND.

If a girl is born, violets are put into the oven so that the child may not get freckles. The first actions of every newborn babe are of the utmost importance. If he stretches out his hand towards money, he will become a thief, if he tries to grasp a whip, he will make a good farmer.

small a space its walls enclose, and how fit has the spirit of the human being who lived within them shone out across land and sea and across the changes of time. In Haydn's day the mail-coach still rumbled heavily over bumpy streets, but the simple Burgenländer Haydn, who made his first journey abroad only in old age, could say with quiet pride: "My language is understood everywhere!" 361 533

Haydn's home has been turned into a museum. Yellowed leaves with jottings from his hand are precious reminders of the creator of unfading beauty. Haydn is not alone in this tiny room. He shares it with Liszt, Burgenland's other great son, and with the daughter of his music copyist, the dancer Fanny Elssler—a glittering three-pointed star in the heavens of music.

Near by stands the palace of the Esterházys, strange, arrogant, yet impressive, built on the foundations of a mediaeval castle and renewed in baroque style by Italian architects at the end of the 17th century. The plain façade has inharmonious ornaments in the shape of terra cotta busts which are clumsy representations of former Esterházys and of Hungarian monarchs. But the garden front, in classic style with a view across a fine natural park on the slopes of the Leithagebirge, is impressive. From the terrace in front there is a no less wonderful view of the almost Tuscan landscape, framed by the Rosaliengebirge and the Ödenburger Mountains. 342

Although Eisenstadt is still so small a place, its new dignity as capital of the Province (since 1924) has meant a considerable increase in the number of modern

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[217]

Eisenstadt, Synagogue Death-Glass.

buildings—the Council Hall, attractive official buildings, the homes of civil servants and villas. Side by side stands the history of old Eisenstadt written in stone—the old royal free town, the Esterházy residence, the Jewish Ghetto in Unterberg and the more recent settlement of Oberberg. The Wolff Collection in the Provincial Museum has some unique monuments of Jewish culture. The Calvary Mount in the Bergkirche gives a glimpse of another world, with its painted, strikingly realistic wooden figures in curious grottos. A first inspection of Eisenstadt may well be rounded off by a visit to the wonder-working picture of the Virgin and to the tomb of Haydn in the Bergkirche.

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245

Other attractions await us. Above Mattersburg appear the slopes of the Rosaliengebirge, covered with the luscious purple of flowering sage. One could wish that here spring might last for ever for us to admire the sea of blossom, cherry tree after cherry tree intermingled with peach and apricot, and the yellow-white blossoms of the plum, with their tangle of intertwined black twigs; great beds of strawberries flourish in the rich and fertile soil.

342

Far above the little village of Forchtenstein stands a well-preserved castle of the same name. It was once the seat of the Counts of Mattersdorf, whose forebears, Simon and Bertram, came from Spain in the year 1200 with their sister Tota, of whose beauty it was said that it had no equal throughout the world. A poet might well harbour the fancy that her beauty lives on in the spring splendour of the flowering hedges on the Rosaliengebirge. The student of history may remember that in the year 1374 the Counts of Mattersdorf and Forchtenstein placed this part of the Province under the jurisdiction of the Duke of Austria. Their escutcheon, combined with that of the Güssingers, forms today the coat-of-arms of Burgenland.

Forchtenstein.

172

The early Stone Age has left evidence of human progress in the Wulka Plain. The Bronze Age which succeeded it was marked by a consi-

FOLKSONG.

When Croatian girls are singing
To the tamburizza's sound,
You hear ancient lays a-ringing,
Every eye casts smiles around.

For they're singing of Junaken,
Their love's rapture and distress.
Of the king's descendant, Marko,
And his wife, the proud princess.

derable development of traffic and trade. The Bernsteinstrasse, that famous trading highway of prehistoric times along which, about 1000 years before Christ, the honey-coloured amber, tears of the sea, was brought from the coasts of Samland to Italy, passes through the Burgenland. It crossed the Danube at Hainburg, a predecessor of the Roman road which later lead to Italy by way of Carnuntum, Ödenburg, Steinamanger and Laibach. Today Ödenburg (Sopron) belongs to Hungary. What the "Ödenburg Sack", connected to Hungary by a narrow tongue of land only five kilometres wide between the frontier and the Neusiedler Lake is to Hungary, is to Austria the "Ödenburg Spur" which limits the Burgenland to a width of four kilometres and almost cuts the northern and southern parts of the Province off from one another. Seven roads and three railways are thus cut off. The only road which connects the two regions had to be built by the Austrian Government.

"The bloody Hall", Lockenhaus Castle.

Southwards this road leads to the Oberpullendorf district, a hilly country with varied scenery and attractions of its own. Anyone interested in tracing historical developments must hasten through the Province to the spot where a range of mountains forms a barrier dividing Burgenland into two parts. The eastern corner which at the same time marks the Hungarian frontier, is the Geschriebenstein, the tallest mountain of the Province, some 2,700 feet high. Its summit affords a wide view across the plain of Raabau. On its slopes, just on the other side of the frontier at Wöllembach, on the St. Veitsberg, stood one of the best-known foundries in the Bronze Age, a prehistoric industrial centre.

Here the Burgenland reveals itself to the traveller. At the foot of the Geschriebenstein lies the forest-surrounded castle of Lockenhaus, which, with its Gothic Knights' Hall and a keep five stories high, dates back to the year 1200. Almost as old are the ruins of Landsee Castle on the borders of Lower Austria, one of the biggest castles in the country.

But to bore a tourist by dragging him from castle to castle as far as Kobersdorf would be risky, since it would—finally land him on volcanic soil.

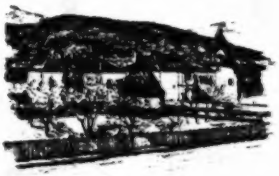
133

133
529

Güssing.

Burgenland's volcano—Pauliberg is its name—is of course no longer active. But it provides the Province with indispensable basalt for road building.

The Burgenland volcanoes—there are more than one of them—although non-eruptive, have the hot springs which still flow along the thermal line. That line of healing springs which begins in Vienna and continues through Baden and Vöslau, unites in Burgenland with the sulphur baths of Leithaprodersdorf, northwest of Eisenstadt. It carries on to the unpretencious health centre of Sauerbrunn at the foot of the Rosaliengebirge and feeds the mineral springs of Kobersdorf at the foot of the Pauliberg. Parallel to it runs a second line from the radioactive baths in Edelstal to the mineral springs of Deutschkreutz.



Kobersdorf.

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Far off in the south of the Burgenland the basalt cone of Güssing is still recognisable as a part of the volcanic chain. The narrow strip of land where three countries meet and where the castle ruins of Neuhaus look down from the mountain, is in its isolation one of the most lovely spots of Austria. Here the Raab traverses the Province. Its name has survived from the days of the Romans, who may have adopted it from the Celts or the Illyrians. The town of the same name situated where the river joins the Danube is called Györ in Hungarian, preserving the memory of the Avars who, when the barbarian flood had subsided, remained as rulers of Pannonia, and thus in the Burgenland. "Györ" means "ring", the Avars designating as "rings" the earthworks behind which they defied a superior force, while their mounted hordes ravaged the countryside.

103

Bernstein.

In Southern Burgenland there are no surviving traces of the Avars, although the names of many places bear witness to their not always willing followers, Slavonic tribes who, as farmers, were forced to contribute to the support of the Avar nomads. Welten,

Gritsch, Doiber and Oberdrosen are examples, while Windisch-Minihof has preserved its eloquent name unchanged. 103

Minihof—does it not sound as if this village had been named after one of its favourite inhabitants? On Sunday, when the women and girls of the Burgenland go to church, many of them in the traditional and proudly preserved national costumes which differ from village to village, more than one pretty girl, whether Mini, Kathi or Liesl, attracts attention.

In the Province there are about half a dozen Minihofs. But the name means nothing other than Münichhof, Monks' Dwelling. The monks, whose memory has thus been recorded did much to further the development of the Province.

About 800 A.D., Charlemagne defeated the Avars, and established the Pannonian Mark, which included the best part of the Burgenland territory on both sides of the Raab and the adjoining strips of Lower Austria as far as the slopes of the Wienerwald. This became the nucleus of Austria. The monasteries of Salzburg, Kremsmünster and Mattsee, together with those of Passau and Freising, were given vast estates in the Burgenland by the Carolingian rulers and attracted settlers. The ruins of Scarabantia and Sabaria, which had the appearance of an "öden Burg" ("desolate castle"), lying about like "Steine am Anger" ("stones on the slope") then awoke to new life. Purbach and Donnerskirchen between the Leithagebirge and the Neusiedler Lake, Lutzmannsburg in the district of Oberpullendorf, close to the Hungarian frontier, and Piernau, further to the South just the other side of the frontier, all date from this time. So does Minihof, the "Hof", or residence, of the monks. 175 103

Let us here recall St. Martin, the most venerable of all the famous sons of the Burgenland. Born in 316 A.D. in the little town of Sabaria, he became through his efforts as Bishop of Tours the patron saint of the Franks. Reverence for his name was brought back to the Burgenland and to Pannonia through people who settled

Mörbisch.

776

776 there in the days of Charlemagne. In 1926 St. Martin was made the patron saint of the Burgenland. But the fact that every self-respecting Burgenländer insists on eating roast goose on St. Martin's day is not necessarily due to his piety. Since the days of the Carolingians, a number of places in the Burgenland have been connected with St. Martin either by their names or by the dedication of a church. The most southerly is St.-Martin-on-the-Raab.

Schlaining.

792 From St. Martin it is not far to St. Gotthard. This monastery, just across the frontier, was founded by French Cistercians in 1184. It is a curious coincidence that in the Battle of St. Gotthard in 1664, where the Turks were defeated in open conflict for the first time, French troops played a decisive part. The battlefield lies within the Burgenland parish of Mogersdorf. The name of the neighbouring village, Maria-Bild-bei-Weichselbaum, recalls the legend that a wonder-working picture of the Virgin was brought from a forest shrine to the village church, but transferred itself back to its original site, where a church was then built.

778

Kittsee.

133 Even in the days of the Carolingians the rivers of Lafnitz and Pinka contributed to the establishment of settlers in the Burgenland. The Lafnitz today forms a natural boundary with Styria. If you follow the line of the Pinka northwards you will find that it crosses the frontier of Austria seven times.

[361] The same typically Burgenland villages are to be found on either side, inhabited by a mixed Croat and German population. The river fortress of Eberau in this district is perhaps the least known castle in Austria.

In its upper reaches the Pinka like the other Burgenland rivers—the Raab, Lafnitz, Güns, Rabnitz, Eicha and Leitha—unites the Burgenland with the Styrian-Lower-

Landsee.

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Village Street in Mörbisch.

133 Austrian alpine foothills, to which it by its character belongs. Sandwiched in between, on the upper Pinka, one finds a living witness to Burgenland history in the Magyar enclave of Oberwart.

175 The Magyars came to Pannonia about 896 A.D. In 907 A.D. they destroyed the Bavarian armies near Pressburg, thus putting an end to the Frankish-Bavarian
563 Pannonian Mark. For half a century hordes of Hungarian horsemen overran Europe, spreading out even to France and Italy. The Battle of Lechfeld in 955 A.D. put an end to this, and the Magyars then tried to secure themselves a permanent home in the Danube Basin. Their "Westwall" was the impenetrable forests of southern Burgenland, and, further northwards, the swamps of Rabnitz. The valleys in the forest belt were defended by barricades and troops.

[292]

Oberwart.

In one of these "Warte" or outposts, which is today the Hungarian-speaking village of Oberwart, the Magyar garrison maintained itself for 1000 years. Here the Magyar origin of the population is still evident in their speech and picturesque dress.

133 There are traces of almost every period of Burgenland history in the district of Oberwart. The most valuable heritage is that left by the extinct volcanoes at
529 Tatzmannsdorf, a healing centre for heart complaints and feminine ailments—an Austrian version of Franzensbad.

Geologists will find much to interest them in these parts. The brown-coal
135 mines of Tauchen, the antimony and sulphur-stone deposits at Schlaining, the iron ore which was mined even in Celtic-Illyrian times at Eisenzicken

and on the Eisenberg and the pyrite rocks at Redlschlag are instances of the varying types of soil.

Unique in Central Europe, however, is the asbestos of Rechnitz and the Styrian jade from Bernstein. The green, veined stone is really beautiful. It comes to the workers who have inherited their trade from father to son as uninteresting stone splinters. The final products can be seen at the Vienna fair—unbelievably delicate vessels and translucent vases. The finest examples have gone to all parts of the world. The late King Alfonso of Spain even took some of them with him into exile.

The Burgenland is a country of ancient traditions, legends and memories. The story of the good prince Giletus and his wicked wife is supposed to explain the origin of the Neusiedler Lake. Then there is the legend of the "Wasserstoffel", a creature like a human being which lived in the Neusiedler Lake like a fish and, caught and tamed, emptied a whole sack of frogs, snails and water-snakes on to the banqueting table of his adored young mistress at her marriage, because this seemed to him to be a most delicate dish. The wedding gift was anything but well received, and the poor Wasserstoffel, who had meant it well, fled in despair and was never seen again. The Templar knights, who lost the castle of Lockenhaus through treachery, are said still to haunt it. In one of the most beautiful castles there occasionally appears a "White Lady", gentle and gracious.

The son of Wolfers von Güssing and his grandsons were called Henz, and from these proud lords whose family was one of the most powerful in the Burgenland the inhabitants are supposed to have received the name of Heinzen.

Between Güns and the Carolingian Lutzmannsburg lies the monastery of Marienberg. It was founded in 1194 as a branch of the Austrian Cistercians of Heiligenkreuz, who about this time were granted estates on the shores at the Neusiedler Lake, where the name of Monchhof still recalls their memory.

Frankenau and a number of neighbouring parishes are inhabited by Croats. This race is to be found in many other villages scattered throughout the whole Province. How they got there, we shall see later. First let us visit the basket weavers

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323
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First let us visit the basket weavers

Basket-Weaver.

of the beautiful Rabnitz Valley and the potters of Stoob where the ancient craft of pottery is still carried on by hand. Then let us cross to Raiding. Here the small house is still standing where a great man in the world of music first saw the light of day—Franz Liszt. He was triumphant the world over, from Russia to France and England. Everywhere the smiles of lovely women welcomed him but more and more he was affected by that melancholy which is reflected in the verses of Lenau. The latter had connections with the Burgenland through his mother; his lyrics won as many friends for the land of the *Puszta* as did the Hungarian rhapsodies of Liszt.

131 Past Ritzing, where the surface belongs to the Burgenland but the coal below it to Hungary, because the tunnels of Brennberg, near Ödenburg, burrow below the frontier, our way leads us to Sieggraben. This is the home of the Semmelweis family, whose most famous son brought salvation from the scourge of puerperal fever to the child-bearing mothers of all times. From here the road climbs to the summit of the Rosaliengebirge, where a view opens towards the east across the Wulka Plain, taking in Ödenburg and the Neusiedler Lake and westwards, the Bucklige Welt, Wiener Neustadt and the Leitha.

346
712

Village Drummer.

On the Leitha also lies the battlefield of 1246. Friedrich the Quarrelsome, last of the Babenbergs, made the territory which had formerly belonged to the Mark of the Carolingians the subject of his first demands.

The Burgenland was long contested. Not for nothing do the many churches in its pleasant villages stand on commanding heights, surrounded by walls which give them the appearance of fortresses, and not for nothing were the many castles and fortified towers set up.

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The days of the Turkish invasions brought poverty and desolation to the land, but at the same time a new population which was fleeing from the Turks and found a new home in the Burgenland—the Croats. From Kroboteck in the district of Jennersdorf through Stinatz, Punkitz, Podgoria and Kroatisch-Minihof there

539

REED SONG

To the pond, where it reposes
Drop the moonbeams softly down,
twining their ethereal roses
In the reeds' encircling crown.

Oer move in yon hilltop, seeming
watchful of the velvet sky.
Now and then the geese stir, dreaming
where in tangled depths they lie.

Tear-filled sinks my glance revealing
through my inmost spirit bare
A sweet thought of you is stealing
like a silent evening prayer.

NIKOLAUS
LENAU

Village Street.

[103] are many village names of Croat origin. These Croats not only repopulated the devastated areas but also cleared the forests to build new settlements. The 162 "Displaced Persons" of the Turkish Wars have become an indispensable part 361 of the Burgenland population.

They are called "Wasserkrowen". It is uncertain as whether this refers to their 101 having come from the coasts of Dalmatia, or whether "Wosser Krowen" points to their having come from the province of Wossen, i. e. Bosnia.

The soil of the Burgenland is not capable of feeding all its children, so that 333 thousands of its inhabitants become bricklayers who work for the whole week in other parts of Austria during the season, to return on Saturdays to their native villages. Their busy hands have helped to create the splendid buildings on the Ringstrasse. In the plaster and stucco decorations of these are concealed [346] the reeds of the Neusiedler Lake. The Votivkirche, in Vienna, is built of stone from the quarries of St. Margarethen, between Eisenstadt and the lake. The Italians who were summoned to the Leithagebirge in 1550 as stone masons had barely become Burgenlanders when they were commissioned to work on the imperial "Neugebäude" in Ebersdorf. Thus there is a close connection between Kaiser-Ebersdorf in Vienna and the Burgenland parish of Kaisersteinbruch in the Leithagebirge.

Without designing it, we are back at our starting-point. Kittsee has still to be mentioned, lying in the extreme north opposite Pressburg, where Josef Joachim, the famous violinist, was born, and Zurndorf, the native town of the Vienna Capucine preacher, writer of Hungarian history and Protestant bishop of Saratow in Russia, Ignaz Aurel Fessler. Nickelsdorf looks over the frontier towards the Nibelungen town of Wieselburg, where Josef Kainz (famous actor of the Vienna Burgtheater) first saw the light of day. 361 533 793 336

There are castles and churches where the art of the Burgenland is represented by the paintings of Dorfmeister, Maulpertsch, Altomonte-Hoherberg, Köpp von Felsenthal and Storno, an art which lives on today in the work of the famous modern sculptor Gustinus Ambrosi. 532

Let us glance again over the wide and sunlit countryside to Eisenstadt, where the festivals in the historic Haydn Hall have revived the music traditions of the Burgenland, to the villages where one hears the tamburizza orchestra, and the airs of old folk songs from which Haydn took the undying melody of his hymn. Once again let us glance at the people, the farm labourers at Friedrichshof or Edmundshof, the workers in the chalk and jute factories, the reed-cutters by the lake and the vine-dressers with their aprons stained green by copper sulphate, the farmers and the labourers, as far as the smallholders in the extreme south who industriously till their four *joch* of ground, keeping records of the weather as their fathers did before them. Don't be surprised if one of them appears round a bend in the forest path, nods approvingly at the fleecy evening clouds and pats you on the shoulder to say—"That's the weather we need here. But you—come back again soon to our Burgenland." 533 000

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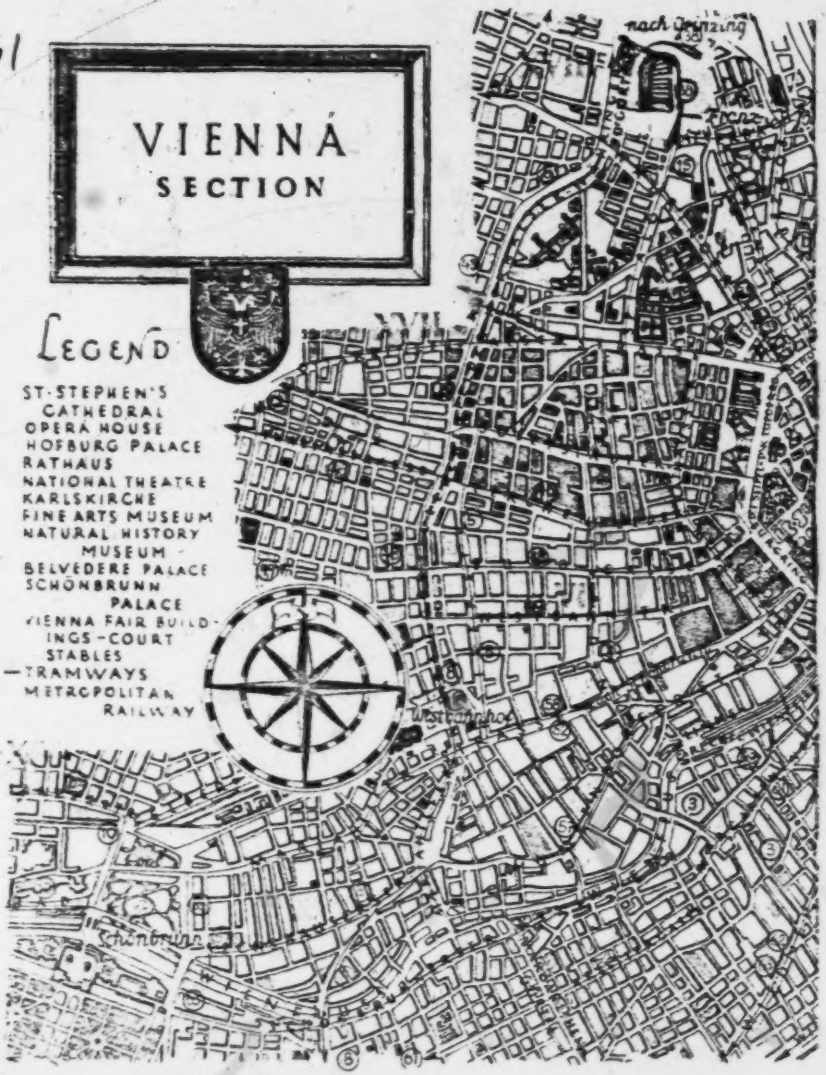
METRO-POLIS ON THE DAN-UBE

VIENNA

[-355-]

361

VIENNA
SECTION



361

Nordwestbahnhof
Nordbahnhof
DANUBE
OBER-
SCHWEMMUNGSGEBIET
Stadion
PRATER
Bahnhof
Spangbahnhof
Südbahnhof
Ostbahnhof
1 km

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THE CONTOURS OF A CITY.

Vienna is not merely the name of a city.
Vienna is not merely a symbol of European history.
Vienna is not merely the world's musical centre.

Vienna is all this and much more. Vienna is the sum of the knowledge of life of generations and peoples, it is the effort of many states to draw together. Vienna is the conversation between men, the arts and nature, the link between present, yesterday and tomorrow. Vienna is a suggestion to the world to adopt its way of life and being. Between that which constitutes home—the register of births, the wedding ring, a trade inherited from one's father—and that which calls one abroad—opportunity, a far-off future, parting and settling down in new surroundings,

Vienna is a third alternative. It is the adoptive home of musicians and men of intellect. It is a hospitable centre of pleasure and luxury where difficult and pointless journeys come to an end and sojourning in this world becomes wonderful everyday life. 000

Vienna is the expression of life itself. Life with all its terrors and its great moments. Not only the expression of the will to live and not merely the imperative of Kant or a "You may, You shall, You must". No, everything and everyone lives in Vienna and is loved—the hunchback, the deaf, Falstaff and Don Quixote. Everyone in Vienna is equally important, the great as well as the little stars drift at night on the same road towards eternity.

Vienna is a place of recuperation from all ills, even if it is not listed as such. In its air and its atmosphere one finds the right standard by which to judge the problems of life, which exist before the eye of the new-born child has focussed on the surrounding world, and are still there when that eye closes for ever. To inherit this earth and yet not fall a prey to Mammon, to possess it and yet to remain penniless, to conjure up a vision of Heaven without becoming a Utopian, to blend these things properly together and to fill the hours of one's life with them—in short, to possess the art of living humanely as a human being—all this is essential Vienna.

Why otherwise should there be such contradicting opinions about Vienna and the Viennese? Every such opinion is similar to the picture reflected in a badly-made mirror—it is hopelessly distorted.

Come, therefore, and see for yourselves what Vienna is—even now and despite everything. Vienna, born of the surrounding countryside, is, as you will soon recognise, still a part of it. The rolling lines of the forested mountains in the West, from which in summer a cool breeze blows even in to the narrowest streets, reach far out towards the city. One constantly catches glimpses of nature in the distance, of the sunny plain of the Marchfeld, or of the broadening valley of Vienna's river known in song as the Blue Danube.

This city whose suburbs stretch from the vineyard-covered heights of the Kahlenberg and the Bisamberg to the richly-wooded Danube meadows is truly at one with the smiling landscape and benevolent Mother Nature. Its streets and squares were not laid out according to geometrical plans, but grew up naturally, as men felt the need to build them; the very routes of the tramcars which take one so quickly from the heart of the city to the verdant world of forest and meadows follow the course of various streams and brooks which have long disappeared under the cobblestones and asphalt. 361

The landscape around Vienna retains its historic outlines. Roman hands planted the sunny slopes with the precious vines. Later on, Christian monasteries spread the blessings of education. Crusaders rode through the Danube Valley, watering their horses in the Nibelung river. The plain of Marchfeld became the scene of bloody conflicts between powerful lords who sought to dominate the capital. At 000

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The Hofburg before 1848.

the end of the Turkish Wars the relieving forces came down from the heights of the Wienerwald to fight a decisive battle, at Aspern and Eßlingen Napoleon lost for the first time the halo of invincibility.

Time after time the countryside has won back its inhabitants from political storms to the enjoyment of its own eternal melodies. All those with a talent for painting, building, music or poetry, have drawn strength and inspiration from their native soil. The countryside is linked with the soul of the creative work which has been completed in its midst. In the songs of Schubert, in his "Unfinished Symphony", the Wienerwald lives again. Beethoven expresses it thus: "Here, surrounded by this scenery, I often sit for hours, my senses delighting in the contemplation of the conceiving and life-bearing children of nature. Nobody can love this landscape so much as I."

Poets have sought to immortalise the rhythm of Vienna and its surroundings in verse. A happy band of painters has found in it an inexhaustible source of inspiration.

Few cities are so rich in history and drama, in glory and in suffering, as Vienna. Nothing is ever lost in this world, not even the tremulous heart-beat of a child, nor the words of lovers beneath flowering jasmine, the melodies which so strangely linger on in the city. That is why Vienna can unfold that fascinating drama of

life which exists for its own ends, for you, for me, and for everyone.

ON FOOT THROUGH THE INNER CITY.

Come now straight to the heart of the city, but forget for a time your occupation and the time of day. There are towns which may be hurried through hastily. Others—and Vienna is one of these—need to be enjoyed in leisurely fashion.

The difficulty of understanding Vienna lies in the contrasts and parallels with which one is everywhere confronted, the baroque fusion of concrete objects and abstract ideas. The pulsing heart of the city, its centre in every sense of the word, is the Stephansdom. Six modern streets busy and bustling, converge there to pour their teeming crowds and traffic into the Cathedral Square. There is nothing visible to recall the fact that this square was a cemetery until the time of the Emperor Joseph.

Viennese Girl, 1898.

Viennese Girl, 1899.

Let us approach it from the Graben. The kaleidoscope of moving traffic keeps the picture of street life constantly changing. Above a tall house stands a globe as an advertisement for sewing-machines. A few steps further and we face the Cathedral, standing aloof from the workaday world which surrounds it. Before this grey, noble pile, everything round about seems to dissolve into unreality. Never can this picture be forgotten, the tower, at once massive and delicate, its slender height leading up to the window of the fire-watchers, up and up to the blossoming of the spire and to its topmost pinnacle above which there is only the majestic peace of the Vienna skies.

This cathedral in the midst of a bustling world of shops radiates a solemn calm, a hallowed spot amidst competing vanities and material interests. Like some worldspirit rising clear of the life

346

of the senses, its tower reaches up to the heights of immortality.

This church is no sermon in stone, but a building which appeals to every sense and thereby multiplies its eloquence. Its speech can only be heard by those who listen with their inmost souls—there are many thousands who hardly catch the faintest whisper as they hasten past. Yet to everyone, surely, the moment comes when he hears and understands this speech.

Do not confuse yourself with details. Listen only with one ear to the explanations offered you, for the general impression is more important than the parts which go to produce it. But one cannot overlook the old romanesque west front. It stands solemn and massive in comparison with the supporting columns which rise upwards to lose themselves in the delicate tracery of arching windows. There in front, near the small porter's lodge begin the seemingly endless steps leading up to the tower. Behind the water-spewing gargoyles hangs the "Pummerin", a mighty bell which was cast from the metal of Turkish cannons.

Before we enter the Cathedral let us take a quick glance at the exterior. There are niches sheltering figures which look down on us—Jesus on the Cross, the Virgin Mary, and, towards the front, an open air rostrum from which Johannes Capistranus preached a crusade against the Turks. The small door at the side leads to the catacombs. It was at this spot that the body of Mozart was consecrated in 1791. The subterranean chambers are extensive and many-storied. In the crowded city of the Middle Ages it was often necessary to bury the dead below the streets of the city itself. From 1735 to 1783, 12,000 bodies were buried here.

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The North Tower of the Stephansdom has never been completed. Need we regret it? Could one nowadays picture this landmark of Vienna with a second companion tower? Over the Adlerturm

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Vienna. Kärntnerstrasse

[-363-]

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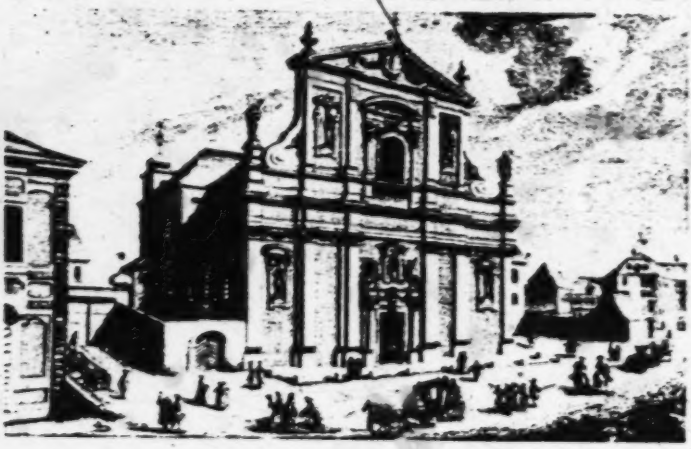

Dominikanerkirche.

(Eagle Tower) spreads the twilight of expiring Gothic, but a few paces further on we can admire the luxurious, vigorous Gothic of the porch before the Bishop's Door (leading into the transept). The plain façade across the street is that of the Archbishop's Palace.

Let us now enter through the reverent half-light of the Cathedral. What a vast hall confronts us. The light of the candles which pious hands are for ever placing before the picture of the Madonna give an idea how high is the centre part of the nave. Gradually shapes take form in the gloom—statues, columns, canopies, tombs, memorial tablets, the wonderful stalls of the women's choir, the pulpit, a portrait of the Master Pilgram, the Tirnakapelle where Prince Eugene sleeps, the baroque altars against the pillars and the tomb of Friedrich III.

BURGOMASTER DR. KARL LUEGER.

When the Ringstrasse was nearing completion and Vienna had not yet finished filling in the wide gaps between the districts on the near and on the far side of the Gürtel, when there was a never-ending stream of people moving towards the capital seeking work, happiness and well-being there, when the city's outer suburbs were reaching out further and further towards the horizon—at this moment a man arose from amidst the people who was to complete Vienna's transition to a large city with vision, courage and energy during his few years of office. This was the memorable burgomaster, Dr. Karl Lueger.

He was a true child of the people, his father being curator in a museum and his mother the owner of a tobac-

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The Dorotheärkirche before 1787.

cousit's shop. He himself started as an insignificant and unknown lawyer, but soon became the advocate of the small man. He had an unequalled knowledge of Viennese dialect, which he spoke himself.

This was the beginning of a new era. The industrial development of Austria had reached a peak during the seventies of the bygone century. Finance and industrial capital completely dominated the economic system of the Monarchy, backed politically by the Liberal Party. At the Freudenau races the offspring of great aristocratic families rubbed shoulders with those of the new-rich „gulden millionaires". They raised their grey top hats in salutation to each other, the one with casual good breeding, the other with demonstrative self-assertiveness, exchanged bows and greetings from their rubber-tyred carriages in the Hauptallee and soon found themselves in full accord over mutual business

How evil were those men who set fire to this wonderful cathedral as they retreated from Vienna in 1945. This is the most painful wound in the martyred body of the city.

Let us forget such sad memories in the sunny, pleasant streets where we can join the bustle of the Old Town. We may cut through the narrow side streets quickly, seeking the hidden heart of the city. Converging on the noise of the Kärntnerstrasse are deserted corners and the backs of houses where washing is hung out on the balconies and a cat calmly licks its paws in the sunshine. Round-arched double doors stand half open to the inquisitive gaze. Old ladies live there who hobble daily to Mass with enormous prayer books, funny, proud old things with the hearts of children. Pretty, fair-haired children smile confidingly from the windows or laugh as they play in the courtyards. There is

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State Opera

346 such a small-town atmosphere here that it seems as though the biedermeier period lingers on.

These pictures are all to be found here within a comparatively small space. The same number of steps which we had to take from the Cathedral to reach this quiet corner will suffice to take us on to other great gothic churches. The solemn and massive Augustinerkirche stands in a street which is filled with the noise of motor traffic. Its Early Gothic form is still cool and severe, far removed from the decorative exuberance [211] of Late Gothic. The famous Christina Monument created by Canova at the beginning of the 19th century is a remarkable example of the symbolic portrayal of sorrow and mourning.

interests or at times in the conclusion of strange marital alliances.

The great town mansions near the Ring were in sharp contrast to the houses in other parts of the city, in the outlying districts. In the latter a single pump had to suffice for four, eight or ten families and what was called a "light-shaft" was not worthy of the name. It was a gloomy, narrow tunnel down which the sunlight only penetrated as far as the upper stories in the hottest summer.

To be a Liberal meant to leave things as they were, not to interfere, to leave the peace of the upper classes undisturbed and to remain deaf to the plaints of those below.

Lueger, however, had an ear for the low mutterings of the crowd, for

he lived next to the small man, to artisans and shopkeepers, simple citizens and factory workers. To replace isolated and ineffective outbursts of discontent, he formulated a radical programme of demands, using language which could be understood by all, shaking the Imperial City until it awoke from the slumbers of Liberalism with his fiery speeches.

While society—baronesses, bankers and officers—continued to waste idle lives in flirtations, while the Prater meadows echoed in the early morning to the sound of shots exchanged by duellists, Lueger was considering how the pressing municipal problems which had arisen through the crowding together of enormous masses of people could be solved in progressive fashion to the advantage of the community and in the teeth of corruption and vested interests.

The population of Vienna had risen from 680,000 in the year 1875 to 1,727,000 in the year 1900, but the horse-drawn tramway, the steam tramway and the few electric trams were not linked together. They were inadequate to meet the demand for transport, and charged very high fares.

Apart from these concerns a few small gas and electricity works had come into being, all of them privately owned and most of them the property of foreigners, who had built up for themselves a circle of paying customers and now proceeded to make enormous profits.

Lueger recognised with infallible instinct that the supplying of the Vienna population with gas, electric light and modern means of transport must not be made the subject of greedy exploitation by private capital, but that it was the duty of the municipality to retain the monopoly of this branch of the administration in its own hands, thus making these facilities available to the general public on the most favourable terms.

The quiet peaceful Minoriten Church has 346
a solemn, other-wordly air. The fine main entrance in French Gothic is the work of Jakobus of Paris. The façades of baroque palaces, which now house Ministries and the Diet are neighbours in the intimate square.

Hidden away in a corner of the Old Town lies the attractive church of St. Maria-am-Gestade, at the foot of which formerly flowed the Danube, a place of worship venerated by salt-shippers.

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Plate IX

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Rudolf von Alt; Stephansplatz (section). Vienna, Municipal Collection.

[Facing p.368]

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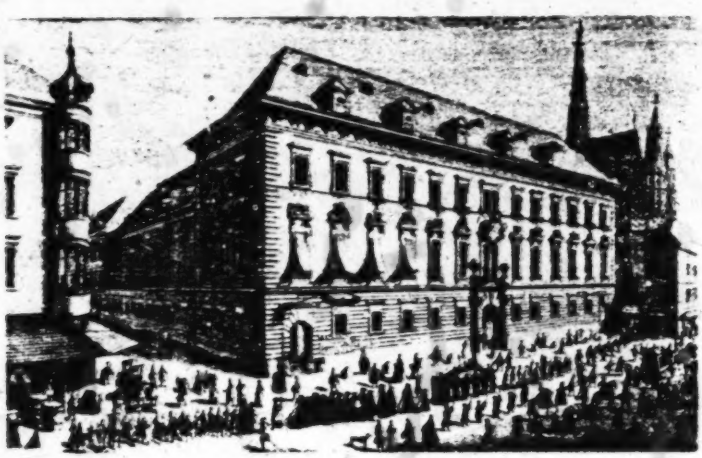

Residence of the Archbishop.

The sevensided tower, the open tracery of the decorative stone cupola, the delightfully hideous gargoyles, the charming covered porch and the richly ornamental network of the arches are a series of glorious surprises.

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Emerging from this church, it is as if its noble proportions had not yet quite released the visitor from their spell. The narrow surrounding streets through which we approached the church seem to have acquired something of its air of quiet and repose. Vienna is often criticised as being backward. All it amounts to is that the city is too wise rashly to discard what time has tested and found worthy. To do otherwise would be to murder its own soul. Vienna wants to remain always Vienna. In the development of the city, this wish has never been forgotten. You will never be able to understand Vienna until you have grasped one secret. The soul of this

With these basic demands Lueger became the founder of Communal Socialism, gaining with this programme the support of the small man. After nearly 20 years of political struggle, he entered the Vienna Rathaus at the head of the Christian Social Party which he had founded. Austria generally remained under the domination of the Liberal Party, which had four times been successful in securing that the Emperor four times refused to sanction the choice of Lueger as burgomaster. The fifth election in the year 1897 was finally approved by Francis Joseph I.

Capital sought methodically to find a way to block the socialistic tendencies of Lueger in the city council, and he continually met with great difficulties in financing important projects. Finally he founded the Zentralsparkasse der Gemeinde Wien in order to have a bank at his own disposal. He also created

Plate X

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Albrecht Dürer; Mary with many Animals. Vienna, the Albertina.

[Facing p. 369]

the Städtische Versicherungsanstalt in order to make cheap and reliable insurance available for the masses.

Vienna's rapid development into a great city which culminated during Lueger's term of office as Burgomaster, forced the municipality to undertake new responsibilities. Lueger recognised the needs of the situation and proved himself competent to satisfy them along modern lines.

If one reviews the extent of his activities as Burgomaster, one has to admire Lueger's administrative genius even more than the oratorical gifts of this man of the people. Within a few years he created the extensive organisations of the Municipal Gas and Electricity Works and established a network of tramways. Gradually schools arose. He met the needs of the city for drinking water by building a second pipe-line system to the springs in the mountains. For the living he built the Krankenhaus der Stadt Wien (the Vienna City Hospital) in Lainz, the Städtische Altersheim (Municipal House for the Aged) and the Heil- und Pflegeanstalt Am Steinhof (Lunatic Asylum). For the dead he established the great garden area of the Zentralfriedhof (Central Cemetery).

The building of the municipal warehouses, the taking over of a brewery as city property and the establishment of the central cattle market in St. Marx enabled the Burgomaster to influence trading developments and to institute a measure of price control.

Lueger's greatest gift to Vienna was the creation and dedication to the city of the belt of forests and meadows, which brought it health together with the beauties of nature.

The progress which marked the year 1900 and subsequent years bears the stamps of Lueger's own personality. The necessary measures were born of his own initiative, and had often to be carried through by his personal

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Jesuit Church at Am Hof.

bewildering city lies in the past, rooted in the baroque period, yet holds fast with lively enjoyment to all the beauties of this warm earth.

The centre of Vienna as the "Kaiserstadt" is the Burg. There is an Old and a New Burg, the older part dating from the Babenberg days of the 13th century. Behind a short and deep ditch, once a moat, stands the gateway to the Schweizerhof. Its massive rustic blocks call to mind the magnificent porches of Lombardy. The strong pulleys over which ran the chains of the drawbridge are still plainly recognisable.

The courtyards and wings are extensive. Towards the Michaelerplatz the complex of buildings ends in the "White Tower". In the

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Vienna; Heldenplatz.

Viennese Girl, 1902.

insistence in the face of general opposition. Thus the great Burgomaster prepared the way for the idea of collective provision for general economic through the municipality. He may be said to have built the bridge which led to the fulfilment of the demand of the mass of citizens for collectivism in a communal-political sense. Ten years after his death this work was continued by new methods in other directions, and once again became an example to the whole world.

WITH BAEDEKER IN HAND.

No matter how easily Vienna reveals itself to you and throws itself open to you, you will not get to know it without an effort. On the contrary, you must take your Baedeker and scan it conscientiously as though you were back

semicircle of the front façade are two monumental groups of statuary symbolising the "Sea Power" and "Land Power" of the former Austria. 361

The sombre façades of various centuries unite in calm dignity to form the impressive square of the Inner Burgplatz. Here the ceremonious changing of the Castle Guard took place. Here the privileged Dampierre Dragoons were allowed to parade before their Highest War-Lord with martial music, and to set up their recruiting table. 344

In the Schweizerhof steps lead up to the Castle Chapel where the Wiener Sängerknaben sing Mass, Sunday for Sunday. Adjoining it is the entrance to the Religious and the Secular Treasuries. Once inside the enormous building of the Hofburg one can walk through wing after wing. There are the rooms where Emperor Francis Joseph once lived and laboured; next to these are the apartments of the beautiful Empress Elisabeth, followed by sumptuous gala halls which lead to the vast wing of the New Burg. How lucky that the plans of many an edifice in Vienna have been only half executed. The view of the Heldenplatz detracts attention from the explanations of the most experienced guide. Original in its unfinished symmetry, it is a square, panorama and a landscape scene at the same time. It forms a square with the two museums, the Royal Stables and the three monuments which decorate it. It becomes a panorama as we see how it connects with the Ballhausplatz, the Burgtheater, Parliament and the Ringstrasse. It is landscape by virtue of the park and adjacent buildings which carry the view on to the Rathaus, the Votivkirche and the hills of the Wienerwald which seem so close. The medley of people strolling backwards and forwards on the paths of the Volksgarten suggests a painting by Brueghel. But in the month of 363 000

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Viennese Girl, 1912.

May the colour-loving eyes of Waldmüller seem to have been at work when the circular clumps of heliotrope and purple lilac close in the walks and open spaces in scented profusion.

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One should traverse the Heldenplatz in all directions as if looking for a lost drachma. It is everywhere varied, and everywhere a part of Vienna. One may go there on a March morning when young mothers are pushing their prams backwards and forwards in the sunshine, sheltered from the wind, beneath the windows of the study of the President of the Republic. Its vast extent is brought home when the Viennese stream in through the Heldentor and surround the statues of Prince Eugene and Archduke Karl in their hundreds of thousands on some festive occasion. Or you may visit at five o'clock in the afternoon when the path alongside the Volksgarten suddenly springs into life as some hurry home from work while others crowd in the opposite direction into the Inner City for recreation or a rendez-vous. In "Fasching" (Carnival) you may see how the lights of the many-candled chandeliers shine forth from the tall windows of the gaily-illumined state apartments. In the great Redoutensaal across the way the lights

at school. Here are a few things you can mark in advance for special attention.

The STAATSOPER (State Opera House), although it became a ruin in 1945, should be visited for the sake of its memories. Read how this building, which many people described as the most beautiful opera house in the world, looked in the days of its glory. Spare a thought for those two luckless builders of the '60s, van der Nüll and Siccardsburg. The loggia with its attractive façade and statuary, the gilded vestibule and the main staircase have remained intact, but nothing is left of the magnificent interior, of the rows of seats and the boxes, of the ceiling paintings of Rahl and the imposing wall decorations of the gala room.

The spirit and tradition of the house, however, have remained alive. Burnacini's gala operas in the 17th century, the performances at Laxenburg Castle, in the Old and in the New Favorita, in the grounds of Schönbrunn and later in the Kärntnertortheater—all this formed an unbroken chain to the opera bouffe, the "magical opera" and to Mozart. For Fanny Elsler's triumphant rise to popularity the old opera building was too small, and the

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new opera house on the Ring had its gala opening with "Don Juan". It ushered in a glorious epoch. Verdi came to Vienna, Wagner was discussed and fought over. A generation of singers, the House itself, the Philharmonic Orchestra and the conductors grew together in one concept which throughout the world is more honoured than the diplomatic corps—the Vienna Opera.

The fine building, beloved of the Viennese as the setting for so many memorable and wonderful hours, now lies in ruins, but the Vienna opera, the talent, the love of music, the enthusiasm, the orchestra and the players have remained. In the Theater-an-der-Wien stands Rodin's splendid bust of Gustav Mahler. New names win fresh fame, joining those of Schalk, Richard Strauss and Bruno Walter. Way up in the "Fourth Gallery", youth criticise with acid impartiality the values, the talents, the performance of the artists.

Like the Opera, the BURG-THEATER retained little more than its façade after 1945. This theatre was held to be the finest in which the German language was spoken and occupied a unique position in Vienna's cultural life. At its foundation, in 1776, Emperor Joseph impressed one duty upon it—that of becoming a national theatre.

From these beginnings—the first theatre on the Michaelerplatz is charmingly portrayed in old etchings—the theatrical dreams of the Viennese progressed towards fulfilment—the establishment of a repertory theatre of world literature, based on the collective talent of a first-class cast.

A crisis in the management of the Burgtheater even today is more important to the Viennese than a change of government. To become director of the Burgtheater is the dream of many which only few, of course, have ever realised.

In the NATIONAL LIBRARY students find one of the greatest book

Griechengasse.

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suggest gilded clouds which hang motionless in space. On mild June evenings you may cross the Heldenplatz when the city fathers decree the festive illumination of the Rathaus, making of it a flaming piece of Brussels lace. After the theatre you may walk over the great, quiet square with echoing footsteps to the Ring, or go there the next morning, when the sun bathes it in a golden flood and lifts up your heart in gladness.

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361 *Viennese Girls, 1914.*

Opposite, on the façade facing the Inner City, still within the extensive grounds of the Burg, lies the solemn and dignified Josefsplatz. No successor to Max Reinhardt has arisen who could transplant this impressive scenery on to a stage—the classic façades of the National Library, the Royal Riding School and the enchanting proscenium of the Pallavicini Palace. Behind high windows is the famous domed hall of Fischer von Erlach, a dream in marble, gold and sunlight, which is considered the most magnificent library of the world. The streets leading from it narrow suddenly, as if unwilling to let one leave the square.

And now let us wander through the Inner City without any special goal, to the hidden beauties which are so easily discovered. There stand mysterious courtyards with covered stairways, cage-like balconies, noble weather-beaten porches dreaming of baroque fantasies beneath spider's web little old houses and shops of the dealers in antiques—a garland of beauty hidden in the heart of an active, bustling and teeming metropolis, a fascinating juxtaposition of yesterday and today.

211 The Plague Column on the Graben was erected by the Emperor Leopold to commemorate the end of the epidemic in 1679. This stone allegory, this bold mixture of realistic and religious ideas, the work of Fischer von Erlach as well as other sculptors, has been compared to a splendid opera.
346 Only a few steps behind it, cut off from the
532 lively Graben by a modest little square, is the venerable Peterskirche, full of colour and rich decorations. Rottmayr's frescoes in the interior radiate a golden brilliance which makes an almost
366 carnal appeal to the senses. A little further, on the Tuchlauben, the clothmakers used to offer their wares in old Vienna, and one-and-a-half centuries earlier the Roman military lines stood here. Every walk through Vienna can be made a game of question and answer with time and history.

Viennese Girl, 1913.

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Vienna, Stadtpark.

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Josefsplatz ; The National Library.

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The Hohe Markt leads into the Wipplingerstrasse, at the beginning of which the former Bohemian Court Chancellery faces the old Rathaus. In the courtyard of the latter is an artistic creation, the Andromeda Well of Rafael Donner. Donner came to the monastery of Heiligenkreuz as a poor choir-boy and gave shape to his dream pictures by moulding secretly at night the grease which had dripped from the church candles. Another late masterpiece of his art, the Donner Fountain on the Neue Markt, is known and loved by all Viennese. It was created at the end of the baroque period to the order of the burghers of Vienna, who wished to rival the aristocratic and religious patrons of art. It shows two male and two female figures grouped around the principal female figure, "Providentia", with her mirror.

collections in the world. Established in the year 1538, it was moved in 1726 to the baroque building designed by Fischer von Erlach Senior. The central oval of the unique Gala Room contains the private library of Prince Eugene of Savoy. In all, the Institute possesses about one and a half million printed works and over 8000 incunabula. Treasures of untold value are included in the various departments of manuscript, music, maps, theatre, portrait and papyrus collections and in the picture archives.

In the HAUS-, HOF- UND STAATSARCHIV (Archives of the Imperial House, the Court and the State) are documents and treaties of all kinds going back for twelve centuries, valuable manuscripts with the seal of Pope or Emperor attached, state treaties, declarations of state councils,

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The Graben.

proclamations of the Estates and treaties of peace. Anyone wishing to write the history of Europe is bound to have resort to these unique documents.

The number of collections and galleries, museums and archives seems inexhaustible. The Austrian's love and understanding for art and science have created for themselves a permanent monument in these.

At the head of the list of great MUSEUMS stand those of FINE ARTS and of NATURAL HISTORY. Both date back to the old Hapsburg collections, such as the Treasuries with contents which date from the 13th century. Picture Gallery, Tapestry Collection, "Wagenburg", Medal and Coin Museum, Pre-Historic Section—the problem is where to begin.

The ALBERTINA Collection of Graphic Art, with about a million

Further on, past the Crypt of the Capuchins 346
is the Albertina situated on a high bastion—a treasure store for art-lovers. Here is an almost complete collection of the drawings of Albrecht Dürer which once belonged to Prince Eugene.

Almost in the shadow of this Albrechtsrampe 211
and backed by the green spaces of the former 793
Kaisergarten is the white statue of that witty divine, Abraham a Sancta Clara. His entertaining and moving pulpit discourses helped his enormous congregation to forget their hunger, thirst and weariness. He was preacher, narrator and satirist in one. His influence, which did not stop short at the Imperial Court was to a great extent due to his perfect command of Viennese dialect.

Viennese dialect! This is a faithful mirror of 197
the spirit of Vienna, wonderfully soft and 192

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expressive, full of slurred and muted vowels, of musical cadences which come from the contact with Italy, of expletives of Bajuvarian origin and noble survivals from the treasure of mediaeval German which have elsewhere long since been discarded. Wit and humour, drastic comparisons, diminutives and tehder expressions and traces of all European languages —Italian, Spanish, French and Slavonic—are to be found in it. In the course of centuries, Vienna has come under the influence of many tongues, and each has left its mark on the dialect. The city's power of assimilation has moulded them all into "Wienerisch" and we in Vienna still draw on this rich heritage. To take one instance out of many—there is a Spanish

drawings, contains work from every school of art and every country. It is the most important collection of its kind in existence.

The State KUNSTGEWERBE MUSEUM is a unique display of textiles, pottery, glass, furniture, goldsmiths work, pewter, oriental carpets, East Asiatic stone carvings, table implements and china.

The MUNICIPAL COLLECTIONS and the ARCHIEPISCOPAL MUSEUM OF CATHEDRAL AND DIOCESAN COLLECTIONS add to knowledge of city and ecclesiastic life.

The rest must be left to your own initiative, or—you will soon know more than the Viennese themselves.

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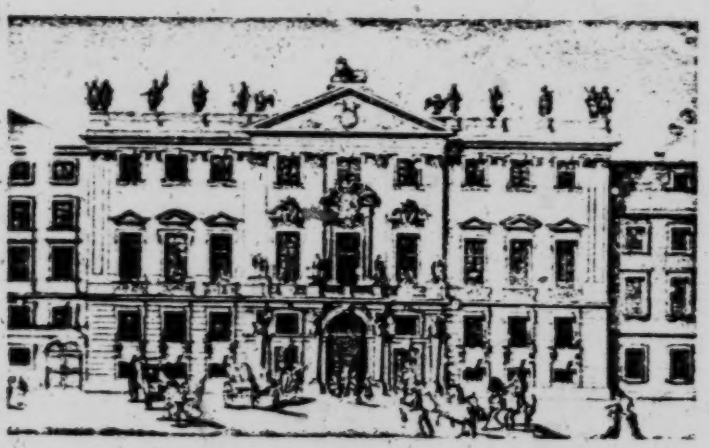

Bohemian Court Chancellery.

192 word "prado", meaning "meadow". A foreign word, the Viennese seized on it,
197 made it their own, the stranger soon became a real Viennese, the "Prater". So it has been with many another expression which may have been Greek—or Spanish—to the Viennese at the outset.

363 The elegant Kärntnerstrasse leads straight from the Ring to the Stephansplatz. We can stroll through it and enjoy its fascinating shop windows another time. Now let us cross it to enter the Himmelpfortgasse where the Winter Palace of Prince Eugene of Savoy is situated. Because the narrow street does not afford a clear view, the statues which usually decorate the entrances to such palais are missing, the three
342 gateways being ornamented only with reliefs. The impression made by the grand staircase in the interior is all the greater, Fischer von Erlach and Lukas von Hildebrand united to create a magnificent palace for the great military leader, although the Belvedere Palace on the other side of the Ringstrasse is a monument to Prince Eugene which is even more imposing.

363 Let us wander on through the complex of narrow streets in the old city, through
346 the venerable, twisting Schönlaterngasse with its dormer windows and porticos, its legend-haunted houses, through the Sonnenfelsgasse in which there is not a single modern house and follow the Bäckerstrasse up to the Alte Universitätsplatz, with its view of the early baroque Jesuitenkirche and the venerable Aula.

[346] 363

The Jesuits have still another place of worship in the Inner City. It stands near by in Am Hof, the church called "Zu den neun Chören der Engel" ("The Nine Choirs of Angels"). Am Hof is picturesque, and its name is ancient. As far back as the 12th century there stood here a country seat of the Babenbergs, which later became their palace. Old records describe the square as a tournament field. Nowadays, at Christmas time, the "Christkindlmarkt" (Christmas Market) is held there, with glittering Christmas trees full of lights, brightly coloured toys on the stalls, rocking-horses and trumpets, bringing a merry sparkle to children's eyes.

Dreamy houses of long-dead burghers frame the great square, in the centre of the whole is a delicate column to the Virgin.

Much of Vienna's history has been written here. From the terrace of the church, in 1782, the Pope gave his benediction to thousands of Viennese. He had arrived unexpectedly to try to persuade the Emperor Joseph II to abandon his plans to reform the Church.

From the same terrace the Emperor Franz II announced the birth of the new Austrian Empire in 1806, after he had laid down the German Imperial Crown under the threats of Napoleon. The revolutionary year, 1848, saw Latour, the Minister of War, hanged here on a lamp-post.

Beyond the hollow of the Tiefer Graben the Freyung leads to the Schottenstift, where the oldest pictures of Vienna are preserved.

Now let us come out on to the Ring, following it down towards the quays of the Danube Canal. Leaving the Canal on our left we may glance on our right at the venerable Ruprechtskirche above a steep flight of steeps.

Following the broad sweep of the Ringstrasse we may catch a glimpse above the roofs of the grey Cathedral and continue past the long façade of the Ministry of War opposite which stands the modern Post Office Savings Bank designed by Otto Wagner.

We glance at the extensive Stadtpark, resist the temptation to linger at the Schwarzenbergplatz and finally come to a halt before the Opera, realising with sorrowful amazement the full beauty of its construction, now alas open to the sky.

Viennese Girl, 1903.

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Am Hof : Armoury.

VIENNA VISITING CARDS.

361 On the other side of the Ringstrasse we must abandon all attempt to proceed systematically. Vienna consists of 26 Districts, and although the First is far more important than any other, there is still so much to be seen that even quartering the ground would lead us nowhere. All that remains is to select a few places at random.

Where the Kärntnerstrasse joins the Ringstrasse, or moving along the Ring from the Wollzeile, the eye is caught by a majestic, green patina dome rising harmoniously against the sky.

346 THE KARLSKIRCHE. This is Fischer von Erlach's masterpiece, a marvel of conception and construction whose charm and gaiety of spirit enshrines the soul of Vienna. A startling blend of fundamental baroque with recollections of antiquity and rich ornamentations combine in a magnificent monument. It is a happy task for that reflective visitor to try to interpret for himself its manifold symbolism.

The two gigantic pillars, copied from the Trajan Column in Rome, were intended to represent the Pillars of Hercules in Spain, for the possession of which Karl VI, who commissioned the construction of the church, fought without success in the Wars of the Spanish Succession. The reliefs portraying scenes from the

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The Freyung, with the Schottenkirche and Harrach Palais.

life of St. Charles Borromäus symbolise the triumph of the Counter-Reformation. 346
The junction of the cupola and a Corinthian portico points to the temples of antiquity and the quality of Karl VI as ruler of the Holy Roman Empire. The great architect consciously rejected all colour and heavily decorative scrollwork in planning the magnificent proportions of the lofty interior in order to increase the monumental effect.

Not far from the Karlskirche is the broad and sunny Schwarzenbergplatz. Let 363
the visitor decide for himself whether there is any other square in Vienna which can compare with the generous expanse and distinguished reserve of this one.

Adjoining the Schwarzenbergplatz is an architectural district with a character of its own.

THE BELVEDERE. From whatever direction you approach the grounds of 342
the Belvedere you feel that you are about to be the guest of a Prince, a true cavalier. If it belongs to the soul of Viennese culture to combine the significant or rather the truly great in art with an element of irresistible charm, then the two Belvederes, Upper and Lower, can be accepted as the most typical examples of Vienna art. The world has to thank Lukas von Hildebrandt for these peerless baroque masterpieces.

The Lower Palace used to be the summer residence of Prince Eugene, although he was only able to visit it at short intervals between military campaigns. After his death, much was changed inside and outside, but the ceiling frescoes of Altomonte

363

Michaelerplatz

342 and Fanti still glow in their pristine colours, the two-storied Marble Hall still displays magnificent mouldings. Allegorical reliefs depict Eugene, not merely as a tactical genius, but also as a peace-maker and apostle of culture.

The two palaces are harmoniously connected by a terraced park in which it is easy to imagine proud cavaliers with powdered wigs and swords strolling with smiling ladies in elaborate gowns of rustling silk.

At the top of the park is the Upper Belvedere, with its corner pavilions and mansard roofs. In the time of Prince Eugene it was a proud residence which made a fitting background for great feasts and receptions. How clear-cut are the finely ornamented roofs of the two wing towers at the corners against the blue of the sky. We pass into the ceremonial Sala Terrena, the entrance hall with its mighty figures of Atlas supporting the ceiling arches. The splendour of the broad well-lighted staircase which leads to the Marble Hall, and goes on up to the third story, takes one's breath away. Here the full glory of Hildebrandt's interior decoration is revealed in slender pillars, mouldings and cleverly-painted imitations of architectural features. Naturally the brilliance and luxury which filled these halls in baroque days will never return to them.

Plate XI

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Albrecht Dürer; The Adoration of the Holy Trinity.
Vienna, Museum of Fine Arts.

[-384(a)-]

Plate XII

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Rembrandt; The Small Self-Portrait. Vienna, Museum of Fine Arts.

[-384(b)-]

Plate XIII

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Velasquez, The Infanta Margareta Theresia. Vienna, Museum of Fine Arts.

[-384(c)-]

Peter Brueghel the Elder; The Peasant Wedding (section).
Vienna, Museum of Fine Arts.

[-384(d)-]

From the balcony there is a magnificent view over Vienna, embracing the lower garden palace, the green domes of the Karlskirche and the Salesianerkirche and the silhouette of the great city as it loses itself in the clear-cut, rolling lines of the Wienerwald hills. 342

In front of the south façade of the Upper Belvedere Palace, near the main entrance, is a quiet pond. Its clear surface reflects all the lovely outlines of this loveliest of all the Vienna palaces. In the festive halls the great mirrors along the walls gather the light and prolong their length into infinity. Dream and reality mingle where, as in baroque churches, the ceiling frescoes show the heavens opening with their saints and cherubs, and we can hardly distinguish the architectural features painted on the walls from the plastic actuality of marble. That is the spirit 341 of the Baroque—an illusion which delights is better than a depressing truth—the spirit of an age in which western people found a form of cultural expression which 517 has survived to this day.

People often speak of the wild extravagance and redundance of the baroque style of building. Princes, noblemen and monasteries did indeed squander great sums in those times in order that art should prosper—the art which went to enrich palaces and cathedrals, parks and marble statues as a triumph of the spiritual over the material. But if we pause to reflect how Vienna has been enriched by the glory and beauty of this art, we shall value and praise this extravagance.

With the name of the Belvedere in Vienna is linked—

SCHÖNBRUNN. The Palace and the Park form one harmonious whole. The 344 first design for the grounds of Schönbrunn came from Fischer von Erlach. The great architect had planned to place here a splendid building right in the midst of the then unspoiled beauties of meadows and forests of the Wienerwald. It was to be a glittering fairy palace, with flower-covered terraces, porticos and fountains, commanding the whole countryside. This plan was over-ambitious and for that reason was never carried out. The Emperor died, the available funds were exhausted and the architects of his daughter Maria Theresia, Pacassi and Hohenberg, were only able to lay out a part of the grounds.

There is a trace of Italian palace architecture about this palace; the conception of the great central tract and of the statues along the coping was taken directly from the south. The two galeries on the lines of those in Versailles and the combining of palace and grounds in one harmonious whole exemplify the quieter French style of architecture.

The whole building glows with the warmth of that attractive shade of colour which is described as "Maria-Theresia yellow". Its lines emphasize the horizontal and everywhere seek to strike a note of gaiety and happiness in being alive. The main block is made up of three sections which blend together with the two wings into a wonderfully harmonious piece of architecture. The two outer flights of

344 steps with their great ornamental lanterns and the richly decorated wrought iron gates suggest two arms widespread in welcome, inviting to an inspection of the Palace. This is the façade which faces the front entrance courtyard. On the other, that on the garden side, green balcony doors reach down almost to the ground, suggesting a link between the palace and the extensive grounds behind it, giving the building from this side the appearance of a hospitable country manor.

From a spacious, sunny courtyard one finds oneself on the first floor at once in the heart of the palace, with the gala rooms which are a triumph of the gifted interior decorator Pacassi who designed and completed them. Everywhere one feels the charm of French rococo—in the decorations, in the apportioning of space and in the abundance of graceful ornamentation. But the laughing grace of the flower motifs, the harmony of the colours—red, white and gold—in furniture and tapestry strike a definitely Austrian note. Stucco, always a typically Viennese medium, has here and there grown almost into mouldings in full plastic, framing ceilings and wall paintings with curlicues, rosettes and gilt scroll work which have a naive exuberance of form. Great mirrors, so placed along the walls to secure the maximum effect, create the illusion of unending space.

The crowning glory of the interior is the Great Gallery, a long hall with eleven enormous windows, glorified by the magnificence of the chandeliers of gilded wood. One cannot see enough of the glittering mouldings, the wall candelabras and the bronze chandeliers. The eye wanders to the ceiling and the blue frescoed heaven of the Italian painter Guglielmi: Maria Theresia reigns there above with crown and sceptre, with her, obviously, to encourage recruiting, are portrayed officers and soldiers of the Seven Years' War.

During the time of the Vienna Congress, representatives of power, riches and renown used to assemble here in this Great Gallery of Schonbrunn Palace—the emperors, kings, army commanders and diplomats of Europe.

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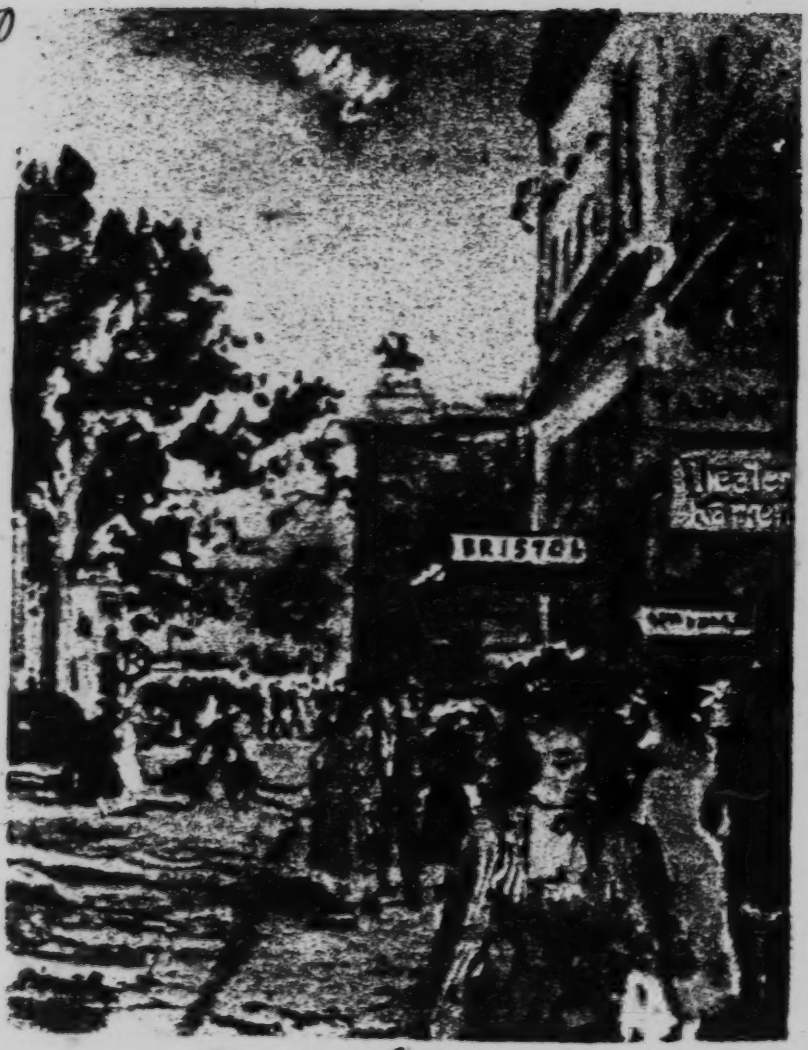

Vienna; Kärntnerstrasse

[-387-]

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Mariahilferstrasse about 1780.

344 The intoxicating magnificence of the "Million Room", so called because its construction and decoration is supposed to have cost a million gulden, stands out even among the other richly decorated apartments. There is the Napoleon Room with its priceless tapestries in which the Corsican lived in 1805 and again in 1809. Here, too, died his son, the young Duke of Reichstadt. The great Ceremonial Hall with the representative picture of Maria Theresia painted by Meytens, the two Chinese Circular Rooms which again are decorated with extravagant luxury, the Mirror Room, the "Karussel-Room", thus called after a great wall painting of the Meytens School of Art, the living rooms and reception rooms of Emperor Francis Joseph—all these great rooms impress one as a dream vision of some highly coloured and lovely historical panorama. In sober contrast are the simple sleeping quarters of the Emperor Francis Joseph with the iron camp bed on which he died in the year 1916 amidst the horrors of a world war which he had tried in vain to prevent.

344 545 The little Schönbrunn Palace Theatre strikes a note of intimacy and charm with its red, white and gold colour-scheme. Here young Marie Antoinette, the daughter of Maria Theresia, danced the shepherd-and-shepherdess pastorals of the Poet Laureate, Metastasio; here Mozart conducted his opera "Der Schauspieldirektor"

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Vienna; Mariahilferstrasse.

[-389-]

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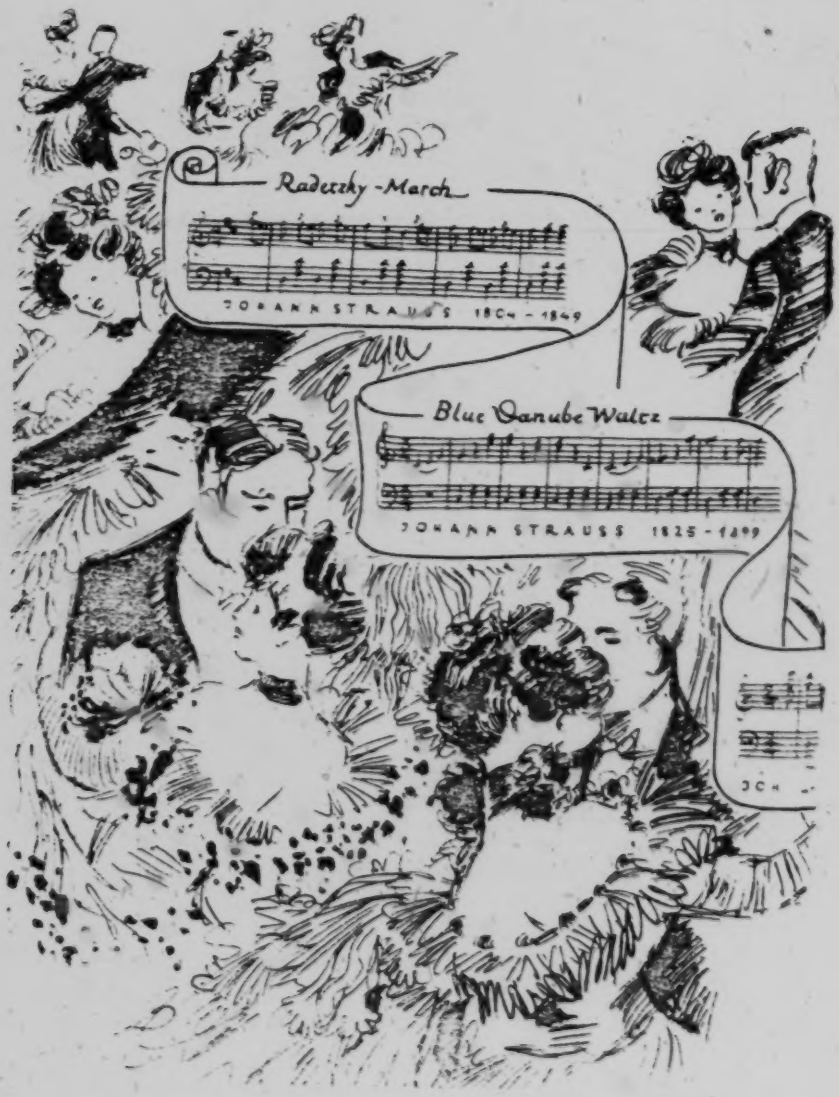
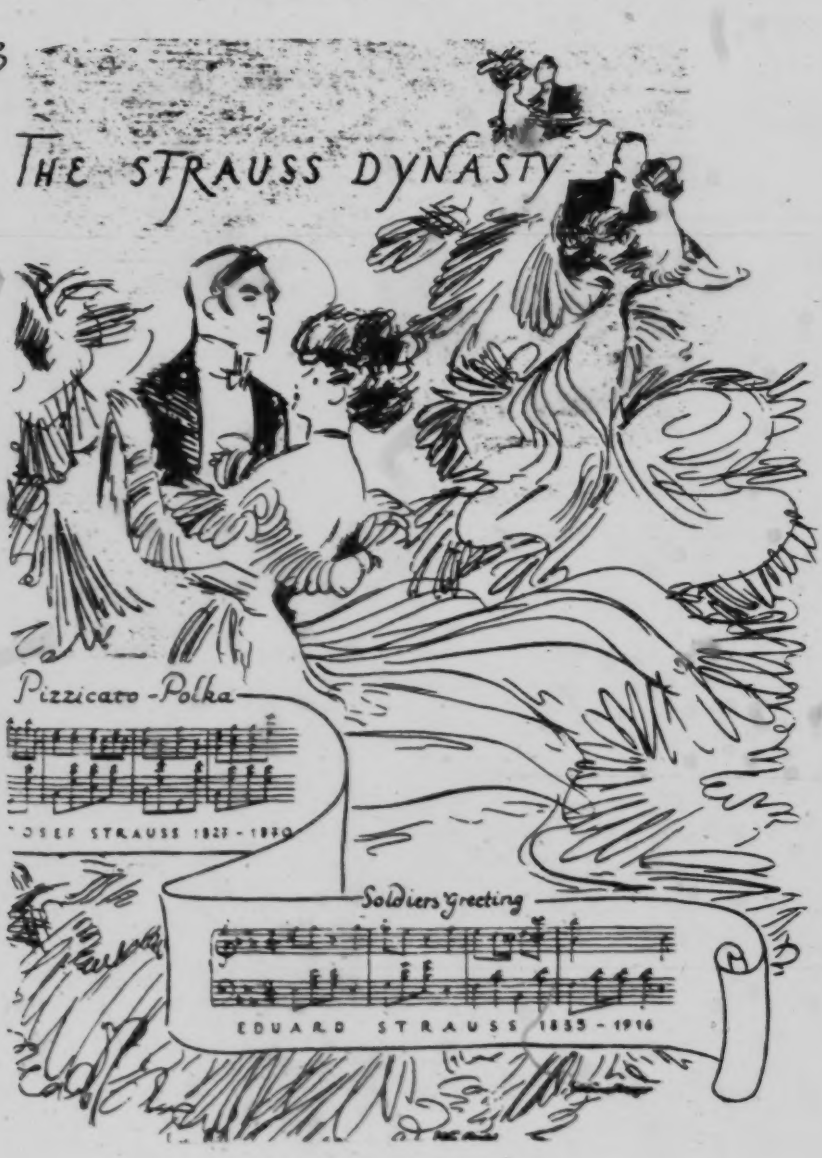

Radetzky-March
JOHANN STRAUSS 1804 - 1849
Blue Danube Waltz
JOHANN STRAUSS 1825 - 1899

533


THE STRAUSS DYNASTY
Pizzicato-Polka
JOSEF STRAUSS 1827 - 1870
Soldiers Greeting
EDUARD STRAUSS 1835 - 1916

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and here his "Don Juan" was produced. Nowadays this historic stage is at the disposal of young actors of the Reinhardt School.

Something quite unique for sightseers is the Wagenburg, or carriage park. Its showpiece is the eight-horsed Coronation Coach of the Emperor Karl VI, fashioned in the shape of an enormous gold crown and supposed to be the most beautiful coach in the world. Its interior is decorated with valuable paintings of the Rubens School. This coach was used at seven Hapsburg coronations, the last of them being that of Emperor Karl, crowned in Budapest during the First World War in the year 1916.

351 Wide gravel parks and avenues conduct one to the lovely grounds of the Palace, a compromise between two art trends—born of the enthusiasm for nature of Rococo and the joy in antiquity which characterised Baroque. Figures taken from legend and ancient history, the rich statuary of the park, reflect the living spirit of those times, commemorating many historic events. Tall, formal hedges clipped in the French manner flank the wide flowerbeds, running diagonally towards fountains with their surrounding statues.

In the far distance are the Neptune Fountain, the "Roman Ruins" and the Kaiserbrunn, with the "Beautiful Fountain" from which Schonbrunn takes its name. On the other side are the Palm House and the extensive Zoo. Half way to them a zigzag path winds up to the heights of the Gloriette, a light and decorative structure with slender columns and stone roof through the round arches of which the skies look down.

344 From here we get a fine view of the wide-spread city, an attractive

island in a sea of green. Vis-à-vis lies the lovely belt of the Wienerwald. Directly to the 344
rear the low-built biedermeier houses mark out a picturesque pathway to the castle and grounds of Hetzendorf. This again is in the neighbourhood of Laxenburg Castle, with its lake and its game park.

The people of Vienna who visit Schönbrunn realise that reforms come not only from below, but sometimes from above, for Joseph II threw open these exclusive grounds to the public of his own accord—Schönbrunn, the Augarten and the Prater.

IN THE PRATER. The Prater was formerly a game preserve for noblemen 367
of high rank, who were furious with the Emperor for deciding that the public in future should have free run of the place: this meant, the aristocrats grumbled, that they could no longer be among their equals. Joseph answered with biting irony:

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Schönbrunn, gloriette

"If I always wished to be among my equals, I should be forced to take my walks in the Kapuzinergruft, among the deceased Hapsburgs." 367

The Prater is a vast stretch of untouched open country which lies on the right bank of the Danube. Just as the mountains behind the city reach right up to its suburbs, so does the wooded plain of the Prater with its open fields and pools. One can wander for hours in this natural park, the most extensive recreational area for the Viennese. However many tens of thousands come here, the Prater has room for them all as they spread over the broad expanses of meadows and woods which offer shade, rest and repose after the din of the city.

Right through the middle runs the Hauptallee, with the romantic Lusthaus at one end, beyond which the road leads on to the Freudenau, Vienna's racecourse. At all seasons of the year it attracts visitors. But in May this avenue forms an unbroken ribbon of flowering chestnut trees. When the petals fall from the blossoming candelabra, the grass, the footpaths and the roadway are all covered with white and red snow. Later on, in autumn, children eagerly collect the shiny brown chestnuts lying among the dead leaves.

On one side of the Hauptallee lies the little lake near the Konstantinhügel and further on the Heustadel Water, on both of which are rowing boats for hire. On the other side are the Trabrennplatz (Trotting Race Course), the great Sport Stadium, three historically famous coffee houses and the "Wurstelprater" (Fun City). Here at the foot of the Big Wheel, holiday crowds find a centre of light-hearted happiness, where the cares and sorrows of a harsh everyday world may for a space be forgotten. The "Wurstel" (Punch) still delights children as he did in the days of Adalbert Stifter. Fascinated, they sit before the small stage where their imaginations are ever again successfully led astray into a world of illusion and fantasy with very primitive aids—chiefly adroitness of the fingers and a native gift of wit. Ancient wisdom finds its expression here, a wisdom which recognises failings with a smile. Born of

Viennese Girl, 1948.

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Avenue in Schönbrunner Park

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Vienna; Prater

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Praterstern.

367 the spirit of Baroque, tempered by Biedermeier and handed on by Raimund and Nestroy, popular fancy and humour have here been translated into verse and music. In the "Plane Song" and the "Ashes Song"—and before the "Wurstel" in the Prater—the Viennese recognises his spirit of resignation and is resigned to his recognition of it. Thoughtfully he mingles dream with reality, relieved of something which can be neither assessed nor grasped, and turns back, smiling, to the warm pulsating life, to the fascinating turmoil of the Wurstelprater.

THE BELT OF WOODS AND MEADOWS. The Wienerwald is, to the Viennese, an inviolable and hallowed spot—almost sacrosanct. For this reason it is an unwritten law of city planning that Vienna must never lose its appearance of being part of the countryside. The written law of the great Burgomaster Lueger speaks of the belt of woods and meadows, of its protection and its inviolability.

The belt of woods and meadows, as this deep and extensive green garland of sighing forest and luxuriant meadows is called, encircles a great part of the city, planting outposts deep into its territory, looking over its own shoulder in all directions at it,

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Danube Wharf (Kai).

enlivening and refreshing it day by day with fresh forest winds and cool breezes from the Danube. 367

From the vineyards of Nussdorf rises up the forest-crowned head of the Kahlenberg, favourite mountain of the Viennese and a last outpost of the Wienerwald, the extensive hill country to the north-west of the City. Its fields and deciduous forests form a vast recreational garden of recreation for tired city folk in search of fresh air. Few other cities can boast of such a large and unspoilt natural preserve in the immediate neighbourhood of the granite sea of tenement buildings.

A short walk brings us to the adjacent Leopoldsberg. Here you can sit in the little tavern gardens drinking the excellent [illegible] which is grown a little lower down, near Grinzing and Nussdorf, and [illegible] the green domes of Klosterneuburg monastery, the steamers on the Danube with their trailing banners of smoke, the fields along the banks and the Stefansturm which rises like a fountain of stone. One thinks of the days when the merry Babenbergers still held sway here above and pious Margrave Leopold founded the monastery of Klosterneuburg on the spot where he found the wind-tossed veil of his lady.

Downwards from the Leopoldsberg leads a beautiful, shady, wooded path. A visit to the monastery is well worth while, for all our Austrian monasteries have been very important centres of art and learning by virtue of their architecture, their art collections and their libraries; Klosterneuburg enjoys apart from this the best of reputations as a college for church music. The famous school of the town of Klosterneuburg for vine and fruit-growing dates from the times when our monasteries were strictly organised working communities which spread considerable material culture. 792

344

The Trautsohn Palace.

792 346 The buildings of the monastery lie on a rocky plateau, the western part of which appears as a picturesquely gothic tangle of dark stairways and steeply towering supporting walls, while the east of the plateau, crowned by the two mighty cupolas beneath the German Imperial Crown and the Austrian Ducal Coronet, reveals the entire splendour of the mid-baroque period. The best view of the two domes is to be had from the monastery park. To the South the slender, new-gothic church spires are etched against the blue of the sky.

Climbing a long, steep flight of steps, the Pfisterstiege, one reaches the Leopoldihof with its splendid gothic bay window and its fountain with the renaissance figure of the Babenberger Leopold III. The outward sign of the power with which it was invested at the time of its foundation and which it succeeded in asserting for centuries, is the great monastery church.

[532] The most valuable work of art of the monastery is the Verduner Altar which stands in the Leopoldskapelle—a world-famous work dating from the end of the 12th century.

In the building of the monastery we enter the realm of dreams and magic of true Austrian baroque. Its creator was the Milan architect, Donato Felice d'Allio.

The greatest curiosity of the rich monastery museum is a collection of romanic ivory objects, small boxes, portable altars and Italian bronzes. In its very

Plate XV

344

Canaletto; Schönbrunn Palace (section). Vienna, Museum of Fine Arts.

[-400(a)-]

Plate XVI

367

Waldmüller; Prater Trees (section).
Austrian Gallery of the 19th Century.

[-400(b)-]

345

The Praterstrasse with the Carltheater.

extensive library the art-lover is fascinated by the beautiful illuminated manuscripts and the family tree of the Babenberg rulers. The treasury contains the Austrian Ducal Coronet and rare goldbeaters' work of the Middle Ages. 792 346

The city itself climbs up to the heights of the Hermannskogel and the Kahlenberg, extending as far as Klosterneuburg, Mödling, Schwechat and even beyond the Lobau district. But it is hoped that this virgin zone of woods and fields will prevent the disappearance of many cherished villages, prevent the picturesque biedermeier gardens being swallowed up by tenement houses and ensure that the wonderful boating and bathing centre which Vienna possesses on the Old Danube does not lose even a foot of ground to industry and factories. 361

The historic little country parishes of Nussdorf and Heiligenstadt, Sievering, Grinzing and Liebhartstal, of Hietzing, Mauer and Perchtoldsdorf have grown together in a semi-rural region where nature, modern villas and ancient structures blend pleasingly. The "Heurige" wine-gardens of Kahlenberg, Neustift-am-Wald, Rodaun and Maria Enzersdorf hold within their little flowered courtyards that true Viennese "Gemütlichkeit" (easy-going cordiality) which loves life and the fleeting moment for its own sake. You clink glasses with your neighbour, drinking, in the joy of your heart, to the health of the stranger beside you, who himself feels the same about you. Many an 275

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Vienna; the old bed of the Danube.

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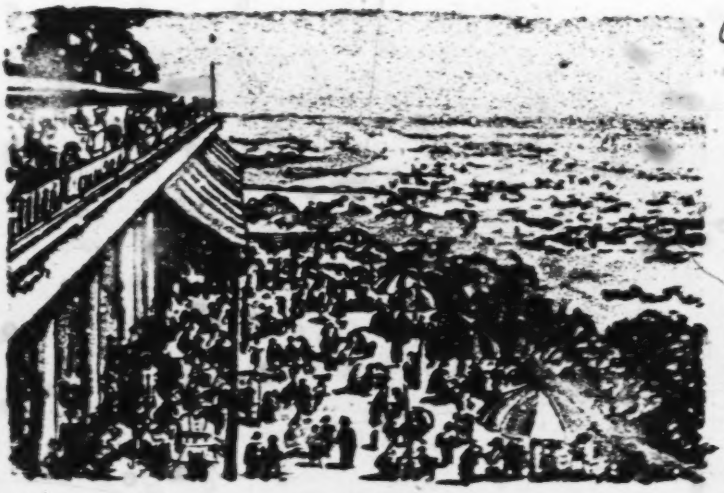

On the Kahlenberg.

old vineyard tavern which is listed for protection under the Ancient Monuments Act evokes lively pictures of biedermeier days, when the suburbs were holiday resorts and Schubert, the eternally young, wandered the countryside with his friends. Bauernfeld, Beethoven and Grillparzer sought rest and relaxation here among the green fields. Here Waldmüller proved the power of his brush and Ferdinand von Saar, the poet of solitude, wrote his rapturous elegies on Vienna, the city of his dreams.

From the higher parts of the suburb of Döbling one can recognise the peaks of the Lower Carpathians, the Schneeberg and the Ötscher. To realise the whole charm of the surroundings of Vienna, you must see it from the heights of the Kahlenberg. There you will understand how the city has really grown into its natural framework and how its Cathedral and many towers, the river, the mountains, the plain and broad horizons have come to form parts of a single whole. This is a picture which never fades from the memories of those who have once seen it.

If one then approaches Vienna from the north, from the direction of Prague or Brünn, the whole city seems to have been swallowed up by the mountains. Then the Wienerwald looks like a great, green and shady creek past which the silver Danube flows, broad and lazy, downstream. Mountains rise up one behind the other, followed closely by the alps in ever-higher ranges.

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As the journey to Vienna usually ends in the afternoon or early evening when the sun is over the alps in the south or west, one feels in the magic of these sub-alpine woods, an irresistible temptation to hasten on to the valleys of the Wienerwald, to rest and linger there in a spot so favoured by nature.

Coming from Budapest or Pressburg (Bratislava), the picture is again different. There the wide river, the broad plain fill eye, ear and senses with their unchanging rhythm. Something of the Puszta melancholy still lingers; when such feelings translate themselves into music they find their expression in Schubert's "Der Tod und das Mädchen", or Beethoven's "Moonlight Sonata".

From the south one enters by the gates of gaiety. To pass by the swimming pools off the high road, to cross the vineyards or walk alongside them, Pfaffstätten and Gumpoldskirchen not far off, to recognise the lime-tree before the doors of the Höldrichs Mill, to catch sight of the cheerful black pines behind the Türkenturm of Petersdorf on the Parapluiberg, to see the bold profile of the Kahlenberg ahead and finally to look for the silver-grey needle of the tower of St. Stephen's—all this induces a mood of light-hearted gaiety. It is a part of the "G'schichten aus dem Wienerwald" ("Tales of the Vienna Forest"), or a bar of the Blue Danube Waltz.

Beethoven's House.

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PART III

FROM THE FIRST TO THE SECOND REPUBLIC

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When the Austro-Hungarian Monarchy broke up at the end of the first World War, this collapse meant more than the tragic end of a state or empire. In the heat of nationalistic fervour and in the enthusiasm generated by successful *Revanche* on the Rhine it was not at first realised what damage had been done to the whole European concept, and thus to every country of the Continent without exception through the destruction of the Austrian economic unit. The effect was felt far beyond the limits of the little country on the Danube.

Austria, an important keystone in the building of the European balance of power, had dropped out. The intoxication of victory hindered the conclusion of a constructive peace. The stabilising balance of two major states was lacking. President Wilson, it is true, had laid down his 14 points, but America soon returned to her old policy of isolation. Through the October Revolution Russia was for the time being deprived of all voice in foreign affairs and thus peace was in fact dictated solely by Clemenceau, the "Tiger", the Succession States formerly parts of the Hapsburg Monarchy frantically applauding his extreme chauvinism at the very one-sided peace congress. An attempt at extreme severity in the case of Germany resulted in half measures. Aiming at the exaction of a maximum of reparations, the dictated peace in this very way enabled a gigantic industrial development to take place on the Ruhr, thus involuntarily re-establishing its potential for the manufacture of armaments.

The German delegate left the gloves which he had worn in signing the peace treaty lying ostentatiously on the conference table—the challenge to a second world war!

October 27th, 1918. Appointment of the last Imperial Government under Lammasch.

October 28th, 1918. Proclamation of the Czechoslovak State.

October 30th, 1918. State Council set up under Chancellor Renner. All-Party Coalition.

November 3rd, 1918. Proclamation of the Polish Republic.

November 11th, 1918. Emperor Karl renounces all claim to exercise ruling powers in Austria.

November 12th, 1918. Proclamation of the Republic in Austria.

November 16th, 1918. Proclamation of the Republic in Hungary.

December 1st, 1918. Proclamation of the Kingdom of the Serbs, Croats and Slovenes.

February 16th, 1919. Election of a Constituent National Assembly.

April 2nd, 1919. The Hapsburgs banished and Titles of Nobility abolished.

September 10th, 1919. Treaty of Saint-Germain signed.

October 1st, 1920. The National Assembly ratifies the new Constitution.

October 10th, 1920. Plebiscite in Carinthian frontier districts goes in favour of Austria.

October 17th, 1920. Election of the First Austrian Parliament.

October 22nd, 1920. The Social-Democrats leave the Coalition Government.

December 4th, 1921. The Burgenland is restored to Austria.

April 1st, 1922. The Death of Emperor Karl I.

August 20th to 27th, 1922. Chancellor Seipel visits Prague, Berlin and Verona.

September 27th, 1922. The League of Nations approves the plan for Austrian financial reconstruction.

March 2nd, 1925. The Krone is replaced by the Austrian Schilling.

June 30th, 1926. End of financial control by the League of Nations.

October 20th, 1926. Seipel's fourth term of office as Chancellor.

November 3rd, 1926. The "Linz Programme" of the Social-Democratic Party.

July 14th, 1927. Verdict of "Not Guilty" in the Schattendorf Trial.

July 15th to 17th, 1927. Serious disorders in Vienna. Burning of the Palace of Justice.

March 11th, 1928. First demonstration of the Heimwehr in an industrial area.

October 8th, 1928. Simultaneous demonstrations of the Heimwehr and the Republican Schutzbund in Wiener Neustadt, separated by a cordon of the Austrian Army.

September 16th, 1929. Failure of the Bodencreditanstalt.

October 27th, 1929. First demonstration of the Heimwehr in Vienna.

December 7th to 10th, 1929. Austrian Constitution changed.

May 18th, 1930. "Korneuburg Oath" of the Heimwehr.

November 9th, 1930. Last parliamentary elections before the Second World War.

May 12th, 1931. Government action to save the Creditanstalt.

September 12th to 13th, 1931. Attempted Putsch by the Styrian Heimatschutz.

May 20th, 1932. First Dollfuss Government.

September 5th to 20th, 1932. Conference in Stresa.

March 4th, 1933. Resignation of the three Presidents of Parliament. Crisis for democracy.

March 7th, 1933. Prohibition of all public meetings. The freedom of the press curtailed.

March 18th, 1933. The German Cabinet Minister Frank threatens Austria on behalf of the Nazis.

March 30th, 1933. Republican Schutzbund disbanded.

May 1st, 1933. The Socialist May-Day celebrations forbidden.

In the meantime history had taken its inevitable course. The black and yellow flag had been hauled down in Austria and a disinherited generation hoisted the red-white-red tricolour over the ruins of the Hapsburg Empire. While in Vienna the Republic was proclaimed on the 12th of November, 1918, and the principle established that in future all power would emanate from the people, the Succession States—Czechoslovakia, Hungary, Poland and Yougoslavia—had hastened to invoke the principle of self-determination in order to declare their independence, and thus to burden the remaining rump of Austria with all debts and obligations.

To this country of barely seven million inhabitants, whose frontiers had been torn up by violence, the remnants of the army now came streaming back—officers from garrisons in Hungary and Croatia, administrative clerks from Cracow and Laibach, ship-builders from the docks of Pola and Trieste, merchants from Belgrade and the harbours of the Adriatic, teachers and doctors from the Ukraine and the Carpathians, professors from the German University in Prague, mining engineers from the Upper Silesian collieries, governors' staffs and employees from the vast forest districts, judges, diplomats, ambassadors, builders, foremen, railwaymen—all streamed back into the mutilated torso of what only four years previously had been a prosperous empire.

The fate which now overtook Austria was without precedent. The worst horror of those days was not the stormy happenings all around and the starvation, but the utterly catastrophic reversal of every aspect of life, and the disappearance of Austria's proud position. An Austrian nocturno had begun, the privileges of centuries had been extinguished.

536

Egon Schiele; The Sister-in-Law of the Artist.

May 29th, 1933. Institution of the 1000 mark limit for German tourists in Austria.

September 7th to 12th, 1933. Ninth "Catholic Day" in Vienna. Programmatic speech of Dollfuss.

February 5th, 1934. The League of Nations to be asked to intervene in the struggle with Germany.

February 9th, 1934. The parliamentary deputy Kunschak appeals in the Vienna City Council for reconciliation between "Black" (Catholics) and "Red" (Socialists).

February 12th to 15th, 1934. House searches in buildings of the Social-Democratic Party in Linz meet with armed resistance. General strike, violent conflict in Vienna and the countryside. The Vienna City Hall occupied by troops. Dissolution of the Social-Democratic Party. Arrests of leading Social-Democrats.

April 30th, 1934. Parliamentary Session of March 4th, 1933 closed. Enabling Bill passed to authorise the Government to conduct the affairs of state.

May 1st, 1934. Publication of the new Constitution of the Corporate State.

May 20th, 1934. First Nazi bomb outrage.

July 25th, 1934. Murder of Chancellor Dollfuss by illegal S.S.

July 25th to 30th, 1934. Nazi revolt in Carinthia and Styria suppressed.

July 30th, 1934. Schuschnigg becomes Chancellor.

September 27th, 1934. Joint Declaration by England, France and Italy, guarantees the independence of Austria.

January 7th, 1935. Laval in Rome. Consultative pact between Italy and France for defence of Austrian independence.

May 1st, 1935. The "Vaterländische Front" given monopoly rights to hold political meetings.

If there were any need to emphasize or to prove the indestructibility of the conception of Austria, events subsequent to 1918 might be called as witnesses before the bar of history. With quiet determination, the Austrians pulled themselves together and prepared to tread the stony path towards the formation of a new state. Now the call came to the simple citizens, the peasants, the city workers. The privileges of a class who for the last ten years had meant no more to the various peoples of Austria than a loose bond forged by tradition and official position were swept away in the general collapse of 1918. The blackballing of socially ineligible candidates for membership of exclusive clubs and the privilege of having green shutters to the house windows—documented evidence of membership of a privileged class—together with the old uniforms and the titles of nobility became just a part of historic memories.

The Austrian people know by instinct how to determine what is part of a precious heritage from the past and what is merely outworn convention. This instinct has constantly enabled them to adjust themselves to new modes of life during the ups and downs of the centuries. The Austrian has the gift of human comprehension, a readiness to respect opinions diametrically opposed to his own. Averse from the use of force and revolted by unnecessary violence, he cherishes freedom and hates tyranny. The Austrian has no respect for an empty shell, even if it is covered by a top hat or the braid hat of a general. But he is capable of deep reverence for every person and every thing really worthy of it.

Austria's path which led from the First to the Second Republic was a painful and difficult one. She was no more free from errors and mistakes in home policy than from reverses

642 coming from abroad, for Europe as a whole had not yet found peace. The shadows of great crises fell athwart the land in the middle twenties at a time when it enjoyed only a makeshift financial stability and consolidation. Now came the stagnation of world trade, and the birth of the dictatorships. The internal political events can only be partly understood if considered in conjunction with events in the outside world. 648 Austria is the barometer of Europe. Lying on the Rome—Berlin axis, partly surrounded by the semi-circle of the lands of the Little Entente, with eyes hopefully turned towards the peace policy of the League of Nations, this country found itself amidst ideological material forces which only too soon began to extend their activities beyond their own frontiers, until opposing policies in this small and tortured country put an end to civil peace. A factor to be remembered is that men without employment were marching in all the various armed formations—Schutzbund, Heimwehr and Storm Troopers. Despite lack of unity, Austria still found the strength to resist the aggression of the Third Reich until the invading troops of Hitler trampled—for the time being—Austria's freedom into the dust.

During the years of 1938 to 1945 there arose and spread through Austria a valuable quality, the will to tolerance and cooperation when the Motherland should at last be liberated.

April 11th, 1935. Schuschnigg orders disarmament of the Catholic militant formations.

May 4th, 1936. Compulsory military service in Austria.

June 11th, 1936. Germany recognises by treaty the full sovereignty of Austria.

July 23rd, 1936. Political armistice for the Nazis.

October 10th, 1936. Disbanding of all private armies. End of the Heimwehr.

June 18th, 1937. National-Political Section set up in the Vaterländische Front. Infiltration of the Vaterländische Front by Nazis.

September 25th to 29th, 1937. Mussolini visits Hitler in Germany.

February 4th, 1938. Hitler purges the German General Staff.

February 12th, 1938. Schuschnigg visits Hitler at Berchtesgaden.

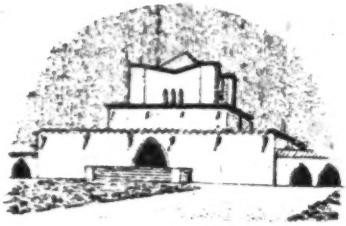
February 24th, 1938. Campaign speech of Schuschnigg to the Federal Council at Vienna. Final struggle for Austria.

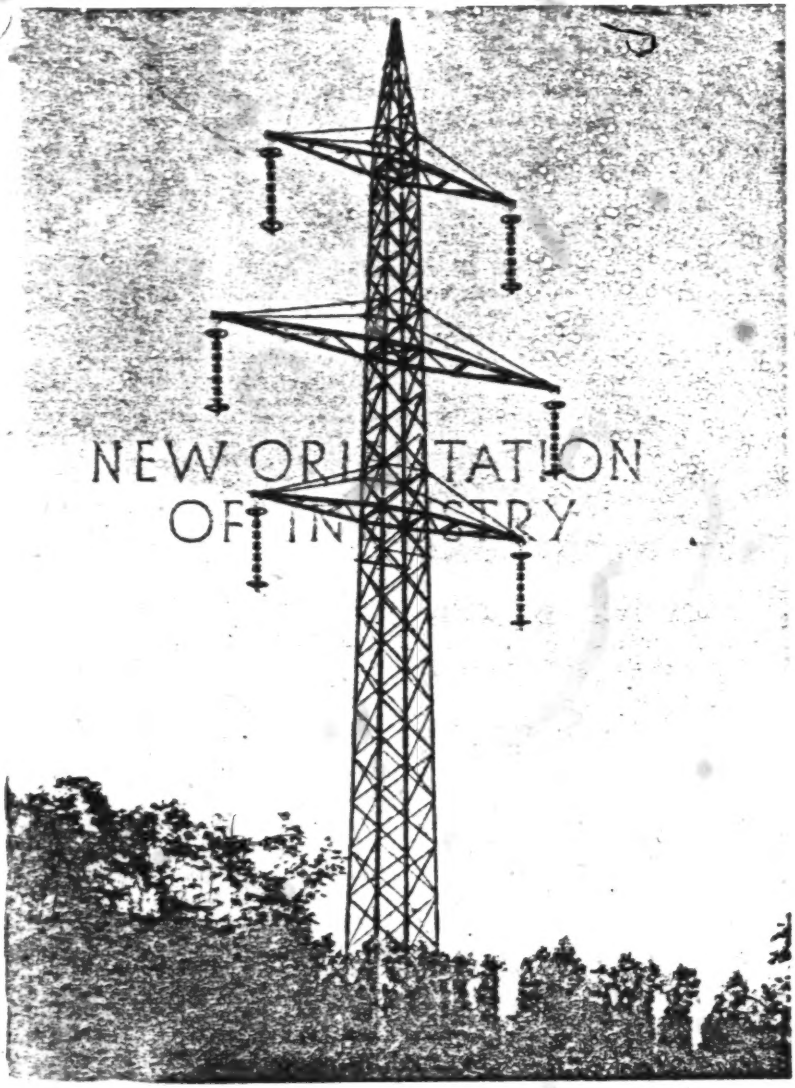
March 9th, 1938. Schuschnigg announces National Referendum.

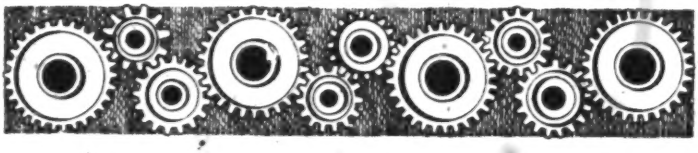
March 11th, 1938. Ultimatum of the German Government. Fall of Schuschnigg.

March 12th, 1938. German troops invade Austria.

March 13th, 1938. Proclamation of the annexation of Austria by Germany.




NEW ORIENTATION
OF INDUSTRY



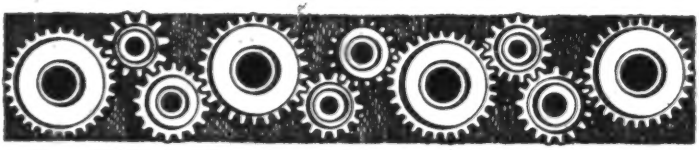
THE AUSTRIAN ECONOMY AFTER 1918.

439 The disintegration of the Dual Monarchy was immediately followed by severe economic disturbances. These were by no means small, even in comparison with the position after 1945. The heart of Austria, with its highly developed trade, was suddenly completely cut off from its former inland sources of raw products and markets. The oilfields of Galicia, like the important coal deposits in the lands of Bohemia, Moravia and Silesia, were lost, having fallen to the Succession States, and the loss of the agricultural surplus areas produced a threat of famine.

433 The Succession States—Czechoslovakia, Yugoslavia and Hungary—each attempted
439 to build up a national economy, to balance its economic structure and to make itself as far as possible independent of raw and semi-manufactured materials and finished goods. A division of labour which had grown during decades into one complete organism was thus broken up, to the detriment of all peoples living within this territory. For Austria this meant that an intensive system of internal trading suddenly turned into one of foreign trade, where great difficulties had to be overcome. At first even inter-state transport communications were further complicated by barriers created by the Succession States.

728 The nadir of those days was reached with the signing of the Treaty of Saint-
433 Germain, which revealed the full extent of the catastrophe. Austria's tragic path at that time was blocked by a series of apparently insurmountable obstacles to
458 the procuring of essential foodstuffs, coal and raw materials. Inflation to an extent never before seen set in and led to a selling-out of national assets. The unfavourable basis of the rump economic structure as well as the instability of Austria's relations with foreign countries seemed to doom all her efforts to failure.

648 After difficult but very skilfully conducted inter-state negotiations, the govern-
457 ments of Czechoslovakia, France and Italy were persuaded to advance credits to the Austrian Republic. The Allied Powers convinced themselves that Austria, if help came from the League of Nations, would exert her own energies to the
652 utmost in order to put her finances and trade on a sound footing. The will of the Austrian Government to stabilise the budget, demonstrated by the previous abolition of food subsidies (in December 1921), did much to assist these efforts. The Financial Recovery Plan which was signed at Geneva on October 4th, 1922, proved the turning



point. The banknote printing presses were stopped and national administration 652
put on a firm footing through drastic measures of economy.

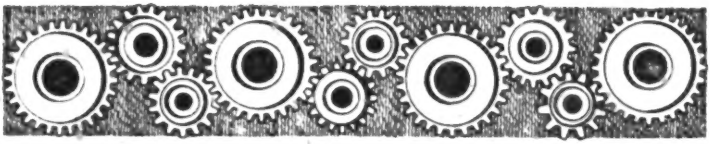
However praiseworthy the efforts which led to a balancing of the budget, the 433
difficulties which still confronted Austrian trade remained considerable. Austria's
productive capacity was far greater than its markets (which had shrunk to an eighth 439
of their former size) could possibly absorb. As a great part of Austrian industry
was devoted to manufacture, the country was dependent on the import of foreign
raw materials (textile, metal and chemical raw materials, hides, furs etc.) and
auxiliary materials (above all coal). On the other hand, the social services (unem- [745]
ployment pay, emergency aid, health insurance etc.) which were more extensive
than in all the other Danube States made the costs of Austrian production comparatively high.

All Austria's efforts were directed towards export. In 1931, 25 per cent of all inland output was exported, 45 per cent of this being industrial production. If one works out the value of goods exported per head of population and compares it with the exports from other countries it will be seen that in 1937 Austria was ahead of Germany, France and the U. S. A., the comparative figures being 39 : 36 : 34 : 28.

As an industrial country, Austria was forced through the ceding of her agricultural
surplus territories to rely on the import of foreign foodstuffs. These imports had 457
to be paid for by the export of industrial goods, as had also the raw and auxiliary materials.

According to the balance of payment figures for the year 1934, the exchange of commodities, which amounted to 63 per cent of all listed inter-state payments was the most important item of Austria's inter-state economic transactions. Second in importance were payments under the heading of invisible imports and exports (balance of services), which amounted to 23 per cent of the total payments. Austria made a profit on these transactions of about 200 million schillings. That proportion of the goods imported which could not be covered by exports alone was therefore paid for by services in the strictest sense of the word. Of these services, the tourist trade and transit trade were the most important.

Through the loss of former markets, Austria was forced to form new export connect- 439
ions in the north, south, west and overseas. As the goods which had formerly been exported to the east and south-east were not automatically marketable in these



439 territories, Austrian producers were forced to adapt their output to these new conditions. This was of course only possible through the painful process of making certain changes in the economic structure.

439 The main bases of Austrian trade, as vital then as now, were:

135 a) the abundance of forests which ensure timber for export as well as for the furniture-making and paper industries.

b) The deposits of iron ore which form the basis of iron and steel production and the iron-working industry.

c) The wealth of water in the alpine districts, constituting an extensive source of power which is being increasingly exported in addition to supplying Austrian industry with current.

d) The recently-discovered inland oil fields (at Zistersdorf).

e) The fashion and luxury-article industry, an export factor of increasing importance.

f) The credit balance of services (tourist trade and transit trade).

433 It is one of the characteristics of industrial-commercial production that Austria, as a result of her comparative lack of capital, should be at a disadvantage whenever it is a question of mass production. But wherever there is a chance for painstaking finishing, special skill or workmanship, as well as good taste and original ideas on the part of the producer to play a rôle, the prospects of success are excellent. It is not only, as is often mistakenly imagined, the fashion and luxury industries to which this applies, but all the many branches of manufacturing where it is the quality of the work which counts. These factors are 472 strengthened by the prevalence of small concerns in Austria. Factories with up to 100 employees amount to 75 per cent of the total, those with 100 to 1000 employees to a little over 20 per cent, and the factories employing over 1000 persons to only 4·4 per cent.

652 After the stabilisation of the currency, production and export trade showed 433 a favourable increase between the years 1923 and 1929. Production rose during this time by nearly one third. Then followed the general slump, especially 458 serious for Austria on account of her great dependence on export. The development which had begun so hopefully was now brought to a standstill through the external crisis.

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ROADS AND RAILWAYS.

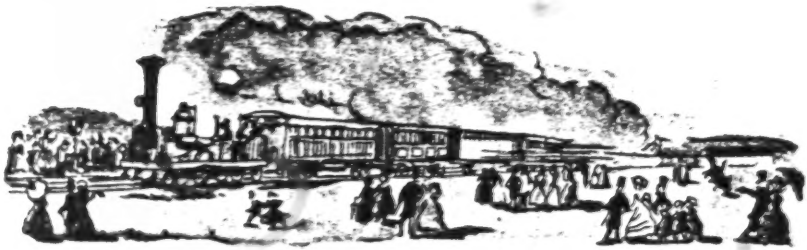
The roads of Austria are as ancient as her history, dating back to the Roman military and posting roads which followed the line of frontier fortifications right through the country. In their Provinces the Romans usually built flint or gravel roads with a uniform width from three to three and a half metres which were kept in good order by soldiers.

The Roman roads, based on surprisingly exact knowledge of the territory—in the alps they were all boldly contained crossings via alpine passes—survived the flood of the barbarian invasions, forming Austria's principal highroads until well on into the Middle Ages.

Although very few ecclesiastical and secular buildings were created during this period, and the nobility and burghers created flourishing towns, the roads were really neglected and their condition became dangerous. The apparent contradiction in progress can be explained by the political situation and general conditions. Most people lived within the fortified circuit—the castles, markets and towns in which were countryfolk were forced to take refuge in the constantly recurring periods of war. When danger from the Turks became a constant threat for Austria during two centuries, the roads were still more neglected, partly, perhaps, with the intention of making it more difficult to march from village to village and to penetrate into the interior of the country.

Thus until late into the 17th century the roads were allowed to degenerate into dirt tracks, without any attempt to surface them. Following the lie of the land, they ran uphill and down dale, unplanned and unregulated. The few existing fords were at the mercy of the highest floods and there were almost no ditches at the side of the roads. Such roads were naturally only negotiable for vehicles in fine and dry weather and it was a work of art to bring a load intact to its destination. A special class of freight carriers grew up who created a monopoly for themselves. Travellers as well as merchants suffer very much at the mercy of the skill as well as the needs of the carriers.

The great change in politics created by the victory over the Turks and the new ways to build which resulted in spas in the blossoming of the baroque period, soon brought about a complete alteration of these conditions. Under the Emperor Karl VI, Vienna became a great European traffic and trading centre. Step by step extensive road planning was carried through. In the forefront stood the need of link with the Mediterranean harbour of Trieste, so the "Kaiserstrasse" was built. The road over the Semmering Pass took only 48 days to complete. At the same time the



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EXPLANATION OF MAP

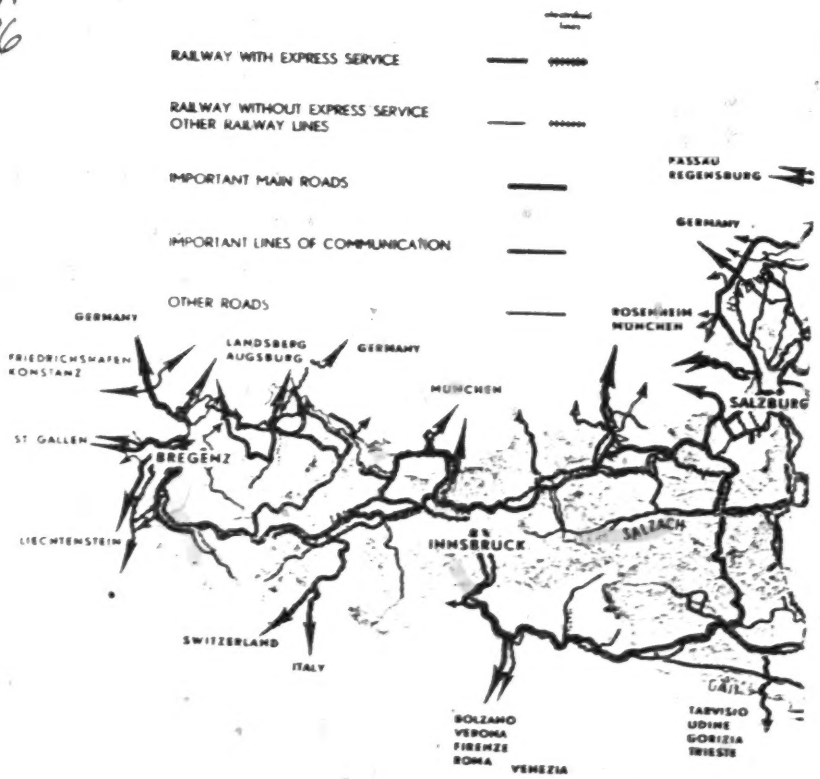
RAILWAY WITH EXPRESS SERVICE

RAILWAY WITHOUT EXPRESS SERVICE
OTHER RAILWAY LINES

IMPORTANT MAIN ROADS

IMPORTANT LINES OF COMMUNICATION

OTHER ROADS



Road and

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Railway Map.

Salzkammergut Local Railway.

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building of main roads from Vienna to Brunn, Olmutz, Iglau and Prague was started.

Hand in hand with the construction of a modern network of roads went the development of the mail service. When Napoleon made preparations for the conquest of Europe, the way had quite literally been prepared for him.

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When steam instead of horse power began to make the wheels go round in the 18th century and the first engines crawled puffing through the country—in short, when technical development revolutionised all previous ideas, covering the countryside with a dense network of railway lines, Austria took the lead among continental countries in railroad construction.

In 1837 the first train left Vienna in the direction of Wagram. By 1841 there were already 350 kilometres of railway line in use. The year 1848 saw work started on the daringly planned Semmering Railway, with its succession of tunnels and viaducts, the world's first existing attempt to build a mountain railway. The Westbahn was built in 1858 and the Ostbahn completed in 1868. Since that time Austria's key position in the transport system of Central Europe has been undisputed. Snow goods trains from Germany, Bohemia and Poland, heavily laden with coal and industrial products of all kinds were rolling between the Brenner and the Semmering on their way over the Alps to the Mediterranean, bringing back in return southern fruits, rice, fish and silk. Southern France and Switzerland sent costly finished products in exchange for grain, cattle fodder and pigs from Galicia, Hungary, Serbia and the Ukraine.

The Arlberg Express has long been the backbone of the European transport system, collecting passengers from the West, from the Channel ports, from Brussels and Paris, from Zürich and Geneva and carrying them down through the gateway of Austria to the Balkans—to Budapest, Bukarest, Belgrade, Sofia, Athens and Constantinople.

For the lover of the beauties of this world a journey through Austria is itself an unforgettable experience. It is difficult to select for mention any of the countless scenic beauties to be seen from the Austrian railways without slighting the rest. There is the Mittenwald line near Innsbruck, the line by which one passes from Salzburg to Carinthia through the Valley of Gastein, the ascent of the Arlberg and the Brenner, the narrow-gauge Salzkammergut local railway, the cross-country connection from Attnang-Puchheim by way of Gmunden, Ischl and Bad Aussee to Selzthal, the Enns-tal stretch, the Pyhrn railway, the line through the Styrian mountains, the views from the line which cuts through the mountains to Mariazell and the innumerable mountain and cable railways. Here we must stop, otherwise it will become just

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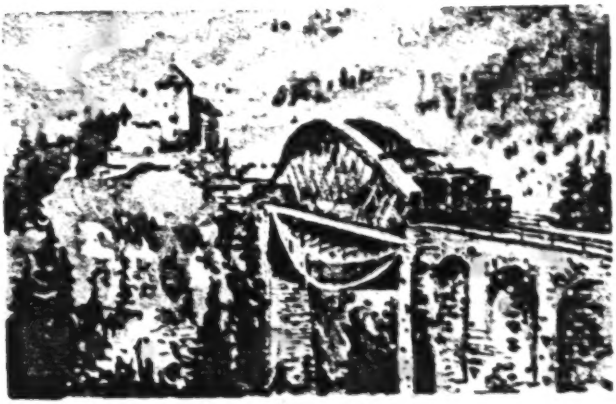

The Trisanna Bridge.

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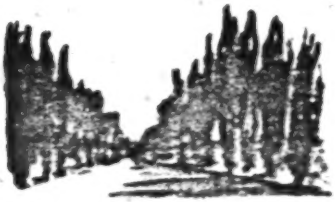
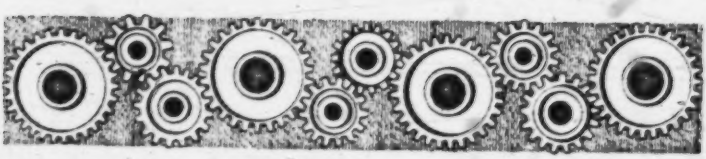
a matter of transferring from the timetable, for in Austria every rail journey is enchanting.

The scenic beauties which the state railway has missed are covered by a carefully planned network of motor roads, totalling over 70,000 kilometres in length. One name may stand for all the roads over the alps or through mountain passes, along the shores of lakes and by the Danube and through long poplar avenues—the Glockenstrasse, which climbs up to and penetrates a monstrous world of mighty mountains and glaciers. A motor journey over it brings home Austria's wish to offer of her best to guests from abroad, and wish them to see and enjoy her wonderful countryside.





439 Trade stagnation lasted until the middle of the 1930s, when the armament
648 programme of the Axis Powers, Germany and Italy, was launched, to be followed gradually by an armaments race between all the world's most important trading countries. Austria was excluded from the development which led to the catastrophe of the Second World War, firstly through her political differences with the Third Reich (which answered by a cruel economic boycott in order to force Austria to her knees) and secondly on account of her economic structure, which was suited to the production of peace-time goods but not to that of armaments.

Austria had to make a tireless and purposeful search for new markets before she succeeded in forming and consolidating foreign trade connections with distant territories—the United States of America, British India, Japan, China and the Argentine. If this development had not been interrupted by the occupation of Austria in 1938, the results of Austria's successful attempts to revive her foreign trade would doubtless have soon been apparent in the growth of typically Austrian exports.

Even though the visible results of this change of direction may seem modest, it must not be overlooked that parallel with the deleterious results for Austria of the protectionist policies pursued abroad, there were serious internal problems of economic reconstruction to be solved. One of these was and still is the structure and the development of agriculture.

241 For many reasons unconnected with economics, but also in order to increase home
439 supplies of the chief articles of food, agricultural development was encouraged. The most important changes in agricultural production were brought about, particularly in the years 1930 and 1931, by radical economic-political measures. The customs tariffs for these years showed a considerable increase of duties on grain, flour, sugar, cattle and meat, the protective tariffs being even further increased in the following years. The resulting rise in prices meant an increase of cultivated areas and the production of the most important kinds of grain.

231 A further far-reaching measure affecting cattle raising was the regulation of imports
439 of cattle and meat through the setting up of tariff barriers against the most important
654 of the neighbouring States. Apart from this, in April 1932 the import of the most widely sold types of cattle and cattle products was forbidden.

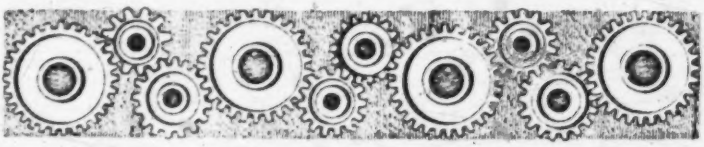
The increase in production resulting from all these measures was bound to increase the difficulties of marketing during the slump. In pig-raising it at last became necessary to resort to curtailment of output (prohibition of pig-raising for the market). An attempt was also made to increase the costs of cattle-rearing and thus limit the supply by raising the so-calledli cence fee for the import of fodder. 231 656

As a stimulant of milk production, a milk-equalisation fund was created to content with sales difficulties, through which the means for the export of dairy products at prices below production costs were raised by the imposition of a tax on fresh milk. 234 654

Thus it came about that in the 1930s Austrian products such as standard butter, high grades of cheese and cream could compete successfully on the markets with the dairy products of such leading countries as Denmark, Switzerland and Holland. The western alpine provinces especially profited by this arrangement, but at the same time a great demand was created for home milk products throughout the whole country. Gradually, in the Danube City which has been known from Roman times for its enjoyment of sweet wines, depôts were established where milk could be drunk in the busy streets and on public squares, giving the City a new attraction. 234 439 275

The doubtless necessary encouragement of dairy farming, just at this time, however, brought with it new problems which were aggravated by the effect of the world economic depression. The situation was made worse by the fact that the prices for agricultural and dairy products had sunk far lower than the prices for technical aids to agriculture. The discrepancy between these two sets of prices became still greater from 1933 to 1937. The comparative fixity of wages and the increase in public debts, accompanied by sinking prices were not inconsiderable factors in bringing about general deterioration. 234 458 435

Problems of agrarian policy were bound to have a reaction on industrial-commercial economics. Austrian products had to compete with those of countries which had the advantage of considerably lower agricultural prices and thus of a lower cost of living. For a land such as Austria, which in the main can only secure the goods she needs through the export of her own products, it is essential that wages, an important factor in costs, should not be affected too unfavourably by the high price of grain. 241 439 435



241 439 435 Apart from the necessity for the existence of agriculture, the chief problem is to find a reasonable compromise between the legitimate aims of agriculture and the need of Austrian trade and industry to export at competive prices. This end can only be attained by the pursuit of a suitable economic policy and by an increase of agricultural productive capacity through measures of rationalisation, the discouragement of the drift to the towns and the setting up of a suitable system of administration.

439 The period between the two World Wars was too short to allow of full success on these lines, especially in view of the long duration of the world slump.

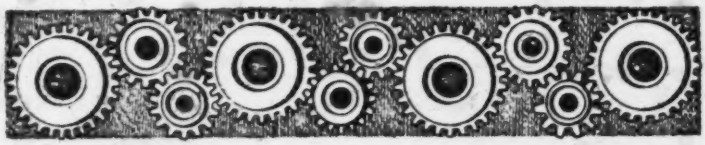
For the same reasons the efforts to develop the industrial-commercial system along new lines could not be brought to full fruition; attempts to maintain the status quo frequently held up progress. In times of international trade shrinkage any change of policy is not only exceptionally difficult but sometimes also a considerable risk.

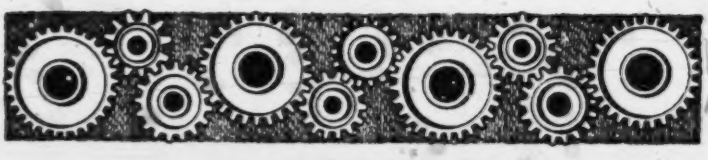
439 648 In spite of this Austria made repeated attempts in the course of the years to develop plans for economic rapprochement with neighbouring States. These efforts, however, were doomed to failure through the existence of most-favoured nation clauses and political obstacles. Already in May 1931, conferences were being held in Rome concerning the possibility of increasing trade connections between Italy, Austria and Hungary. From this time onward the preference

THE BANKING SYSTEM IN AUSTRIA.

The structure and economic activities of the Austrian banks since their foundation round about the middle of the last century have followed a different course to that of the credit institutes of the West. For while industrial progress in the latter was based on the active participation of a large circle of interested persons and a well-organised capital market, the development of the far-flung territories of the old Austro-Hungarian Monarchy was left almost entirely to the initiative of the Vienna banks, at first in connection with mechanised transport, and later in connection with industry. Thus, in contrast to the Western type of pure deposit banks, they became universal banks with much more comprehensive functions. Apart from receiving deposits, they gave credit of all kinds ranging from discount credit to long term mortgage credit, dealt in shares and put through stock exchange deals as well as carrying on note emission and syndicate business.

The end of the Monarchy in the year 1918 made it necessary to adapt the Austrian banking system to new conditions. How close the connections of the Vienna banking institutions were with the territories of the old Empire which have since separated from Austria is shown by the fact that of the 127 branches of the Vienna banks which existed under the old Monarchy, not even 10 per cent fell to the new Austria and that, for instance, the Creditanstalt had 16, the Anglo-





bank 34 and the Wiener Bankverein 29 branches outside the territory of present-day Austria.

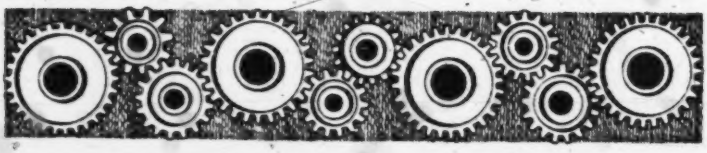
Adapting the Austrian credit system to the conditions and needs of the Austrian Republic actually took more than one and a half decades. It was not until the year 1934 that this process could be considered as completed with the fusion of the Creditanstalt and the Bankverein. The enormous difficulties involved were still further complicated by the fact that the change coincided in point of time with far-reaching international crises of trade and finance, so that certain grave reactions on the Austrian economy were unavoidable. Notwithstanding this, the latter and its credit system proved themselves strong and vital enough to survive those troubled times and to prepare the ground for the favourable development of Austrian trade in general and the Austrian banking system in particular.

This development was broken off in abrupt and catastrophic fashion through the establishment of the National Socialist regime and the outbreak of the war which soon followed. Although the end of the war restored Austrian independence—in theory, at least—it left behind chaotic conditions—both figuratively and literally a heap of ruins.

In the realm of finance, the first attempts at reconstruction had to be directed towards the re-establishment of the means of payment, a solid national currency being of course a primary condition for the normal system in foreign trade became the guiding 439
principle, the narrowing down of inter-state 648
trade relations being shortly afterwards still more strongly emphasized through currency restrictions and the clearing agreements connected herewith. The currency devaluations of the 457
gold-standard countries towards the end of the 435
year 1936 created new difficulties for Austrian foreign trade. As devaluation was out of the question and an export subsidy was not considered to be a suitable political-economic instrument, the only remaining alternative was to lower the costs of production. The difficulties of such a course have been proved by practical experience in all countries, as the questions of fixed prices and wages combine to form an insurmountable obstacle to such a development.

Nevertheless Austria still succeeded in linking 458
up with the world boom which began in 1935—
1936. In the year 1937 her figures of production 457
were 6 per cent higher than those of the last characteristic boom year of 1929. The tourist trade developed exceptionally favourably, despite the "1000 mark limit" imposed by Germany, and the volume of foreign trade was constantly on the increase.

In view of the heavy burden of debt which 652
the country had to assume after 1918, of the increasingly protectionist tendencies throughout the whole of Europe, especially among Austria's immediate neighbours and considering the severe and long-continued world trade depression, as well as the crises of international currency,



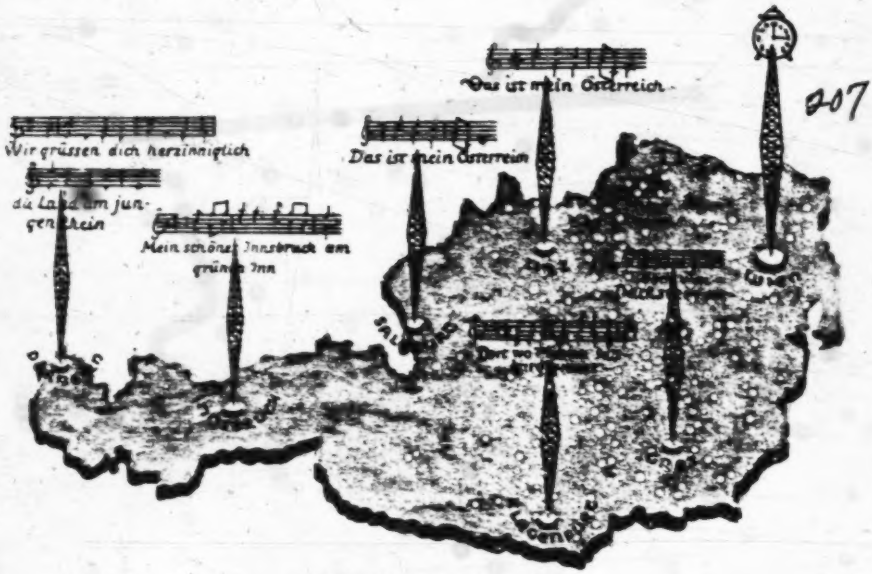
652 the budget of Austrian administration at the end of the First Republic must be considered to have been thoroughly satisfactory. The often apparently insurmountable difficulties which confronted economic policy in those days were dealt with in such a manner that the state of Austrian trade in 1937, judged by production, income and consumption, could in every way bear comparison with that of other countries. During the whole of this period the national budget was balanced and the currency was considered to be one of the most stable in Europe. The Austrian Schilling was known in general as the "Alpendollar" on account of its stability.

653 The administration of the Federal Government as well as that of the various provincial governments was developed on the basis of a balanced economy as a framework of a general working programme. In the first place road-building was started, improvements carried out and private building activity encouraged to make investments. The number of unemployed ceased to increase and even showed a slight tendency to fall from season to season through large-scale recruiting of workers for the land. The actual unemployed were able to 745 draw on unemployment insurance funds. Weekly payments of about 28 Schillings per person meant that even during those difficult years nobody had to suffer hunger. These social measures, passed during the first ten years of the Republic, still remain in force for the

functioning of the Austrian credit system. This aim was principally served by the Bank Reopening Law and the Banknote Transition Law of July 1945. These were followed at the end of 1945 by the Schilling Law which restored the Austrian Schilling in place of the Reichsmark currency and attempted to combat symptoms of inflation (which in part had appeared before the fall of the Nazi Government) by the blocking of accounts. Two years later the Schilling Law was reinforced by the Currency Reform Law which declared forfeit the greater part of the frozen assets which had been created by the Schilling Law and changed the remaining accounts (then only partly free) into liabilities of the National Treasury. The stabilisation of the currency at which the Currency Reform Law aimed has been successful, and the Schilling has once again become a real standard of value as a result of this measure.

Apart from the prominent part they played in carrying through the currency measures, the credit institutions were naturally chiefly concerned with providing a basis for their primary economic function, that of collecting superfluous money and directing it to the most useful channels of general trade.

Progress made in both these directions, and future prospects are by no means inconsiderable. There is an obvious return of confidence in the banks. This is shown by the slow but steady increase in deposits, encouraged by re-adoption of the principle of the secrecy of bank transactions and by



Austrian Broadcasting Centres.

protection of individuals who have lost their work and, of course, contribute the social security of the State.

The annexation of 1938 and the Second World War robbed the Austrian People of its freedom and the fruits of twenty years of painstaking reconstruction.

THE ECONOMIC POSITION AFTER 1945.

Austria's liberation had to be paid for by severe economic sacrifices. Compulsory incorporation into German armament production had been followed by far-reaching changes designed to increase Germany's output of war materials. The necessary investments for renewals and replacements could not be made, while machinery deteriorated more rapidly. Apart from this, Austria had been exposed from 1943 onwards to the effects of bombing, which increased towards the end of the war

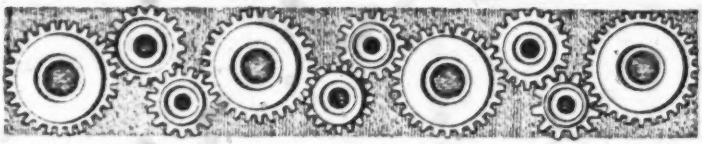
722 until in the final stage the whole country became a battlefield. Thus apart from the considerable consumption of stocks and capital goods owing to war production, there was a great deal of material damage.

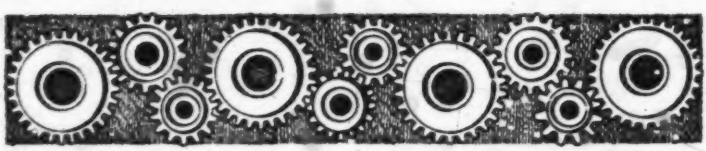
727 In addition to the losses directly caused by
438 the war, new restrictions arose for Austrian trade at the conclusion of the fighting. The internal trade links of the country had to a great extent been disrupted through the setting up of four zones of occupation. At a time when in view of the tremendous losses it would have been advisable to ensure the full development of all the means of production, the necessary connections between the various parts of the country could often only be established or maintained under the most difficult circumstances. It is perhaps typical of this period that the various provinces entered into barter agreements with foreign countries independently of one another, often in order to get goods which would have been available within the country itself had unhindered trade been possible.

727 During the first days after the liberation a goods vacuum arose. Transport had almost completely broken down owing to the extensive destruction of roads and bridges and the lack of the necessary vehicles. Clearance and repair work was first necessary before trade activity could develop at all, and if the Allied Forces of Occupation and UNRRA (as well as other help granted by Congress, private charity organisations and credits) had not aided in bridging the gap,

the payment of interest on deposits since the beginning of 1949. On the other hand, credit demands on the banks resulting from the economic revival are so numerous that they are hard to meet, however severely they are scrutinised. This is all the more the case since Austrian industry, owing to the extensive damage and losses suffered by it during the last stages of the war and after its end, has a great need of capital and long-term credit for investments, as well as of business credit. In such cases, where genuinely justified demands for credit are concerned, the Marshall Plan will be of assistance. The main idea of this is to permit the technical modernisation of Austria's system of production, thus increasing her ability to compete in the international field, to encourage full exploitation of her natural assets, and to provide the country with a sufficient amount of raw materials essential to production during a certain initial period. It is to be hoped that this measure will assist Austria to attain economic independence and help towards the re-establishment of her position in international commerce.

The Austrian banks have a further duty indispensable to the security of smoothly running finance in the re-establishment of the Vienna Stock Exchange as the proper market for dealing in shares, not only to serve legitimate private interests but also to prove itself a suitable medium for the State issues which must be expected.





Banking in Austria is carried on chiefly by joint stock banks, some of which have an extensive branch business. A few of the smaller concerns are situated in the provinces. Apart from these there are a number of highly respected banking houses and nine provincial mortgage banks. Two special characteristics of the first named are their ability to give individual attention to clients and their valuable foreign connections. The provincial mortgage banks are public bodies which have the principal duty, apart from other banking transactions, of attending to mortgage and municipal credits, financing the loans they grant through the issuing of deeds of mortgage.

Despite the difficulties still to be encountered in the reconstruction of Austria and its economy, the Austrian banks will continue to place their services at the disposal of the nation's commerce in accordance with their traditions, and to assist in securing for the Motherland a brighter future after long years of impoverishment and peril.

THE AUSTRIAN INSURANCE SYSTEM.

Insurance, with its estimation of risk and liability, of success or collapse, forms a mirror of Austria's development from the First to the Second Republic.

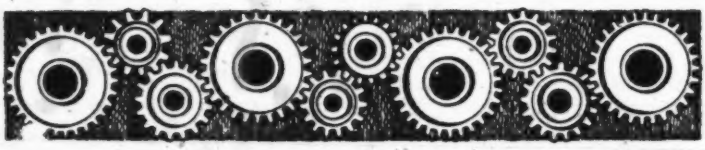
Within the space of not quite thirty years—1918 to 1945—the Austrian insurance concerns were faced with a food catastrophe would have been inevitable 727 and the work of reconstruction have been indefinitely postponed.

From the outset, everything possible was done 727 to help build up foreign trade again. At first, in 439 view of transport difficulties, only trade with neighbouring countries came into consideration. The initial results were not great, since all these countries were busy with their own reconstruction and usually themselves needed the goods which Austria wanted. It was only gradually that by means of compensation agreements and later of clearing agreements, the trade relations which in 1938 had been broken off with Austria's most important suppliers and customers could be resumed.

In this way raw materials and auxiliary products as well as the means of production for industry were brought into the country, thus forming a basis for the recovery of industrial-commercial production. With the improvement of food conditions, the power situation and the increasing exploitation of available resources, output again began to rise.

In 1947 it was possible to reach 61 per cent 433 of the industrial production of the year 1937: for the first time in 1948 output rose above 85 per cent of the former figure. Industrial employment [464] figures for 1947 were 19 per cent and those of the year 1948 were about 30 per cent higher than those of 1937.

The most rapid strides in industrial production were first made in the branches more remote from



433 the consumer—mining, the iron industry, metal works and the chemical and silicate industries, while progress in consumer goods was comparatively slow.

439 This was due to the prime necessity of reconstructing the country's own trade and of a similar need in those European countries which buy goods from Austria. In proportion as world trade again becomes normal, however, the structure of Austrian commerce will take another shape and the share of specific export goods in the total sent abroad will increase. It is thus necessary to avoid excessive development of the industries manufacturing capital goods, or there will be a danger that the problem of supporting undesirable investments which arose just before 1938 may once again rear its head to hinder the progress of Austrian trade.

In any case the threatening economic vacuum of the year 1945 has been overcome and the development of the productive powers of the Austrian economy is growing. But there is still a great deal to be done in the way of reconstruction. This does not mean only the replacement of objects and material destroyed by the war. Still more important is it to work out the new shape of Austrian trade and the forms best suited to it. Conditions are in so far more favourable than those in the period after 1918 in that the work of reconstruction itself offers an opportunity of adapting the new framework to actual economic conditions and thus of gradually completing the

the double task of coping with the results of two wars and of adapting themselves three times to altered territorial conditions.

Despite the political liquidation of Austria-Hungary in the year 1918, Austrian insurance companies were generally able to keep, in one form or another, the position which they had built up during decades of pioneer work in the territories of the newly created states. One may say that with the setting up of the insurance system in Austria-Hungary, an economic and civilising mission had been carried out. Until quite recently the management of important businesses in the territories of the former Monarchy meant—either through the systematic grouping of affiliated concerns, through reinsurance connections or through the establishment of branches of the main concern—a useful fusion of trade interests in the Danube region with a consequent favourable effect on the prospects of peace in this area.

Even though it has been possible to avoid inflation since the Second World War, the year 1945 placed Austrian insurance in a much more difficult situation than that in which it had found itself in 1918. The period of German occupation had left behind it an unenviable inheritance. There was first the direct effect of

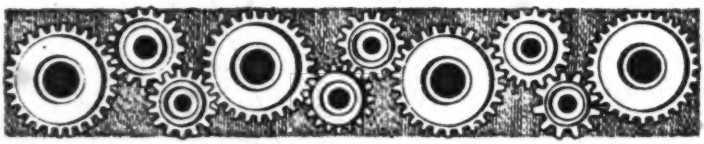
war on the country, then the occupation of Austria and its division into zones, with ensuing damage to trade, the devaluation of the compulsorily accepted German state bonds, with the complicated problem of "German property", and finally the disappearance of the basis for Austrian insurance in a number of neighbouring states.

Just as before, the Austrian insurance organizations attach the utmost importance to international connections. These have always been of the best and it was luckily possible to renew them quickly after the end of the war and the restoration of national independence. This explains why in Austria—in contrast to other European countries—there has never been any difficulty over coverage even during the first post-war hardships, rearrangement of reciprocal insurances necessary after separation from Germany being carried out smoothly and without friction. Austrian insurance firms are untiring in their efforts to consolidate their position as far as possible in the international re-insurance market. The Austrian National Bank appreciates the desirability of this and has facilitated dealings in foreign exchange within the framework of its limited powers.

Further development of life insurance business, however, will depend on problems connected with the devaluation

readjustment of Austrian commerce which had been forcibly interrupted in the year 1938. The former successes of Austrian commercial policy justify the assumption that this goal will be reached in the not too distant future. It may also be assumed that the experience which the whole world had of the results of exaggerated protection just before 1938 will have created a more favourable attitude towards free trade, thus ensuring that Austria's efforts to increase her foreign trade will fall on more fruitful soil than before. The possibilities of internal trade in Austria are not sufficient to give a nationalist economic policy a chance of success. Foreign trade will always remain a decisive factor for the Austrian economy and thus all other commercial measures can only be considered in the light of its demands and of its development. 439

The progress made since 1945 has shown that Austrian economic policy is not treading outworn paths, but is adequately adapting itself to the needs of the moment. Government intervention in questions of price control, rationing, foreign trade etc., which proved necessary in the year 1945 owing to the situation at that time was gradually been dropped as soon as this became possible. Financial conditions, which were in a state of complete disorder, have been so far straightened out that money is once again able to fulfil its function in commerce as a means of exchange and as a standard of values. The path which has been followed from the "Schalter- 656 652

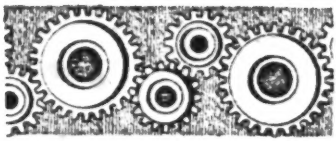


652 gesetz" (Bank Re-opening Law) to the Schilling Law, the Wage-Price Agreement and the Currency Reform Law is a perfect example of wise and experienced currency regulation worthy to be recorded in history alongside earlier Austrian success in this field, the best-known of which is the credit and currency policy of the old Austrian-Hungarian Bank.

439 A comparison of the present state of Austrian trade with the position in 1945 must tend, in view of the many obstacles with which reconstruction had to contend even though there was generous foreign aid, to arouse confidence in the commercial future of Austria and finally banish the legend of her non-liability to the realm of fable.

of the capital of existing businesses and other questions of the money and capital markets. At the moment interest is centred chiefly on the coverage of life insurance risks. The improvement in living conditions for the Austrian people is already beginning to have a favourable effect on new business in life insurance, although the social insurance system which is very highly developed in Austria leaves less margin for private insurance than in other countries.

Economy, perseverance and optimism characterise the Austrian insurance system, which is in itself a barometer of Austrian trade.



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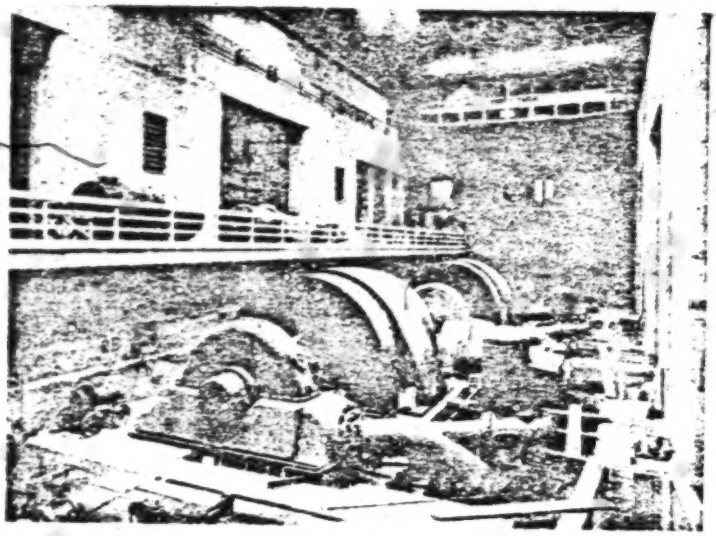


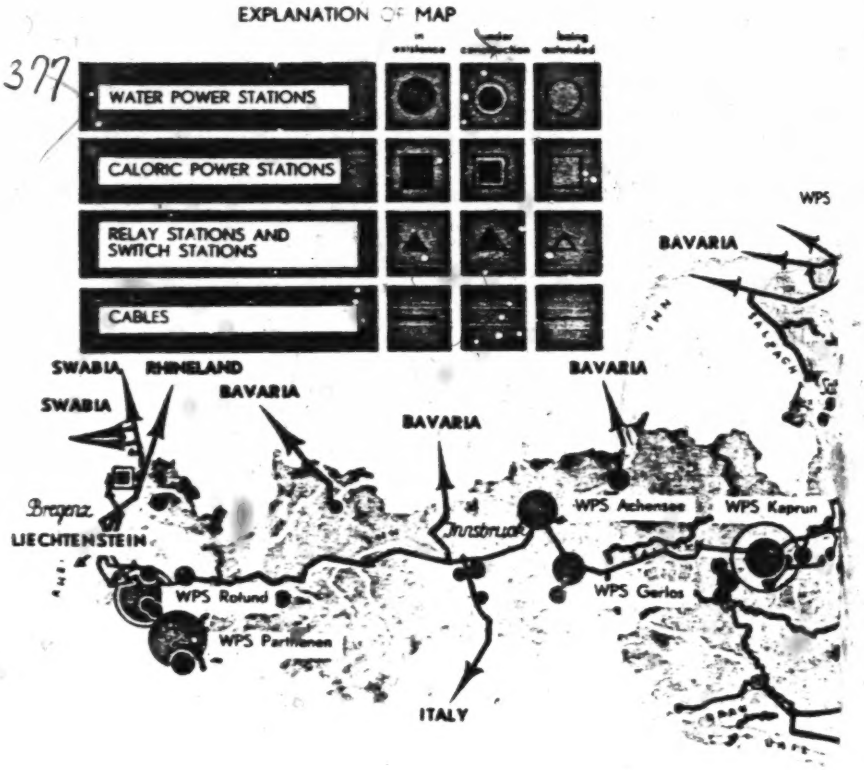
Kaprun Power House.

AUSTRIA'S RICHES—THE "WHITE COAL".

The power system of the Austro-Hungarian Moparchy was based entirely on rich coal deposits mostly located in Upper Silesia, and later re-inforced by the discovery of great oilfields in Galicia. At the end of the war in 1918, the young Republic saw itself faced with the task of replacing as far as possible the loss of almost all its coal by the available water power. The exploitation of native water power, however, was badly neglected during the First Republic because of shortage of capital; for this neglect a heavy price was to be paid after 1945. [135]

In Western Austria, an important power producing plant—the "Ill Works" in Vorarlberg—was set up, the midway stage being reached between 1925 and 1935. It was used, however, solely to export current to Germany, and the electrification of the Austrian railways which had been begun long before was stopped half-way.

Between 1938 and 1944, the extension of the Austrian water power system was not carried out in the interests of home industry. The works built during this period were designed to supply current from the highest Austrian Alpine regions to Germany, while our own country was supposed to be supplied in winter



Power Stations and

with calorific current from the brown-coal districts of Middle- and Western Germany.

Austria was to be torn in half in an industrial sense and re-formed according to the ideas of Greater Germany. Thus Vorarlberg was given electric cable connect-

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High Tension Cables

ions to Swabia, Tyrol to Bavaria and Eastern Austria to Bohemia and Silesia. There was no provision for direct connection between the Western and Eastern parts of Austria. Although building was begun on the power station of Gerlos, the Enns Power Station and the Danube power station of Ybbs-Persenbeug during the German

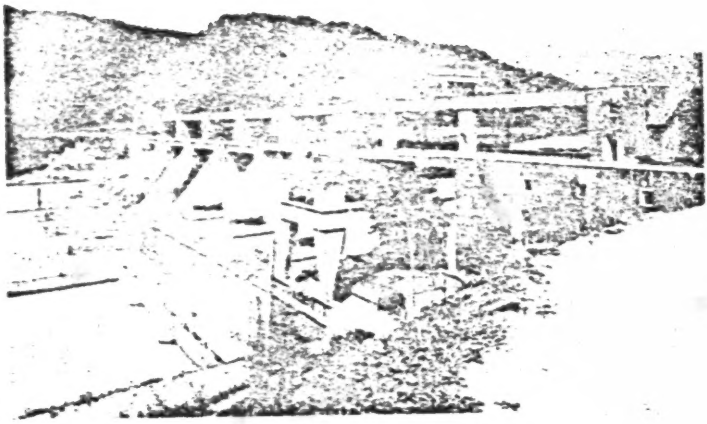
377 Occupation, construction in these years was of a thoroughly "wartime" standard. A characteristic example was furnished by the Gerlos Power Station.

In 1945 a resurrected Austria found a thoroughly disorganised power system with no system of compensating the difference between winter and summer power supplies or between river and mountain stations. There were only the beginnings of a purely Austrian cable system, for in the years 1938—1944, the existing 110,000 volt system was connected up to the power system of the German Reich. Development of the Austrian system now had to be directed to laying a main power conduit in a west-easterly direction which would run the entire length of the land. In the few years since the end of the war there has already been considerable progress in this direction. For the first time since the erection of the 110,000 volt cable over the Arlberg in 1947, the great Vorarlberg power stations are linked with the inner Austrian network. First the power stations of Tyrol were provisionally connected with the eastern provinces by a 110,000 volt line carried by wooden pylons over the Gerlos Pass. In April 1948, the first part of the future 220,000 volt main cable was put into use from the relay station of Ernsthofen to Pottenbrunn. The prolongation of the main cable to Kaprun and beyond is planned to take place at the same time as the extension of the Tauern Power Station, work having been started in the autumn of 1948. The future Austrian high tension network will not only provide a uniform and smoothly running system at home, but will also make possible a generous exchange of current with all neighbouring states.

Although man power was crippled at the end of the war and is still not properly organised, it was possible by 1948 to start construction in 60 different places. Austria, the richest land for water power in Central Europe, has so far only utilised one sixth of this treasure-store of nature.

[641] Through the efforts of the United Nations Power Committee there is already close cooperation among the countries of Europe with a view to creating a pan-European power service. Owing to her enormous resources in water-power, Austria will be in a position to supply all the electric current still lacking in Europe, after the extensions of the present power stations have been completed and new stations constructed. Plans for exchange of current from Upper Italy to the Lower Rhine have been under consideration for years.

The Tyrolese and Vorarlberg sources of water power which have been developed or are worth developing, estimated together at about 11 milliard kilowatt hours yearly, are designed mainly for export. Water power east of the Gerlosplatz, on the other hand, will have to be used to cover inland demands. Austria most needs power in the eastern provinces, since her industries are mainly located in the Vienna and Linz districts. The principal power stations which have been designed for the supply of inland current are the Tauern Power Station of Kaprun, the Enns Power Work and the Danube Power Works of Ybbs-Persenbeug. After completion



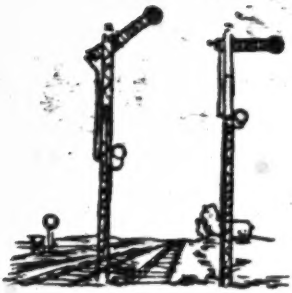
River Power Station, Schwabegg-on-the-Drau.

of the 370 foot high Limberg dam, the building of which was begun in 1948, Kaprun will produce 180 million kilowatt hours of valuable winter peak current. A chain of river power stations is under construction on the Enns which will thoroughly exploit the falls of the river. After its completion the Danube power unit Ybbs-Persenbeug will produce a milliard kilowatt hours per year, thus becoming the biggest river power station of Central Europe.

The water power which is awaiting development in Tyrol and Vorarlberg will yield when completed about 9 milliard kilowatt hours of current yearly. In the area of the Bregenzer Ache there are several weirs which can be harnessed for power, six power stations meaning a yield of 1 milliard kilowatt hours yearly. On the Ill there are three power stations working and a fourth is nearing completion. The extension of the Ill Works for which additional accumulators and power stations are planned will make available almost 2 milliard kilowatt hours of current yearly. The exploitation of the Inn River and the water power of the Ötz District will bring in 4·4 milliard kilowatt hours a year. Apart from this there are important power projects for the Isel District of East Tyrol and in the Reisseck-Kreuzeck group on either side of the Möll Valley.

377 Despite her lack of coal, Austria is in the enviable position of being able to carry out her plans for producing electric power on a generous scale, thanks to her "white coal". The water-power of Austria is to a great extent capable of being dammed and allows of favourable régulation according to changing pressure. Its development has a dual aim. On the one hand it is planned to meet the increasing demand for electricity from home sources and to make the country independent of imported current, previous caloric supplies being replaced by water power as far as possible, thus reducing coal consumption to the lowest possible figure. On the other hand Austria will have at her disposal a considerable exportable surplus of electric energy after full exploitation of her water power, thus permitting this country to play a central and equalising role in the electricity production of Europe.

Austria approaches this task with the knowledge that the linking up of the various economic interests of individual states in a planned continental economy is the best guarantee for a long period of peace and for general well-being.



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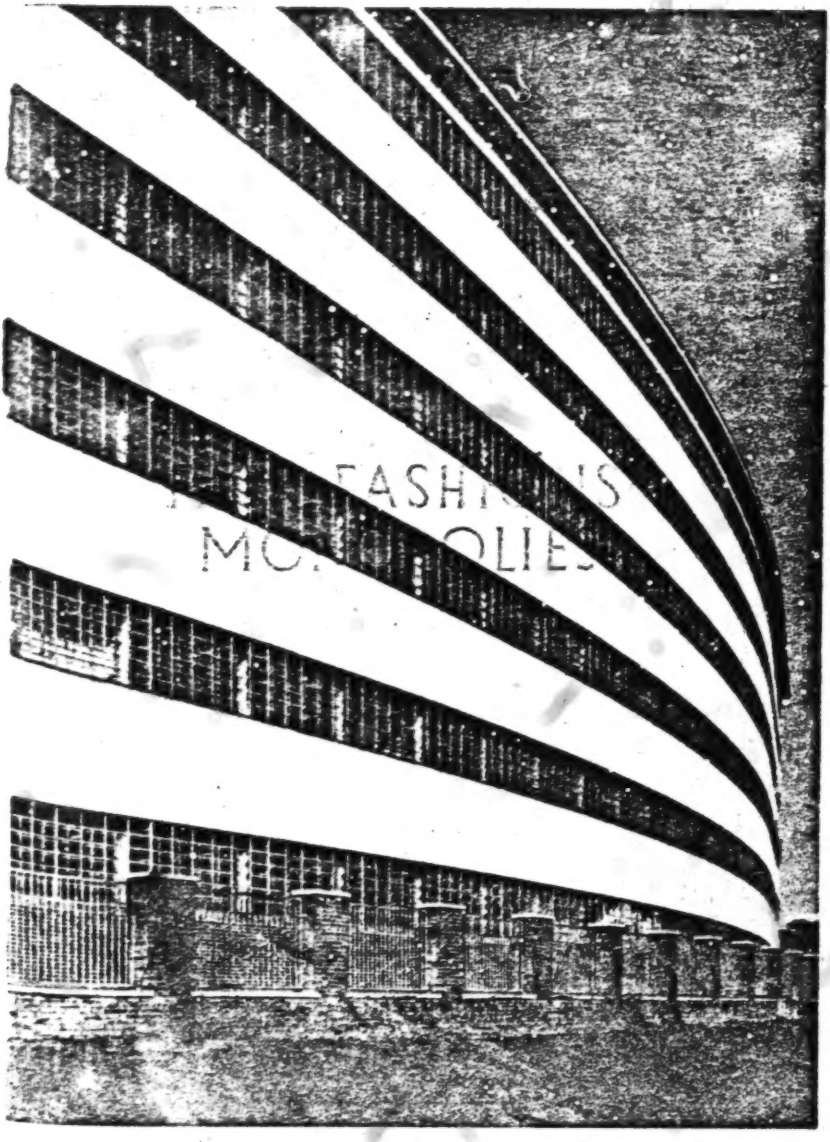

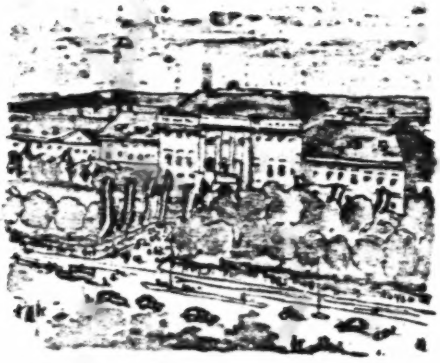

543 In the history of Austrian commerce the week from the 11th to the 17th of September, 1921, is heavily underscored with red pencil. The first Vienna Fair was then held in its new form as a sample fair.

The sponsors were taking a risk, and as is often the case with new ventures the confident reassurances of those in charge were at first drowned by pessimistic voices and criticism. What was the good of an exhibition of samples in Austria three years after the defeat? Of what use was this guarantee of spurring on production and trade activity in face of the landslide of inflation?

Despite depression, resignation and desperation and in spite of all the "ifs" and "buts", the Vienna Fair entered the race as an unbacked outsider. The opening day itself forecast the coming success. Before the ticket offices stood long queues and from beyond the frontiers, Vienna's century-old reputation as a market had attracted merchants from all countries. The number of visitors and of those interested increased day by day. The exhibition started a wave of fresh confidence and optimism; the Austria which had recently collapsed was extending to an astonished world a new visiting card.

Since that autumn of 1921 the Vienna Fair—held since then without a break at the beginning of each March and September—has survived the difficult times

after the First World War. It has assisted in the transition from war to peace production, helping to satisfy the first rush for goods after the years of privation and to direct trade into its old, legitimate channels again. The Vienna Fair has gradually modified and finally brought about the end of the foreign exchange controls which shackled industry and the exchange of goods. It has found its way successfully out of the labyrinth of burdensome compensation and clearing agreements and did not even allow the most threatening tariff barriers of other states to hinder its development of free trading competition. Against the political and economic difficulties which confronted international trade Austria set the drawing power of her products. At a time when almost every little town in Europe felt itself called upon to hold an industrial fair, the reputation of the city on the Danube as a natural centre for the transit and exchange of goods was convincingly re-affirmed. 543

The Vienna Fair carries on a tradition which grew up naturally and has continued for centuries in Central Europe and the Balkans. When Rudolf of Hapsburg conferred the rights of a market town on Vienna in the year 1278, this was merely confirmation of a long-existing practice. From Babenberg and Crusading times, the markets of Vienna had born testimony to civic industry and manual skill, as they had to the honest labour of her artisans and her far-reaching trade connections. 543 441

These market rights were confirmed to the Viennese and extended by every ruler in turn. A visitor to one of the two fairs, held at Candlemas and on St. Jacob's

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Day, who transported his goods by one of the prescribed highways enjoyed, no matter whence he came, the local governor's protection for his person, his goods and his waggons, a truly enviable privilege in the unsettled times of the closing 13th and the 14th century.

During the Middle Ages it was open to anyone from every country to bring what goods he liked to the two great Vienna markets, with the exception of wine and beer, which were available in abundance on the spot, and of excellent quality. People of every trade and every guild could sell and offer their wares freely.

After the Turkish Wars there was a fresh revival of Vienna market life in the 18th century. But then the discoveries of the weaving loom and the steam-engine began to take effect on production and trade. In the 19th century the railway rendered goods fairs superfluous and the markets began to be transformed into sample exhibitions.

The economic system of the Austro-Hungarian Monarchy was so well-balanced that it had at first no need of any special display of sample products within its frontiers. The exchange of goods between the agrarian and the industrial areas went on smoothly and although samples of all the products of the Empire were occasionally displayed at great exhibitions—Vienna owes the building of the Rotunde to the Great Exhibition of 1873—there was actually no need of special methods to advertise or boost them, for demand and supply were well adjusted, and connections between producers and their customers dated from the times of their fathers and grandfathers.

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After 1918 more than a third of Austria's population was engaged in industry and commerce, nearly a further third being occupied with agriculture and forestry. In both cases the small or medium sized concerns were predominant, a fact which explains the ability of Austrian economy to weather the storms of crises. It had never taken special measures to promote war industries. Never through war, but through the years of peace had the Empire prospered. When in 1866 Austria lost the war against Prussia it was because, despite the better training of her troops, the Austrian rifle was inferior to the Prussian.

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It is in concerns in which intensive labour and detail is important that the individual talent of the Austrian can find expression, not in great concerns resorting

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to capitalistic mass production methods. Thus at the Vienna Fair one finds a varied profusion of articles and goods. On the stalls and in the various departments in the halls and pavilions are to be found samples of all the industrial, commercial or agricultural goods produced in Austria, from the simplest tools to complicated precision and tool-making machinery, from building materials to the most modern power plant. Commerce, industry and agriculture unite here to present a complete picture of the Austrian economy.

Agriculture plays a big rôle in the Fair, which not only provides farmers with an opportunity of selecting their requirements in tools and machinery but also a choice of advertising methods to aid them in selling their own products. The latest developments in many fields are displayed with pride—stock-raising, grafting, crossing, products of the soil, qualitative and quantitative record achievements of every kind from field, stable, vineyard and forest. [241]

The Vienna Fair, which is for the Austrian producer the most successful sales market and the most effective propaganda organisation at his disposal, is for the foreign producer not merely a place where he can find just Austrian products and customers. So many foreign firms take part that apart from Austrian goods, eastern and south-eastern European wholesale and retail trades are well represented. In Vienna producers, traders and direct consumers meet from the whole of Europe and from the Near East as well as the Balkans, offering many possibilities of transit deals. Here the agrarian East of Europe and the industrial West exchange their wares. 543 439

The Vienna Fair is international and is open for all commodities and to all firms from all countries. There are at least 19 countries to be found regularly represented

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at the Vienna Fair: Belgium, Bulgaria, Denmark, Germany, France, Greece, Great Britain, Italy, Yugoslavia, Holland, Poland, Rumania, Sweden, Switzerland, Spain, Czechoslovakia, Turkey, Russia, Hungary and the USA. To these must be added overseas colonies and dominions which often send goods. The two fair areas of the Messepalast and the Rotundengelände are so arranged that Vienna luxury and ornament goods, textiles, fashions, furs, knitted goods, articles of gold and silver, music instruments, glass and chinaware and leather goods etc. are housed in the Messepalast in the city, while all technical products and articles of common use, all accessories of agriculture, machinery and implements as well as building materials are arranged in the exhibition halls of the Rotundengelände.

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Special exhibitions which serve no immediate business purpose but pursue aims of a general commercial or cultural character are always held in conjunction with the sample fairs. These special exhibitions are frequently arranged by the trade organisations. They provide useful information as to internal economic requirements, the high standards of development, methods of work and the trading capacity

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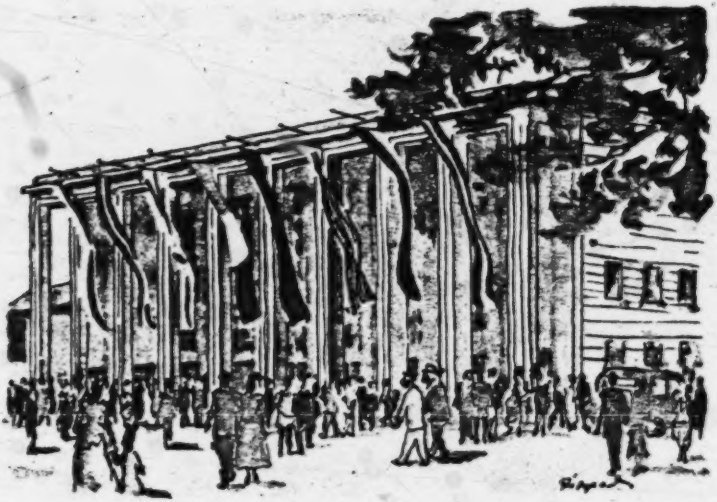
of Austrian economy. They are usually complementary to the more prosaic display of goods at the Fair exhibitions, forming a link with practical commercial life.

Together with the agricultural sample fair, the kiosk of the Österreichische Tabakregie and the House of Austrian Salines, the special exhibitions prove a particular draw for the general public. Who is there who was in Vienna at the time who does not remember the first car and motor-cycle exhibition there? Later, when Vienna was in process of reconstruction and the schilling had a secure gold exchange value in Switzerland, it was the Building Fair which suggested new methods of constructing housing settlements. In 1927 the motto was "Vienna and the Viennese". A year later followed "Wife and Child". In the same year the memorial exhibition "Franz Schubert" was opened, and in 1930 a wide survey was given of "Christian Art".

The Vienna Fair is the visible outcome of the wish for promoting trade in Austria. It is at the same time proof which is constantly renewed of the exceptional aptitude of the Austrian people for handicraft, applied arts and good taste. The special exhibitions

543 pass beyond details to the general atmosphere of everyday life which every Viennese longs to make as pleasant as possible. For this reason the Vienna Fair has a permanent display which proves a special attraction, to men as well as women. That is the permanent exhibition entitled "Vienna Fashions"

It is a matter of especial pride to the Second Republic, that it has again been possible after 1945 to revive the Vienna Fair in its old glory. Despite the "Zones" and restrictions imposed through the war the Vienna Fair has once again proved what an attraction it is for the world of commerce at home and abroad every spring and autumn. In place of the former landmark of the Vienna Fair, the Rotunde building in the Prater, hall after hall now extends over the wide exhibition grounds. In the heart of the city, however, the Vienna Trade Fair presents a new profile in the "Hofstallungen", a suitable blend of decorative rows of exhibits and individually planned displays. The popular amusement of strolling through the Fair exhibits in all their variety never becomes boring, thanks to the attractive methods of display and the ensuing activity.



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What would be the use of all the fruits of the Tree of Life, the Viennese thinks, if there were not delightful moments in which to pluck them for the women, to share them with them or, in the case of the creations of fashion, to drape them about neck or shoulders?

Vienna Fashions, Viennese women! Two words from the cup of delight which Vienna proffers to those who wish to recuperate from the toil of this weary world. The Viennese are sometimes criticised for their irrepressible love of life, for those unable themselves to smile are quick to reproach the cheerful. Thus what is condemned as frivolous is in reality a victory over the difficulties of life; what is called fickle flirtation is only a playful coquetting and light-heartedness with no evil to it.

Vienna Fashions! They take their origin in the naturalness of this city and its inhabitants. These are natural as children, discerning good from bad hours like the doves in the story of the enchanted princess. They know how to reject this and accept the other, how to enjoy, reverting to happiness, to elemental happiness. To seek for joy in everything—is not the longing for it one more bit of evidence of a lost Paradise! Finding delight in all that lives and loves, in colour and in sound, in gestures, in the step of the man rejoicing in his labour and in the care-free games of boys; the joy in melody—in written music as well as in that which is felt without being expressed—bubbling, pulsating joy in all shades of the colours of life around, from the brilliant scarlet of the Cardinal to the modest violet of Easterride. The bodily, earthly joy in the shape of things, in successful work, in a clinging and softly draped material. The eye's delight at the sight of a circular bed of brightly coloured tulips whose flaunting heads turn towards and follow the sun on straight green stems, in order to complete the circle back again under cover of a spring night.

Vienna fashions through joy and life! Informed longings and bravely beating hearts are the things which urge on humanity to find this great happiness in living. It calls to the world that nowhere have people come so close to finding this lost secret as here in Vienna. It is like a call which echoes from every street, it is as though people were hidden behind the

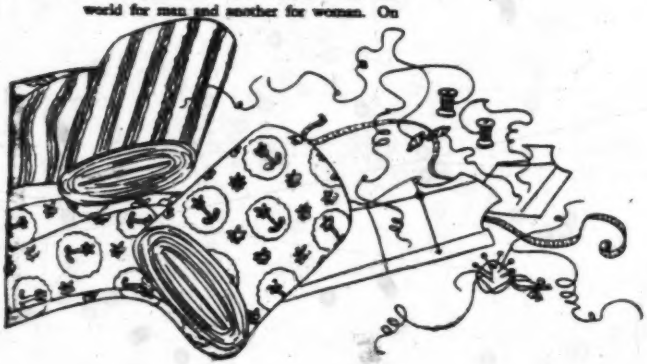
trees and round the corners of the spacious squares who call everyone with a hundred tongues: "Be happy to be alive, be human above all!"

So long as the women in Vienna move over the famous hard granite cobbles with the same capricious grace as over shining parquet flooring in festive halls, so long will the hymn to happiness resound in this city. Its honoured, eternally youthful and constantly renewed ceremonial is Fashion.

What are called Vienna fashions literally grow from the soil of the city, like evergreen on some picturesque old wall. Fashion is at home in low-storied houses on the outskirts no less than in the distinguished district around the Heldenplatz. Here it slips into the street half in negligée in the morning, clearly recognisable in spite of haste and a work-a-day life. There, in the wide area between the Hofburg, the City Hall and the eternally presiding Empress, it hangs like

000 dancing sunshine over the Bruegnel-like masses in the Volksgarten and the crowds streaming along the pavements. The plump lilac bushes flower with unrestrained grace, and the chestnut trees of the avenue in front of the Leopoldian Wing look as though they were forming an escort for the petrified *lovada* on its high stone column. Life is clamant here, life, women and fashion.

562 The chapter "Woman" is written in Vienna in a language of its own. Let us open it in the middle: Woman cooks, of course, but many men have a wonderful knowledge of the culinary arts. Man, of course, is the master—but the most famous ruler of Austria was a woman. Naturally man is the head of the family, but the position of woman in house and society is unquestioned. Although man and woman both have their definite spheres of authority, the world of Vienna has never been divided into one world for man and another for woman. On



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the contrary, there is a mutual recognition, a sort of reciprocal politeness between the sexes, and the Strindberg and Ibsen problems are consequently as rarely met with as is any kind of movement for emancipation, for these can only arise where women are misunderstood or neglected by men. In short, they hold in Vienna that man and wife belong together, that one should wed for love and that a chill wind blows over marriages of convenience.

Among the qualities attributed by the world to the women of European capitals—of Paris, Rome or Madrid—those of charm and amiability are ascribed to the daughters of Vienna. The repetition of this throughout the centuries causes it not only to be absorbed into the blood but confers special qualities. One of these is a natural ease of manner, which leads many strangers to suppose the Vienna girl to be more seduc-

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tive than she really is or wishes to be, so that they accuse her of promising more than she ever had any intention of allowing —or keeping.

The protective consideration which is accorded to young girls, "Backfische" ("flappers") everywhere results from another privilege, while a third is the special respect shown to old ladies. These latter form a broad class which extends from the much applauded actresses who play "mother rôles" in the Burgtheater, through all classes of the population to the country villages. All these dear old faces seeming to radiate benevolence in the soft glow of life's evening. Woe to the man who is guilty of offending one of these women!

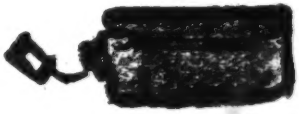
Thus in Vienna two words are robbed of their sharpest sting: "As a woman to grow old" and "To become a grandmother". Theoretically the mothers may still,

562 through their appearance, be the keenest rivals of their own daughters, but between grandmother and grandchild there is a bond of womanly friendship, ripe experience giving the best advice to youth.

In Vienna it is not only the rare and striking woman of dazzling appearance who is singled out for attention. Woman as such is privileged irrespective of age or rank, and man profits from it. 517 Fashion is not primarily a method of attracting attention, it is not so much a carefully devised system, the mere servant of woman in a jealous struggle to give pleasure. Fashion is neither a courtesan nor a procuress but is rather added to the union of man and woman as a third, joybringing partner to heighten the intensity of life.

Thus fashion in Vienna is not the exclusive prerogative of the upper ten. It is like a melody for all to sing. It is like a free improvisation in all keys of natural good taste and native coquetry. Vienna fashion translates and popularises the *dernier cri* of the moment to a refrain which every woman understands and it is therefore not possible to hold it prisoner in the leading fashion houses of the *haute couture*. It steps through the revolving doors out on to the street, moving boldly among work-a-day folk. It is not limited by anyone's occupation or station in life, but touches every daughter of Eve: it is as ubiquitous in the morning as in the evening. Personal taste and individual skill play a big part in the final result. Everyone in Vienna can catch the trend of fashion, and the women and girls look as though they all belonged to the upper ten.

Adaptation to the individual and the occasion so alters the feminine picture in Vienna that it is often not easy to recognise the fashion of the moment at first glance. The general impression is one of smart and well-dressed women, but therein lies the secret. The



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Viennese woman has never been a fashion plate but always a lady of fashion. Dress, hat and accessories are never allowed to extinguish the personal note. The last court of appeal is the general picture reflected by the mirror, not the fashion columns in the newspaper, nor the illustrated fashion periodical—not even what other women are wearing.

If the Viennese woman sees that something dictated by fashion does not suit her, this only fires her ambition. If large hats are absolutely unsuited to her type of face she will oppose them with courage and resource until the small hat which she finally chooses is preferred by everyone, in defiance of the current mode, as unique and charming. And if the fashionable colours are green and purple the Viennese girl who finds that they do not suit her hair or the colour of her skin will never capitulate or surrender with a sigh, but will search until she has found something between turquoise and terra cotta which is exactly the right shade for her.

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The Italian wedge shoe with its stressing of form has found its way quite automatically to the slender-ankled foot, while it is certain that more firmly developed legs will balance their way through the streets on the narrow surface of graceful Parisian high-heeled shoes. Fashion may show a preference for flat heels; they will be boycotted in individual cases where they

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291 do not give satisfaction. The tall woman is delighted to accept the advice from a high-class dressmaker that she should choose the long-skirted model with narrow waist; the shorter girl would never in Vienna fall to the ambition of imitating her. The latter would, it is true, have her dress as long as she can reasonably carry it, but at the same time she would cleverly distract attention from her lack of inches—perhaps with a belt, a daring lack of symmetry in the cut, or a piece of artistic embroidery, without anyone noticing that she has tried to *corriger la fortune*.

The Vienna blouse is a traditional speciality which all women love to wear. Made of billowing georgette, muslin, lace or real silk, its rich hand embroidery, frills, a Mozart ruff, a biedermeier jabot or intricate pleating makes it a delicate creation of Viennese good taste, yet at the same time the antithesis of the assertion that there is nothing new on earth.

The conception of the "smart Viennese" was born of the "Jersey" (woollen) dress, a product of the twentieth century, a costume for every hour of the day. Plain and severe for business wear, smart and chic for the Derby, quiet and

291 unobtrusive for visits, pleasingly gracious for the five o'clock tea-dance, the Jersey dress is today a treasured and indispensable item in every woman's outfit. The summer companion of the Jersey dress on its recruiting campaign round the world is called "*Mode à la tyrolienne*". This mixture of motives from old national costumes, bright colours, summer comfort and bubbling effervescence is the most alluring dress for every holiday occasion.

294 One word on the skill of handicraft without which Vienna fashions would be unthinkable. That talent which is at once inborn and acquired is to be found in the smart showrooms, the art ateliers and equally at the simple milliner's or in the cutter

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of a dressmaking coopera-
tive. What an astonishing
combination of eye and
dexterity, of measuring and
execution, of thoughtful
calculation and improvisa-
tion; what painstaking art is involved, for
instance, in the work of hand-stitching and
embroidering.

No material escapes the influence of fashion,
but leather seems to have a special interest
for the Viennese. Whether for ornamental
or luxury purposes or for practical use when
travelling, the number of articles which are
made from it are legion. With leather goods,
fashion—late, but at last—has thought not
only of women but also of men. Masculine
fashions, alas, are very conservative—or should
men console themselves with the fact that they
are not so dependent on external assistance as
women?

The saying that festivals should always be
celebrated as they come round is well accepted

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in Vienna. Though no time of the year is an exception to this, the great season is that of winter when the old brilliance of the capital lives again in its women. These junkettings in the Hofburg, the Rathaus and Schönbrunn Palace, in the Concert House and the Musikverein—and, it is to be hoped, soon again in the incomparable Opera building—to them all Vienna society flocks as though invited to a ball by Prince Orlofsky and as though all Vienna were a scene from Johann Strauss' "Fledermaus". Fashion becomes a wild ovation to the charm and good taste of the women of Vienna.

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Ball in Vienna

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THE AUSTRIAN TOBACCO MONOPOLY.

65 The Austrian State Tobacco Monopoly ("Tabakregie") was founded in the year 1784, through letters patent of the Emperor Joseph II. It extended to all the lands of the Monarchy, thus taking in Bohemia, Moravia, Silesia, Galicia and the Bukowina, Carniola, Istria, Dalmatia and South Tyrol as well as the territory of the present Republic. At the time of its maximum expansion—about the middle of the 19th century—it also embraced Hungary, Venetia and Lombardy, as well as the principality of Liechtenstein.

The vitality of the old Austrian tobacco monopoly was evident after 1918 both through the new-born monopolies of the newly created Succession States and through the Austrian Tabakregie itself. Although suddenly confined within a territory populated by only seven million inhabitants, it survived all the shocks of the previous decade and developed into a modern and efficient industrial undertaking of the State.

After the First World War there were only 9 factories left to the Austrian Tabakregie out of 30, the whole comprehensive organisation having come to an end. Its markets which had been carefully mapped out and developed were nearly destroyed or permanently closed to it.

By the end of the second World War the number of factories had been reduced to seven. More serious still was the widespread damage done to buildings, tobacconists' shops, machinery, transport vehicles and stocks. The stock losses included 162 million cigarettes, 37 million cigars and about 1,800,000 kg of raw tobacco. The internal organisation had been thrown out of gear and cramped by external forces; important

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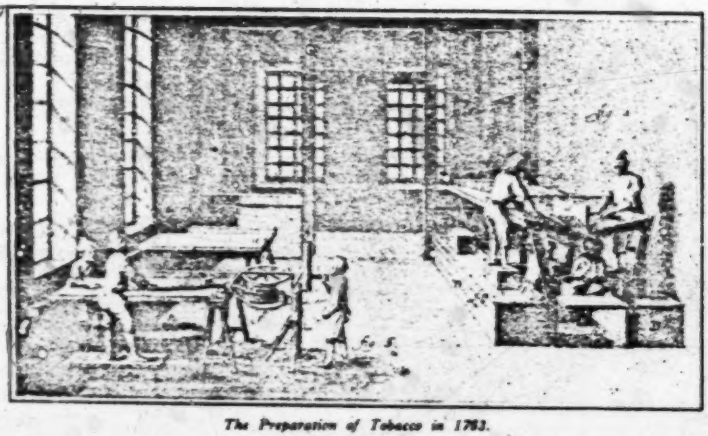

The Preparation of Tobacco in 1783.

655 foreign connections had been severed and both exports and imports had come to a standstill. Such was the difficult position which confronted those called upon to rebuild the monopoly.

Future prospects may be estimated from a comparison of the figures for the sale of cigarettes in former times and today.

276 In the year 1913, 6,349,000,000 cigarettes were sold throughout the entire Monarchy (which had then a population of 56 million), i. e. one cigarette every third day per head of population. In the year 1933, under the First Republic, 5,409,000,000 cigarettes were sold (to a population of 7,000,000), seven times as much per head as in 1913. In the year 1947, when supplies were limited and strictly rationed, 3,233,000,000 cigarettes were sold. Thus this much reduced Austria consumed a quantity of cigarettes which proportionately compares favourably with the figures for the old Empire. This will almost certainly continue to increase, as women are smoking more and more.

655 The Austrian Tabakregie is capable of coping with every increase of demand which may be expected. The elastic organisation of the concern as a modern joint stock company enables it to readjust itself rapidly to meet changing conditions. It is now only a question of obtaining supplies of raw materials, of restoring regular connections with foreign markets and of the provision of a reasonable amount of foreign currency for the Regie to be able to work to full capacity again as before the last war.

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Linz, Tobacco Factory.

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277 The traditional high quality of Austrian tobacco products is due to the use of high-grade foreign materials, chiefly certain oriental tobaccos. These can never be replaced by inland tobacco, since climate and soil do not permit the growth of similar types here. Nevertheless, the inland cultivation of tobacco is encouraged as much as possible.

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439 The great importance of oriental tobacco to the Tabakregie is shown by the fact that in the course of modernisation of the concern, the important task of tobacco buying was delegated to a branch organisation, the "Austria Einkaufsgenossenschaft der österreichischen Tabakregie im Orient, G. m. b. H., Wien". Its main task was to restore severed connections with the most important tobacco producers in Bulgaria, Greece and Turkey. Hungary, North and South America and the Dutch colonies also formerly supplied raw tobacco to the Austrian Tabakregie, but here there are still difficulties in the way of a restoration of trade which arise from the foreign exchange situation.

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277 The Tabakregie is a very important factor in the Austrian economy. Firstly it acts as a big employer of home labour with an inland sales organisation consisting

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of 8 warehouses, 258 tobacco distributors and 13,253 tobacconists' shops, thus providing a large number of Austrians with a secure livelihood. As the Tabakregie is a valued customer in the tobacco-producing countries compensation transactions are made possible for other home industries through its foreign dealings. Even during the first months of reconstruction (April to December, 1945) the Tabakregie contributed in taxes about 10 per cent of the total state revenues. In 1946 it provided about a third of these revenues (corporation taxes about 30 per cent and customs dues over 40 per cent), despite decreased production. A rise in output will certainly mean a considerable increase in these figures. It must also be mentioned that Tabakregie exports brought in over 55 million schillings in the year 1933, and that they should therefore play an important rôle in stabilising finances as soon as foreign markets are reopened.

The staff of the Tabakregie varies according to available supplies of raw materials and depends on the preferences and satisfaction of the smoker. In the year 1937, the concern employed 5421 workers, including 3912 women, and at the end of 1947, 2930 workers, of whom 1581 were women. The dwindling of the number of workers is only in a minor degree due to the effects of the war. The main reason must be sought for in the decrease in cigar consumption which has been in progress for some time. The smoker of today is turning more and more to the cheaper type of cigarette which is quickly consumed. The cigar is one of the victims of our hustling and mechanical age. Cigar production, which depends mostly on manual labour, is on the decline, while the cigarette, which is produced entirely by machinery, is becoming more popular. This explains the reduced number of employees. It may increase one day again, if people find time in more leisured days to blow heavy smoke rings from fat cigars.

At all events, the Austrian Tobacco Monopoly is doing its best to see that the smoker is well supplied at all times with his needs, which are those of so large a section of the community.

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Hallein, Salt Freighters.

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THE SALT MOUNTAINS OF AUSTRIA.

Salt-mining in Austria dates back to the prehistoric times of the Celts, was developed by the Romans and is closely connected with the growth of civilisation in the country.

The Austrian salt works in Upper Austria, Salzburg, Styria and Tyrol for a long time led an independent existence until Emperor Maximilian I put an end to it in the year 1490 by uniting all the Austrian Crown Lands under his rule.

His successor, Ferdinand I, set up a model organisation for the control of salt mining in his first edict.

In the year 1835 a salt monopoly was established in Austria as part of the introduction of other monopoly administrations. Technical discoveries made and developed in the course of the 19th century were first applied to the production of salt in the latter half of that period. Pressdrills using hydraulic pressure replaced boring machines worked by hand at Bad Ischl.

Electric power was introduced into the salt mines in the 'nineties, special power stations being set up in the mines themselves. Subsequently many hydraulic boring machines were replaced by power-driven borers.

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Salt Pans in the Lambach Area.

Great advantages were secured at this time by conducting surface water under pressure to the mines to water the underground facings. A passing attempt to introduce an irrigation process in 1908 was discontinued on account of the amount of gravel washed down from the Haselgebirge.

The second half of the 19th century brought great progress in the boiling process through the use of steam heat for preliminary warming of the saline solution. The works which were started at Ebensee for this procedure were subsequently considerably improved.

At Hall-in-Tyrol, a new electric thermo-compression plant is under construction for the production of fine salt.

Austria's salt mountains have been inhabited for hundreds of years by an ancient race of miners. Happy in the beauty of the surrounding countryside and inspired by love of their lovely native Austria, they hold fast to their ancient rights, customs and traditions.

This long-rooted attachment of the miner to his beloved salt mountain proved its value after the most terrible of all wars. The Austrian saline works were among the first concerns to resume work immediately after the collapse of the German

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317 occupation, thus allowing completely destitute Austria to procure a certain quantity of foodstuffs through compensation deals with foreign countries.

[529] Salt, the white treasure of the mountains, serves humanity in a modified form in another manner. Wherever salt is recovered, there have grown up famous spas such as Bad Ischl, Solbad Hall and Bad Aussee, where the same substance helps to heal various disorders.

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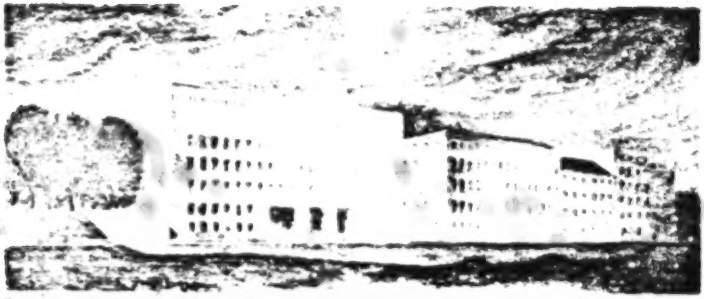

Clemens Holzmeister: Austrian Broadcasting House.

727 The end of the First World War and the fall of the Austro-Hungarian Monarchy had similar paralysing results for Vienna as did the end of the Second World War, when there was not only a collapse of the existing regime, but in addition extensive war damage to be faced. The general reorganisation of the State which took place after 1918 proved less difficult, not only because there had been no actual war damage in Vienna itself, but also because the forces released by the conclusion of the war were not hindered in their development by the pressure of an occupation. Nevertheless, it was years before the Austrian economy and the capital city had so far recovered that it was possible to go beyond efforts to satisfy the daily needs of the population and start constructive municipal schemes.

641 The political revolution of November 1918 secured the full triumph of democratic principles. Universal, equal and direct suffrage, with a secret ballot, was extended to women and, for the first time, applied to the election of members of a Vienna city council. As a result the influence of the masses of citizens which had until 633 then been artifically suppressed now took full effect on the composition of the [665] Council Chamber. Power in the municipal assembly consequently went to the Party of the workers, the Social-Democrats. By securing the majority in the City Council the latter found themselves in a position to put their principles into practice in various fields of municipal activity. During the 15 years after the First World War that the Social-Democrats were able to run the municipal affairs of Vienna, entirely new principles were applied to the administration of public welfare, housing, the conduct of public utility services, the educational system and to questions of personnel. As the basis and support of all these innovations a new financial policy was devised and put into practice. The successful achievements of this exceptionally fruitful period of Vienna municipal administration—it must be remembered that they were not carried out during a period of general prosperity and easy-living,

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Vienna. The Gardens.

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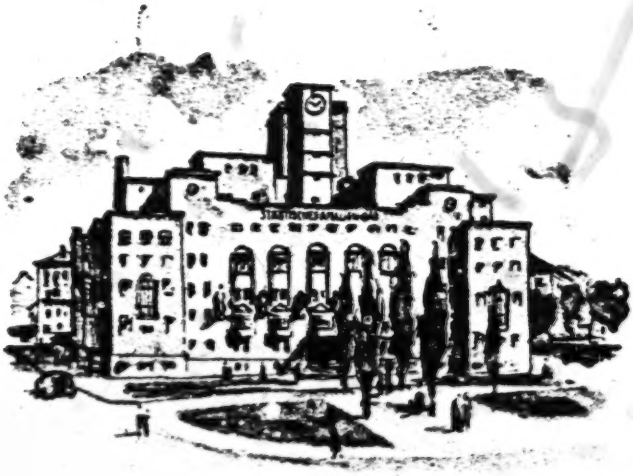

Amalie Baths.

633 but were born of the destitution of the people and more than once endangered by political and economic pressure—have been admired and emulated, not only in Austria but throughout the world as a glorious example to others, and have been adopted as a model in many countries.

Under the Burgomasters Jakob Reumann and Karl Seitz, assisted by active and vigorous city councillors, Vienna, contrary to the dismal prophecies of those who would have preferred to see Austria vanish from the map, obstinately refused to die, but blossomed out as a reborn and flourishing city. Based on the indestructible determination of the Viennese to survive which these leaders directed and inspired, gigantic housing schemes were quickly put into practice after the collapse of 1918 and caused astonishment and admiration far beyond the frontiers of Austria.

746 The eminent physician and advocate of social reforms, Dr. Julius Tandler, based his activities on the principle that care for social welfare was a duty incumbent on all and that those in need had a right to be helped by the community. On the basis of these principles, Tandler brought into being a social welfare organisation which not only brings aid to all those who call for it, but going beyond daily necessities, seeks appropriate means to overcome helplessness itself, and to enable the needy of today to become again active and creative members of the social system. This is applied to welfare work for the youth of the city as well as

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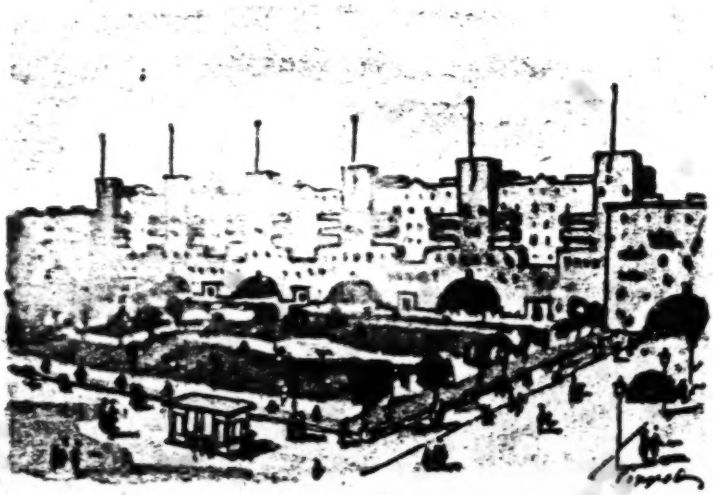

Karl Marx-Hof

to that for adults. The Vienna Municipality has therefore set up a welfare system 746
which makes use of welfare officials who are carefully trained for their task as well as of honorary workers who are the representations of the population and exercise the function of controlling as well as that of assisting the activities of the officials. Within the framework of this welfare organisation, and in accordance with the 744
individual needs of certain branches of the work, there are special personnel trained in youth welfare work and others schooled in the care of tuberculosis patients. The principle of prophylaxis has been made the guiding principle of the whole public welfare service. Accordingly, welfare care begins before birth and extends to all babies and children, healthy or ailing. Every mother who applies for it receives a complete layette for her new-born child. Expectant mothers are encouraged by money grants to submit to the Wassermann test in order to combat hereditary syphilis. Medical examination of school-children at regular intervals was instituted, and women welfare workers appointed for the schools. Provision of school meals ensures that the attention of the children should not be adversely affected by hunger. School dental clinics, optical inspection at regular intervals and holiday schemes complete the programme of preventive welfare for young people of school age. A gust of

Children's Open Air Bathing Pool of the Vienna Municipality.

744 modernity swept through the established youth welfare centres of the Municipality. The uniformed Mr. Squeers with his rod had to make way for the teacher. The new crèches of the Municipality of Vienna may be regarded as a crowning achievement of youth welfare progress. The Municipality also struck a completely modern note by instituting and fitting out kindergartens based on the principles of the famous child psychologist, Maria Montessori.

744 The measures taken to carry on the war against tuberculosis were equally revolu-
734 tionary. Tuberculosis welfare centres now take over the victims of this disease and either send them off for the necessary curative treatment or at least keep a regular check on their state of health. In the Krankenhaus der Stadt Wien at Lainz, a new pavilion for tubercular patients was constructed and the former sanatorium of the "Steinhof" lunatic asylum became the tuberculosis sanatorium of Baumgartner Höhe. The other municipal hospitals were brought up to date, five grammes of radium were bought, a cancer ward was established in Lainz Hospital, special wards for diet treatment and for the care of rheumatic patients were instituted and the municipal Old Age Homes were modernised and extended.

One of the few good results of the First World War was that it taught people to appreciate the value of a healthy body. Sport became a popular demand of the masses, which the municipal administration did its best to satisfy. The establishment of the Stadium and many sports grounds and youth playgrounds, of the Amalia Baths and many summer swimming pools, the extension of existing municipal peoples' baths and the construction of 23 children's free open air bathing pools all served to popularise sport among the masses of the people and improved the health of the population of Vienna. 529

The Tenants' Protection Law, born of war-time necessity, put a brake on private building enterprise after the First World War as it does today. As general economic conditions made it unthinkable that this law should be abolished and the old system restored whereby there was no limit put on the rents which landlords could demand, though at the same time the shocking housing conditions in Vienna called imperatively for sweeping and effective measures, the Vienna Municipality saw itself obliged firstly to raise funds to complete the housing schemes which had been dropped during the war. Secondly, it had to adopt a positive building policy of its own. On September 21st, 1923, its housing programme was adopted, the Vienna City Council deciding that it should be financed from municipal funds. Over a period of five years, 25,000 homes were to be built for the public. This programme was not only completed, but was followed by further great building projects, so that by the year 1934, about 65,000 homes had been built by the municipality, either in blocks of flats or in groups of small houses. This gigantic scheme was covered in part by the steeply and progressively scaled house-building tax. 362

The Vienna Municipality considered its building activities as a welfare measure to which it was compelled by existing social and economic conditions. It therefore treated the whole cost of construction as irrecoverable building investment which must be regarded as capital expenditure. Rents were fixed to cover the costs of maintenance and anticipated repairs and replacements, thus keeping them within the range of the Tenants' Protection Law rents.

House planning was developed by the Vienna Municipality in accordance with entirely new principles of hygiene and cultural progress. The building regulations in force in Vienna since the year 1883 permitted actual buildings to cover eighty-five per cent of the available surface, but the Vienna municipality only allowed 30 to

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Reumann-Hof

362 40 per cent of the surface to be covered by bricks and mortar. This led to the construction of large housing blocks enclosing wide spaces which allow direct light to reach every flat and every room. The interiors of the first flats were very simple; with the improvement of the economic and financial position of the Municipality, those subsequently constructed had more comfort and elegance. Every flat has parquet flooring, hall, lavatory, attic and cellar, water, gas and electric light. Many flats have balconies or bay windows and in the bigger housing blocks the work of the housewives is made easier by central washing kitchens fitted with mechanical devices. Baths, douches, libraries and lecture rooms, gymnasiums, kindergartens and other communal conveniences serve the mental and physical wellbeing of all occupants. The architects of this period employed all their talents to make the blocks of flats of the Vienna Municipality as beautiful and as practical as possible, flats in which a quarter of a million people have found homes. Most of these buildings are real gems which improve the appearance of Vienna and have helped to increase the city's reputation throughout the whole world. The Municipality itself has done its share in beautifying the flats by employing artists of all kinds to work on them. So arose those imposing municipal house-blocks in various districts of Vienna—above all in Meidling, Ottakring, Favoriten, Brigittenau and on the Margaretengürtel, each of which comprises from 400 to 1600 flats. They are fitted out with every possible device to add to the comfort of tenants. In addition, more than 5000 homes have been constructed on the outskirts of the city in villa groups, partly at the sole cost of the Municipality, partly as co-operative settlements with financial assistance from the municipal authorities. Large fruit and vegetable gardens are attached, and often sheds for small live-stock.

The building activities of Vienna Municipality have opened up completely new fields, both from the standpoint of commercial policy as from that of architecture. The principles put into practice by their own building achievements the city fathers

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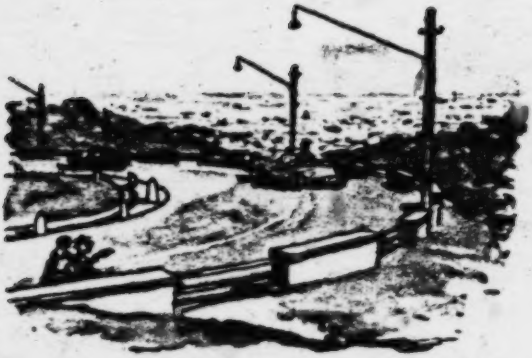

Kahlenberg: The Höhenstrasse.

legally embodied in the new building regulations of 1930. These put an end to the traditional construction for profit of tenement barracks with kitchens opening only on to an interior corridor, so-called "light-shafts" and back blocks. Since then, Vienna's housing principles have been adopted by many countries. They served as a model for the great building programme of the British Government, and have even influenced projects for the building of millions of flats in the United States. 362

A radical change has also taken place in the administration of the public utility services of the Municipality. The principle that costs only should be covered was introduced—i. e. the monopoly undertakings have to be self-supporting without trying to earn a profit for the municipal exchequer. In this way every improvement, every reduction of costs is a direct gain to the consumer—the Vienna public as a whole. At the same time extensive modernisations of all these undertakings were carried out. The Vienna gasworks were transformed into a great chemical factory which was enabled through its by-products to play an important rôle in the country's economy. The municipal electricity works were provided with new machinery and water-power plants were constructed. Gas and electric light became so cheap in this way that it was possible to introduce them to almost every Vienna household. 365

With these great innovations in the service of the masses (which made heavy demands on municipal finances), the position of municipal employees was put on an entirely fresh basis. Not only were working conditions improved for all 633

633 categories, but wages were increased. Since then no worker or employee in municipal employment has been dependent on tips.

The basis of all the great achievements of the Vienna Municipality after the First World War was a stern financial policy which gathered in money where it was to be found—in the hands of the property-owning classes and of those who chose to live luxuriously.

491 Between the years 1934 and 1938 many large-scale road constructional schemes were carried out. First the Höhenstrasse was built through the belt of forests and meadows on the western outskirts of the city, then the Kobenzlstrasse and the Kahlenbergstrasse were constructed, the whole providing a wonderful motor highway. Another road important for modern traffic is the Wientalstrasse, which greets the motorist from the west far outside the city boundaries near Purkersdorf, and conducts him through Hütteldorf, past Schönbrunn Palace deep into the heart of Vienna.

633 Thus the activities of Vienna Municipality in the period following the First World War may be put on record as having been constructive in the best sense of the word, serving the welfare of the people at large and the progress of mankind.

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When Austria drew up her balance sheet after the First World War to see how she could survive as a state, she found in the annals of her past three names which had a sound and well-established reputation—the Spanish Riding School, Vienna porcelain and the Wiener Sängerknaben (Vienna Choir Boys). All three institutions had splendid traditions dating back for centuries. The youthful Republic hastened enthusiastically to add new fame to that inherited from the past.

THE SPANISH RIDING SCHOOL.

543 In Fischer von Erlach's magnificently designed edifice in Vienna, the incomparable Lipizza horses can be seen today displaying their unique mastery of the *haute école* exactly as they did three centuries ago. It is a display of pacing and jumping which is the last word in animal grace. It is directed towards a single objective—a demonstration of perfected movement for movements' sake alone. Setting, rider and horse blend to form a single unit.

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When the Bishop of Trieste no longer felt secure from Turkish raiders—his 543
country house had been burnt down by robber bands—, he sold his estates near 232
the village of Lipizza to the House of Hapsburg. In the year 1580 a stud was started there on the barren rocks of the Karst mountains in the healthy Adriatic air. There the noble strain of the Lipizzas was bred. The finest stallions were always sent to Vienna to be trained there for the *haute école*.

In 1785, the baroque passion for building gave birth to the wonderful 543
hall of the Spanish Riding School. The Imperial Court commissioned Fischer 345
von Erlach the Younger to design and construct it. It is so large that it gives the impression of a grandiose and vaulted city square rather than of an enclosed interior.

543 Grey wooden panelling surrounds the yellowish earth of the rings. Over the
345 massive parterre construction rise the slender columns of the first gallery. Above the cornice of the main building a plain balustrade runs all the way round, while the entrance façade displays an antique and richly ornamented gable.

543 It is in this princely riding school that the *haute école* is ridden, the "school on the ground" first being gone through at the pillars, to be followed by the "school above the ground". After trotting and the "passage", the horse is untied from the posts to perform "circles" and "pirouettes". Then comes the "levade", a movement in which the horse rears its forequarters while keeping its haunches together without shifting from the spot. The horse of the Prince Eugene Monument on the Vienna Heldenplatz is rearing thus. A forward jump in the levade position without the forequarters touching the ground is called "courbetting". "Croupade", "balotade" and the "capriole" form the climax of the display.

To a fanfare of trumpets the imposing figures of the horsemen appear, slowly riding on their wonderful gold-saddled horses. They are equipped with brown or scarlet jackets with white leather breeches, high riding boots, sword and two-cornered hat which in accordance with custom they doff in greeting before the picture of the Emperor. The white horses, their manes and tails plaited with gold, contrast glowingly with the dull grey of the wooden panelling. There is a glint in their great dark eyes, and their pink-edged nostrils quiver. Beneath the gleaming hide the muscles and sinews ripple in incomparable beauty. A picture of perfect discipline, these animals go through their difficult programme. Their performance is a feast for the eye and the senses—the world-famous *haute école*, whose venerable traditions are now practised and kept up only by the accomplished horsemen of the Spanish Riding School.

VIENNA AUGARTEN PORCELAIN.

323 In former times, when Austria saw the triumphant progress of Baroque through
531 town and countryside, when within fortified zones the gothic severity of the Middle Ages was forced to make way for the elaborate façades of the new style, a demand arose for suitable ornaments to decorate the new palaces, for the gala room of the town or country house. It had to be something which would go with the general scheme of interior decoration—artistic ornaments for chimney-piece, shelf and table. It was then, in 1717, that the Dutchman Du Paquier established the Vienna Porcelain Factory, of which the "Porzellangasse" is still a reminder. In the Middle Ages, when the first Chinese porcelain came to Europe, the tables of princes and knights displayed pewter, more rarely silver, but mostly vessels of wood or clay. The manufacture of china, the "White Wonder", a product of the mysterious mingling of the four elements, still remained a secret. Not until the beginning

of the 18th century did Böttger of Meissen succeed in solving the great mystery. 323
Shortly afterwards, Paquier started his factory in the Porzellangasse. A bare fifteen 531
years later Vienna had developed a technique of its own—the delicate shading of the clay, the glazing, and the gilding. Through "flower and figure painting", old Vienna porcelain soon became world-famous. Flower-painting became so popular that the Chinese attempted to copy Vienna motifs, and wares produced to appeal to Viennese tastes were shipped to Europe through the East India Company. But just as "chinoiserie" is never more than an imitation of Chinese painting, so this Chinese attempt to reproduce Vienna patterns did not come near the originals.

Maria Theresia, who recognised the importance of applied art, took over the [655]
porcelain factory and made it a State undertaking. From this time on the manufacturers adopted the historic coat of arms of the Babenbergs as their trade-mark. The popular designation for it was "Beehive". This was the origin of the subsequently famous name for real Vienna china. The undertaking flourished, and was soon employing decorators of skill, painters in blue, rainbow-shades and gold. Orders poured in from abroad; one worthy of note was an order for 120,000 Turkish drinking vessels from Constantinople.

Motifs for decoration were taken from painting, various allegoric figures, shepherdess scenes in the French style, subjects from mythology and later designs according to rococo taste. Landscapes and the so-called mosaic patterns took the place of leaf and ribbon work. Copperplate patterns made a change in subject and technique. About the middle of the 18th century, porcelain vessels as a whole became lighter and more graceful, relief work was added and the baroque handles gradually gave way to more natural styles. Figure painting was executed with a perfection of detail, based on Watteau scenes, mounted combats, shepherds and shepherdesses, rural and hunting scenes and lovers' meetings. Then the influence of Sèvres made itself felt. This period is recalled to mind by dinner-services with rounded gold-network on a dark blue background and coloured figures on a white background.

Towards the end of the 18th century Director Sorgenthal brought new prosperity to the factory. Vienna vases were produced with pictures on the classicistic model, bowls with grotesque ornamentation and Raphaelite paintings. These designs were inspired by the antique wall paintings which at that time were being discovered in Herculanum and Pompeii, as well as the grotesque paintings by Raphael in the loggias of the Vatican, the engravings of which had made them widely known. This period was responsible for a number of charming old Vienna figurines and vessels which are among the masterpieces of ceramic art. At this time the Viennese also invented the famous "relief gold", an unequalled process for dissolving gold in oils and painting it on china.

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When Napoleon's army invaded Europe and Talleyrand appeared in the Vienna factory in 1806 with his generals, Director Niedermeyer dispatched in good time the most valuable specimens to Budapest. At this epoch the now famous Napoleon Service was made for Schönbrunn Palace, a set remarkable for the wonderful forms and colours of the best Empire period. The Vienna factory survived all the losses and dangers of 1809, the ensuing Vienna Congress bringing a host of art-loving visitors who give new impulse to the factory.

The biedermeier period was devoted heart and soul to porcelain. "Middle-class intimacy" and the development of an affectionate family life created a sincere demand and sentimental longing for the products of the factory, which had meantime secured the services of a popular Vienna painter. In the year 1801 Daffinger, who later became famous as a miniature painter, entered the porcelain factory as an eleven year old apprentice. A coffee cup on which the fourteen-year-old boy painted an idyllic group of a mother with three children in perfect harmony of form and colour became a sample of the best composition of the "Old Vienna School". The plate with the Three Graces (after Rubens) is one of Daffinger's finest pieces of porcelain painting.

The tendency to the idyllic, the closeness to life of the biedermeier period made porcelain the fashion during those years. Interior furnishing took advantage of this in an over-elaborate manner, for there was no cupboard without trinket boxes, no wall without ornamental plates and the festive board as well as the everyday table was enlivened by daintily painted services. Monogrammed chocolate cups became birthday and name-day presents. Jugs, pots, pipe-bowls and box lids were wafted from their mundane atmosphere into a gay world through the designs of Daffinger in which a whole company of Greek gods descended on to a white porcelain field.

The discovery of china clay deposits near Karlsbad with coal seams adjacent and cheap labour created a powerful rival to the Vienna porcelain production. Various private circumstances brought the Vienna factory into a difficult situation and led even to its temporary closing down.

The young Austria of 1918 recalled with pride the great history of Vienna porcelain. The name and the site of the Augarten were added to the old trade mark of the firm. Historic drawings were looked up and re-designed. The Augarten Porcelain Factory soon became a centre for post-war Viennese artists, and although the first years after the re-opening of the factory fell within the inflation period, the stabilisation of Austrian currency soon enabled it to regain its former position on the Continent. Vienna Augarten china is an old and at the same time a new proof of Austrian skill. The people of the biedermeier period made no secret of their love of miniatures painted on porcelain. Many such souvenirs of a past age are still to be found in Vienna drawing-rooms, in homes where time has failed to wipe out all trace of byegone days.

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Vienna, the Augarten Palace

THE WIENER SÄNGERKNABEN (THE VIENNA CHOIR BOYS).

533 When the Hofburg Orchestra and the "Löwenburgsche Kaiserliche Hofsänger knabenkonvikt" in the Piarist Monastery were disbanded after the Revolution of 1918 and most of the boys were sent home, the Rector of the Burg Choir, Josef Schnitt, saved from the collapse what it was possible to rescue and re-assemble. In an obstinate fight crowned with complete success, the untiring Rector transformed the former Hofsängerknabenkonvikt into the Institut der Wiener Sängerknaben.

What a far cry it is from that difficult start after 1918, when the new epoch was started without outside assistance, without money, with only 15 boys, in a few dingy rooms of the Old Hofburg, to the all-embracing triumphal journeys of the Wiener Sängerknaben round the world. It is at the same time a pattern for future Austrian cultural progress. Although subsidies have been discontinued and patronage by the wealthy has ended through the impoverishment of the country, the traditional values of art and civilisation in Austria have the necessary vitality in themselves and in the energy of the new generation to persist and even to expand.

The Sängerknabe who stands before the footlights in his sailor suit and bows in greeting with his arms formally crossed, fresh and unembarassed, has a long

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Augarten Porcelain: the Viennese Girl.

533 line of ancestors! They date back to gothic Vienna when song occupied an important place in the ducal Burg Orchestra under Rudolf the Endower. The Emperor Maximilian I founded in 1498 the Boys' Choir in the Hofburg Orchestra. In 1580 the Hofkapelle had 83 members. The choirmasters who in subsequent times were no longer priests but professional lay musicians were enjoined by strict Court orders to "feed and care for the Choir Boys carefully". They were to be given good food, roast meat three times a week, plentiful fruit and decent clothing.

Many great musicians are intimately connected with the history of the Wiener Sängerknaben. Gluck accompanied the choirs of the Hofkapelle. Mozart was more or less the official composer of the Sängerknaben when he was only 12 years old. His charming early composition "Bastien and Bastienne" is, like Haydn's "Apotheker", still one of the best numbers in the repertoire. Bruckner, who grew up as choir boy in St. Florian, was appointed Hofkapelle Organist in Vienna in 1867. Schubert spent five years as a choir boy in the Vienna Institute.

Now year by year posters in all the great cities of the world herald the concerts of the Wiener Sängerknaben. The programme is taken from olden and modern times, the boys beginning the evening with religious A-cappella music dating from the 16th century onwards. Then there are difficult four, six and eight-voiced movements by Palestrina, Lasso and Gallus, solemn and inspiring compositions in which the choral severity of the juvenile voices have a moving effect.

Choral plays in historic costume follow, music by Mozart, Haydn, Schubert. Fresh and natural Viennese boys are transformed into powdered and dainty ladies and gentlemen of rococo times, pirouetting with graceful charm and presenting their quartettes, arias, quarrel- and love-scenes with such ringing and silvery voices that one has the illusion of listening to an old-fashioned musical box.

The third part of the programme is made up of many-voiced folk-songs. Then come the national anthem of the country visited and at the end—Vienna waltzes.

Of the three choirs which the Institute now has at its disposal, one is always on tour, while the other two take duty on alternate Sundays in the Burgkapelle where the solemn Mass is sung. The Wiener Sängerknaben take part in the Staatsoper productions, in films, and appear on festive occasions. Work at self-perfection and progress is their slogan. Through their tireless energy they have created for themselves a home of their own, and have revived an ancient name, to cover it with honour. These boys of between seven and fifteen years of age are the melodious youth of Austria. This institution of the Vienna Choir Boys in its present shape is a striking example of how outward forms can change to correspond with the march of time, while the essential is preserved unaltered. The structure of the institution resembles that of a college. The boys are received into it, regardless of their social background, at the age of six or seven. The sole

533 criterion is that of their talent and inclination for singing. When they have completed their preliminary training—that is to say at the age of about ten years—the young choristers receive what amounts almost to individual further training in accordance with their own wishes. It is the great endeavour of the institution to secure for the choristers when the time comes for them, to leave an extensive and uniform education. As a result, the boys cherish the memory of their chorister days. Many of them come back later as conductors or teachers, or, as part of the audience, re-live their early days as singers.

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000 Food is not, as ascetics proclaim, just a means of prolonging a puritan existence. Far from it. Feeding—the exquisite pleasure of absorbing nourishment—is a very intimate part of the most important and the most pleasurable experiences of life. Manners and costumes associated with eating often give a faithful picture of a whole epoch, reflecting the various stages of its development whithout artificial gloss or sham. The standard of cooking and table manners reveals human—or all too human—characteristics, both of individuals and of races.

In Austria—as you will already have noticed—everything dates a long way back, the most modern things originating at the latest in the days of Maria Theresia. Very much dates back to Leopold, the saintly Babenberg, and even to the Romans. Gastronomy, the art of the epicure, goes back to prehistoric times, for in Vienna the fact has never been overlooked that taste is the first sense to awaken and the last to fade. Literature expresses its universal importance with the words: Eating is life intensified.

181 The words "Wiener Lebensart"—the Viennese manner of living—implies first of all a cultivated appreciation of all the pleasures of life—something which the non-Viennese may dismiss as self-gratification. The Viennese know how to interpret gratification, and find in it nothing derogatory. On the contrary, delight in pleasures of the senses, a desire to enjoy the good things of life contribute towards creative achievement. These things are the inexhaustible source of the Austrian people's artistic gifts, the primary urge to stretch out one's hand towards violin or palette and brush. From them arise the vagaries of fashion, the inspired variations of applied art and that style of living and being which the ancestors called "the life of the Phaeaces".

Would Odysseus ever have returned to his Penelope without the help of Nausikaa, the well-disposed daughter of the Phaeaces of the pleasure-loving island of Scheria? The reproach implied in the word "Phäakentum" only arouses a smile here. People are well contented that pleasure-loving Vienna should be an island in the wearisome and baffling journey of life.

But let us approach the important subject of gastronomy with a respectful obeisance to bygone days:

262 A HERITAGE FROM GODS AND ANCESTORS. One can hardly speak of a culinary art prior to the arrival of the Romans and the Germanic tribes in the country, for the Celts were very primitive eaters. Their food consisted of very little bread but plenty of meat, which was boiled in water or roasted on a spit.

261 From the Teutons two principles have been handed down unaltered—that nothing
574 should be begun on an empty stomach, and that the famous Teutonic hospitality was a first duty. As Tacitus says in his "Germania": "No other race is so eager

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Guido de Colonna: "The Trojan War" (First half of the 15th Century, National Library, Vienna).

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Benvenuto Cellini: Salt-Cellar
(Museum of Fine Arts, Vienna).

261/574 to offer unlimited entertainment and hospitality. For these people it is wrong to close one's doors to anyone, no matter whom."

Early Austrian guide books praise Viennese hospitality in the same way. The Viennese, according to many later accounts, were always fond of eating and drinking, especially in public places such as the Prater, Schönbrunn or the Augarten, a fact which earned them among foreigners the reputation of being heavy eaters. It was also their custom always to cook something special for the guest and to feed him lavishly.

261 But to return to the ancients. The Roman way of life had a greater influence on the stomachs of the Viennese than did that of the Teutons. In ancient Rome eating was a science in which delicate tastes were combined with unlimited luxury. Over the city on the Tiber hovered the spirit of culinary art. According to Plutarch, Caesar understood how to plan banquets with as much care and forethought as battles. Horace and Ovid reveal to us great interest in food and drink, refined by poetry. Ovid describes how a young man dipped his fingers in red wine during a feast in order to write a declaration of love on a small table. The feasts of Lucullus are still proverbial today and the gluttonous orgies of the parvenue Trimalchion are known to us through the tales of Petronius. Many a Viennese may have felt a spiritual bond with Cato as he repeated with a sigh his complaint: "How hard a thing it is to try to talk to one's belly, which has no ears to hear."

262 Cabbage, which they like to serve in Vienna as a garniture to the traditional beef, was known to the gods of the Greeks. It originated from the tears which the Thracian Prince Lycurgus shed when Bacchus bound him to a vine-pole for frivolously destroying grapes. The ancient Egyptians could consume quantities of beer and wine without getting drunk because they ate cooked cabbage before beginning their drinking bouts. Cato recommended the same practice to Roman drinkers.

Lettuce was sacred to Aphrodite because she once hid the new-born Adonis among lettuces. To the Greek gods salads came third among their favourite foods, following nectar and ambrosia. Viennese cannot have forgotten this, for in the preparation of this olympic dish they employ qualities required by other favourites of the gods, the poets—imagination, perseverance, instinct and the gift of composition.

527/262 The egg, which is supposed to have given birth to many divine, heroic and unwordly beings, was associated by the Teutons with hares, brightly coloured eggs being sacrificed at the feast of Ostara, the Goddess of Spring, whose favourite animal was the hare. Until the early Middle Ages it was the custom for godparents to bring painted eggs as present, to the christening. Searching for Easter eggs is still a pleasing custom in all parts of the Austrian provinces, and there is hardly a table at Easter which is not decorated with coloured eggs.

262 Among the many berries in Austria the strawberry is highly prized as a table delicacy and is known to the world as "Schöne Wienerin". The Viennese safeguard themselves against the rash which some people get after eating them by adding *Schlagobers*—whipped cream. A special attraction for eye and palate are the little yellow boats made of pastry topped by whipped cream, thickly sown with wild strawberries.

Soup, supposed to have been the first food of the giants, has always been a favourite dish in Vienna. Such a variety of soups developed from the original soup which was made from bread, that in the year 1300 monks were forbidden to eat more than one kind of soup on a week-day.

The goose, honoured in Roman legend as the saviour of the Capitol, became St. Martin's bird in the Christian era. Roast "Martin's Goose" on November 11th is a special festive dish today in the Burgenland.

A glance at the history of sweetmeats is specially interesting in reviewing the Vienna cuisine, for what would this be without Vienna pastries! According to Pliny the Romans first obtained sugar cane from Arabia. Before that, honey was used for sweetening. The Crusaders rediscovered sugar-cane near Tripoli and brought it to Europe, but cane sugar had a long and expensive journey to make, and was therefore very costly and beyond the reach of most people in the 14th century, twenty pounds costing as must as a Ford car nowadays. Consequently, sugar in the Middle Ages was used almost exclusively in chemists' shops for medicinal purposes. Confectioners did not yet exist. It was the Emperor Maximilian I who brought the first sugar-blower to his Court in 1514.

Salt on the other hand, symbol of hospitality, was found in profusion in Austria.

000 COOKING IN THE MIDDLE AGES. The great gap which we find between the complicated cooking recipes of Apicius, the Roman epicure in the third century, and the first records of the 13th century can only be bridged by isolated references and incomplete accounts. In general, the culinary art deteriorated seriously during the Middle Ages. Stale bread, smoked fish and beef formed the staple food of the knights. The great thing was that enormous quantities should be served. It must have been exhausting work walking about encased in iron on badly paved streets, swinging the two-handed sword of battle and heroically dealing with one horrible adventure after another. The ostentation at wedding feasts contrasted strongly with the simple meals of everyday life. A detailed description of the former is given by the historian Ottocar v. Horneck in his account of the marriage of King Belas of Hungary to the niece of Ottokar of Bohemia in the year 1264. He says: "There was indeed more than enough. The Danube was scarcely able to bear the ships heavily laden with food, and many a container burst under the pressure of its contents." Elsewhere he speaks of bread to the baking of which went a thousand bushels of wheat, and of wine enough for the inhabitants of two countries.

Gölich, Inheritance Congratulation Feast, 1705. Table of the Fourth Estate (National Library, Vienna).

Before the 12th century, in accordance with the strict custom, the two sexes ate separately in different rooms. Later they were allowed to eat in a common dining hall, the knights sitting along one wall and their ladies by the other, the middle being left free for the servants to move up and down. In those days plates were made of wood and pewter, stoneware first coming into use at the end of the Middle Ages.

In minstrel times it was the duty of the host to seat each lady next to an admirer. The pair received one plate between them; people still ate with their fingers. The knight plied his beloved with affectionate words and choice morsels. This common platter was still the custom until the 19th century, after the minstrels had long vanished.

The two-pronged fork first made its appearance in Italy towards the end of the 15th century. Anna of Austria, born in 1601, still plunged her whole hand into the ragout, according to the chroniclers. It was not until the 17th century that the use of the fork became general in Europe. In the 18th century came the three-pronged, and later the four-pronged fork. Although the spoon dates back to the Stone Age, soup was still sipped from hollowed rings of bread until nearly 1500, spoons being only used to fill these. It was the same thing with the knife. As a tool it has a long history and there were cutlers even in the 10th century. But at table it was only used by the head of the house for carving. Tooth-picks, on the other hand, were found even in prehistoric graves, and were carried in costly cases in the Middle Ages.

Until the middle of the 15th century it was the custom to cover the festive board—which was placed loosely on supports and removed at the end of the meal—by enormous tablecloths, which stretched over and protected the knees during eating. Before dipping into the dishes, the hands were wiped each time on the tablecloth, so that this had to be changed several times during great feasts. The table napkin was not introduced until 1450. It is hardly recognisable as such in the luxurious squares of coloured velvet which were used for the purpose at the court of Leopold II.

There was of course no lack of etiquette and table rules. In an Italian manual of the year 1480 we read: "Do not stuff too large mouthfuls into both cheeks. Do not keep your hand too long in the platter, and put it in only when the other has withdrawn his hand from the dish."

Elegant table manners were displayed by dipping with three fingers only. The common drinking glass was in use until the year 1550. It was wiped with the tablecloth before each drink, as was the mouth. If possible the glass had to be held with three fingers only. When a lady drank, the serving-man approached and held a bowl under her chin. In serving, all food was covered with a serviette on account of the powder on wigs and faces. Before a prince partook of a dish, the food taster had to sample it before the eyes of all, even wiping the table implements

with bread which he afterwards ate, such was the general mistrust and fear of poisoning. The talisman was long used at table: it was laid beneath glass or plate. 000

In the 15th century, Vienna cooking was considered to be among the best in Europe, and when the Viennese went to war, he took his best cooks to camp with him. The doughty Capuchin monk Abraham a Santa Clara more than once flew into a passion over Viennese gormandizing. He was not surprised, he said in one of his sermons, that house and farm were so often ruined because of the owner's overeating and that the noble soul was suppressed by the fat paunch.

DAYS OF SPLENDOUR. Splendour and luxury reached their climax in Austria in Leopoldian times, under Karl VI, under Prince Eugene and during the days of the Vienna Congress. Table decoration was a special feature of every official banquet. Fantastic shapes in sugar-icing, arabesques, ornamentation and groups of merry figures were the fashion in the days of great court banquets. The arrangement of the dishes competed with the table decorations; roasted doves and chickens, for instance, would be grouped about a pelican made of baked bread. 264 252

In this decorative period, they went so far as to produce gilded sucking-pigs. Astonishing pastry ships were filled with fruits of marzipan: the latter are still popular today. At other times table fireworks competed with disguised foods and artistic creations such as statues, fountains and castles of edible materials. Many confectioners of the period were trained sculptors.

The most luxurious days for the city were those of the Vienna Congress. Entertainment at the Imperial Court cost 50,000 gulden a day. The wealthy Austrian aristocratic families gave banquets to as many as 700 guests at a time, one day in the week being reserved for such brilliant affairs. 648 574

The so-called table d'hôte was never a success in Vienna. To these "Landlords tables" a certain number of people came at a fixed hour in order to partake of a meal which was served to everyone simultaneously at a fixed price. He who could eat quickest with the smallest regard for others was at an advantage, but as the Viennese dislike haste at mealtimes, the tables d'hôte were little patronised. 265

Apart from the customary eating-houses, there were also what were called the "tracteurs". Here one could eat at any time between eleven a. m. and three p. m., lunch costing up to a gulden according to what was chosen. The customers were drawn from a wide range of social classes. The manager stood in the middle of the room like a major commanding his troops and gave his orders to the waiters. The eaters sat packed together like sardines, gulped down their food and were quickly replaced by others.

In biedermeier times the middle classes lived most of their lives at home in the bosom of the family, where they also entertained guests, and took little interest in appearing in public. For this reason their history is bound up with family tradition. Their way of life and customs inspired an art style which embodied and preserved 565 593

565 them. Although the Viennese woman, superficially regarded, may have achieved
593 the emancipation of the self-supporting woman later than those of other countries, she early became the unchallenged and particularly respected representative of a well-defined and charming type of culture in the family, the home and in her salon. The average middle-class woman in Vienna has always lavished her imagination, her good taste, her emotions and her love on the home and its cultured atmosphere.
264 The famous Viennese "Gemütlichkeit" (comfort) is eternally to her credit. This was not difficult for her to achieve in the days of plenty, but she has the art of lending the poetic touch to the simplest meal. A snow-white tablecloth, a tasteful vase with flowers, an old china service, the dainty mat for a wine bottle and a touch of greenery as decoration can make the plainest meal attractive. Or the cobwebby teacloth of the Vienna Jause (tea table) with the hand-painted biedermeier cups, the charmingly arranged flowers, the sugary white and crisp "Guglhupf" (a sort of sponge-cake) in the centre and the aromatic coffee combine to bring a welcome break in the daily round.

265 This is also the reason why the restaurants in Vienna are less frequented than in other big cities. The stranger who remains more than a week in Vienna looks for private lodgings. If he is a man of name and position he soon finds acquaintances and free board. It was the custom when making a longer stay for a visitor to rent a room for the month and to eat only in restaurants.

511 In Vienna everything was cheaper than in most other cities. Karl Julius Weber wrote:—"Where is the great city where a philosopher may live so pleasantly for such a small sum of money and a man of the world can enjoy the fashionable world for an expenditure of 3,000 to 4,000 gulden? In any case one can live in Vienna twice as well as elsewhere with half as much money."

565 Glasbrenner writes with enthusiasm of Vienna:—"The Viennese is above all
181 a human being. In Vienna there is hardly a trace of class-consciousness, for in the same tavern lackeys and cab drivers sit next to artists, rich citizens and merchants,

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side by side with clerks. The Viennese goes on his way untroubled and finds his own pleasures. If he feels hot he takes his coat off, if he has an itch in his legs he dances, if he likes the look of a girl, he courts her; if he feels he wants to drink, he drinks. He is always human, always without embarrassment, a quality which he has saved from the wealth of imperial days and preserved for these days of impoverishment."

VIENNA SPECIALITIES: Many foreigners have believed that Austrian cooking is the best, the most nourishing and the most piquant. The English are content with roast beef, the French with roast mutton, ragout or a few pies, the Italians with stracchino and spaghetti. Russia has her nourishing herb soups with meat balls, the Hungarian his paprikagulyas, the Dane his buckwheat and cream. But the Viennese is interested in the multiplicity of the dishes. On great occasions he expects to see every bird from blackcock to pigeon, and every fish from trout to tunny on the festive board. In Viennese cooking the condiments are not emphasized and meat is served more à la nature. The Englishman is fond of Worcester Sauce, the Hungarian of red paprika, the Frenchman favours various spices and mayonnaises, but the Viennese prefers the natural taste of the meat. The Viennese cuisine also knows how to combine the favourite dishes of all these nations in its menu, for Vienna has learnt the art of international cooking.

Among the bakers' specialities the first to be mentioned must be the Vienna roll. These have a history, for the Emperor Friedrich IV had the first rolls of the type called "Semmel" baked in 1487 with his portrait stamped on them, and gave one to each of the children who were called together in the city moat. Since then, the rolls have born the name of "Kaisersemmeln". Two hundred years later the "Kipfel" was baked in the crescent form of the Turkish sabres, being at first called "Mond" and later "Gipfel" (peak) after the spire of the Stephansturm which in those days carried a crescent at the top; the soft letter "G" was later changed to the crisp-sounding letter "K". The Vienna Bretzel also made its appearance about this time and was gradually followed by the salt "Stangerl", the "Giraffer1", the "Schnecken" and the brioches. 256

Another Vienna speciality is the Vienna "Faschingskrapfen" (a glorified doughnut). This was invented in the year 1615 by a luxurious confectioner named Cäcilie near the Peilertor, where the Naglergasse now runs. In those days it was called "cillikugel" in her honour. Not until thirty years later was it improved through 257

257 the addition of a jam filling. A Krapfen broken in half and given by a girl to the young man with whom she was in love was considered as a token of engagement. In Vienna there was many a well-known Krapfen house, and during the carnival period of 1815 alone, eight to ten million Krapfen were eaten.

Another simpler home-made sweet of which Vienna has made a speciality is the Zwetschkenknödel, or damson dumpling. Once when Prince Metternich sat deep in conversation with the Czar Alexander I and Talleyrand, the Ambassador of Saxony thought they were having a highly political discussion. Softly and quietly he approached, all ears. He was greatly disappointed, for the Austrian Chancellor was explaining to his eager listeners the recipe for the original Vienna "Zwetschkenknödel".

Apart from these damson dumplings, in which the damson is enclosed in a paste made from finally mashed potato or flour, dusted with golden-yellow roasted breadcrumbs, and afterwards served warm and covered with castor sugar, there are many other kinds of Knödel, perhaps the favourite being the juicy apricot Knödel.

A combination of pastry and fruit is a favourite type of sweet served in Vienna households. There are, for instance, the Apfelstrudel of flaky pastry and luscious filling and the Cherry Strudel. The best of all strudels, however, is Cream Strudel with a filling of sweet curds, cream and currants which must surely appeal to every palate.

We are indebted to Metternich for a further speciality, the "Sachertorte". The story goes that at a special banquet, the prince wished to give his guests something absolutely new and of exquisite delicacy for the occasion. This founder of the House of Sacher then created that cake which has since then gone triumphantly round the whole world. The guests of the Prince were as delighted with the cake as are its countless admirers still today. Shipments have been sent by 'plane to England, America, India and even to Japan. The Sachertorte has won premiums as a supreme Vienna achievement at countless international exhibitions of cooking. It is as much at home on the royal table at Buckingham Palace as it is at a ceremonial dinner of the President of the French Republic or in the cunningly-devised menu of an Indian Maharajah. This cake is a well-planned composition and none of the attempts to imitate it have been successful. Form and colour are characteristic. Its flavour is delicate, blended, mild, not too sweet; it is not too soft, not too dry and not too spongy. It melts on the tongue and has the great advantage of

keeping well, for it stays fresh for at least two weeks without any sign of staleness. 257

Fried chicken and Wiener Schnitzel have become typical Viennese dishes. At home the Viennese is content with an omelette for his "Gabelfrühstück" (elevenses or second breakfast—first breakfast is only coffee and rolls) but away from home he demands a small portion of "Kaiserfleisch", an "Einspänner" (sausage) or "Krenfleisch" (meat with horse-radish). Baked ham is also a speciality of Vienna cooking. 252

"Beinfleisch" (boiled beef served with the bone), ribs and the "Tafelspitz" (another cut of boiled beef) have also often been designated as national dishes of the Phäaken people on the grey "blue Danube". This is true if one is thinking only of favourite weekday dishes.

It is characteristic of the Austrian to hit upon one particular place for each of his favourite dishes, where he has decided that it is prepared to perfection. Thus a true "Wiener" will willingly take the trouble of going all the way to Thallern because fried chicken can be eaten at their best there. In Breitenfurt, near Mauer, on the other hand, they make the best "Millirahmstrudel". For a lucullan banquet of crayfish you must go to Prohaska's restaurant in the Prater.. The place to eat roast goose where the slice from the breast is crispest is the Schottenkeller. For variety in cooking, especially for a wide range of cold dishes, the Rathauskeller is recom-

252 mended first. Freshly caught trout accompanied by just the right wine provide an excuse for a Sunday excursion to Heiligenkreuz. The best Danube fish can be eaten in Fischamend behind the "Alte Tor". The women have their favourite confectioners to which they find their way to or from shopping as a matter of course.

You can be fond of Vienna cooking and still like the culinary specialities of the Provinces. In mountain farms meals have naturally to consist as far as possible of produce of the farm. In the morning and the evening the farmer usually has a soup made of sour milk and flour, with which black bread is eaten. At midday he has dumplings with cabbage or pickled swedes. Smoked meat or pickled pork is only eaten on Sundays.

The more well-to-do farmer is fond of boiled beef. He also eats many kinds of sweet or salt puddings such as dumplings, maccaroni and so on. On festive occasions there is usually a luxurious spread, dishes baked in lard being a staple food. At such times there are "Krapfen", "Schneeballen", "Polsterzipfe" and so on. At Christmas they often bake "Kletzenbrot", containing many kinds of fruits.

In the Burgenland cabbage strudel is very popular. The "Schöberl" has always been a great favourite. This is a mixture of flour, milk and eggs, poured into an earthenware bowl, which is gradually filled with hot lard in ten or twelve layers each one finger deep poured in at short intervals. 252

The "Baumkuchen" or "Prügelkrapfen" of Lower Austria, the "Schnürkrapfen" and the "Schmerstrudel" are indispensable at such festivals as weddings, dedication of church bells, church festivals generally and christenings.

Upper Austria has won fame in the Austrian cuisine with its "Ischlertorte" as well as with its Linz pastry and the "Traunkirchnertorte". The "Reinanken", a fish netted in the Salzkammergut lakes, is well-known. The "Schwarzreiterl", a special type of lake char from the Gosau Lakes were once reserved for the Imperial family and were therefore supposed to be a particular delicacy.

Salzburg was formerly famous for its "Salzburger Zungen". Nowadays every visitor tastes the delicious soufflé called "Salzburger Nockerln" before his departure. "Mozartkugeln" are a special kind of sweet which is attractively packed in Salzburg and makes a charming present.

"Green Styria" excels in the preparation of "Sterz" (rather like the Italian polenta) and of various dishes made from maize. Foreigners prefer Styrian chicken and mutton, which are a speciality in Austria.

In addition to the Tyrolese "Gröstl", which is an everyday dish, there are a number of sweets in Tyrol which are popular delicacies—the "Hupfauf", a fine pudding, the "Schutzauf", a dish of curds, and the "versoffene Kapuziner", made of rolls, wine, almonds and currants.

The "Kärntner Reindling" replaces the "Guglhupf" in Carinthia.

If someone puts aside a rich menu and calls instead for "Kässpätzle" or "Bodenseefelchen" it is sure to be a frugal Vorarlberger.

VIENNA RESTAURANTS. During the Thirty Years' War, manners deteriorated, the inn parlour re-echoed to the jargon of the streets or the brawling of mercenaries. The end of the 17th century saw an attempt made to curb rough manners. France was the first country to establish stiff forms of etiquette, which gradually spread over the frontiers. Inns slowly developed something like comfort, although visitors still whistled for the serving boy through their fingers instead of ringing a bell. 485 576

In the era of pastoral romance, the inns became really popular. Princes used them to give informal costume feasts in the gallant manner; "Wirtschaften" were held where even emperors and empresses appeared as host and hostess, while the rest of the court either acted as servants of the inn, or played the rôle of visitors. Incidentally this obviated disputes about precedence, which made everything more comfortable. In 1698, Peter the Great stayed incognito at the Vienna Court, taking part in a "Wirtschaft" which was arranged in his honour, disguised as a 000

Friesland farmer. The Emperor Leopold served him wine in a costly crystal chalice, begging him to accept the latter as a gift.

In the year 1678, when Prince Johann Georg of Anhalt-Dessau appeared at such a Wirtschaft at the Vienna Imperial Court in the guise of a Dutch sailor, Emperor Leopold toasted him with the words: "Since I believe that nobody knows more about the wind than a Dutch sailor, I drink his health with the wish that the wind may be favourable to the Roman Empire, to my House and to yourself, in accordance with whatever you may desire."

All royal personages, male and female enjoyed taking part in these Wirtschaften. A lot of thought went to devising the menu, and amusing ideas were often introduced into it.

265 The oldest eating house of Vienna is supposed to be the Griechenbeisl on the Fleischmarkt, dating back to the year 1500. If one drank more than two glasses of beer one had to keep the reckoning by laying the appropriate number of matches on the table; some had quite a little pile to show before the evening was over. Even [533] the "liebe Augustin", the forerunner of the public singer who was himself born at Vienna in 1643 as the son of a tavern keeper, played the bagpipes there and sang there his famous tragi-comic song:

"O, du lieber Augustin, alles ist hin ..."

It is a far cry from him to the "Schrammelmusik" and beyond to Girardi and his immortal carriage song. The Matschakerhof, which is also mentioned in the 15th century, is about as old as the Griechenbeisl.

During the Vienna Congress the attachés of the various Powers met regularly for lunch at the hotel "Kaiserin von Österreich", which soon received the name of "Diplomatenbörse" (Diplomat's Exchange). The table reserved for them in this hotel was called the "Chronicle of Vienna". Here confidential cabinet questions were discussed during informal conversations and events of the day talked over of which the Press only learned very much later.

"Die drei Hacken", later called the "Römische Kaiser", was adjudged Vienna's most exclusive tavern in Congress times. Unfortunately it no longer exists. On its site stands the building of an insurance company in the Renngasse.

The Hotel Sacher was frequented by members of the Austrian court and aristocracy. In its garden, the old Austrian uniforms struck the dominating note. The hotel's exquisite cuisine was renowned; the owner, Frau Anna Sacher, was a well-known figure in Vienna. Like Danish women, she smoked cigars, not little cigarillos but big, fat cigars. She had the gift of making all her guests feel at home and well understood how to flatter the peculiarities of each one, to satisfy every wish and to remember a guest's favourite dishes. Sachers, because of its distinguished clientèle, became the first hotel in Vienna, and was often the scene of meetings which decided the fate of Europe. The diplomats of the whole world were numbered

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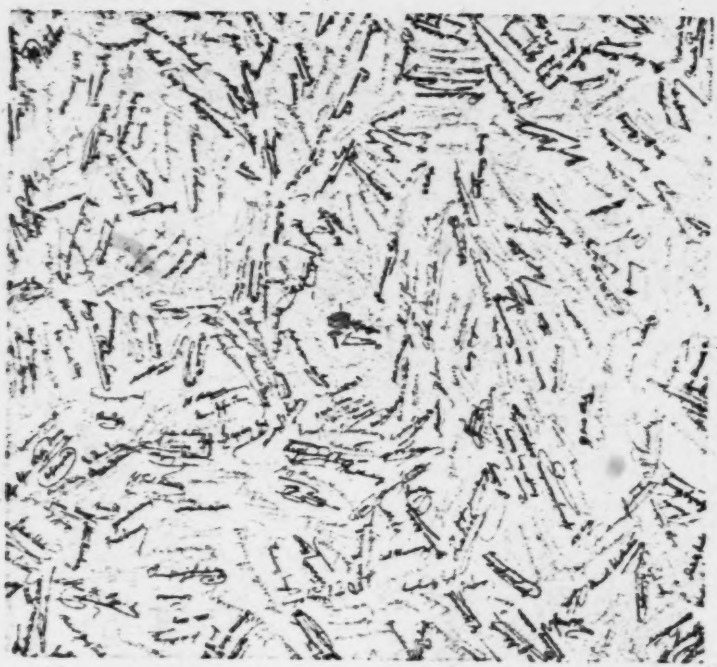

Vienna. Hotel Sacher: the "Signature Table Cloth" with the names of famous personages.

among its guests. They still show the menu there which the unhappy Crown Prince Rudolf wrote out himself for a dinner he ordered there a few days before his death: Oysters, turtle soup, lobster cotelette à l'Americain, blue trout with Venetian sauce, ragout of quails, French poulard, salad, cheese. To drink with it he ordered Chablis, Mouton-Rothschild, Röderer-Crystall and Sherry Superieur. The famous tablecloth which served as a guest-book is a treasure of the House. More than 140 of the most distinguished guests have recorded their signatures here. These autographs on a white damask cloth were embroidered by Anna Sacher herself. 265

Franz Schubert used to frequent the "Ungarische Krone". A circle was formed there which was called the "Canevas Society", because Schubert's constant question

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on entry of a newcomer was: "Kann er was?" ("Can he do anything?") To this circle belonged Schwind, Schnorr, Bauernfeld, Lachner and others.

The Prater restaurants are peculiar to Vienna. Some of them rank as "noble establishments" because of their higher prices. Prosperity first came to them when the "Blumenkorso" was instituted in biedermeier times. When people are happy, they generally behave well; in Vienna the contrast between grinding poverty and great luxury is not so sharply defined as in most other cities. The Vienna Prater offers happiness, recreation and comfort to all classes. An ice-cream at the Eisvogel, a cup of coffee in the Sacher Pavilion or a bite at the Lusthaus was always within the reach of many.

On the left hand side of the main avenue of the Prater, coming from the City, you see one coffee house after another. What the poet Adalbert Stifter wrote of them in 1844 is still true: "From each of them comes the strains of music. Under the trees are many thousands of seats filled with people in their best clothes. There is a laughing, a talking, a clinking of glasses, and before the eyes of the crowds the elegant carriages roll along the avenue, which stretches away with no end as far as the eye can see."

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Vienna is very well off for cafés. It was from Vienna that coffee set forth on its conquest of the world. In 1683, after the city had been liberated from the Turks, large quantities of coffee beans were discovered which the invaders had left behind.

The Pole Kolschitzky, who had done valuable work during the siege, was presented with the strange beans as a reward. In a house which was placed at his disposal for the purpose he opened the first coffee house called "Zur blauen Flasche".

Vienna has always cherished the old Arabic saying to the effect that coffee must be black as night, sweet as love and hot as Hell. Coffee house life sprang quickly and definitely into being. To the question

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"where?" the Viennese soon had no other answer than "in the coffee house!"

"Where can I speak to you?" "From where can I pick you up by car?" "Where can I play cards—or billiards?" "Where can I dodge a curtain lecture?" "Where is the latest news to be found?" "Where can I start a club?"—The Viennese answer to each is "in the café". In course of time every class and group acquired its own coffee house. There were cafés for young men, artists, pensioners, ladies, bohemians and many others.

In the café lies illusion, and the smallest illusion is capable of making the Viennese happy. Coffee has actually become the favourite drink of the Viennese since 1683. It is a drink which they know how to prepare deliciously at home as well. The Vienna coffee house has developed in so many directions and become so unique that it has become almost an article of export—the Vienna "Stammcafé!"

You are not limited to ordering an ordinary cup of black coffee. Far from it. For the initiated there is a whole catalogue of variants. There is black coffee with or without whipped cream, the "Einspänner", the "Melange", the "Kapuziner" a "cup of gold" or a "cup of nut-brown" coffee. With these a "Kipfel" may be eaten to bring out the flavour. A glass of water is always served at the same time and the glass is refilled gratis innumerable times when the customer has ceased to order anything to be put on the bill. You sit at a small, marble-topped table, surrounded by well-dressed people. In the café as on the street outside, the picture is lively and colourful. If you wish to read there are any amount of newspapers and magazines available, as well as fashion journals and art periodicals. Just by ordering a cup of "Melange" and a "Kipfel" you acquire the right to sit there for hours if you will.

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Franz Schubert, who could not do without coffee, often made it for himself at

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home, humorously naming his small hand coffeegrinder the home of his Holy Spirit. He swore that the best ideas and tones came to him through the monotonous noise of grinding coffee beans, instancing his D-minor-quartette. Beethoven's approved recipe for coffee was sixty beans to a cup.

After a time, chocolate was also served in the coffee houses. When Fernando Cortez landed in Mexico in 1519, he came across the drink of the native inhabitants. This was served ceremoniously in golden cups at the court of Montezuma, the last of the Aztec rulers. The doctors of Europe were of divided opinion concerning the cocoa bean, its oponents being in the minority in Vienna. In 1694 the Vienna Professor Rauch was bold enough to criticise chocolate unfavourably. As a result he lost his position and his book was destroyed. The Viennese stand no nonsense when a culinary addition is called in question.

The lemonade booths were a later development. They were most in demand of course in the summer months and were well supported by women. They were tents set up in public squares where lemonade, "almond milk" and ice-creams were sold. They sprang up on the Graben and Am Hof, on the Bastei, at the Kärntnertor and on the Neuer Markt. In good weather they were sometimes patronised—lover's whispers on summer nights and by bright moonlight—until the dawn.

273 For the men there were wine-cellars and "Heurige". Austrians drink more than some other races because they eat more, but they are no drunkards. At

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a meal good wine increases the pleasures of the palate, ensuring the thorough digestion of lunch before dinner time comes along. In the 18th century it was the custom for every host to keep a wine list for his guests to choose from. This furthered ambition so that there were houses in Vienna where eighteen to twenty varieties of wine were held in readiness for guests.

YES, THE WINE! Just as the Austrians vary in type according to whether they come from Graz, Linz, Salzburg, Tyrol etc., so does the wine vary. In this Austrian wine scores over most foreign wines. Within the wide choice it affords, every taste can be satisfied. From the light, full-flavoured or the rather sour and thirst-quenching wines to the high-grade *premiers crus*, there is a whole gamut of excellent vintages always ready to satisfy the most exacting demands as to quality and bouquet. As the Viennese combines in himself the qualities of all Austrians, so is Viennese wine typical of the whole country. It embodies the magic of the flowers and the strength of the mountains. Few are privileged to understand and appreciate to the full the multiplicity of often very subtle differences between the various growths. Not to everyone who drinks it does the wine reveal all its soul, all its intimate secrets. It calls for wooing, for a testing; it demands of its devotees love and reverence of tongue and palate.

The vineyards of the country are older than the name of Austria itself. When 245 the transport of wine from Italy for the use of the Roman legionaries on the Danube became difficult, the Emperor Probus lifted the ban on planting vines in the Roman provinces. Then the first vineyards came into being on the sunny hills lining the military road from Aquileja to Carnuntum and on the slopes of the Wienerwald. Subjected like all else to changing history, grape-growing flourished afresh under Charlemagne. The priories and monasteries, the monks of Passau and Salzburg tended the vineyards with loving care. Thanks is still due to them for this today!

Even in the times of the Babenbergs Vienna was surrounded by a ring of green vineyards. In the 14th century, 18,000 candles per year were used in the Seitzerkeller, below the Tuchlauben. A chronicalist records at the beginning of the 15th century that gathering the vintage in Vienna lasted for fully forty days and that 300 carts laden with grapes were driven into

245 the city daily. Even in those times new plantations were forbidden, in order to prevent a fall in prices. In the year 1448 Chancellor Aeneas, later Pope Pius II, wrote: "The wine cellars are so spacious and deep that people say the city has been built as much below ground as above it."

To the Vienna commercial fairs, held twice a year, it was possible to bring every type of commodity under the signed safe-conduct of the reigning prince, with the exception of beer and wine. In the 17th century, traders of Amsterdam and Gent showed a preference for Vienna "Nussberger". Before the irresistible tide of triumphs of the Turks was dammed at Vienna in 1683, they had already been quietly overcome by Vienna wine.

In 1872, peaceful progress in the vineyards was abruptly interrupted by the appearance of the phylloxera. Brought to Europe from overseas, this most dangerous of all vine parasites ruined nearly all the vineyards of the Continent. This meant bitter years for the Austrian wine-growing families, which numbered no less than 60,000, excluding all those whose livelihood depended indirectly on the vines, such as innkeepers, wine-dealers, cask-binders and the like. At last it became possible to revive the Austrian wine trade with the help of American vines, on to which the native high grades were grafted. Building in Vienna gladly and voluntarily halts at the vineyard districts. Well-known and honoured wine-names are here—Nussdorf, Heiligenstadt, Grinzing, Kahlenbergerdorf, Sievering, Neustift-am-Walde and Salmannsdorf. There, too, are to be found the wayside winegardens and taverns, the "Wiener Heurigen".

274 Of all the wine producing districts of Austria, the most important is Lower Austria. Wines of every type are to be found here, from the light and sparkling "Brünnerstrassler" to the heavy "Gumpoldskirchner"; from the noble and aromatic "Wachauer" to the pleasant and sweetish "Muskateller". It would involve a lesson in geography to name and locate all the places where the precious vines are grown and tended, starting with the southern slopes of the Wachau and continuing over the broad Krems vineyard area up to Langenlois, further on to Maissau or down towards the Bisamberg and vine-girdled Klosterneuburg, which is called the "Rinnende Zapfen"—"The Leaking Bung". The extensive vineyards around Retz produce that wine which the Viennese are fond of drinking in "Stehweinhallen" ("Standing Wine Bars") as "Special" or, abbreviated, as "Spezi".

In the south, beginning at Mauer and Perchtoldsdorf, lies the most famous Lower Austrian vineyard district, which includes the villages of Guntramsdorf, Gumpoldskirchen, Baden, Sooss, Vöslau and many others. The "Rotgipfler", the "Zierfandler" and the "Neuburger" are noted for their aromatic bouquet. The fragrant bouquet of Sooss Muscatel wines impresses every connoisseur. The red wines of Vöslau, especially the "Schlumberger Goldeck" have carried the

renown of Austrian wines far beyond its frontiers.

The Styrian and South Styrian wines have an entirely different flavour. Here one again meets famous names—Schilcher, Portugieser, Sylvaner, Welschriesling, Weissburgunder, Traminer, Muskatsylvaner and Weissklevner.

The colours of the Burgenland provincial banner, red and gold, stand for the wine of the Province. Some fine vintages flourish in the mild climate of the Neusiedlersee. Heavy and golden lies Ruster wine in the glass, a king among wines. Mild and sweet, with an exquisite bouquet, it delights every experienced winebibber.

Sip it reflectively and with moderation! There is a secret about the wine which should only be unveiled with caution. In wine lies power, reality and truth. Let us hope that you, good friend, are a seeker after truth—at least you will become one through the local wines!

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Although Austria has always been a wine country, the competition of beer was felt even in the Middle Ages. The right to brew beer lay in the gift of the ruler. In 1430 there was already a "Bierglocke" ("Beer Bell") in the left Heidenturm (Heathen's Tower) of the Stephansdom which rang for working men to cease their labours. At the same time, the tolling of the bell forbade the further sale of beer, and meant that the taverns had to be closed.

A glass of beer on the way home during the warmer months is still the most popular drink. Any genuine Wiener would sooner risk getting the round paunch of a beer-drinker than deny himself this pleasure.

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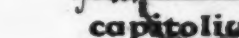
HE WHO WAS NEVER IN HIS CUPS

He who was never
in his cups is truth

a sorry swain forsooth
sorry swain. And he

who only 'gainst his cups were wiser
to abstain indeed were wiser to



abstain. Then everything spins
"um und um" in this our

capitolium in this
our capitolium.

WENZEL
MÜLLER
1793

APRÈS SOUPER: The Austrian has thought out variations and combinations of food and drink and developed his own customs and habits. The first principle of the Vienna cuisine is that only the best ingredients should be used, and never substitutes. Although the rural inhabitants of the Provinces may conservatively adhere to the saying "What the peasant does not know he does not eat", the Viennese always was and still is willing to accept all good things which come from any part of the world, altering and adapting some of them to his own tastes. This chimes with their motto "Live and let live". 262

Even during the hard times of the war, the Viennese woman spent a commendable amount of trouble on the kitchen. Love of cooking and good taste enabled her continually to ring the changes at table, even when raw materials were most sadly lacking. Even though it seemed as though the days of éclairs with whipped cream, the cream fingers, the "baisers" and the cream horns had never been, there was still some kind of sweet on Sundays.

The Viennese housewife decks her board with artistry and good taste. It speaks of light-hearted friendliness and smiling festivity. The menu is free from the sort of vulgarity which rattles the money bags even at mealtimes. New ideas come

262 to enliven the meal, and consideration for each individual guest creates the right atmosphere. Sensitive tact is the maitre d'hotel, and tact is a quality which the Viennese woman enjoys instinctively from birth. A guest in a Viennese house feels himself surrounded by comfort and well-being and there is nothing to make him consider how much trouble work and thought have been employed to produce this apparently effortless result.

The Viennese woman of yesterday, of today and of tomorrow provides the right framework for the popular saying: "Food keeps body and soul together."

000 Dear friends, before you travel to Italy to see Naples and die, come first to Vienna to enjoy life happily and comfortably a little longer.

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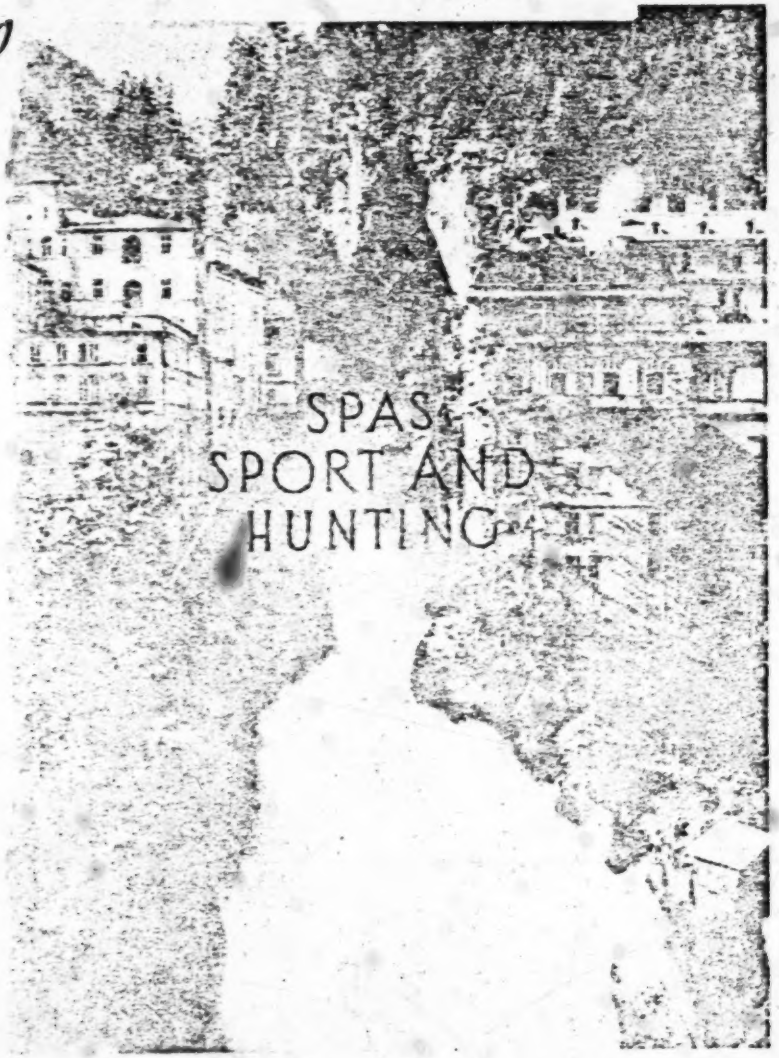

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Medicinal Baths in Austria.

HEALTH RESORTS AND SPAS.

529

Nature in Austria attracts not only through variety and charm, but also through a healthy climate which is bracing for mind and body. Situated between the oceanic West and the continental East, the graduated heights, the mountain ranges, lakes, rivers and forests provide many variations of climate, capable of satisfying a wide range of demands for a mild or bracing resort, and a variety of choice which enables every individual to select just what he wishes for himself.

There are over 200 health resorts in Austria, 110 of them being medicinal spas. Some of them are world-famous, attracting and retaining an international public. Others are quiet and remote, lying in gently rolling hill country, and others again call one to the invigorating heights of the mountains.

Along the long-known thermal line which skirts the eastern edge of the Alps and runs from the Danube through Lower Austria and the Burgenland down to

529 Styria, is a long succession of spas. Another group benefits by the mountain riches of salts and volcanic springs. There is a succession of healing health resorts extending from Bad Hall in Upper Austria across the Salzkammergut and the magnificent valley of the Gasteiner Ache to Solbad Hall-in-Tyrol.

[312] Chalybeate waters, radio-active springs, mineral-saline waters, sulphur springs containing iodine or bromide, mineral waters of the most varying kinds are all used in a carefully tested therapy for drinking or bathing cures, inhalations or medicinal packs.

Whatever could be done by man to add to the gifts of generous nature has been done in Austria. The health resorts and baths themselves are as diverse and manifold as the healing springs. Baden-bei-Wien lies in a specially favoured corner of the Wienerwald, with its sulphur springs which were valued by the Romans, amidst very lovely scenery. Nestling among forested hills and extensive vineyards, the town with its well-kept avenues, its park, its promenade, theatre and charmingly built villas is like a great hospitable garden. Baden has been a favourite resort for statesmen, men of science and artists from time immemorial when they have sought peace and recuperation to enable them to face new tasks.

Badgastein, situated amidst the impressive panorama of the Salzburg Tauern, has become Austria's most famous medicinal spa. Mountain sun, absence of fog and the purity of the air all help to increase the effect of the radioactive thermal waters. This place, with its varied profusion of pump rooms, fine houses and modern hotel residences towers above and around the rushing, foaming, cascading Gasteiner Ache like an enormous amphitheatre, a picture of elegance and comfort combined with nature in her most overpowering and impressive mood. The shady and well-kept paths hold memorials to many famous personages, to rulers, statesmen, diplomats and artists. An international public from all over the world gathers here in the hope of postponing old age and recovering youth.

One thing is common to all Austrian spas—to Tatzmannsdorf, Schallerbach, Vöslau, Gleichenberg, Warmbad Villach, Ausseer and

529 Ischl. That is the atmosphere and feeling of comfort. There is a healthy optimism in the air of each, a natural and effervescent joy in living which knows no artifice.

SPORT.

526 The idea of sport in a modern sense—Athens in 1896, Coubertin, memories of Olympia—has fallen on fruitful soil in Austria, as her sportsmen have proved in the prizes which they have carried off at various international competitions. There is no need to concern ourselves here with gold and silver medals, nor with records, distances covered, split seconds and points. Let us leave aside champions and their tabulated achievements, the "wonder-teams" of former years, world-famous ski-ers and the "strong men" of Vienna. Here let us consider sport in its natural and most attractive shape, as a means of gaining strength and of recuperation for all, to whom it offers the joy in living which comes from a healthy body.

Expressions frequently heard such as the daily grind, the dull jogtrot of life are not applicable to Austria and its inhabitants in a literal sense. Whoever sets a wandering foot on the ground anywhere between the Bodensee and Neusiedlersee can be sure of a constantly changing view, of a world twisting and turning up hill and down dale in mountain and valley. Anyone wanting to go from one town to another, or even from village to village feels his senses quicken in the freedom of the lovely countryside. The air, fresh with the dew on the grass or heavy with the scent of flowers, so bathes the skin, the lungs, that it seems as though burdens had been cast away.

Living and working in this atmosphere throughout the centuries has given the men broad shoulders and sinewy figures; the women are high-waisted, with narrow hips, graceful necks and shoulders and slender, well-shaped feet. The Austrian has a passion for "wandern"—for hiking—deeply engrained within him. His mouth demands to breathe in the air of the great mountains, his foot the soft carpet of mossy slopes and his eye continual change, now drinking in the green of near-by forests, now reaching out to the distant lines which the silent horizon has etched against the bright sunshine. The driving force behind all sport in Austria is the need to be with and to experience nature, the delight in the light of day, the need to grasp the earth as

one's own possession. In her intensification of this harmony of man and nature and quickening of his joy of living, Austria cannot easily be excelled. From the highest point of the Tauern range down to the warm, sailcovered lakes of Carinthia, sport is being enjoyed in one form or another and is adding to Austria's sporting reputation as a whole. 526

There is something to suit everyone, no matter what his age or capability, which will help him to preserve his youth and pleasure in life as long as possible. Four types of sport predominate: Ski-ing, mountaineering, water sports and hunting game.

The Arlberg School of ski-ing is famous even beyond the Continent of Europe and is practised alongside glaciers and on mountains even in midsummer. But in winter more people make the shadowy tracks in the powdery snow according to rules of their own devising than there are ski-ing pupils in the whole country. Slalom on the steep slopes, the jump, skijöring, ski-elevator and overhead railway all crowd together within a small space.

Mountaineering is no less attractive. Climbing at the end of a rope or alone up through a narrow cleft in the side of a mountain, over precipices and crags, mountain trips, ascents along secured or dangerous pathways, the rest at the summit, life in the huts and tours along the mountain saddles. To reach the mountains has been made almost easy, for car roads, elevators and overhead railways do away with the toil of the ascent. But there is still room for both types, for the mountaineer of the old school who carries rucksack, pick and rope up to the heights himself and for the others who are in a hurry and who are saved half the trouble of climbing by making use of modern facilities.

On the lakes sport can be combined with pleasant holidays. There is rowing, swimming, sailing, diving and—the beach. In winter sleighs glide swift as the wind over the grey surface; skates carry one from shore to shore almost without effort, past clean-swept rinks where many an hour is spent in keen competition in the Austrian version of curling.

On the rivers, on the wildly foaming waters, paddlers guide the kajak and the light canoe boldly over dangerous snags and eddies. Golf, tennis, motor-boating, country riding, motoring, free gymnastic exercises with gymnasium apparatus and every kind of indoor sport are all

526 equally cultivated in Austria. Everything arouses enthusiasm which tends to bring man closer to nature.

HUNTING.

224 Everyone passing through Austria who looks at it with the eye of a hunter will immediately get an idea of the country's hunting possibilities from the variations of nature alone. There are ice-covered mountain peaks with rocky gorges and belts of meadows, dark mountain forests, open stretches covered with undergrowth, reed-surrounded lakes and ponds, fields lined by hedges and the unending ploughed fields of the eastern plains.. From a huntsman's point of view this all affords ideal living conditions for furred and feathered game. This widely varying countryside provides plentiful food supplies for the many kinds of wild creatures who stock it.

The chamois, a species of game which is typical for Austria, can be found anywhere in the Alps. Hunting this mountain antelope, either the red summer chamois or the dark rutting chamois, is considered to be one of the most fascinating experiences. In well-stocked preserves made easily accessible by the narrow mountain paths that are to be found in North Tyrol, it often calls for no special exertion or knowledge of climbing to get the chance of a shot under the expert guidance of a gillie. Hunting on the slopes of the higher mountains where there is rough going among the rocks can be an altogether different business. The hunting tracks often follow difficult ascents with alarmingly steep precipices, the shooting hut may be close to a glacier. The exertion is well repaid on such difficult trips by the exitement of the chase.

A scarcely less thrilling experience—at rutting time it affords even more excitement—is deer-stalking in the mountains. Deer can be hunted in summer in the high alps, but the stalking of the rutting stag is the supreme experience for the sportsman. Anyone who has heard the rutting call of the stag amid the pastures and crags of our mountains, has watched the mating of the noble red deer among the lovely shades of autumn forests and has finally given proof of his hunting prowess by shooting a correctly stalked buck will record such hours in Austria in his golden book of the chase.

HEAD OF GAME SHOT IN 1935

Red Deer	*14,390*
Fallow Deer	*457*
Roebuck	*76,416*
Chamois	*7,279*
Black Game	*157*
Hares	*528,766*
Rabbits	*32,811*
Marmot	*1,543*
Foxes	*11,707*
Martens	*1,265*
Weasels	*7,128*
Polecats	*4,235*
Badgers	*1,076*

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Vienna; Freudenau..

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The stalking of blackcock and grouse is another form of hunting in the mountains. Spring is the time for shooting the cock. When the "Föhn" (south wind) gently caresses the Alps, shaking the snow from the evergreens, and the pastures begin to grow verdant, the capercailye struts and the black cock dances.

In the lower mountains, deer replace the chamois. You will find them everywhere in Austria, above all where forests are interspersed with rocky slopes. Thus the alpine foot-hills to the north and south of the main alpine chain, inclusive of the Wald- and Mühlviertel, are well stocked with this type of game.

Where you find deer, you may well find the heath-cock also. Epicures among sportsmen find themselves well repaid for the trouble of hunting this smallest type of cock. It only frequents the wooded countryside where deciduous trees and bushes mingle with the conifers. Martens, foxes, badgers, wood pigeons, woodcock and fieldfares can be found everywhere in the Austrian forests.

Descending into the valleys we reach the fields and flat-lying meadows, the habitat of the hare. The steppe-like plains and fields are its favourite haunt, although it may often be encountered in forest and mountain country. In ploughed land, however, hares spring everywhere from the furrows and the stubble. The pursuit of the hare, especially if you are aided by a good dog, provides a change and excellent sport.

Shooting waterfowl can be indulged in among the fields bordering the rivers, in the bog and moor districts of the great Alpine valleys and beside Alpine lakes as well as on the pools of the Wald- and Mühlviertel. The Danube, the Mur, the Drau, the Inn, the Salzach, the Enns and other rivers all have backwaters full of waterfowl. The Neusiedlersee with its vast forests of reeds is an eldorado for those who enjoy this sport. Wild-goose shooting is considered to be the most exciting.

Austria's extensive game-stocked countryside provides unusually good shooting. Stags near the Danube, deer, hare, rabbits, pheasants, snipe, quail, wild duck and wild turkey afford sport almost all the year round.

Finally let us mention that boar can be hunted in the preserves of the Wienerwald and the Leithagebirge, and that the uncommonly shy bustard is met with in the plains to the east and south-east

Otters 37

Squirrels 19,026

Musk Rats 3,490

Capercailye and Black Cock 2,859

Grouse 2,210

Heath-Cock 1,410

Woodcock 3,988

Snipe 105

Quail 402

Pheasants 180,314

Partridges 300,824

Bald Coot 218

Ptarmigan 163

Wild Geese 1,038

Wild Duck 11,228

Wood Pigeons 2,995

100

From the rushing Book for Tyrol and Görz of the Emperor Maximilian I (National Library, Vienna).

224 of Vienna. The importance of hunting in Austria and what it offers is shown in the accompanying figures for game killed in the year 1935.

226 The fisherman is just as well served as the hunter, for in the lakes of the Salzkammergut and those of Carinthia he can find pike, shad, lake trout and many varieties of coarse fish. The same is true of the Danube and its great tributaries which even in their upper reaches are rich in all kinds of sporting fish such as Huchen (the land-locked salmon of the Danube), grayling and trout. Trout of course are met with in the smallest streams high up in the Alps. Even in lakes lying at great altitudes there is fly-fishing for black char. Many memorable delightful days can thus be spent in Austria shooting and fishing.

Crested Duck 144

Owls 70

Hawks and Sparrow-hawks 12,343

Crows and Magpies 98,537

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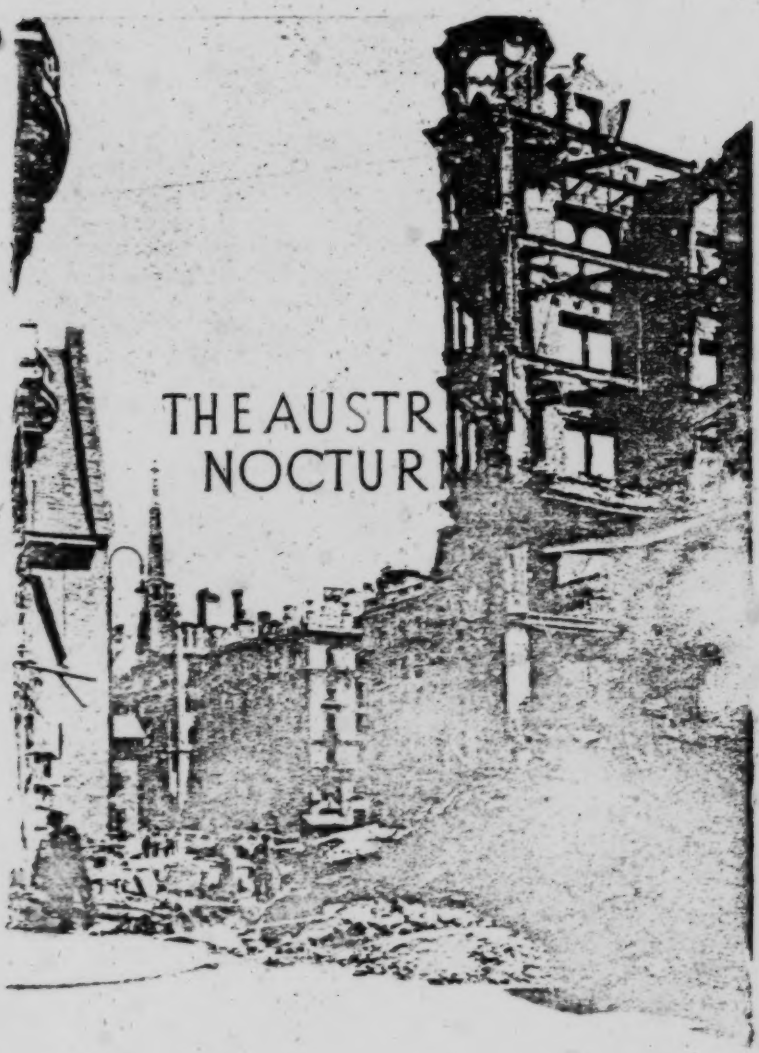

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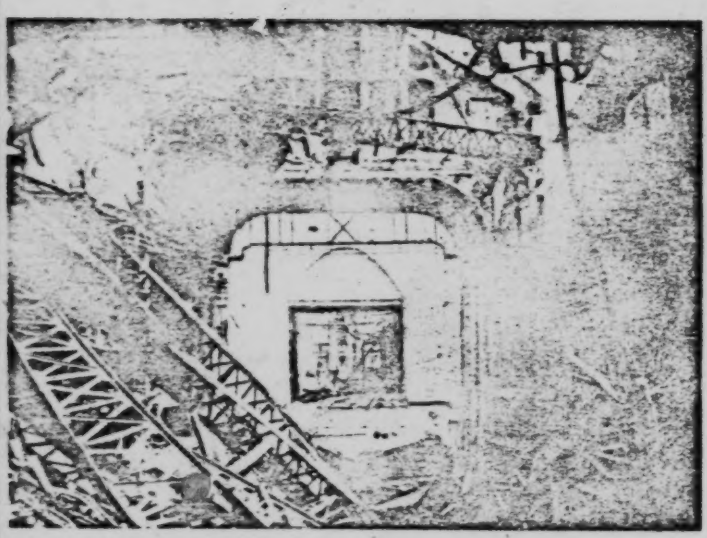
Vienna, the Stephansdom, April 1945.

648 In those ominous days of March, 1938, when the armies of the Third Reich were crossing the Austrian frontier, a poster appeared on walls and the shuttered windows of shops, showing Hitler and Bismarck together. The former, of course, stood obtrusively in the foreground, while the Iron Chancellor was placed modestly behind as a forerunner who had long been overtaken.

Probably the designer of the poster had forgotten—if he ever heard of them—the words which Bismarck had spoken to Maurus Jokai in 1874: "Any German statesman who dreamed of conquering something in Austria would deserve hanging."



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The State Opera, Vienna, March 12th, 1945.

Nevertheless, Austria was annexed, and the prophetic words of another statesman, Prince Talleyrand, became bloodstained history: "To destroy Austria would be to replace order by chaos." 648

These words of the Frenchman, spoken of the great Austrian Empire, proved true enough as a political axiom applied to the small Republic. As long as Europe exists the peace of the Continent will stand or fall with Austria's independence as a State, whether the latter throws the weight of her own strength into the scale, or can only appeal to a higher law and the conscience of the world as she has done during the last decades.

When Austria was wiped off the map the great nocturne of heartless killing and soulless dying began. Hecatombs of victims have brought home unforgettably to the world what may result when the right and the liberty of the weak are trampled into the dust. Whoever instigated violence in Austria has always plunged the whole of Europe—this time it proved to be the entire world—into destruction as well. The further development of man, according to a writer's pessimistic words—from 726

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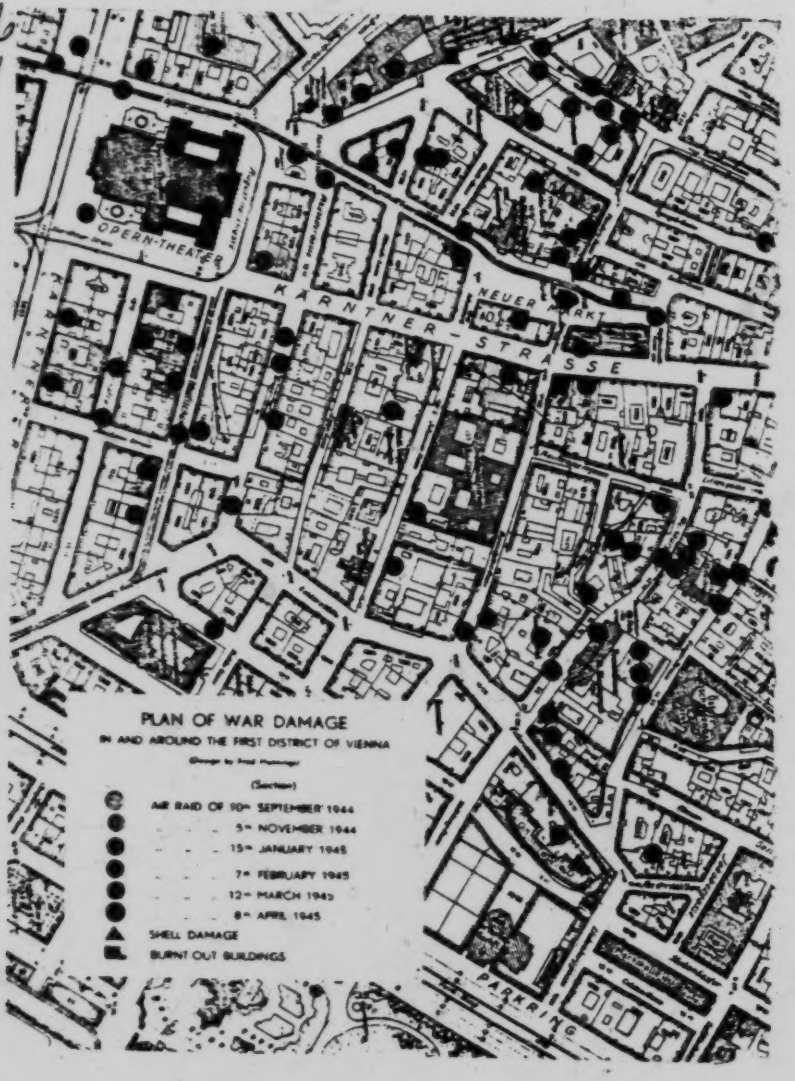
OPERN-THEATER
KARNTNER-STRASSE
NEUER MARKT
PARKRING
PLAN OF WAR DAMAGE
IN AND AROUND THE FIRST DISTRICT OF VIENNA
(Sections)
AIR RAID OF 10th SEPTEMBER 1944
5th NOVEMBER 1944
15th JANUARY 1945
7th FEBRUARY 1945
12th MARCH 1945
8th APRIL 1945
SHELL DAMAGE
BURNT OUT BUILDINGS

726
361

GRABEN
GRABEN
STEFANSDOM
KÄRNTNER STRASSE
RAN. JOSEFS KAI
FRANZ

[-539-]

726 humanity to bestiality through nationality—was in full progress. The proclamation of total war by the Nazi Propaganda Minister introduced the last stage of madness. There had to be annihilation one way or the other—if not of the enemy, then of his own people.

Vienna's bitterest days had dawned. Above the city which had been forcibly embodied in Hitler's armament machinery circled the bombers. Those who were our enemies in the front line and in their hearts our friends, were obliged to destroy in order to liberate. Cruel twentieth century!

As the seventh anniversary of Austria's annexation approached, Vienna was in flames from end to end. Transport was at a standstill. The streets were filled with dust, smoke, haze and people who were feverishly digging in the debris. Suddenly a rumour ran through the city which nobody would believe: "The Opera burns!"

People forgot their own fate and rushed on to the Ring. An endless procession of spectators a day and a night long and still another day and night. So long did it take for the building to burn down.

Vienna has two hearts. This first tragedy was followed a few weeks later by a senseless piece of brutality. The SS troops fleeing before the victorious Red Army started to fire on the venerable Cathedral of St. Stephen's with artillery posted in Leopoldau. A few hours later this landmark of the city was in flames, and with it the Kärntnerstrasse, the Rotenturmstrasse and the entire length of the Kai.

Destruction through denial of the Creator, the day of the great anti-Christ. Oh you men in uniform, what have you done to Vienna?—Slowly the night fades over Austria. The flames leaping from the high roof of the Cathedral silently ring in the dawn of freedom.

600

000 In the summer in Salzburg, the play of the wealthy Jedermann (Everyman) moves the feelings and senses of a public drawn from the whole world every year afresh. Many a stranger standing before the spacious Residence and its fountains, may think not only of the life and the death of this particular Jedermann but rather of all mankind and its works. Perhaps he may ponder over the fate of Austria as well. Under the spell of brilliant acting, evening serenades and solemn Cathedral concerts he may well pose the question with newly quickened senses—wherein lies value or worthlessness? He may try to read the impenetrable laws governing an unknown eternity.

What has remained to Austria of faith, of sound achievement, from the days when her frontiers encircled the earth and the sun never set on her Empire, when the peoples of the Old World and of the barely discovered New World alike bowed before her sceptre and her judgement? What has remained to Austria from all the battles and victories, the marriages and congresses, the royal pacts which she signed and the coalitions which she joined? What has she still left of pomp and dignity, of the conflicts of the mind in pulpits and university, of the gold-embroidered cloak of her matchless history?

All you foreigners and visitors, you trusted friends who come to Austria to see this land and get to know it, and who, once you know it, return again and again to see it afresh—it is you who answer, and do so most completely through your interest in her—to Austria remains her imperishable humanity.

To put it differently, Austria survives as a great meeting-place for peoples as well as for individuals. Conversation, the interchange of ideas, above all else. So long as the great nation-families of Europe exist, so long as these children bearing the same name carry on the royal dramas of occidental history in bloody episodes of wars and policies of revenge, so long will Austria continue undaunted to urge reconciliation, and will not hesitate to plead for peace.

For Austria is in a way the first attempt to create a European citizen—a world-citizen. What is elsewhere so often but a vague longing, an illusion or the unrealised dream of isolated individuals, has long been anchored in Austria among a wide circle of people. Though without the inclination or the possibility of breathing any other air than that of Austria, they yet feel mysteriously at home in another world which lies beyond their fellow citizens—beyond the world which ordinarily is theirs. This citizenship of another, a vaster world—the word "international" does not express it properly—this sharing in and understanding of the affairs of that great world is perhaps the biggest thing which the foreigner feels and realises in Austria.

We may consider this will and this ability to live humanly among other human beings as the call of Austria to the whole world. It is a part of that great

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Everyman.

000 conversation which has been carried on in this country from its very beginnings through all the changing conditions of history. The song of the "silent night, holy night" is its Christmas thought, music its eternal content which all can understand.

Austria, country of the drama of "Everyman".

Austria, drama of everyman's country.

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The man who is next door to Russia

Chancellor Raab of Austria

By Kees van Hoek

[Facing p. 46]

8:van Hoek J-3 (no date) 1954
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The man who is next door to Russia

344 I HAD NOT been at the Ballhausplatz in Vienna since the last months of Chancellor Schuschnigg. Bombs have since destroyed the rooms as I knew them. They have been restored in modern Viennese splendor.

344 643 Here, Chancellor Julius Raab received me in the vast room paneled in precious woods. From the high ceiling hang two crystal chandeliers. The Austrian eagle is inlaid on the wall behind the chancellor's desk, gold-embossed on his high-backed leather chair, and woven into the curtains before the three big windows. It looks symbolically like a phoenix risen from the ashes.

Gone are the days when the Ballhausplatz ranked with the Quai d'Orsay or Downing St. Yet, although Austria has ceased to be a great power, her geographical position as a key country kept her statesmen in the world limelight—Seipel, Dollfuss, Schuschnigg.

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Since the end of the 2nd World War, an avowed aim of which was to restore an independent Austria, an Austrian chancellor has resided in Metternich's palace. For eight years he was an engineer of peasant stock, Leopold Figl. This summer he made way for the leader of his party, another engineer, this time of solid middle-class background, Julius Raab.

The chancellor led me to a comfortable conference corner at the far end of the room, where a green velvet settee and easy chairs were grouped round a low table. The chancellor promptly lit one of those long, thin, black cigars called "Virginias," so popular among Austrians.

He is tall, big boned, massively built; his nearly square head has a low-set jaw. He is 62, but his thinning hair is gray only at the temples. He has the appearance of the typical Austrian burgher: solid, from his sober suit down to his boots, but *gemütlich*. There is great

[46a]

643 shrewdness behind his narrow-lidded eyes, but when his slow smile breaks through, it relaxes the noncommital face.

Raab comes from St. Pölten, the nearest big town to Vienna, 50 miles to the west. His people have been architects and builders there for generations; one of three brothers (the eldest still runs the family business), Julius never had any other ambition himself as a youngster.

At the Benedictine grammar school of Seitenstetten he excelled in mathematics, and from there he matriculated to the Technical university of Vienna. The 1st World War interrupted his student years. He served with distinction on the Russian and Italian fronts, won the Big Silver Medal for bravery, a decoration which is rarely given to officers. Amidst the utter disruption of the army in November, 1918, he managed to bring his company back from the front in perfect order.

The collapse of the empire struck Vienna with fearful impact. Ex-Lieutenant Raab felt the loss of the great Hapsburg tradition deeply. He had returned to his studies and the Students' Representative body elected him as their spokesman to the university authorities.

Even in high school, he had been interested in sociology. In his first prewar Vienna years he joined the group round Monsignor Schaurhofer, fired by the new social teach-

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ings of Pope Leo XIII's encyclicals. Now, in the dark postwar misery, he took an active part in Students' Help, organized by Professor of Theology Innitzer, now Cardinal Archbishop. They provided free meals and distributed clothes. Those "terrible years," as he calls them, have impregnated the conservative background of his home with a strong social consciousness. Even later, when he emerged as a leading economist, he never lost his early understanding of the struggle of the small people.

After graduating as Engineer (*Ing.* is an academic title in Germanic countries, used like our *Dr.*) Ing. Raab went into the family business. At the same time, he turned to politics, a field that interested him from early youth: his mother's brother was a distinguished member of the imperial Reichstag. In 1927, his home town elected him as their Christian Social deputy to Parliament. "For the first year," he recalls, "I sat back and listened, to learn the ropes." He had an unbounded admiration for the chancellor, Monsignor Ignaz Seipel, "the greatest statesman Austria ever had."

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Austrian politics became so bitter in those years that every big party had a military organization. Once the Socialists armed themselves, Prince Starhemberg founded the anti-Socialist *Heimwehr*. Raab joined it at the instigation of Seipel, who wanted him to work inside

[47a]

[665] 643 the Heimwehr against Starhemberg's fascist tendencies. Inevitably, Raab and Starhemberg fell out. Raab left the *Heimwehr*. The communists call Raab a fascist, but that is stupid.

After Parliament was dispensed with under the Dollfuss-Schuschnigg regime, Raab won high repute as founder, organizer, and leader of the *Gewerbebund*, a nation-wide organization of all the trades, crafts, and industries. When Chancellor Schuschnigg made his last desperate attempt to stave off Hitler, he rallied the biggest names in the land around him. He made Raab minister of trade and transport.

After Hitler annexed his native Austria to the *Reich*, Raab was, of course, out in the wilderness. He was never personally persecuted, but he could not risk the family fortune by rejoining their old firm, and he started out on his own, in Vienna. So deep was nazi hatred towards Raab that at the outbreak of the 2nd World War he was formally declared unworthy of wearing a German uniform!

727 642 645 The Russians entered Vienna in the spring of 1945. Marshal Tolbukhin ordered a provisional government in which the Catholics, Socialists, and communists had to share every ministry. Builder Raab became secretary of state in the ministry for reconstruction, but was vetoed by the Russians as a minister in Figl's cabinet.

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643 441 Once more Raab turned his talents to economic fields. He created the Austrian *Wirtschaftsbund,* which reorganized Austrian economy and constituted a federal Chamber of Commerce, of which Raab was first president.

643 665 Raab was one of the founders of the *Oesterreichische Volkspartei,* the (Catholic) Austrian People's party, a deputy since 1948 and its "strong man" from the start. His political position was consolidated when the People's party elected him as their *Parteiobmann,* or leader, in 1951.

In the 1953 general elections, the OVP did not do so well as the Socialists. The party decided that a change of prime minister was needed. A new one, it thought, would more likely get maximum concessions from the Socialists in the coalition government. As things stood, with Catholic and Socialist seats nearly balanced, the OVP could have got a majority with the aid of the small Independent party. But realist Raab holds that in the present difficult international situation, only a strong government of the two biggest parties can achieve that primordial aim, restoration of full Austrian sovereignty.

643 While I was with the chancellor, the clock in his room played a gay carillon to strike the full hour. It did not disturb him. He admitted placidly that he has no ear for music. He never goes to opera or theater, those two glories of Vienna.

1954

He is an addict of Karl May (Austrian equivalent to Fenimore Cooper), in whose yarns he could indulge only on long journeys. At home, he has time to read nothing but politics and economics. For relaxation, he goes to the country; once there, he does not walk or fish, but just "sits in the sun." 643

He has the reputation of being a quietly determined man at ease with himself and with the world, who knows what he wants. Sparse of words, he hates discursive arguments. His own speeches are short and to the point; he hates phrases. He neither whitewashes nor glosses over. They tell you in Vienna that his greatest asset is his flair for sensing the opportune moment; his greatest drawback, a certain improvization as he feels his way ahead. In negotiations he uses humor as a weapon, both to clarify and to demand.

He still lives in the same three-room apartment in the Döbling district which he has occupied for years. His wife is an invalid, so he entertains only at the chancellery. Theirs is a happy though childless marriage.

Raab needs little sleep. He begins work at home long before going to his office, about eight every morning. On Sundays, he drives in his old Chevrolet to high Mass in the Schottenkirche, and then joins the *Stammtisch* reserved for his old party friends at a café on Ring Blvd. There he invariably listens

CHANCELLOR RAAB OF AUSTRIA

more than he takes part in the lively talk. 643

Ten years have passed since the Allies, in a solemn Moscow declaration, proclaimed restoration of Austria's sovereign independence as one of their avowed war aims. Today Austria's position as a "liberated" victim of aggression is in many ways worse than that of the aggressor. 728

Chancellor Raab has taken the activation of his country's foreign policy personally in hand. Reduced to essentials his argument comes to this: Austria is not yet free only because the Allies fell out among themselves, and that is certainly not Austria's fault. After 99% agreement, the state treaty is being held up only as a Russian cold-war tactic (though, he remarked, "the cold war in Europe has never been quite ice-cold in Austria"). But why not withdraw, meanwhile, the occupation armies? Democratic Austria has proved that it can fully maintain law and order by itself, and there would still be the Allied high commissioners in Vienna to watch—no foreign armies are necessary for that. 643 648

Since last summer, relations with the Russians have greatly improved, though nobody can say whether as a reversal from Stalin policy or merely as political tactics. All the same, the belated Russian concessions do not go as far yet as those made much earlier by the Western powers. The chancellor has reacted

8:van Hoek J-3 (no date) 1954
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643 to them with the attitude that one
648 should meet an outstretched hand with good will: "there is no sense in pulling the Bear's tail."

In that atmosphere, he presses Austria's many remaining complaints and aims. With a shrewd appreciation of possible Soviet touchiness at losing face, he bases his reasoning on the argument that it could not be interpreted as a Russian weakness if they give a civilized, democratic and orderly nation that full sovereignty which they solemnly promised.

643 Chancellor Raab stands firmly on the side of the West. He realizes the need of continued close collaboration with the U.S. He is a firm believer in a free economy. His economic platform is that of a firm currency and of stabilized price and wage levels; of creating

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643 fuller employment through increased production; and production helped by modifying crushing industrial tax burdens and home and foreign loans for industrial investment. Austria wants to produce and earn her living rather than be subsidized.

My hour with the Austrian Chancellor had come to a close. "The Austrians," he said, "are a lighthearted people who forget easily how bad things were and how much improvement has already been made. But they are good at heart."

Somehow, I felt that even the most intricate international and economic problems lose their forbidding aspect when you hear them explained in the homely dialect and with all the *Gemütlichkeit* of a good, sensible Austrian.

8: van Hoek EK1 Austria EK1
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[For biographic data on Chancellor Julius Raab, see category 116, entire source.]

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AUSTRIA'S ECONOMIC DEVELOPMENT BETWEEN THE TWO WARS

BY

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LONDON
FREDERICK MULLER LTD.
29 GREAT JAMES STREET, W.C.1

[Title page]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

FIRST PUBLISHED BY FREDERICK MULLER, LTD.
IN 1947

PRINTED IN GREAT BRITAIN
BY BUTLER & TANNER LTD.
FROME & LONDON

[Title page]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

PREFACE

THE world has become a small place. More and more people in every country want to or have to obtain information about conditions in other countries. It is for these people that this book has been written. It does not break any new ground but tries to bring together in a convenient and manageable form material which is spread over a large number of different books and periodicals, and to interpret it in the light of our experiences in recent years.

In these days of shortages of labour and material the gap between the writing of a book and its publication has become painfully wide. Events often change an argument completely before the printer has caught up with the written word. Fortunately, most of this book deals with the past which has the pleasant habit of remaining what it was (though the interpretation may change) no matter how crazy the world may behave to-day. And even the last chapter on "Future Prospects" deals with questions of long-term development which are not directly affected by to-day's events.

Nevertheless, if I wrote this last chapter to-day instead of more than a year ago I would have to adopt a less optimistic and a more warning note. I still believe that in spite of many difficulties the objective circumstances for a speedy revival and healthy growth of Austria's economy are given. But more and more the policy of the present government allows the opportunities for reconstruction to slip by. There are again signs of passivity and of excessive reliance on help from outside which had such harmful effects after the first World War, and which have

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PREFACE

already a damping influence on the spirit of the people. There is a tendency for party politics to take precedence over the national problem of a democratic revival and a thorough de-nazification without which a sound economic development cannot take place. But, above all, there is a softness towards vested interests which has prevented the government from dealing effectively with such vital matters as food distribution, nationalization of key industries, and currency reform, and there is a foreign policy so badly imbued with the prejudices of the past that the natural and essential trade relations with Austria's Slav neighbours and with the Soviet Union are deliberately neglected.

In view of all this it is not surprising that Austria has fallen sadly behind her neighbours in the great struggle for reconstruction. Only recently, a correspondent in the *Manchester Guardian* wrote that crossing the frontier from Czechoslovakia into Austria one did not only enter a desert of supplies but also a desert of spirit. There is no need for such discrepancies. Provided the proper policies are adopted Austria could move in step with the other nations and provide the basis for a happy future of her sorely tried people. But there is not much time to be lost. If passivity and sectional interests are allowed to continue their rule then Austria may become completely dependent on foreign financial help with all the interference and uncertainties it involves.

It remains my pleasant duty to express my gratitude to Dr. Theodor Prager who has read through the whole manuscript and whose numerous suggestions and improvements have left their mark on practically every page.

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CHAPTER I

INTRODUCTION

THE IMPORTANCE OF AUSTRIA.

128 WHEN the Foreign Secretaries of Britain, the Soviet Union, and the United States met in Moscow in November, 1943, they issued a declaration stating that Austria, the first victim of German aggression, was to regain her independence at the end of the war; that this independence was to "open the way for the Austrian peoples themselves, as well as those neighbouring states which will be faced with similar problems, to find that political and economic security which is the only basis for lasting peace"; and that Austria's position would depend on the part the Austrians themselves play in their liberation.

131 This declaration was testimony to the importance which
321 is attached to Austria's independence from the point of view of European and world peace. A glance at the map reveals at once the central position which Austria occupies in the heart of Europe. Her frontiers border on six other countries; her capital, Vienna, lies at the junction of Europe's main east-west and south-north arteries; while the Danube is a natural gateway to the Balkans. Just as the collaboration of the Habsburgs was essential to the realization of Emperor Wilhelm's Berlin-Bagdad dreams in 1914, so the occupation of Austria in 1938 was the first prerequisite for Hitler's attacks on Czechoslovakia, Poland, the Balkans, and the Soviet Union. A prosperous and independent Austria, fully co-operating with her

131 democratic neighbours, is therefore an essential condition for checking Germany's "*Drang nach dem Osten*" in the 721 future. Indeed, if the Austrian state had not existed it might have been necessary to invent it.

721 Fortunately, no such invention is needed. The events which have taken place in Austria in the days of liberation, 642 and since, testify to the ardent desire of most Austrians to rebuild their country on a firm, independent, and democratic basis. Austrians from all sections of society took part in the armed expulsion of the German occupationists. The liberating armies in the east and in the west were everywhere greeted with joy. For the first time in Austria's history, there is a spirit of unity and common purpose among all democratic Austrians. This has enabled them to form in a surprisingly short space of time a truly representative government, free trade unions, a progressive youth movement, and other democratic bodies which have made a bold start in rebuilding the shattered [668] political and economic fabric. Remnants of Nazi cells and of Nazi ideology have certainly survived and remain to be dealt with. But there is no doubt that the vast majority of Austrians have been cured of any illusions they may have entertained about the necessity or desirability of an *Anschluss*.

433 This is a very welcome fact. It is, indeed, an essential condition of any democratic revival. But it is not, by itself, sufficient. As the Moscow Declaration rightly indicates, the creation of satisfactory economic conditions is essential if stability and peace in that area are to be secured. And it is on this score that some poeple, who are otherwise entirely in favour of Austrian independence, begin to raise their doubts. They remember the prolonged controversies after the last war which centred on this very point: whether the new Austrian Republic would

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be able to lead a healthy economic life. These are doubts which have persisted down to the present day, in spite of twenty years of an independent Austrian economy. 433

At first sight, it seems rather strange that Austria should be singled out in this way. Why is the same question never raised with regard to other small nations in Europe or South America? For Austria is in many ways far better placed than many other countries. She possesses a considerable variety of important natural resources; far more, for instance, than her wealthy western neighbour, Switzerland. There are almost unlimited sources of water-power; there is a wealth of timber, iron ore, and oil; the population contains a high proportion of skilled workers in a large number of industries; and Austria is situated at the junction of a number of major European trade routes. Thus we find that Austria is better off than any of the other eastern and south-eastern European countries, about whose viability there has been no question whatever.

Nevertheless, it is not difficult to discover why Austria was singled out for this kind of discussion. The end of the last war saw the break-up of the Habsburg Empire and the birth of a number of new national states. Now, while each of these states was faced with problems arising from the new economic set-up, Austria, above all others, was regarded as the mutilated remnant of the old Monarchy. This country, with its 6½ million inhabitants, formerly a metropolitan province of a 50 million empire and closely integrated into its economic life, had now to adjust itself to a completely new economic and political environment. Would the new Austria, impoverished by war and inflation, be able to accomplish this task smoothly and within a reasonable space of time?

As we shall see later, Austria managed, after some difficult and troublesome years, to tackle this problem and 648

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648 to stand on her own feet. But the doubts about Austria's viability were not silenced. On the contrary; they were raised with increasing insistence in at least one quarter: amongst the Pan-Germans in Germany and in Austria. To-day, we see more clearly, perhaps, than ever before how the arguments against Austria's economic independence were used to further Germany's imperialist designs, both before and after Hitler's access to power in Germany.

It was not without effect. The constant repetition of the same argument weakened Austria's power of political and economic recuperation and progress.

Nor, as we have seen, has this propaganda failed to make headway elsewhere. The doubts of 1920 still linger on. 121 If, in the following pages, we tell the story of Austria's economic development in her twenty years of independent existence, this is not only to show what has been achieved, and what lessons need to be drawn from the experiences and mistakes of the past, but also to destroy finally the myth of Austria's "inability to live".

727 At present, there are naturally many initial difficulties to overcome before Austria will become prosperous and 433 economically healthy. These difficulties, however, are simply consequences of a process of looting in the course of seven years during which Austria was harnessed to the German war economy, and of heavy destruction wrought during the last phase of the war. Disruption of transport and traffic, acute shortage of food and other essentials, temporary isolation from the outside world—these are consequences of war which Austria shares with all states of Europe which had been under German rule. It is absolutely clear that without large supplies of food and fuel Europe as a whole will barely be able to live through the first years of peace. Thus, in Austria, too, all available

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energies will have to be directed to securing by improvisation the bare means of existence and survival. Even after the initial period only a gradual progress in reconstruction is to be expected. This book does not intend to deal with the difficult and manifold problems of the immediate post-war emergency measures. It has a wider aim. It proposes, by a critical study of the inter-war period, to outline more generally how Austria, by harnessing all her resources and adapting herself to their best possible use, is able to attain prosperity and to keep pace with a corresponding process of world economy.

Before turning to the development of the inter-war years, however, a few words should perhaps be said about Austria's natural resources and about her economic development before the last war.

NATURAL RESOURCES

Austria, like Switzerland, is a mountainous country, and so the scope for agriculture is naturally limited. Only 28 per cent of the total area is arable land, while another 30 per cent is taken up by permanent meadow and pasture. This compares with 47 and 18 per cent respectively for Czechoslovakia, 68 and 19 per cent for Hungary (a typical agricultural country), while the percentages for Germany[1] are 46 and 17 and for the United Kingdom[2] 24 and 31 respectively. Accordingly, Austria belongs to the industrial and food-importing nations of Europe. Even so, her soil and climatic conditions have favoured the growth of certain special branches of agriculture, such as those connected with milk and milk products and fruit growing.[3] In these fields an export surplus had been achieved by the beginning of the thirties.

"Land not under cultivation" takes up as much as 42 per cent of the total. That 42 per cent represents, how-

1 [In 1930, i.e. exclusive of the Saar Territory]
2 [Figures for 1937]
3 [Cf. Cat. 11b, p. 12 — Analyst]

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311 ever, one of the most important natural resources of
137 Austria: her forests. In a Europe greatly deficient in
[313] timber this is a great asset, and wood has, in fact, been one
[439] of the main items on Austria's export list. With an export of 1,236,000 cubic metres of sawn softwood—more than half of the trees are spruce—Austria provided 5·3 per cent of world exports in 1935 and took the sixth place among exporting countries.

135 What of Austria's resources in minerals and energy? Here the picture does not differ greatly from that presented by other industrial countries, not counting the almost self-sufficient continents of the Soviet Union and the United States: considerable deposits of certain important materials are accompanied by a more or less complete absence of others.

135 Take the two basic materials of heavy industry: iron
316 ore and coal. Austria is a country with considerable resources of iron ore, 90 per cent of which comes from the famous Erzberg in Styria, where the ore has an iron content of 40 per cent. Production in 1937 was 1,885,000 tons* which—in metal content—represented 0·7 per cent of the world output; about one-sixth of this was exported. Coal, on the other hand, is only to be found in quite insufficient quantities. In 1937, production amounted to only 230,000 tons while 2,657,000 tons had to be imported. On the other hand, lignite is plentiful: an output of 3,244,000 tons required to be supplemented by only 185,000 tons of imports. Some of the lignite deposits are in close proximity to the iron ore deposits in Styria which has greatly contributed to the growth of the iron and steel industries in that district.

There are also considerable deposits of magnesite, lead, copper, graphite, and salt. In 1935, Austria produced 24

* Unless otherwise stated, "tons" always mean metric tons.

INTRODUCTION

per cent of the world's output of magnesite and thus took 135
second place after the Soviet Union. In producing 9 per 316
cent of the world's graphite output, Austria followed close on the Soviet Union, Korea, and Germany.[4] The output of other minerals was less impressive and there were no great export surpluses.

About fifteen years ago, oil was discovered near the 315
little village of Zistersdorf, near Vienna. Production was 135
started in 1932 at the very low level of 100 tons, but it increased quickly until it reached 33,000 tons in 1937, the last year of Austria's independence. Since then the Germans, in their urgent need for oil, greatly increased the output in this district and annual production reached a level of one to two million tons. This quantity greatly exceeds Austria's peace-time requirements of oil.

As against her lack of coal, Austria is in the fortunate 377
position of having a practically unlimited supply of water power. Although this had by no means been fully harnessed, the 1936 production of 2,680 million kW.h.[5] of electricity sufficed to cover more than half the country's energy requirements. A small proportion of this electricity (340 million kW.h.) was exported.

Stretching the meaning of "natural resources" some- 487
what beyond its usual limits, two further assets, of great importance to Austria's economy, may be mentioned at this juncture. These are the geographic position of Austria in the heart of Europe, and the beauty of the Austrian towns and countryside. With regard to the first, Austria and particularly Vienna have, ever since the days of the Roman traders, been important junctions of the main European traffic routes. The Danube Valley, opening a gap between the Alps and the Carpathians, provide an east-west route, linking the Balkans with central and western Europe. At the same time the Brenner

[CF. p. 12, CAT. 116 — ANALYST]

487 Pass and the Semmering Pass allow goods from central and northern Europe to cross the Alpine barrier and to travel south to the Mediterranean countries. Further, a number of other important lines of communication fan out from Vienna, enabling Austria to provide important transit services to other countries.

The natural beauty of the Austrian countryside is well known, and the rapid growth of tourist traffic in the inter-war period shows that Austria, like Switzerland, is a natural "recreation centre" not only for her own citizens but for a large number of people from all parts of the world.

AUSTRIA'S DEVELOPMENT BEFORE THE LAST WAR

178 The feudal character of the Habsburg Monarchy was no fertile soil for the development of an industrial bourgoisie. The industrialization of Austria-Hungary started rather late and proceeded slowly as compared with that of Germany and western Europe. When, however, railways began to be built after 1830, manufacturing establishments sprang up in growing numbers, both to provide for the needs of the railway companies and to make use of the new transport facilities. This process of industrialization gathered momentum after the middle of last century, when the foundations were laid for a great variety of industries. The great depression of 1873 resulted in a serious setback, but progress was soon resumed, though at a somewhat slower rate.

A few figures will help to illustrate the rate of growth in 433 that period.[7] Between 1841 and 1871 the production of 178 pig-iron increased from 200,000 tons to 770,000 tons. In 1871 Austria[8] possessed 1½ million cotton spindles and 580,000 wool spindles. Between 1870 and 1913 the production of coal increased from 3·4 million tons to 16·5

7 [CP CAT. 116, p. 12 — ANALYST]
8 [CP CAT 116, p. 12 — ANALYST]

million tons, of lignite from 3·1 to 27·4 million tons, of pig-iron from 0·25 to 1·8 million tons. The railway network increased in the same period from 6,000 km. to 23,000 km. and considerable strides were also made in agriculture and in foreign trade, though the latter played only a comparatively small part in the economic life of the Empire. 433 178

The trend towards industrialization is also shown by the percentages of persons engaged in Industry and Commerce at various dates (figures for Austria-Hungary).[8] 178 162

	1869	1890	1900	1910
Industry	19·7	21·3	22·2	24·2
Commerce and Transport	5·2	6·2	7·3	8·8
Agriculture	67·1	62·4	58·1	56·8
Services, Professions and others	8·0	10·1	12·2	9·9

These figures suggest that, in spite of a constant process of industrialization, the Austrian-Hungarian Monarchy was still a predominantly agricultural country. Moreover, this process was spread very unevenly over the whole area, leaving some regions seriously undeveloped while others attained a highly industrial character. While, for instance, the percentage of persons employed in agriculture in 1910 was 57 for the whole monarchy, it was 69 for Hungary alone but only 40 for Bohemia. In fact, industrialization was largely concentrated in a few areas, viz. the Bohemian-Moravian-Silesian region, rich in coal, the area round the Styrian iron ore deposits, and the Vienna district. Later, another industrial region sprang up in Upper Austria, between Steyr, Enns, and Linz. 178

Several factors were responsible for this high degree

1 [CP CAT 116, p. 12 — ANALYST]

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178 of localization of industry in the western part of the Monarchy. First, there were strong economic forces working in this direction. The coalfields of Moravia and Silesia, and the iron ore resources of Styria, had great attractions for the heavy industries. Vienna, on the other hand, where the administrative machinery of the whole Empire was centred and where Court and aristocracy lived on a grand scale, was a focus for a great variety of light industries. The food and clothing industries settled down in this area as well as the luxury goods industries which soon reached a high standard. Vienna's importance as the main market also attracted the new electrical and chemical industries to this area. Further, Vienna became an important centre of trade and finance, not only for the Monarchy but for the whole of south-eastern Europe. There were also a number of other important industries spread over other parts of the country. To this group belong above all the important paper industry which settled down near the forest regions of Austria; the spinning mills which, with their raw material imported from the west, tended towards the Swiss frontier; and the weaving factories which migrated to Bohemia and Moravia, centres of cheap power and cheap labour.

But it was not only economic factors which led to the concentration of industries in the western areas. Military considerations, for instance, were responsible for the erection of armament factories as far away from the dangerous eastern frontier as possible. Finally, the nationalities in the eastern parts of the Empire were, as a result of Habsburg policy, neglected politically, economically, and culturally, and their poverty and backwardness was a constant drag on the development of the Empire as a whole. While the western regions of Austria-Hungary were similar in their structure to that of western Europe,

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the eastern regions were almost as backward as Tsarist Russia and the Balkan countries.[1] 178

When the Habsburg Empire fell to pieces, therefore, several countries with very different economic structures emerged. Austria and Czechoslovakia were mainly industrial countries while the others were predominantly agricultural. Weakened by four years of war, each of these new states was faced with a major problem of adjustment to an entirely different political and economic environment. Let us see how Austria set out to meet this problem.

1 [CF. CAT. 116, P. 113 -- ANALYST]

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NOTES TO CHAPTER I

1. In 1930, i.e. exclusive of the Saar territory.

2. Figures for 1937.

3. With a production of 220,000 metric tons of apples in 1935, it was estimated that Austria took the seventh place in world production of apples. This figure, like most of the other production figures in this section, is based on *Raw Materials and Foodstuffs*, League of Nations (1939).

4. The percentage figures of world output are given because they are to some extent more illuminating than the absolute figures. Here, for what they are worth, are some percentage figures for Austria, to facilitate comparisons:

Area: 0·06 per cent of the total land area of the world
Population: 0·33 per cent of world population
Imports: 0·99 per cent of world imports } in 1937.
Exports: 0·88 per cent of world exports }

Source: *Statistical Year-Book of the League of Nations*, 1938–9.

5. This represents 0·7 per cent of the estimated world total. (*Statistical Year-Book of the League of Nations* 1938–9.) Of the 2,680 million kW.h. 2,265 million kW.h. were generated by hydraulic plants and only 415 million kW.h. by thermal plants. In Germany, in the same year out of a total production of 42,487 million kW.h. only 6,835 million kW.h. were produced by hydraulic plants.

6. From Gustav Gratz and Richard Schüller, *Der Wirtschaftliche Zusammenbruch Osterreich-Ungarn's* (Vienna, 1930), pp. 29, 35.

7. Since 1867 the Habsburg Monarchy consisted of two separate administrative parts, the Austrian imperial lands and the lands of the Hungarian Crown. Austria in this section refers to the former part, which included parts of present-day Czechoslovakia, Italy, Yugoslavia, and Poland. In 1910 this part contained about 28 million inhabitants.

8. Colin Clark, *Conditions of Economic Progress*, p. 200.

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9. This intermediate position of Austria-Hungary is clearly shown if we look at the national income produced per head of working population in 1913, in international units (an international unit is defined as the amount of goods and services which one dollar would purchase in the United States, taking the average of the period from 1925 to 1934).

Great Britain	966	Austria-Hungary	352
Germany	764	Austria	452
Switzerland	655	Hungary	220
France	629	Italy	328
		Russia	306

From Antonin Basch, *The Danube Basin and the German Economic Sphere* (London, 1944), p. 6 (based on Colin Clark, op. cit.).

CHAPTER II

THE BIRTH OF A NEW REPUBLIC: EARLY DIFFICULTIES

AUSTRIA'S EXHAUSTION AFTER THE GREAT WAR

727 FROM the moment of birth of the new Austrian Republic, on the 12th November, 1918, it was clear that this small country, descendant of the old 50 million Empire, was faced with a colossal task of economic and political readjustment. But this was not all. By 1918 the old Monarchy had ceased, in every sense, to be a "going concern". This rendered the resumption of normal economic life particularly formidable. For in addition to the loss of capital and of human life invariably associated with war, the cumbersome working of the Habsburg bureaucratic machine, the antagonism of the suppressed minorities, and above all the ruthless military and economic exploitation of the half-hearted Austrian war partner by the "efficient" German war machine, had all exhausted the entire economic life of Austria.

722 It had become clear, as early as 1916, that the Empire was unprepared for a long war on two fronts and unable to cope with the growing difficulties of internal inefficiency and of the blockade. By 1917 the economic and military position was so serious as to prompt the Emperor Karl to explore the prospects of a separate peace. These attempts were however quickly frustrated by the then all-powerful Germans.

722 Shortages now appeared in every field. Owing to the
433 dearth of raw materials, the indiscriminate call-up policy

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of the first war years, and the growing anti-war feeling of the population, production fell to utterly inadequate levels. By 1917, the yield of the wheat harvest had fallen to 47 per cent of the 1913 level, rye to 43 per cent, barley to 29 per cent, oats to 25 per cent, potatoes to 51 per cent (in 1916), and sugar beet to 43 per cent.[1] There were similar reductions in the output of practically all agricultural products, with the one notable exception of turnips, whose output increased to 213 per cent over the same period. 722 433

There is no reliable index for industrial output as a whole during that period, but figures for certain specific products may serve to illustrate the general trend. Between 1913 and 1917 the production of sugar fell to 43 per cent; of beer, to 7 per cent; of margarine, to 6 per cent. While the output of cast iron rose to 189 per cent and of the number of locomotives built to 170 per cent that of pig iron fell to 64 per cent. In textiles, the production of raw silk fell to 53 per cent and the amount of wool consumed to 20 per cent. Paper production fell to 47 per cent.[2]

In view of this catastrophic fall in production (particularly in essentials) the living conditions of the population deteriorated rapidly. Rations were constantly reduced, and even then they were not always obtainable. Universal malnutrition and actual famine conditions in some areas resulted in a great increase in disease and mortality. Clothing was defective and inadequate. Thousands of families lived in cold, dark rooms in the winter of 1917–18. Nor were the soldiers any better off. Not only was there a serious shortage of munitions: even those who were fighting under the most adverse conditions on the eastern front were short of food and clothing. One soldier might have a jacket but no shirt, the other a shirt but no jacket. Sawdust was added to the flour in order to make rations go 722

[illegible]

722 further. There were cases when soldiers "deserted" from their training barracks to the front line because there rations were at least somewhat larger.

727 When finally peace came to the war-weary country, economic conditions, instead of improving, actually 453 became worse. The economy was now completely disrupted, mainly because the new Austria was suddenly cut off from all normal sources of supply. Austria had habitually had an import surplus with the other parts of the Empire. Now these channels of supply were almost hermetically closed through the newly erected national frontiers. The new countries had their own serious problems of reconstruction and were of course unwilling to export important raw materials except on a strict barter basis. But in those days there was pitiably little that Austria could offer in return.

727 The result was that everything was short—food, coal, raw materials—and many sections of economic life came practically to a standstill. The position of the population became worse; in Vienna, particularly, conditions were desperate. Not only were the usual supplies from Hungary and Bohemia no longer forthcoming; the rural provinces of Austria proper, too, withheld their produce so as to cover their own shortages. Also, war-requisitioning and the lack of industrial goods had made the peasants suspicious and hostile towards the capital. The food situation in Vienna quickly became hopeless. From August to December, 1919, the maximum obtainable per day on the bread and flour ration was 100 to 170 grammes of flour. Milk supplies (which had amounted to 900,000 litres daily before the war) dropped to as little as 30,000 litres. Even infants and invalids had to go short of milk. After more than three years of hard work and malnutrition these shortages could not but have the most damaging effects on

health. The death-rate soared.[1] A large number of people were carried off by the influenza epidemic of 1919. In the same year, the mortality among Viennese schoolchildren was 60 per cent higher than in 1913. Deaths from tuberculosis for young people between the ages of 16 to 21 years rose by 160 per cent. 727

Outside help was obviously needed if serious famine conditions were to be averted. Private philanthropic organizations, particularly in the United States and Great Britain, at once organized relief measures, and the Netherlands, Scandinavian countries, and Switzerland offered hospitality to Austrian children on a generous scale. But this was merely a drop in the ocean. A problem of this order could not be solved by private charity. The hopes of the Government therefore turned on the Hoover Mission with its considerable command of food supplies. In December, 1918, the Austrian Government succeeded in getting an advance of 4,000 tons of cereals; though in the circumstances this was entirely inadequate. Negotiations were then begun; but in spite of the catastrophic conditions in Vienna they were protracted owing to Austria's inability to procure the required means of payment; and also because Mr. Hoover's food policy was partly used as a means of influencing the internal politics of the destitute countries. In February, 1919, at last, relief credits were granted to Austria to the tune of $24 million from the United States and $16 million from Great Britain, France, and Italy (who in turn borrowed this money from the United States), and from the middle of March onwards, 1,000 tons of foodstuffs were delivered daily. In April this amount was increased to 1,800 tons daily. 727 457

The available credits soon proved inadequate and additional relief credits were provided by the same group

1 [IN 1925 1919 -- ANALYST]

457 of countries and also by the neutral states. Altogether,
727 between 1919 and 1921, relief credits to the value of about £27 million were given to Austria, of which £9 million came from Great Britain, the largest single lender. These relief credits were secured by a mortgage, with priority over all other charges, on Austrian State property.

But while the relief of the food situation was the most
433 pressing need, the plight of the industrial sector was no
727 less serious. All coal supplies from Bohemia and Upper Silesia were, at first, cut off. The domestic coal ration was 15 kg. per family per week, and even this was not always available. On the main line from Vienna to Salzburg there was only one slow train per day. It stopped at every station, and its time of arrival was anyone's guess as the breakdown of the old rolling-stock and the lack of coal caused frequent and lengthy hold-ups. Often the travellers had to walk beside the train because the locomotive could not pull the load over a steep hill. Of the blast furnaces in Upper Styria only one could be kept working; and that at a time when there was an enormous need for all basic materials. In fact, practically all important raw materials were in short supply. In consequence production had to be cut down or stopped altogether.
[457] The amount of supplies from abroad was determined by so-called "compensation treaties": barter agreements on a strictly quantitative exchange basis. There were further complications. For instance, until the rolling stock of the old Monarchy was finally divided up among the various "Succession States", all goods had to be unloaded at each frontier station, as no state would allow its waggons to leave their own territory. This tended to raise costs and to cause greater delay, reducing still further the already meagre flow of goods.

It is, therefore, not surprising that in its initial stages

production was in a chaotic state and could not absorb the 433
men who came back from the army and from the munition 727
industries. Unemployment, which had been at a level of
about 46,000 in December, 1918, rose quickly to a peak of 727
186,000 (131,500 in Vienna) in May, 1919, at the very 464
time when the Western democracies enjoyed a short-lived
post-war boom. After that, unemployment decreased
steadily until it reached its lowest level in November, 1921,
when there were 8,709 unemployed on the register.

THE INFLATION

The extent of Austria's economic exhaustion after the 727
last war has been deliberately described at some length so
as to indicate the level from which reconstruction had to
start. No doubt, it was a tremendous job. But, with the
relief credits to help out in the first period of distress, it
was surely not beyond the strength of the Austrian people
to build up a working economy. The tens of thousands of
workers who struck work in January, 1918, in order to
finish the war, the soldiers who returned disgusted with
the war and the old régime, the peasants who had more
than enough of the constant military requisitioning, all
combined to turn out the Emperor, practically without any
bloodshed; and they now looked confidently to the new
Republic to lay the foundations for a new life.

There was much enthusiasm here that could have been 186
harnessed to a great crusade for the rebuilding of the
nation's life. But it was the tragedy of the situation that 665
the statesmen of the day, those of the right and those of the
left alike, completely lacked the required conception of
leadership. Instead of stimulating the patriotic and social
aspirations of the masses and guiding them in the difficult
tasks of reconstruction, the general attitude of the leading
politicians, reared in a 50-million empire, was to profess

1 [Cf. CAT. 116, p. 34 — — ANALYST]

186 665 complete disbelief in Austria's ability to exist as an independent entity. The mistaken policy towards the national minorities in the past decades (mistakes that were shared by the German-speaking politicians of the right and the left alike) ruled out any close union with the Slav neighbours. The incorporation of Austria into Germany was therefore advocated as the only practicable solution.

"Our task was", wrote Dr. Otto Bauer, the leading figure in the Social Democratic Party and the Foreign Minister of the 1919 coalition government, "to convince the statesmen of the Entente that German Austria, if left to herself, was not capable of existence; that any attempt to form a confederation of the Succession States must be baffled by the opposition of Czechoslovakia and Yugoslavia; that union with Germany was therefore the only possible solution, and the only means of averting the complete economic collapse of German Austria and the violent social disorders and grave dangers of war which must ensue."

But the idea was not really popular.

"At the same time we had to carry on propaganda among our own people. If our appeal to the statesmen of the Entente was not to remain barren we must be able to show them that our struggle for union was based on the united conviction of the whole German Austrian people."

Propaganda of this kind was obviously not designed to rouse the spirits and unleash the energies of an exhausted population. A strong and democratic patriotism, which enabled the neighbouring Czechoslovakia—though admittedly under more favourable conditions—to re-establish her economic life with very little outside help, could hardly flourish in such an atmosphere of defeatism. How could one give allegiance to a country that could not possibly exist? There was much local patriotism—for

2 [CF. CAT. 116, P.34 — ANALYSIS]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

Vienna, for Tyrol, for Salzburg, for instance; but the cohesive force of a national conception was largely missing. Moreover, the provinces feared that an unproductive Vienna would hang like a deadweight on their economy and some of the western provinces tried to break away and to join Germany or Switzerland. In addition, the small but active Pan-German minority [5] tried to use the defeatism of the major political parties to further their own imperialist aims of a Greater Germany.

Perhaps inflation was unavoidable by the time the war ended. After all, inflations swept practically all central and eastern Europe. But the course of inflation in Austria was greatly influenced by the weakness of a government which did not believe in its own and its people's strength. This is clearly shown by the speech made by the Christian Socialist Chancellor Seipel before the Council of the League of Nations in 1922, when he tried to obtain financial help for Austria. The collapse of Austria, he said, would be "a serious blow to the Treaties of Peace, for it would afford a proof that the new Austria which they created is incapable of existence, either now or in the future". [6]

What, then, was the main sequence of the economic events of the period of inflation, and what was its significance for the further development of Austria's economy? [7]

The roots of the post-war inflation went back to the war years. The strong inflationary pressure inherited from the past would have been difficult to restrain whatever the post-war setting. Taking July, 1914, as 1, the circulation of banknotes in the Austrian-Hungarian Monarchy had risen to 13·17 in November, 1918, and the cost-of-living [8] to 16·40 in the same month.

The financial situation did not ease with the ending of hostilities. The delay in the arrival of relief supplies and

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

458 the disruption of production and foreign trade caused a
435 continued and increasing shortage of goods. Though rationing of essentials was not immediately abolished, wartime controls were relaxed and the rise in prices was accelerated. This rise in prices, together with the dearth of so many industrial goods, induced many peasants to resort to a system of barter. This further diminished the flow of goods to the market, and with it the value of money.

At the same time, the socialist revolutions in neighbouring Hungary and Bavaria and the revolutionary tendencies among the Austrian people led to a mass transfer of capital to other countries. The various controls of the post-war period, designed to prevent capital movements and to preserve the precious foreign exchange for essential imports, were largely ineffective and the conspiracy against the Crown (the Austrian currency unit at that time) continued openly and in the numerous black markets. Consequently, the dollar exchange which—owing to the blockade and the practical cessation of international trade—had risen from 4·95 Crowns in July, 1914, to only 14·33 Crowns in November, 1918, began to soar rapidly (see the table on p. 25). With the dependence on imported raw materials and foodstuffs this quickly led to
652 further price increases. The governments of the day
458 should of course have adopted drastic measures to keep the inflationary pressure in check. In fact, their policy
435 intensified the inflation. Expenditure continued to run at a high level. Food subsidies, for instance, had to be continued in view of the rise in food prices. These subsidies were often quite considerable; in December, 1921, for instance, they accounted for more than half the budget deficit. Then there was the large item of civil service salaries. Not only did Vienna inherit the central adminis-

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

trative staff of a 50 million empire—and a very bureaucratic empire at that—but this staff had been considerably swollen in war time and was further enlarged by the absorption of all those Austrian officials who after the war returned from their posts in the "Succession States". To reduce this number of officials was one of the problems of readjustment which Austria had to solve; and in fact a drastic reduction was carried out later. But little was done in the first post-war period and salaries—inadequate as they were with the increasing depreciation of the Crown—were a heavy drag on the Exchequer. In other lines, too, expenditure continued to run in an unplanned and uncoordinated manner. This was perhaps an effect as much as a cause of the inflation; but it was also symptomatic of the Government's fatalism; for they considered all this as the natural expression of Austria's doom.

The Government's weakness also showed itself on the revenue side. Expenditure, however carefully planned, is bound to be high in any post-war period. The social and economic upheavals of modern wars call for a high degree of State control and interference so as to facilitate an orderly return to a peace-time economy. But if inflation is to be avoided this high level of expenditure must be matched by an equally high level of revenue—at any rate under conditions of more or less full employment. This, however, the governments completely failed to achieve. The years 1919 to 1922 were years of continuous budget deficits, as is shown by the table on page 24.

The failure of revenue to come anywhere near expenditure was due to a number of reasons. First, the rapid depreciation of the crown implied that every time lag between assessment and payment caused a reduction in the real value of the tax. This opened the way to tax evasion on a grand scale; for even the incidence of stiffer nominal rates

AUSTRIA'S ECONOMIC DEVELOPMENT

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Budgets	Receipts	Expenditure (Mill. of Crowns)	Deficit	Deficit in per cent of Expenditure
Jan. 1–June 30, 1919	1,339	4,034	2,704	67
July 1, 1919–June 30, 1920	6,295	16,873	10,579	63
July 1, 1920–June 30, 1921	29,483	70,601	41,117	58
July 1–Dec. 31, 1921	24,075	49,496	25,421	51
Jan. 1–Dec. 31, 1922	209,763	347,533	137,770	40

651 435 458

of taxation could be avoided by simply delaying payment for a little while. It was not until much later that the Government introduced "tax units" of a stable value to put a stop to this. Secondly, stronger measures, such as a capital levy and a compulsory loan, which were intended to bring some relief in this extraordinary emergency, were greatly watered down through endless delay and the strong pressure from vested interest. By the time they were finally introduced they were in fact quite ineffective. Thirdly, the Government was slow in adjusting the prices of State-owned enterprises to the rapidly rising price level, and considerable losses were incurred as a result.

458 435

Expenditure thus rose with rising prices while receipts lagged behind. The gap had to be filled. A loan was out of the question for nobody was willing to lend money which would probably be worthless by the time of repayment. So the printing press, which had proved a convenient servant in war-time, had to continue its work. More and more notes were printed, prices went up and with it the State's expenditure and deficit. The vicious spiral was set in motion.

The following table indicates the course of the inflation.

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THE BIRTH OF A NEW REPUBLIC

INDEX OF NOTE CIRCULATION, PRICE INDEX, AND DOLLAR EXCHANGE RATE, 1919–22

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	1919			1920		
	Index of Note Circn.	Price Index	Dollar Rate in Vienna	Index of Note Circn.	Price Index	Dollar Rate in Vienna
	1914 = 1					
January	—	28·37	16·17	24·20	49·22	176
February	—	—	17·91	26·55	—	268
March	1·66	—	21·84	28·97	—	250
April	9·57	—	26·65	30·84	58·42	200
May	11·18	—	23·25	30·14	—	204
June	13·07	—	27·00	31·98	—	149
July	15·15	31·02	31·13	34·42	63·76	145
August	16·83	—	38·00	37·29	—	181
September	18·52	—	46·83	40·67	—	241
October	19·71	—	69·58	45·44	69·60	278
November	21·90	—	99·50	51·04	—	426
December	22·41	—	135·00	56·92	—	533
	1921			1922		
January	61	92	676	365	830	6,875
February	70	100	716	465	980	7,725
March	77	112	730	532	989	6,750
April	84	111	655	616	1,089	7,625
May	89	119	604	690	1,364	8,375
June	93	119	632	815	2,339	15,450
July	100	125	738	1,166	3,308	22,900
August	109	124	1,142	1,667	7,422	51,650
September	119	151	1,189	3,034	14,153	75,050
October	148	238	3,000	4,908	12,965	73,525
November	190	374	5,850	5,959	12,158	73,450
December	265	661	7,200	6,957	11,737	71,300

Source: J. van Walré de Bordes, *The Austrian Crown*, pp. 48–50, 82–3, 115–35.

AUSTRIA'S ECONOMIC DEVELOPMENT

458 What were the effects of the inflation on Austria's economic life? It is impossible to give a comprehensive answer because an inflation of these dimensions affects practically every aspect of society. Nevertheless, some of its more important consequences must be indicated at this point.

Perhaps the most fatal effects were those on wealth and income. Wealth in money-form lost its value almost overnight. This was particularly hard on the small saver who had not the same knowledge or opportunities as the big investor or large company who quickly learned how to turn their liquid money into foreign exchange or into goods. By 1922, of course, practically everybody had realized the implications of a rapidly depreciating currency; even schoolchildren hoarded a few Swiss francs, dollars, or Czechoslovak Crowns which they had obtained in one way or other. But by that time the greater part of the savings of the middle and working classes, accumulated over decades, had melted to nothing.

458 The distribution of income, too, was greatly affected.
434 Inflation is essentially a method of taxation which leaves the actual money in the hands of the income receiver but reduces its purchasing power. It is, however, a form of taxation that falls very unevenly on different groups of the population. Some find their income reduced to a starvation level while others find their real income considerably increased. Huge profits were made as prices rose rapidly while costs lagged behind (at least before 1922 when most costs and particularly wages were more rigid than the price level). Those firms which grasped the essence of inflation at an early stage and turned these profits at once into plant, stocks of goods, or foreign exchange, emerged in greater strength at the end. Small firms, on the other hand, which had neither the financial experience nor the

same opportunities of quick and cheap buying, found 458
their receipts insufficient to replace their working capital. 434
The tendency towards concentration was thus greatly accelerated in this period. The larger concerns and the banks especially were able to expand at the expense of the smaller enterprises.

Although money wages rose considerably during the 465
inflation, they lagged greatly behind the cost of living. 458
This was true at least until 1922 when both prices and wages came to be fixed in terms of dollars (and thus rose automatically with every depreciation of the Crown). The following wage indices for certain categories of labour show the deterioration of real wages:

INDEX NUMBERS OF WEEKLY WAGE RATES OF WORKERS IN VARIOUS OCCUPATIONS IN VIENNA[1]

(1914 = 1)

	Brick-layers	Printers	Joiners	Metal Workers	Tailors	Cotton Spinners	Cost-of-Living Index
1921.							
Dec.	541	385	503	394	338	424	661
1922.							
Mar.	858	617	603	585	666	627	989
June	1,180	935	1,131	810	915	1,477	2,339
July	2,030	1,280	1,290	1,546	1,419	1,419	3,308
Aug.	2,910	3,270	3,019	2,162	4,481	4,675	7,422
Sept.	8,980	6,060	6,570	6,603	5,377	6,358	14,153
Oct.	11,600	7,270	8,333	8,637	7,618	7,714	12,965
Nov.	11,600	7,270	8,333	8,637	7,618	7,188	12,158
Dec.	11,300	7,270	7,666	7,786	7,085	6,837	11,737

Salary earners (such as clerks, teachers, and civil servants) were even worse off than wage earners as their incomes were revised upwards only at rare intervals.

Worst of all, of course, was the position of old-age 458

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1 [CP. CAT. 116, p. 35 -- ANALYST]

458 745 pensioners and others dependent on small fixed incomes. These people were reduced to abject poverty; they were compelled to sell most of their belongings and to turn to public assistance. These reductions in income occurred side by side with the creation of a small class of new rich—the inflation profiteers who had been able, through skilful buying and selling, to amass considerable wealth.

458 But there was also a brighter side to the picture. In the first stage of inflation, at least, the rising price level and 433 the flow of new money stimulated industry and quickly raised production above the stagnating post-war level. 464 The unemployed, whose number had greatly risen after the end of the war, were almost completely absorbed into work:

NUMBER OF UNEMPLOYED RECEIVING RELIEF

	1919	1920	1921	1922
February	162,104	69,427	16,217	33,554
May	186,030	45,883	9,518	44,281
August	133,362	23,970	11,702	30,967
November	—	14,733	8,709	55,008

458 Production increased in almost every field. Agriculture, for instance, largely regained its pre-war productivity in 433 this period; and agricultural production was also increased by an extension of the area under cultivation.

YIELD PER HECTARE IN QUINTALS

	1913	1919	1923
Wheat	14·8	9·3	12·6
Rye	14·7	8·0	10·8
Barley	13·9	8·8	12·7
Oats	13·5	8·0	11·6
Maize	16·3	12·7	15·1

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

Sugar production rose from about 57,000 quintals in 1919–20 to about 138,000 in 1920–1 and to 160,000 in 1921–2. Production of chemical pulp increased from 75,000 tons in 1919 to 102,000 in 1921 and 128,000 in 1922, while exports increased from 17,000 tons in 1921 to 46,000 tons in 1922. Paper production, which was 92,000 tons in 1919 and 94,000 tons in 1920, went up to 128,000 tons in 1921 and to 151,000 tons in 1922. 458 433

The industrial situation was further relieved by the crisis which followed the post-war boom in western Europe and the United States. Raw-materials which had been in very short supply in the immediate post-war period were now easily obtainable and the fall in world prices to some extent counteracted the rise in Austrian import prices due to the rapid rise in the value of foreign exchange. Imports of vital raw materials increased quickly. 458 439 433

There is then no doubt that the inflation accelerated the impending recovery. At the same time the extent of the inflation and the resulting distortion of the price structure prevented the reconstruction of industry on new lines. With prices and costs rising almost hourly, speculation became far more important and profitable than the careful consideration of technical improvements and of long-term development. The proper timing of buying and selling—be it labour, goods, or foreign exchange—became the main pre-occupation of business. Perhaps the main thing after 1919 was to get the productive mechanism going in one way or other. This was largely achieved in the inflationary period. But the process of readjustment was still to come.

Inflations normally stimulate exports and discourage imports. For the extraordinary demand for foreign exchange, the "flight from the currency" drives up the exchange rate at a quicker rate than the domestic price level so that exports become cheap and imports expensive.

AUSTRIA'S ECONOMIC DEVELOPMENT

458 This was precisely what happened in Austria. But while
433 exports increased more than imports the balance of trade
439 continued to be unfavourable.[10]

This was partly due to the fact that production in Austria was as yet insufficient to provide exports on any scale; partly because Austrian exports have a high "import content" so that every increase in exports involves increased imports. Also, the fall in world prices in 1920 tended to reduce the margin between the Austrian and the world price level.

Unfortunately, we have no statistics on invisible exports. But there is every indication that these exports increased considerably. Vienna soon regained her importance as a transit centre: by 1920, the weight of goods passing through the great municipal warehouses had already increased over three times as compared with 1913. The Viennese banks again played an important part in the "Succession States" and the Balkans, and the low value of the Crown attracted an increasing number of foreigners to Austria. The number of foreigners arriving at hotels in Vienna rose from about 230,000 in 1920 to about 330,000 in 1922. On all these scores a considerable income must have accrued to Austria which helped to fill at least part of the gap on the balance of trade.[11]

458 But the low value of the Crown and the insatiable
471 hunger for foreign exchange did not only stimulate current exports. It also led to the sale of capital. Real estate, houses, and industrial shares were sold to foreigners and part of Austria's industry thus came under foreign control. It was in this period that a decisive parcel of shares of the Alpine Montan Gesellschaft, Austria's most important heavy industrial concern, passed into the hands of a group of Italian capitalists from where they wandered on until they became the property of one of the firms belonging to

[CA p. 35, CATEGORY 116 -- ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

the German Steel Trust. We shall see later what ominous political and economic consequences flowed from this transfer of control. 458 471

Summing up, it may be said that the years of inflation brought a marked revival in the sphere of production and foreign trade; but that little was accomplished in the way of urgently needed structural adjustment.

One further result of the inflation should be mentioned. In Austria, as elsewhere, the internal National Debt was practically wiped out. No doubt this put a heavy burden on some classes of the population, particularly the small saver. No doubt, the inflation involved a heavier burden of external debt than would otherwise have been the case. But the disappearance of the National Debt undoubtedly relieves a government of some headaches when it comes to the point of drawing up a budget. And to balance the budget was one of the main tasks before the Government if the inflation was to be brought to an end. 458 652

THE STABILIZATION OF THE CURRENCY

We have seen that the Austrian Government pinned all its hopes of overcoming the monetary chaos on foreign help. A foreign loan would both help to balance the Government's budget and to stabilize the foreign exchange rate, the barometer of the country's confidence in the Crown. 457 652

Negotiations for such a loan had started as early as 1920; but to secure a loan was by no means a simple matter. The allied governments expected to receive reparations from Austria, not to make loans to her. They pointed to the relief credits they had already granted (but which had of course been used up for "unproductive" relief) and were unwilling to make any further advances. Private investors, on the other hand, were unwilling to

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

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lend money to a country which constantly stressed the lack of a sound basis for its economic future. Only first-class guarantees would induce capital to come to Austria. The Austrian Government, therefore, proposed to guarantee such a loan by pledging some of its major sources of revenue (customs, tobacco monopoly, State forests) to its service. Unfortunately, however, all properties and revenues of the Austrian State had already been charged with guaranteeing reparations, occupation costs, and relief credits. Negotiations were therefore begun with a view to securing the agreement of all the states concerned (eighteen in number), to raise their mortgage on Austrian assets. By the time the necessary agreement had been secured—which was not until about a year later—the position had deteriorated to such an extent that the original financial plan was no longer adequate.

Finally the League of Nations decided to step in. In October, 1922, the famous Geneva Protocols were signed. The first Protocol, signed by Great Britain, France, Italy, Czechoslovakia, and Austria, re-affirmed the political and economic independence and territorial integrity of Austria. In the second Protocol the British, French, Italian, and Czechoslovak governments each guaranteed a portion of an Austrian loan of 650 million gold Crowns. In the third Protocol the Austrian Government promised to put its own house in order, to balance its budget, to stop borrowing from the Bank of issue, and to create a new and independant bank of issue, the Austrian National Bank.

The Geneva Protocols had a remarkable effect on the monetary situation. The mere fact that promising negotiations were in progress led to a return of confidence and put a stop to the panic flight from the Crown. The dollar exchange rate reached its highest point in August, 1922, when it stood at 83,600 Crowns. After that there was a

slight fall. Retail prices ceased to rise in September, 1922; after that they merely fluctuated in the normal way. The return of confidence in the currency enabled the Government to raise loans from the public once more. Between November, 1922, and January, 1923 (long before the raising of the foreign loans), 80 million gold Crowns were subscribed in domestic loans. In the summer of 1923—after some short-term credits had been granted to Austria—the guaranteed long-term loan was at last launched in the various Allied and neutral countries. The subscription was a complete success. The reorganization of Austria's finances could at last be taken in hand. Careful economy, the cessation of borrowing from the bank of issue, and the increased yield from taxation all helped to reduce the deficit. 457 652

In November, 1923, the budget for the first time showed a surplus. The operation had been clearly successful. At that time most of the other European countries, and particularly Germany, were in the throes of inflationary catastrophes which surpassed anything that had happened in Austria. In 1923 and 1924 the Austrian Crown[12] was indeed one of the most stable currencies in Europe; a fact which earned it the nickname of the "Alpine dollar". The way was now open for the more fundamental tasks of readjustment and reconstruction. Nevertheless, a more courageous policy might have achieved the same results without the aid of so much foreign borrowing, whose burden could not help but make itself unpleasantly felt at a later stage.

1 [CA CATEGORY 116, P. 35. — ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

NOTES TO CHAPTER II

1. Wilhelm Winkler, *Die Einkommensverschiebungen in Osterreich während des Weltkrieges* (Wien, 1930), p. 45.

2. Ibid., pp. 50–2.

3. See J. van Walré de Bordes, *The Austrian Crown*, p. 11. This book is also the source of most of the other material in this section. Austrian official unemployment figures refer only to those unemployed who receive relief. The actual numbers are therefore probably considerably greater than those given in the text.

4. *Die Österreichische Revolution* (Vienna, 1923), p. 147.

5. In the Constitutional National Assembly of February, 1919, only 25 out of 159 seats were occupied by various Pan-German parties. By October, 1923, their number had fallen to 16 out of 165. (See de Bordes, op. cit., p. 16.)

6. Quoted in "Austria between the Two Wars", in *The Bulletin of International News*, Vol. XXI, No. 5, p. 173.

7. A detailed description of the more important aspects of this phase can be found in de Bordes, op. cit. The figures in the following paragraphs are, if not otherwise stated, all taken from this study. References to the number of the pages have been omitted to prevent the text from being overloaded with footnote-indices.

Readers who are particularly interested in the wider economic and social effects of an inflation, should turn to *The Economics of Inflation* by C. Bresciani-Turroni, which, though dealing with the inflation in Germany, describes very fully the characteristic phenomena of every "run-away inflation".

8. This is the cost-of-living index calculated by the Mixed Commission of employers and employees (see de Bordes, op. cit., pp. 78 ff.). It excludes housing which, owing to the strict enforcement of rent control, remained far less affected by the inflation than the prices of other goods and services. If housing is included, the cost-of-living index is always a number

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

of points below the one used in the text (e.g. it is 13·26 for November, 1918).

9. *International Labour Review*, Vol. VII, No. 4, p. 595.

10.

	Imports: Weight in Quintals (or number in pieces)	Exports: Weight in Quintals (or number in pieces)	Surplus of Imports (in mill. gold Crowns)
1920	61,176,232 (1,088,408)	13,752,433 (1,158,865)	769
1921	82,282,490 (2,088,503)	15,465,323 (1,719,376)	795
1922	74,487,374 (1,668,897)	21,157,603 (2,061,326)	544

11. Professor Rist, of the Faculty of Law in Paris, estimated the credit balance on invisible items at between 500 to 600 million gold Crowns in 1922. (See de Bordes, op. cit., pp. 186–7.)

12. The Crown remained the currency unit till 1925, when a new unit, the schilling (subdivided into 100 groschen) was introduced. The rate of conversion was 1 schilling = 10,000 Crowns. Thus the last remnant of the inflation, the astronomical figures, disappeared.

CHAPTER III

READJUSTMENT AND CONSOLIDATION

READJUSTMENT

458 IN spite of certain improvements Austria had failed, during the period of inflation, to adapt its economic structure to the new environment. In fact, the inflation tended to add to these underlying difficulties. The easy flow of money and the enormous speculation in prices and foreign exchanges, for instance, greatly increased the number of commercial establishments of all types. It was clear that these mushroom growths could not survive in the long run.

But these, and other necessary adjustments, were hampered by the absence of any clear economic policy which could have minimized the frictions involved. There were of course a large number of *ad hoc* measures to help here and to fill a gap there. But there was never a consistent and conscious approach to the problem as a whole. If, in spite of this, considerable progress was, in fact, achieved in the 'twenties, this can only be regarded as evidence of the vitality which Austrian economic life had preserved through all the difficult years.

458 The immediate result of the stabilization was indeed to cause a severe crisis. Industry had been geared to the
464 expectation of quickly rising prices, encouraging many speculative and unsound developments. These had now to be liquidated and a general process of economy and rationalization set in which caused a great increase in unemployment.

READJUSTMENT AND CONSOLIDATION

UNEMPLOYMENT[1]

(000's omitted)

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1923	161	167	152	132	107	92	87	83	78	75	79	98
1924	119	125	106	82	68	63	66	74	77	89	113	154

464

The situation was aggravated particularly by the shortage of capital for industry. An enormous speculative boom swept the stock exchange in 1923 and early in 1924. Industrial shares which had been neglected in the uncertain period of inflation were now eagerly taken up and funds were increasingly drawn into the financial sphere. Since private saving had fallen to negligible levels the rate of interest charged to industry was excessive. Interest rates on first-class overdrafts reached the absurdly high level of 22 per cent in 1924, and even in 1925 they still stood at 15½ per cent. The cost of credit was also raised by the monopolistic policy of the bank cartel which fixed the rates and left a margin of 7½ to 9½ per cent between rates paid and charged. As Austrian industry was largely owned and controlled by the banks, and also dependent on them for short-term credit, industrial interests were often subordinated to "orthodox" financial considerations.

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Some relief was afforded by foreign loans. These were attracted by the high rates of interest and were usually obtainable on more favourable terms. The main drawback on this score was that—apart from loans to local authorities, public utilities and very big firms—it was only short-term credits which were offered, while what was needed at that time were long-term credits for industry. Indeed, once the monetary systems of the central and eastern European states were stabilized the *political* interest in their reconstruction ceased in the Western

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[1] [CP CATEGORY 1/6, PAGE 50 -- ANALYST]

cent in textiles, and 3 per cent in the chemical industry. 464
Owing to seasonal factors the percentage was highest in the building trade (35 per cent) and in the hotel trade (22 per cent). But the permanent changes that had taken place since the war and the inflation were reflected in the high percentage of unemployment in the declining war industries ("metals and machinery"), where it reached 30 per cent, in some of the industries which formerly produced for a home market but which were now up against high tariff walls (e.g. clothing 19 per cent, pottery, glass, etc., 15 per cent, leather and hides 12 per cent), in "commerce, transport and traffic" (17 per cent) and among the clerks and professions (10 per cent). This high level of unemployment among the "black-coated" workers and the middle class was due to the inevitable contraction of the State apparatus and of those banking and commercial activities which had flourished so much during the inflation period.[42] The failure to tackle these structural problems courageously contributed greatly to the slow recovery of the home market and to the persistence of unemployment even in the more prosperous years.

One of the most important economic effects of the 439
break-up of the old Empire was the increased dependence on foreign trade. The Empire had to a large extent been self-sufficient and Austria had obtained its foodstuffs and raw-materials from other parts of the Monarchy. These goods had now to be imported from separate economic units and great efforts were required to increase exports, especially of manufactured goods. The structure of foreign trade in that period is shown by the figures on page 40.

With the return of stable conditions and the increase in productivity, both imports and exports increased rapidly. Imports rose from about 1,800 million gold Crowns in

1 [GA. CATEGORY 116, P. 50 -- ANALYST]

457 world, and the field was left open to private investors who failed to appreciate the long-term needs of that area.

433 But in spite of the heavy unemployment, production continued to increase; though there were some setbacks in the capital-goods industries which had benefited most from the inflation. The following figures may serve to illustrate the trends of this period (no general index of production is available for these years):

Production	Unit	1922	1923	1924
Coal, lignite	Thousand tons	3,136	2,659	2,777
Steel	" "	481	499	370
Paper	Waggons	15,108	15,285	17,211
Wheat	Thousand tons	202	242	231
Rye	" "	345	402	411
Potatoes	" "	1,398	1,426	1,647
Sugar	Quintals	244,680	472,555	750,102
Merchandise carried by railway	Thousand tons	—	5,493	6,174

The general rise in production was mainly due to the installation of modern plant during and after the inflation, to the resumption of more careful costing and accounting practices, and to a considerable rise in output per head. By 1925, total output reached about 80 per cent of the pre-war level.[2]

464 The overall figures of unemployment conceal, however, the very uneven incidence of unemployment in the various industries: a consequence of the structural changes then taking place. In February, 1925, when unemployment had reached the high level of 193,000, the percentage of unemployed was fairly low in the quickly expanding light and consumer goods industries—8 per cent in the food processing trades, 4 per cent in the paper industry, 6 per

1 [CR. CATEGORY 116, p. 50 -- ANALYST]

AUSTRIA'S ECONOMIC DEVELOPMENT

439

AUSTRIA'S FOREIGN TRADE IN 1924
(Million Gold Crowns)

	Imports	Per cent	Exports	Per cent
Animals	167	6·96	11	0·87
Food and drink	648	27·06	32	2·33
Fuel	198	8·27	2	0·146
Other raw materials	513	21·42	249	18·18
Manufactured goods	868	36·25	1,075	78·52
Total	2,394	100·00	1,369	100·00

1922 to 1,900 in 1923 and to 2,400 in 1924, while exports increased from 1,100 million gold Crowns to 1,120 and to 1,370. Most of the export industries were able to increase their sales abroad. But the adverse balance of trade remained uncomfortably high. In 1924 only 57 per cent of the imports were covered by exports. True, invisible items played an important part in Austria's balance of payments, and tourist traffic, transit trade, and financial services to Eastern Europe were all increasing in this period. Nevertheless, part of the deficit on the balance of trade had to be covered by the sale of securities, mainly to Czechoslovakia, and by short-term foreign credits, mainly from Britain and America.

To find greater opportunity for export, therefore, became a matter of urgent importance to Austria.

"The process of industrial re-adaptation", wrote Layton and Rist in their Report on Austria to the League in 1925, "is therefore not a matter of adjusting production to her home market. She must reorganize her industries for foreign trade. Whether she can find the necessary markets depends partly on the efficiency of her production. It depends far more, however, upon the tariff policy of the countries with which she must exchange her products."

[CA CATEGORY 1/6 p. 50 --ANALYST]

READJUSTMENT AND CONSOLIDATION

Unfortunately, the tariff policy of the new Danubian states which should have offered the natural market for Austria's and Czechoslovakia's highly developed industrial capacity was by no means conducive to a high level of trade. In their very justifiable desire to industrialize their neglected and backward economies, these new governments increasingly adopted a policy of economic nationalism. They put up more and more insurmountable tariff walls which in the end harmed all the countries within the area and outside it and only benefited a few sectional interests. 439

Austria tried to meet this problem by increasingly directing her exports (and different types of exports) to other parts of the world. The following figures clearly illustrate this tendency:

DISTRIBUTION OF AUSTRIA'S EXPORTS IN 1922 AND 1924

To:	1922 %	1924 %
The Danube States *	42·1	36·8
Northern Central Europe †	23·9	23·0
Western Europe ‡	23·0	25·9
All other countries	11·0	14·3

* Czechoslovakia, Hungary, Yugoslavia, Roumania.
† Germany and Poland.
‡ United Kingdom, Belgium, Netherlands, France, Switzerland, Italy.

Attempts were also made to conclude special trade agreements. Negotiations for a preferential trade régime with Czechoslovakia in 1925 were wrecked on the rock of Italy's and Germany's objections. Germany even threatened trade reprisals. Austria also tried to stimulate trade by pursuing a very liberal tariff policy. While, by 1927, [648]

439 tariffs had increased to 296 per cent of the 1913 level in Bulgaria, to 144 per cent in Yugoslavia, to 140 per cent in Roumania, and to 137 per cent in Czechoslovakia, the Austrian tariffs had actually fallen to 77 per cent of their pre-war level, a fall which, in continental Europe, was surpassed only in Sweden. But it was obvious that this policy could not be permanently maintained in face of high tariffs elsewhere. After the Geneva Conference in 1927 had failed to achieve tangible results with regard to the reduction of trade barriers, Austria too turned towards protectionism to reduce her dependence on a highly unstable world trade. The world preferred to learn the hard way.

361 What of the position of Vienna? When the new Austria, with its 6½ million people, had to take over the economic
631 and administrative centre of a 50-million empire, containing almost 30 per cent of the population of the new Republic, many people thought that this "huge head far too big for a small body" would prove an insoluble economic problem. Actually it soon turned out that the general process of readjustment, described above, also helped to solve this problem. First, it should be noted that while the percentage of the population living in the *capital* was unusually high, the percentage of the *urban* population was quite normal for an industrial country. It was smaller than, for instance, in Great Britain or Switzerland. The establishment of new commercial and government centres did, it is true, hit Vienna badly. The
[464] reduction in the number of civil servants, banking and commercial employees and the unemployment among lawyers, solicitors, etc., created a burden which was mainly concentrated on the capital.

366 But apart from this particular problem which was
368 slowly—all too slowly—mended, it soon became clear that

1/1 [CA CATEGORY 116, p. 50 ← ANALYST]

READJUSTMENT AND CONSOLIDATION

Vienna still had an important economic contribution to make to the country and to the world. Its unique geographic position at Europe's crossroads again attracted a large and growing volume of transit trade which helped to keep the commercial life of the city at a high level. Again, the long-standing knowledge which the Viennese financial institutions had acquired of the Balkan markets gave rise to economic activities and payments from foreign countries which helped to improve the balance of payments. Of still greater importance was the increased activity in the consumer goods and export industries to which Vienna, the main centre of the lighter industries, was particularly well suited. The introduction of a biennial fair made Vienna the main centre of the country's export trade and an important factor in Central and east European trade. 366 368

Last, but not least, the economic activities of the Viennese City Council helped considerably to re-establish and stimulate the economic life of the capital.[1] A skilful financial policy had enabled the municipality to avoid a deficit even during the difficult post-war and inflationary years. Now that the position had become easier they embarked on a progressive programme of expenditure on social welfare, educational reform, and—most important from the economic point of view—on an extensive building programme. Building activity had practically come to a standstill during and after the war and the housing shortage was acute. Private building was discouraged by a strict Rent Restriction Act which protected the population from the wild profiteering in rents that would have otherwise occurred. In 1923 the municipality, which had already built 7,259 dwellings between 1919 and 1923, announced that they would build 25,000 new dwellings during the next five years. This was the 633 331 633 362

1 [CA CATEGORY 116, P.50. -- ANALYST]

331 beginning of a great housing programme which replaced
362 slums by beautiful modern houses and attracted the atten-
633 tion of experts from all over the world, and which revived the building trades and with it, a great number of related industries in Vienna and the rest of the country.

CONSOLIDATION

433 Once the currency was stabilized and more normal conditions established, the upward trend in industrial and agricultural production became more marked as well as more general. It now seemed as if the earlier economic problems of Austria would soon find their solution and that a sound basis for a new national economy would be formed. And this would have doubtless been true if the process of consolidation of that period had not come to an abrupt end in the world economic depression.

For progress was quite considerable. Industrial production increased quickly and at a rate which compares not unfavourably with development in other countries during the same period.

INDICES OF INDUSTRIAL PRODUCTION

(Average 1925–9 = 100)

	Austria	Germany	Czecho-slovakia	United Kingdom
1925	89	87	88	99
1926	89	87	86	76
1927	100	109	100	109
1928	110	108	111	104
1929	113	109	115	112

Two points should, however, be noted in this connection. Firstly, the increase in output was achieved not so much

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

by the absorption of the unemployed but rather by a widespread policy of rationalization. Secondly, from about 1927 onwards, industrial development came under the influence of an increasing degree of protectionism.

Protectionism, coupled with tax reliefs and subsidies, became more important still in agriculture. Once it was clear that the high tariff policy of the "Succession States" made a return to the old economic relations impossible, it was decided to foster agriculture in order to render Austria less dependent on food imports. Agriculture in Austria had been badly neglected before 1918, mainly owing to the influence of the Hungarian gentry who wanted to maintain their monopolistic position in the agricultural sector. Now that this influence was weakened, and the peasants' confidence in Austria's economic stability restored, there was a remarkable increase in the area under cultivation and in productivity.

	Wheat			Rye		
	Area in ha. (000's)	Yield in thous. q.	Yield per ha.	Area in ha. (000's)	Yield in thous. q.	Yield per ha.
1925	195	2,904	14·8	383	5,500	14·3
1929	208	3,154	15·1	374	5,104	13·6

	Barley			Oats		
	Area in ha. (000's)	Yield in thous. q.	Yield per ha.	Area in ha. (000's)	Yield in thous. q.	Yield per ha.
1925	140	2,006	14·2	307	3,884	12·6
1929	158	2,694	17·0	296	4,510	15·2

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	Potatoes			Sugar		
	Area in ha. (000's)	Yield in thous. q.	Yield per ha.	Area in ha. (000's)	Yield in thous. q.	Yield per ha.
1925	176	20,684	117·4	20	4,925	244·1
1929	189	28,030	147·6	30	6,912	227·6

As a result, Austria's dependence on food imports was somewhat reduced. This applied particularly to rye, sugar, and potatoes; in the case of potatoes the import surplus actually gave place to an export surplus. More important, there was a change in the structure of Austria's agriculture. Great strides were made in the spheres of stock-raising and the dairy industry which are particularly suited to Austria's topographic conditions. Between 1925 and 1930 the proportion of home-raised live cattle supplied to the Vienna market rose from 19 to 44 per cent. For beef the proportions were 17 and 33 per cent respectively, and for pork 47 per cent and 52 per cent. The establishment of 310 new co-operative dairy-farming and cheese-making companies greatly stimulated expansion in the dairy industry. In spite of increasing consumption, imports of milk and other dairy products fell from 40·1 to 9·1 million schillings between 1924 and 1929, while the exports of these products increased from 1·1 to 10·5 schillings over the same period. Within six years an adverse balance of almost 40 million schillings in this group was thus wiped out and an export surplus established.

464 In spite of all this progress the problems of unemployment and of an adverse balance of trade remained as yet unsolved.

It had already been suggested that the increase in indus-

trial output was largely due to measures of rationalization rather than to an increase in the numbers employed. On the other hand, the pressure on the labour market continued. Apart from the structural unemployment inherited from war and inflation—the decline of the war industries, the reduction in administrative and banking personnel, the difficulties of the export industry—the process of readjustment still went on, slowly and haphazardly. Bank mergers, numerous liquidations, etc., all created new friction in the labour market. Walter Lippmann once said that it was the foreign policy of the United States not to have a foreign policy. Similarly it might be said of the Austrian Government of that period that its economic policy was to have no economic policy. 464

Not only was there no clear idea about the measures required to bring about the necessary and only half-completed changes as smoothly and as quickly as possible; the Government was also overcautious in its own spending policy. There was some expenditure on railway electrification, on agricultural improvement and on other investment and public work items. But this was altogether inadequate. The memories of the recent inflation, the need to maintain the country's foreign credit, the enormous burden of pensions for the great pre-war administrative machine, all made a balanced budget seem the ultimate goal of state finance. Thus unemployment in Austria was considerable even before the world depression. It remained high in 1925 and 1926, decreased slightly in 1927 and 1928, only to rise again in 1929. During the whole period there were at least 10 to 15 per cent unemployed.

Foreign trade was another source of weakness. With the growth of production in Austria and elsewhere, imports and particularly exports did, it is true, increase steadily. 439 457

AUSTRIA'S ECONOMIC DEVELOPMENT

[439]
457

AUSTRIA'S FOREIGN TRADE

(in million schillings)

	1926	1927	1928	1929
Imports	2,771·3	3,094·1	3,230·1	3,248·3
Exports	1,706·4	2,040·5	2,202·1	2,169·0

But the adverse balance remained uncomfortably high throughout. The larger part of this deficit—probably 700 to 800 million schillings—was covered from income on the various invisible items mentioned earlier. The remainder is accounted for by foreign borrowing. It has been estimated that between 3,000 and 4,000 million schillings had been borrowed between 1923 and 1930.[8] This would not have mattered greatly in normal world economic conditions, except that a large part of these loans consisted of short-term advances to the banks. A large part of this money was lent to industry on, what was in fact if not in form, long-term conditions. The dangers of a sudden withdrawal of these funds should have been obvious. Moreover it was clearly impossible to continue indefinitely with an import surplus of that size since, in addition to current interest payments, the capital itself would ultimately have had to be repaid.

433 But it was not easy to find a solution. Austria's demand for her imports—mainly food and raw materials—was
439 highly inelastic and could not be easily adjusted to changing conditions; while her exports—mainly manufactured goods—were increasingly excluded by the tariff walls that sprang up all over Europe. Slow, and sometimes painful, structural changes did, however, take place which prepared the ground for later improvements.

Reference has already been made to the improvements

1 [CP CATEGORY 116, p. 50. — ANALYST]

in agriculture which reduced the need for imports. Industry, too, increasingly adapted itself to the new conditions. When it became clear that the traditional markets in south-eastern Europe became less accessible and that the outlets for some of the staple exports diminished, both the commodities produced and the markets supplied became more diversified. The export of textiles, for instance, declined from 25 per cent of total exports in 1924 to 20 per cent in 1929 while the share of the newer light and fashion industries increased. An increasing share of exports went to Western Europe and overseas. Exports to Hungary, Yugoslavia, Roumania, and Bulgaria, on the other hand, dropped from about 38 per cent in 1924 to about 27 per cent in 1929. 433 439

The new Austria was, in fact, beginning to find its feet. There were difficulties which were common to all countries at that time and others which arose from Austria's recent past. It was clear that these difficulties were capable of being overcome, given time and effort. Suddenly however the economic progress of Austria, like that of most other countries, was sharply interrupted.

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

NOTES TO CHAPTER III

1. The very marked seasonal fluctuations are mainly due to the fluctuations in the building trade and the hotel trade (tourist traffic).

2. This is the estimate of W. T. Layton and Ch. Rist in their report to the Council of the League of Nations on "The Economic Situation of Austria" (1925).

3. This problem existed of course in all belligerent countries. In Great Britain, for instance, the percentage of unemployed in January, 1925, was 23·8 for steel-melting and iron-puddling, 14·0 for general engineering, and 31·8 for shipbuilding; figures which were considerably above those for most of the other industries.

4. Between October, 1923 and March, 1924, 65,000 State officials were discharged. The changes in the field of banking are shown by the following figures:

	Number of Banks	Number of Banking Firms
1913	26	150
1924	61	260
1925	59	175

5. Op. cit., p. 22.

6. These estimates of changes in the tariff level come from H. Liepmann, *Tariff Levels and the Economic Unity of Europe*, p. 415.

7. Under the federal constitution of the Austrian republic Vienna was one of the nine federal provinces, and had therefore considerable independent powers of taxation, expenditure, etc.

8. See H. T. N. Gaitskell, "Austrian Economic Development", in *Lloyds Bank Review*, May 1934, p. 199. Part of these funds were kept as reserves of the National Bank and as foreign exchange holdings of the other banks.

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

CHAPTER IV

THE EFFECTS OF THE WORLD CRISIS

AUSTRIA'S economic development in the 'twenties was, as we have seen, largely coloured by her special post-war problems. But when, in the autumn of 1929, the spectacular American boom came to an abrupt end, and depression spread like a wild fire from one country to another, economic events in Austria became far more "synchronized" with those elsewhere. Austria's economic system had largely returned to normal conditions; and it was so integrated into world trade that her experience and her problems were now far more like those of other countries. Events in Austria between 1929 and 1933 thus followed the general world pattern. But Austria was particularly sensitive to outside economic shocks. There are few—if any—countries which are or could be wholly self-sufficient; they all depend to some extent on foreign trade and are therefore affected by the loss of export outlets. In Austria, however, foreign trade played an exceptionally large part. An estimate published in the *German Statistical Year-book* puts imports and exports (in brackets) per head of the population in 1929 at RM. 534 (414) for Switzerland, 288 (193) for Austria, 233 (201) for France, 210 (211) for Germany, 168 (172) for Czechoslovakia, 118 (81) for Italy, 90 (88) for Hungary, 46 (44) for Yugoslavia, 44 (34) for Bulgaria, and 41 (40) for Roumania. Another estimate puts the percentage of manufactured goods produced for export in Austria in 1931 as high as 45 per cent. The drastic fall in world

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

458 [439] purchasing power, followed by an orgy of tariffs, quotas, and currency wars, was therefore bound to hit Austria severely. Moreover, Austria was particularly vulnerable owing to the fact that the financial problems inherited from war, inflation, and foreign borrowing suddenly became acute and led to a severe crisis.

The turning point, as in most other countries, came in the third quarter of 1929. Prices tumbled down, production declined, unemployment grew, foreign trade vanished. The following figures indicate this process of decline in Austria and some other countries.

INDEX OF INDUSTRIAL PRODUCTION

(1929 = 100)

[433]

	1929	1930	1931	1932	1933	1934
Austria	100	85	70	61	63	70
Czechoslovakia	100	89	81	64	60	67
Hungary	100	95	87	82	88	99
United Kingdom	100	92	84	84	88	99
U.S.A.	100	81	68	54	64	66
Germany	100	86	68	53	61	80

PERCENTAGE OF WORKERS UNEMPLOYED [1]

[464]

	1929	1930	1931	1932	1933	1934
Austria	12·3	15·0	20·3	26·1	29·0	26·3
Czechoslovakia	2·2	4·5	8·3	13·5	16·9	17·4
Great Britain	10·4	16·1	21·3	22·1	19·9	16·7
U.S.A.	8·2	14·5	19·1	23·8	24·3	20·9
Germany	9·3	15·3	23·3	30·1	26·3	14·9

1 [CF. CATEGORY III, 52 p. 63 -- ANALYST]

THE EFFECTS OF THE WORLD CRISIS

IMPORTS AND EXPORTS

Value in national currencies (000,000's omitted)

		1929	1930	1931	1932	1933	1934
Austria	Imp.	3,263	2,699	2,161	1,384	1,148	1,153
	Exp.	2,189	1,851	1,291	764	775	857
Czecho-slovakia	Imp.	19,942	15,680	11,725	7,459	5,799	6,349
	Exp.	20,485	17,460	13,106	7,329	5,843	7,267
United Kingdom	Imp.	1,111	957	797	651	626	680
	Exp.	729	571	391	365	368	396
U.S.A.	Imp.	4,339	3,114	2,089	1,325	1,433	1,636
	Exp.	5,157	3,781	2,378	1,576	1,647	2,100
Germany	Imp.	13,447	10,393	6,727	4,666	4,204	4,451
	Exp.	13,483	12,036	9,599	5,739	4,871	4,167

These figures clearly demonstrate the extent and the universality of the depression.

The decline in foreign trade, which was everywhere far more severe than the decline in production, affected Austria gravely. The increasing adoption of "beggar-my-neighbour" policies greatly restricted outlets for Austria's manufactured goods. Tariffs rose to incredible heights in central and south-eastern Europe; quotas, import prohibitions, and a hundred and one forms of administrative protectionism blocked the flow of goods.

Austria was compelled, in turn, to resort to increasing protectionism and her agriculture, in particular, was increasingly cut off from the world market. Home food prices were, in fact, maintained much more than prices of manufactured goods, and this resulted in an increase in agricultural production, contrasting strangely with the persistent decline in industrial output.

The workers, of course, had now to pay relatively higher prices for their essential needs. On the other hand, the stability and purchasing power of another important

458 section of the population was substantially preserved. Even so, to the extent that prices *did* fall, the real burden
435 of debt was increased. The smaller peasants, particularly those in the poorer mountain districts, suffered most and the Government was more than once forced to come to their assistance.

There can be no doubt that the growing protectionism
439 reduced the advantages of international division of labour. But there was little choice in the circumstances. The loss of income from exports had to be replaced by home-produced income. While exports declined rapidly (until in 1933 they were only 35 per cent of the 1929 level [2]). Austria's readjustment of production allowed her to cut down imports in the same period to 35 per cent of the 1929 level. This went a long way in solving the long-standing balance of trade problem; but the way in which it was solved was hardly the ideal one. The import surplus, which had amounted to over 1,000 million schillings annually in the period preceding the depression, fell to 848 million schillings in 1930, 870 million schillings in 1931, 620 million schillings in 1932, 373 million schillings in 1933, and 296 million schillings in 1934.

453 The depression thus took its "normal" course in Austria: a fall in the national income and in production, a rise in unemployment, misery, and social tension, accompanied by frantic but unco-ordinated efforts by all governments to stop the catastrophe and to readjust the domestic economic structure. Austria travelled the same road as the rest of the world. But half-way through the crisis, in the beginning of 1931, there occurred an event which suddenly revealed, not only Austria's financial weaknesses, but those of the whole world. To this event, the breakdown of the Credit-Anstalt, we must now turn.

There were two major financial problems in Austria.

[2] [CP. CATEGORY 116, P. 63 -- ANALYST]

THE EFFECTS OF THE WORLD CRISIS

First, Austria's banking system had been seriously thrown out of gear by the break-up of the Empire and by the subsequent inflation. Vienna, it is true, continued to serve as a major financial centre for central and south-eastern Europe. But the newly created financial institutions of the Succession States now took the "cream" off the market. They supplied the credit requirements of the new, and highly protected, industries of their countries: and the Vienna banks had to employ their funds in less secure fields. 4-3

The fictitious banking boom of the inflation was followed by a process of readjustment. The banks began to cut down their staffs and expenditure, and to revise their balance sheets. But there was no systematic and orderly approach to the problem. Progress was haphazard and altogether too slow. There were danger signs even before the outbreak of the world depression. All the banks had had to cope with considerable difficulties. Some of them, including not a few of the more important ones, went down. Well-known institutions like the Depositen Bank and the Anglo-Austrian Bank had to be liquidated or absorbed by other banks. Finally, in 1929, the Bodencreditanstalt, the second largest bank in Austria, found itself in trouble. In order to prevent a failure of this bank and the consequent loss of confidence, the government pressed the Credit-Anstalt, Austria's biggest bank, to take over the Bodencreditanstalt. This, however, could not but weaken the financial position of the Credit-Anstalt, now by far the most important credit institution in Austria. Its balance sheet totals now made up no less than 70 per cent of the figures for all Austrian banks taken together.

Secondly, the credit structure as a whole rested on a rather precarious foundation. All the central European

[CP CATEGORY 116, p. 63 -- ANALYST]

8: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

453 banks had tended to increase their liabilities in relation to their own capital; and the high rates of interest had led to a continuous influx of foreign short-term money which the banks re-lent for medium- and even long-term purposes. This could not but render the banking system (in Austria and elsewhere) highly vulnerable to any sudden outside shocks.

The shock (or rather several shocks) came with the 453 outbreak of the world depression. First, with the 1929 stock-exchange boom in Wall Street in full swing, the 457 inflow of short-term funds (particularly American) which had been continuous from 1925 onwards came to an abrupt end. Later, loans were called in so as to satisfy the desire for liquidity which the depression had everywhere created. But a large part of this money had been re-lent for purposes of long-term capital-extension and it was now found to be "frozen". Further sums had been invested in the Balkan countries where the catastrophic fall in agricultural prices rendered the service on foreign loans increasingly out of the question. Bad debts accumulated and had to be written off.

The decline in the banks' liquidity was only half the trouble. They also lost much of their own capital. The Austrian banks—and to a lesser degree all Continental banks—had been in the habit of investing a large part of their capital in industry. With the severe decline in industrial production and profits, the banks thus suffered heavy losses on their shareholdings.

All these factors had been quietly at work below the 453 surface of an apparently smoothly working banking system. Quite suddenly, however, these facts were brought to light, with all their devastating implications. On May 11th, 1931, it was announced that the losses of the Credit-Anstalt had been so severe that it was unable

to meet its obligations without liquidating the whole concern. It appeared later that its outstanding obligations were actually considerably in excess of its own capital, which then consisted of 125 million schillings, together with a reserve fund of 40 million schillings. 453

The bare announcement of these facts had staggering effects. It set the ball rolling which knocked over the financial and monetary stability not merely of Austria but of the whole world. For the Credit-Anstalt was not just *some* Austrian bank. It was closely integrated into the world's financial structure. Its foreign debts amounted to $76 million of which 27 million were due to Great Britain and 24 million to the United States. Certain banks in other countries which had considerable interests in the Credit-Anstalt were directly affected, and so the crisis spread from the Credit-Anstalt to the German Darmstaedter and National Bank and to the Dutch Amstel Bank.

There were other less direct but even more important consequences. The failure of the Credit-Anstalt did not just mean the freezing of a number of credits; it was a symptom of the serious deterioration of the world's financial and economic stability. Loss of confidence, nervous and rapid shifts of capital, extreme economic nationalism in monetary matters, which had been raising their heads here and there, now came fully out into the open. A line is, in fact, discernible which leads from the collapse of the Credit-Anstalt to the suspension of the Gold Standard in Great Britain in September, 1931.[5] ½

Let us now return to the Austrian scene. When the position of the Credit-Anstalt became known it was clear that such an important institution could not be allowed to go bankrupt. Too large a sector of Austria's industry was dependent on the Credit-Anstalt for fixed and working 453 652

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½ [CA CATEGORY 116, p. 63 -- ANALYST]

453 capital; the country's foreign credit was too closely bound
up with the solvency of this bank. The Government
652 therefore stepped in within four days and, together with
the Austrian National Bank and the House of Rothschild,
assumed responsibility for its financial reconstruction. A
number of measures followed in quick succession. The
government guaranteed first the foreign, and later also the
domestic deposits of the Credit-Anstalt. A committee was
set up in London to represent the interests of foreign
creditors. An agreement was signed providing that 500
million schillings of foreign short-term credits were not
to be withdrawn for two years. Strict economies were
introduced. Salaries and pensions were heavily cut by
453 decree; many of the bank's employees were sacked. The
652 problem of an overgrown banking system was at last
being solved; but in a way which created much misery and
464 dislocation. No doubt, the Credit-Anstalt had somehow
to be saved. But the Government was too concerned
about the profitability of the concern and the interests of
the shareholders. Its measures contributed to the already
serious structural unemployment among the middle
classes and served to prolong the depression. Moreover,
the Government missed an unique opportunity of using
its newly gained influence over the main credit institution
to re-organize and direct the country's industrial structure
in the national interest.

453 But the collapse of the Credit-Anstalt did not only call
for far-reaching measures for the restoration of that
436 institution. It also had grave repercussions on Austria's
652 monetary system. The National Bank had been forced to
re-discount a large number of Credit-Anstalt bills, and
457 the note circulation began to swell. At the same time, in
spite of the Government's speedy assistance and guarantee,
confidence had been shaken and funds were withdrawn

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

from the Credit-Anstalt on a large scale. Particularly foreign short-term credits, which had already trickled outwards ever since 1929, were now called in rapidly. About 1,000 million schillings were withdrawn from Austria within a year.

This put a severe strain on the foreign exchange reserves of the National Bank. The stability of the currency, which had rested on a firm basis since the inflation had come to an end, was threatened once again.[6] Support was urgently needed and, for the second time in its short history, the Austrian Republic had to appeal for foreign help. Some welcome, but sadly inadequate, help was rendered in June, 1931, in the shape of a 150 million schillings credit from the Bank of England and 100 million schillings from the Bank for International Settlements. This eased the strain for the moment, but soon there was a renewed decline in foreign exchange reserves. Germany and Hungary suspended their foreign payments. This meant not only a loss of expected income but it also undermined confidence still further and a flight of capital set in which threw the foreign exchange market completely out of gear.

On August 7th, 1931, the Austrian Government asked the League of Nations for a 250 million schillings loan. As in 1922, this loan was ultimately granted. But again the help did not come soon enough. After prolonged negotiations and investigations the Financial Committee of the League of Nations stressed in March, 1932, that the financial strain of Austria, Hungary, Greece, Bulgaria, etc., was mainly due to world causes over which they had very little control, and that there was an urgent need for international financial help. In the summer of 1933, two years after the first appeal, the loan was finally launched.

But in the meantime the position had gone from bad

[6] [Cf. CATEGORY 116, pp. 63-64 -- ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

652 to worse. Action became imperative. The demand for foreign exchange increased steadily and an unofficial 457 premium on foreign currencies developed. On October 9th, 1931, after the foreign exchange reserves of the National Bank had fallen from 856 million schillings on May 7th to 359 million schillings, exchange control was finally introduced to stop any further loss of reserves. The same measure had already been introduced by Germany, Denmark, Hungary, Greece, Czechoslovakia, and Yugoslavia. It soon spread to most of the smaller nations in Europe and South America. Further measures —above all import quotas and clearing agreements— followed for the purpose of husbanding the scarce foreign exchange reserves.

In this way the emergency was temporarily met, the further flight of capital reduced, and the "devisen" resources preserved for essential imports of raw materials and foodstuffs. But exchange control created problems of its own. Prices in Austria had tended to be higher than world prices since mid-1931 so that now, with the value of the schilling artificially maintained, imports were encouraged while exporters found it increasingly difficult to compete in foreign markets. In spite of the controls the reserves of the National Bank therefore continued to decline in 1932, and in June of that year the transfer on foreign debts had to be suspended for almost a year.

The Austrian schilling had to be brought into line with world prices. But the Government was reluctant to devalue the currency for two reasons. First, the Austrian public was still very much "inflation-minded", and considered devaluation as equivalent to inflation. Devaluation might thus raise political difficulties. Secondly, devaluation would raise the burden of the foreign debt.

These considerations, however, lost much of their force

as one country after another went off the gold standard and devalued its currency. After a period of strict exchange control, lasting from October, 1931, to the middle of 1932, the Government relaxed some of its regulations. "Private clearing" was admitted, first in a restricted field, from which it quickly expanded until it covered the great majority of Austria's imports and exports. The private clearing system consisted in permitting exporters to sell their foreign exchange directly to importers instead of requiring them to hand it over to the National Bank at the official exchange rate. In these private clearing dealings the schilling was actually devalued and found its equilibrium level so that exporters could once again compete in the world market while importers could obtain the necessary "devisen" without further formalities and delays. This *de facto* devaluation of the schilling was finally officially recognized in April, 1934, when the Austrian National Bank revalued its gold and "devisen" resources at the new parity of the schilling. This revaluation of the reserves corresponded to a 22 per cent devaluation of the schilling.

After that date Austria returned to a practically free foreign exchange market,[7] and the stability of the schilling was once again secured. This was a remarkable achievement at a time when most of the other countries in central and eastern Europe travelled in the opposite direction, viz. towards more exchange control and a greater isolation of their economies from the world market. Austria's withdrawal from all but rudimentary exchange control was indeed, as an American economist said, "a unique chapter in monetary history".[1]

Its importance lay not only in preserving Austria's position as a centre for transit trade and commercial and financial services; above all, it rescued Austria's foreign

1 [Cf. p. 64, Category 116--Analyst]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

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trade from Germany's trade offensive which was so catastrophically successful in the Balkan countries.

But this could not have been done had there not been a general change for the better in the whole economic position.

The ensuing period of recovery forms tne subject of our next chapter.

NOTES TO CHAPTER IV

1. These percentage figures are calculated in rather different ways in different countries. They can therefore only be used for rough comparisons.

2. The figures here refer to the *value* of imports and exports. Since prices fell considerably in this period the decline in the volume of foreign trade was not so heavy.

3. Austria's average import of 1924–9 was reduced (in quantity) to the following amounts in 1932: cattle, one-sixth; meat, one-quarter; hogs, one-third; lard, 90 per cent; and flour, 40 per cent.

This reduction was partly due to increased agricultural output, partly to lower consumption.

4. The Credit-Anstalt was founded by the Rothschild interests in 1855, on the eve of Austria's rapid industrialization. It soon became the most important financial institution in the whole of south-eastern Europe, and had a deep influence on Austria's industry. Careful and conservative in its policy, it used to be a flourishing undertaking and earned a dividend in every year from 1857 to 1928.

It may be mentioned at this juncture that the author of this book has nothing in common with *the* Rothschilds except the name.

5. Professor Toynbee has summed up the story concisely: "This change for the worse [in the world crisis], which had been taking place for some time under the surface without being realized, or at any rate without being faced, by people at large, was brought to public notice abruptly by the announcement of the collapse of the Austrian Credit-Anstalt für Handel und Gewerbe on the 11th May; and the news precipitated a number of movements which had been held in check, though this with increasing difficulty, until that moment." *Survey of International Affairs, 1931*, p. 26.

6. The monetary problems discussed here were, of course, by no means specifically Austrian. Similar problems caused head-

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

aches to most governments in that period, and in Germany and south-eastern Europe in particular the position was very serious.

7. Certain measures of exchange control were kept in force as an emergency weapon in order to meet the effects of the monetary and trade policies of the highly controlled neighbouring countries, and to prevent the flight of capital.

8. Howard S. Ellis, "Exchange Control in Austria and Hungary", *Quarterly Journal of Economics*, Vol. 54, No. 1, Part II, p. 47.

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

CHAPTER V

RECOVERY

TOWARDS A BALANCED NATIONAL ECONOMY

IF the world depression had dragged Austria down with it, the subsequent world recovery reacted beneficially on her economic life. The deflationary policy pursued by the Government after the financial shocks of 1931 tended, indeed, to retard the upswing in Austria. Nevertheless, from the second half of 1933 onwards, there was a clear and unmistakable upward trend in all spheres of economic life. 458

Industrial production, which had fallen to 61 per cent of its level in 1932, increased rapidly until it reached a new record level in 1937, the last year of Austria's independence. 433

INDICES OF INDUSTRIAL PRODUCTION

(1929 = 100)

	Austria	Czecho-slovakia	Germany	Great Britain	U.S.A.
1932	61	64	53	84	54
1933	63	60	61	88	64
1934	70	67	80	99	66
1935	80	70	94	106	76
1936	86	80	106	116	88
1937	103	96	117	124	92

This increase in production naturally led to some reduction in unemployment. Unemployment figures, 464

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

464 which had passed the 400,000 mark in 1933, fell gradually to approximately 320,000 in 1937. This was, however, still considerably above the level of 200,000 unemployed in 1929. In fact, the problem of unemployment, particularly in the heavy industries and among commercial and administrative workers, remained virtually unsolved. The policy of the Government lay the foundation for a more solid and independent national economy. But it fell far short of an expansionist policy that would have ensured the full use of the country's human and material resources.

241 433 Of great importance was the conspicuous progress in agriculture which had been continuous ever since 1920. In a world striving for self-sufficiency, where markets for manufactured exports became increasingly closed, it was necessary to reduce the import requirements for foodstuffs. This object was largely achieved. Taking 1923 as the first normal year in Austria's economic life, we obtain the following picture of development.

	Year	Production (in 1,000 quintals)	Per cent of Requirements
Wheat	1923	2,419	33
	1936	3,678	63
Rye	1923	4,023	76
	1936	4,605	81
Barley	1923	1,710	63
	1936	2,531	85
Oats	1923	3,754	82
	1936	4,029	94
Potatoes	1923	14,262	95
	1936	24,994	100
Sugar	1923	473	31
	1934–6	1,919	99

234 439 Even more important were the structural changes in agriculture. In particular, great progress was made in dairy farming; an industry which had been badly neglected

in the past although it was excellently suited to Austria's natural conditions. In spite of increased home consumption an export surplus was now achieved for the first time.

EXCESS OF IMPORTS (—) OR EXCESS OF EXPORTS (+)
(in quintals)

	1923	1936
Milk	— 200,000	+ 114,000
Butter	— 16,000	+ 35,000
Cheese	— 43,000	+ 31,000
Condensed milk	— 80,000	+ 300

In foreign trade, too, considerable advances were made. Foreign trade did not, it is true, recover to the same extent as production. Even in 1937 Austrian imports, amounting to approximately 1,500 million schillings, were only 45 per cent of the 1929 value, while exports in the same year (approximately 1,200 million schillings) were only 55 per cent of the 1929 value. Moreover, the recovery of Austria's foreign trade was less marked than elsewhere, and Austria's share in world trade fell from 1·12 per cent in 1929 to 0·93 per cent in 1937.

The volume of foreign trade, therefore, did not increase as much as was desirable. But the balance of trade became much more favourable than it had ever been. When, after 1933, foreign trade began to revive, exports increased to a greater extent than imports. In spite of the growing volume of trade, the import surplus therefore remained at a low level. For the period 1933–7 it amounted to about 320 million schillings per year, as compared with more than 1,000 million schillings in the years before 1930.

Moreover, the gap of 300 million schillings or so was easily covered by Austria's income from various other sources, and it was now no longer necessary to raise foreign loans on that account. Income from tourist

457 traffic, in particular, had greatly increased in importance since the beginning of the thirties. Austria's great potentialities in this sphere were now much more fully used than in the past. The hospitality and the cosmopolitan outlook of the population; the increased facilities for cheap accommodation and the cheap railway fares; the Salzburg festivals, the Grossglockner Alpine Road, the International Congresses in Vienna; all these attracted a large and increasing number of foreigners to Austria. Between May and August, 1936, 500,000 foreigners visited the country; a third more than in 1935; and it has been estimated that the revenue from this source alone amounted to 300 million schillings in 1936.[1]

Alongside this improvement in the balance of trade there was a general change for the better in Austria's foreign debt position. When, in 1933, the League of Nations finally floated the Austrian Government Guaranteed Loan, the bulk of its yield was used for repaying the most pressing short-term debts and to clear up some arrears which had accumulated after the crash of the Credit-Anstalt. These and some further minor funding transactions reduced Austria's short-term indebtedness from about 1,290 million schillings in 1932 to the negligible figure of 47 million schillings in 1937. Thus the old standing danger to the stability of the currency of a large foreign short-term debt was removed.

Moreover, in the same period, the total amount of foreign indebtedness (whether long-term or short-term) was considerably reduced. Repayment of part of the capital, and above all the devaluation of the dollar, franc, and other currencies, reduced Austria's total foreign indebtedness by more than one half: from approximately 4,250 million schillings in 1932 to 1,880 million schillings in 1937. This, as well as the successful conversion of the

2 [CD. CATEGORY 11b, p. 77--ANALYST]

RECOVERY

1932 League of Nations Loan to lower interest rates, 457
greatly eased the burden of Austria's foreign debt service. Interest payments fell from 282 million schillings in 1932 to 110 million schillings in 1937.

The improved position in the spheres of foreign trade 652
and foreign indebtedness, and the reorganization of banking after the fall of the Credit-Anstalt,[2] put Austria's finances on a thoroughly sound basis. The gold and foreign exchange reserves of the National Bank recovered to a comfortable level. This enabled the Government to do away with most of the exchange control introduced at the height of the crisis; and the value of the schilling was successfully maintained when, in 1936, three of Austria's neighbours—Italy, Switzerland, and Czechoslovakia—devalued their currency.[3] For the second time in her short history Austria had emerged successfully from a very difficult financial position. Confidence in her stability was restored, and in 1937 Austria was in the unique position among all the European debtor nations of obtaining short-term commercial credits on the London market.[4] There can hardly be any doubt that Austria could have solved her problems without any further foreign assistance had she been able to maintain her national independence.

Altogether, then, it may be said that Austria had passed 511
through a period of sound, if stormy, development in the twenty years of her existence. Many improvements were 434
still required, many mistakes remained to be made good. Nevertheless, Austria had reached economic standards which compared very favourably with those of most other countries in central and eastern Europe. Her economic structure was much more similar to that of the Western industrial nations, though her standard of living fell greatly short of, say, British standards. To illustrate

1 [CP CATEGORY 116, p. 77 -- ANALYST]

AUSTRIA'S ECONOMIC DEVELOPMENT

511 Austria's intermediate position between the countries of eastern and western Europe, two sets of comparisons may 434 be given: one showing estimates of the national income of some of the countries in question; the other showing the yearly consumption of some manufactured consumer goods.[5] 1

ESTIMATES OF NATIONAL INCOME

Country	Year of Estimate	Approx. National Income per Head in U.S. Dollars
Austria	1935	150–160
Czechoslovakia	1937	150–160
Hungary	1937	90–100
Yugoslavia	1937	55–65
France	1936	270–280
United Kingdom	1935	490–500

ESTIMATED YEARLY CONSUMPTION OF SOME MANUFACTURED GOODS PER HEAD OF POPULATION

(Year: 1937)

	Cotton Goods (kilos)	Paper (kilos)	Sugar (kilos)	Wireless Sets (No. of Licences per 1,000 Persons)
Austria	5·1	14·8	19·5	92
Czechoslovakia	4·2	13·9	22·4	69
Hungary	2·4	10·0	12·7	43
Yugoslavia	2·0	3·5	5·4	7
Western Europe	8	30	32	120

THE NEW POLITICAL FRAMEWORK

178 In this second period of recovery Austria thus acquired what had only been half accomplished in the years from 1923 to 1929: a sound and stable economic foundation. But the recovery after 1932 did not simply pick up the threads of 1929. Political conditions had changed considerably, both at home and abroad; and this decisively

1 [CP CATEGORY 116, P. 77 — ANALYSIS]

influenced the economic structure which emerged in these last years of Austria's independence. Two factors, in particular, were of importance: the changeover from a democratic to an authoritarian régime; and the rapid growth of the German trade offensive in south-eastern Europe.

At home, the most obvious results of the destruction of democratic institutions were of course to be found in the political field. But there were also important economic concomitants. The dissolution of free trade unions and of other democratic bodies eliminated every organized force which might have safeguarded the share of the mass of the population in the national income. While production as a whole returned to and even surpassed the 1929 level, the production of consumption goods—contrary to the experience in most of the other countries—remained far below it. The trade revival came largely from increased exports, rearmament, and public works.[7] The strong cartels which covered a large part of Austria's industry (e.g. in the iron and steel trades, in electrical engineering, in chemicals, rubber processing, sugar refining, in the paper and brewery trades, etc.) absorbed a large proportion of the rising national income into profits, and the revival failed to spread to the consumption goods industries which remained depressed and were a source of unemployment.

The external effects of the changed political situation were even more marked. In the inter-war period, and particularly after 1929, when tariffs, quotas, currency wars, etc., became the order of the day, the economic relations between most countries ceased to be governed by transactions between private traders. Foreign trade increasingly became the concern of governments, and economic policy a special aspect of foreign policy. Austria

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CP CATEGORY 116 P 77 ANALYST

439 was no exception and it is in this field that particularly
652 grave mistakes were made in the period under review.

As early as 1931, when Austria was still a democracy, a
648 dangerous and harmful attempt was made in the inter-
439 national field to solve the growing economic difficulties. Dr. Schober, a member of the small Pan-German group in Parliament and Foreign Minister in the Coalition Government of the day, entered into secret negotiations with Dr. Curtius, the German Foreign Minister. On March 19th, 1931, the world was suddenly informed of the intention of the two governments to form a customs union. The plan found instant and wholehearted support in Germany. In Austria there was no enthusiasm about it outside the ranks of the Pan-Germans, and many Austrian industrialists were gravely disturbed by the prospect of falling completely under German control. But it was mainly in France and Czechoslovakia that the full implications of this Pan-German move were immediately grasped. Only a few days after the scheme was announced, on March 26th, Dr. Beneš, the Foreign Minister of Czechoslovakia, explained to the members of the Foreign Affairs Committee that the customs union project raised the question of the *Anschluss* indirectly as a customs union between unequal parties was certain to destroy the independence of the weaker.

Fortunately the project did not materialize. The
457 growing financial difficulties of Austria and the need for
648 foreign help, which Germany was neither able nor willing to provide, induced the Austrian Government to give up the plan for a customs union. A few days later, on September 5th, the Permanent Court of International Justice decided by a narrow majority—eight votes to seven—that a customs union would be incompatible with Austria's obligations under the Geneva Protocols.

RECOVERY

Thus Austrian independence and European peace alike were given another breathing space. But the active part which Austrian politicians had played in this German attempt towards central European hegemony could not but harm Austria's economic relations with some of her neighbours. Suspicion about German designs in Austria grew. Czechoslovakia, in particular, turned away from Austria. Trade relations with that country were of paramount importance to Austria for both political and economic reasons. It was all the more regrettable that Czechoslovakia moved from second place on the list of Austria's foreign trade partners to fourth: between 1929 and 1937 imports from Czechoslovakia declined from 18 per cent of total imports to 11 per cent, while Czechoslovakia's share in Austrian exports fell from 14 per cent to 7 per cent.

With Hitler's rise to power, Germany's expansionist desires became naked and unashamed. It was no longer a question of a customs union; the outright annexation of Austria by Germany was put on the agenda. In these uneasy years between 1933 and 1937 Austria managed fairly successfully to escape the monopolistic domination which Germany imposed on most of the Balkan countries by commercial means. Though Germany continued to head the list of Austria's imports and exports, it never obtained a dominant position. In fact, its influence actually declined slightly during these years. Between 1929 and 1937, Germany's share in Austria's exports declined from 16 per cent to 15 per cent while imports from Germany fell from 21 per cent to 16 per cent of the total.[8]

Austria did not, however, escape the indirect effects of Germany's trade offensive. Germany's policy of monopolizing Balkan trade through bilateral agreements, bulk

[CA. CATEGORY 116, 73 p. 77 -- ANALYST]

9. Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

purchases, accumulation of debt, etc.,[7] was, first, designed to gear the economic structure of these countries to the needs of the German war economy. But it also served to close the traditional export outlets of Austria and Czechoslovakia, and so to weaken their economies.

PERCENTAGE SHARE OF GERMANY, AUSTRIA, AND CZECHOSLOVAKIA IN THE FOREIGN TRADE OF THE SOUTH-EAST EUROPEAN AGRICULTURAL COUNTRIES (BULGARIA, GREECE, ROUMANIA, TURKEY, HUNGARY, YUGOSLAVIA)

	Imports		Exports	
	1928	1938	1928	1938
Germany	17	35	16	34
Austria	11	5	16	7
Czechoslovakia	14	7	8	6

Alternative outlets had to be found. Austria should have obviously tried to expand her trade with the Western democracies, with the Soviet Union, and with America and the Dominions. This would have created closer ties with the countries on whose active assistance Austria's security ultimately depended. And it would have enabled Austria to obtain in payment for its exports free exchange which could have been spent in the most advantageous markets. Austria's light and fashion trades offered every opportunity for expanding and diversifying her export markets in this way.[10] But Austria's fatal foreign policy in the years from 1933 to 1938 was matched by an equally disastrous foreign trade policy. The new authoritarian régime failed to establish close and friendly relations with democratic Czechoslovakia and with the other peace-loving powers. It pinned its hopes for security on the

[CA. CATEGORY 116 p. 77-78 — ANALYST]

RECOVERY

promises of Fascist Italy,* and, in 1934 signed the Rome Protocols. This was an agreement signed by Italy, Austria and Hungary providing for a preferential trade régime for these countries. Hungary was to find improved outlets for her agricultural exports while Austria and Italy would obtain preferential treatment for their industrial products. Behind all this, however, loomed Italy's attempt to obtain a dominant position in central Europe. 648 439

The economic results of the Rome Protocols were anything but satisfactory as far as Austria was concerned. There was no great expansion of trade with Hungary. Exports to Italy increased quickly, it is true, particularly after the outbreak of the Abyssinian war and the imposition of sanctions in which Austria failed to join. Italy moved from fourth to second place on Austria's export list. In 1936, 14 per cent of Austria's exports went to Italy, as compared with 10 per cent (out of a much smaller total) in 1932. But Italy was neither able nor particularly willing to pay for these exports. Austria's export surplus to Italy amounted to no less than 70 million schillings in 1936 and 93 million schillings in 1937. Thus Austria, herself in sore need of capital investment in her industry, was compelled to make loans to Italy. The same applied to a slighter extent to Germany, where the clearing agreement also led to the accumulation of a credit balance in Austria's favour.[11] 1/1

It was not until 1936, when Italy's incapacity to pay became obvious and when the Italian Government tried to change the terms of the agreement in its favour, that an effort was made to re-direct Austria's trade. A preferential treaty was concluded with Czechoslovakia, in spite of severe opposition from Germany. Other attempts for 457 439

* Instead of helping Austria, Mussolini, in the event, congratulated Hitler on his successful annexation of the country.

1/1 [CA. CATEGORY 116, 75 P. 78 -- ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

457 freeing trade from the straight-jacket of bilateral clearing agreements followed. This was partly successful; exports 459 to "free payment" countries increased from 32 per cent of total exports in 1929 to 36 per cent in 1937. But this was a rather poor showing compared with Czechoslovakia, where the share of exports to free-exchange countries increased from 36 per cent to 52 per cent in the same period. There was no time for obtaining any better results for on March 11th, 1938, German troops crossed the Austrian frontier.

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

NOTES TO CHAPTER V

1. *The Economist*, 14th November, 1936.

2. The reconstruction of the banking structure was followed by the readjustment of the similarly overgrown insurance business after the breakdown of the dominant firm, the Phoenix Insurance Company, in 1936.

3. The decision of the Austrian Government to maintain the value of the schilling was certainly a sign of the greatly improved financial position of the country and did much to increase its credit status. Nevertheless, it would probably have been wiser to devalue and thus to avoid the continuation of the deflationary pressure which hampered the revival of domestic production.

4. See Ellis, op. cit., p. 55.

5. These figures are taken from the *World Economic Survey*, League of Nations, 1937–8, and from the P.E.P. Report on "Economic Development in South-Eastern Europe".

6. If we take 1932 = 100, the value of retail sales of clothing fell in Austria to 94 in 1935, as compared with a rise to 109 in Great Britain (League of Nations, *World Economic Survey*, 1935–6, p. 121).

7. Public works were introduced on a larger scale after 1933 though they were never sufficient to make much impression on the unemployment problem. On the other hand, the extensive building programme of the Municipality of Vienna was discontinued after the political change of 1934.

8. By contrast, German trade with Bulgaria developed as follows: in 1929, Bulgaria sent 30 per cent of its exports to Germany and obtained 22 per cent of its imports from there; in 1937 the figures were 43 and 55 per cent respectively.

9. For a description of these methods, see Antonin Basch, op. cit., and also *The New Economic Warfare* by the same author.

10. In addition to the growth of exports from these newer industries, a considerable part of their output was sold directly

to foreign tourists. These sales do not of course appear in the export figures though they are really part of exports.

11. The German and Italian drive for self-sufficiency was another adverse influence. Their imports from Austria shifted increasingly from manufactured goods to raw materials, mainly timber, iron ore, and steel. This led to a concentration of unemployment among the skilled workers, and tended to worsen Austria's terms of trade.

CHAPTER VI

THE SHADOW OF GERMANY

ECONOMIC PENETRATION

AFTER the annexation of 11th March, 1938, Austria's economy became completely subordinated to Germany's war requirements and to the German preparations for a "New Order" in Europe. But it must not be assumed that Austria's economy had ever been able to develop freely and without interference from its powerful neighbour. Indeed, to understand fully the economic and political events in Austria the long-standing and baneful German influence must be constantly borne in mind. 648 457

Long before the last war German imperialism exerted a powerful influence on Austria's economic policy. After the creation of the German Reich in 1870 German industry grew at a rapid pace and Germany became the leading economic power in Europe. She soon took third place, after Britain and France, as a foreign investor. After a short period of all round lending in response to purely economic incentives, the loan policy of the German banks and industrial concerns was increasingly brought into line with wider political aims.[1] The *Drang nach dem Osten*, a prime feature in Germany's expansionist designs since the days of Bismark, came to determine the direction of her capital export. Large sums were invested in the Near East, in the Balkans and particularly in the Austro-Hungarian Empire. German investments in the Empire totalled RM. 3,000 million in 1913, more than the value of British and French investments taken together. There

1 [Cf. category 116, p. 91 -- ANALYST]

648 was also much direct participation in the Empire's industry and banking.

457 In those days free economic relations were still the rule. But Germany's lending policy was quickly used to help carve out political and economic spheres of influence. Loans were frequently granted only on condition that their proceeds should be spent on German products.[1] By this means, the big German concerns obtained a dominant influence in these areas and trade was often diverted from its natural channels. Not less than 40 per cent of Austro-Hungary's foreign trade thus came to depend on Germany. The economic penetration of the Monarchy contributed greatly to its conversion into a junior partner in Germany's foreign policy and into a willing tool in the First World War.

As a result of that war Germany lost most of her foreign investments and eventually became herself largely dependent on foreign capital. Consequently, she was no longer of any importance as a source of capital supply for Austria and in foreign trade, too, she lost her predominant position, accounting for no more than about one-sixth of Austria's foreign trade.

But Germany did not therefore abandon her attempts at economic penetration in Austria. If anything, her efforts in that direction were greatly increased to compensate at least in part for the areas and opportunities lost in the war. The aim remained the same, though the methods were changed.

648 While Germany ceased to make loans to Austria she
471 continued to maintain a close grip through her shares in Austrian companies. The total amount of these holdings was moderate but they were of major strategic significance. German concerns had managed to obtain full or partial control over important firms in most of Austria's

1 [CA CATEGORY 1161 P. 91 — ANALYST]

key industries. German capital was conspicuous in the spheres of banking and insurance, the iron and steel industry, heavy and electrical engineering, the chemical industry, textiles, hydro-electric works, and in the film industry. In many cases, of course, German capital opened up new opportunities, with benefits to all concerned. But more often German control resulted in the complete subordination of the policy of the Austrian firm to the interests of the German parent concern or to the political aims of the German expansionists. 648 471

In the electrical engineering industry, for instance, which was dominated by the German controlled Oesterreichische Siemens Schuckert Werke A.G., Siemens-Halske A.G., and the A.E.G.—Union Elektrizitaets—Gesellschaft, the goodwill which Austrian industry possessed in south-eastern Europe was exploited by using the Austrian establishments for exports to these areas. But the development work was invariably carried out in Germany. Austrian research workers and technicians were sent to the Berlin laboratories, and Austrian shareholders deprived of their dividends in order to strengthen the financial reserves of the parent concern. Accordingly, the Austrian establishments became increasingly dependent on German patents and finance while Austria's social and economic requirements were completely neglected. 648 393 471

Many similar examples could be given from other industries. One case, which deserves special mention is that of the biggest single Austrian combine, the Alpine Montan A.G. The Alpine owned all the important iron mines in Styria and Carinthia, all Austrian blast furnaces, a great number of steel works in southern Austria, lignite and magnesite deposits and railways. It controlled the bulk of Austria's metallurgical resources. 648 471 327

AUSTRIA'S ECONOMIC DEVELOPMENT

648 The Alpine had been the offspring of a merger of many small companies in the days of the Monarchy. After the 327 war the majority of shares was acquired by the Government, but in 1919—during the most critical period—they 471 were sold to a group of Italian financiers. From there, in 1921, they passed into the hands of the notorious German inflation profiteer, Hugo Stinnes. When his meteoric rise came to a sudden end the majority of shares (56 per cent) were acquired, in 1926, by a member of the German Steel Cartel, the Vereinigte Stahlwerke of Duesseldorf, a combine headed by the Nazi promoter Fritz Thyssen.

From then on this most important combine in Austria's heavy industry was run exclusively in the interests of the German Steel Trust. All the important positions and research facilities were reserved for adherents of "Pan-German" convictions. The workers were forced to leave 469 their free trade unions and to join the *Heimwehr*, an armed, anti-democratic body, whose Styrian branch was heavily subsidized by the Alpine Montan. As early as 1931, the Styrian *Heimwehr* organized an unsuccessful *coup d'état* against the Austrian Government. A number of directors of the Alpine Montan were behind this *putsch*. They were again involved, and actually arrested for a short time, when the Nazis made an abortive *putsch* in July, 1934, in the course of which Chancellor Dollfuss was murdered.

648 On the outbreak of the great economic depression the German steel magnates decided to concentrate production 327 in Germany. All Austrian blast furnaces were closed down 457 and the industrial districts of Styria were thus converted into one of the worst-depressed areas in Europe. After Hitler's rise to power, the Alpine was completely harnessed to the German armament programme, regardless of Austria's political or economic needs. In 1937, when

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Austria was in great need of "free currency", the Alpine refused orders from England and other countries, and sent its whole output to Germany, in spite of the clearing debts which had accumulated there. Ultimately the behaviour of the directors became so hard to distinguish from high treason that the Austrian Government put a Government Commissioner in charge of the firm. But it was too late. A few weeks later the policy which the directors of the Alpine had backed all along was fulfilled—Austria was occupied by Germany. 648 327 459

Direct ownership and control were not the only means by which the Germans exerted their influence in the economic affairs of Austria. Recent investigations by the American Anti-Trust Division have shown how, over a long period, German combines used international cartels in order to increase Germany's economic war potential.[3] If powerful monopolistic concerns in Britain and the United States could be induced to act against the interests of their own nation it is clear that the Germans had much easier play as far as Austria was concerned. 648 471 477

Cartelization was a widespread feature of Austria's industrial structure. The wide ramifications of industrial investments of the major banks greatly smoothed the way for trade agreements, mergers, etc. Many of these cartels worked in close agreement with their German counterparts. Owing to their much greater financial strength the German firms had the decisive say in directing cartel policy. In their desire for high and safe profits the Austrian cartel members not only damaged consumers through their restrictionist policies; they also betrayed the economic and political interests of their country in favour of Germany.

These direct economic influences were supplemented by other, more subtle, methods. From the day of the 648 668

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establishment of the Austrian republic onwards, German circles and their Pan-German friends in Austria conducted a propaganda drive against the country's independence, mainly on the argument that it "could not live". Diplomatic pressure was also used to prevent close economic co-operation between Austria and the Danubian states. Finally, there was the abortive attempt to establish a customs union in 1931.

On Hitler's rise to power the political and economic pressure on Austria was greatly intensified. Germany's trade drive in south-eastern Europe, for instance, was not only directed towards the economic and political domination of that area but also served to deprive Austria and Czechoslovakia of their natural export markets. There were also a number of direct attempts at injuring Austria's economy, among which the "Tausend Mark Sperre" was an important example. In 1933, a tax of RM. 1,000 was levied on every German wishing to go to Austria. This move was to deprive Austria of an important source of income and to spread discontent among certain sections of the population. Actually, the attack failed completely as the absence of the German tourists was more than made good by the huge increase in visitors from other countries.[4]

There were many other "subversive" economic activities designed to undermine Austria's independence and power of resistance to the Nazis. Austrian films, which largely depended on the German market, could be exported there only if they were produced in conformity with German racial legislation. Authors could get their books published in Germany only if they held pro-Nazi views. German-controlled firms in Austria employed salesmen whose job it was to spread Nazi propaganda in addition to selling their goods. In short, the economic

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Fifth Column was a powerful weapon in Germany's arsenal for her attack on Austria's independence. 668 648

AFTER THE ANNEXATION

The economic implications of the occupation of Austria were as little appreciated at the time as its political and strategic significance. In fact, Germany's war potential was greatly strengthened as a result. Austria's iron ore, magnesite, timber, electric power, etc., afforded valuable relief to Germany's war industry which was beginning to run short of raw materials. Austria also provided a source of skilled manpower which could be harnessed to the growing efforts of the German war economy. 728 648 439

Moreover, the gold and foreign exchange reserves found in the Austrian National Bank were of great immediate importance in helping Germany to build up emergency stocks for the coming war. Heavily indebted to her clearing partners, Germany had found it increasingly difficult to obtain foreign exchange for even the most essential raw material imports. The gold reserve of the Reichsbank had fallen to the extremely low level of RM. 76 million. They were now able to lay their hands on a gold reserve of more than 420 million schillings, or roughly RM. 200 million. Moreover, Austria had at that time some 200 million schillings of clearing balances to her credit (mainly from Germany and south-eastern Europe). Thus Germany was, at one stroke, rid of the problem of paying Austria and was able, with the help of Austria's claims, to settle her long-standing debts in the Balkans.

Finally, the occupation of Austria enabled Germany to outflank Czechoslovakia's strategic defences, and opened the road towards the east. The economic encirclement of eastern Europe was also complete. The Balkan countries had become dangerously dependent on trade with

728 Germany which had swallowed up one of their important customers and suppliers—Austria had up till then occupied the third or fourth place in the foreign trade of most of these countries. Politically and economically Germany had become the complete master of the whole area.

471 For Austria, of course, the occupation meant far more than a dangerous shift in Europe's economic balance. Her economy ceased to exist as a separate entity; within a very short time it was completely absorbed into Germany's war economy and her "New Order".[5]

The Germans were able at once to lay their hands on all Austrian State property. The railways were incorporated into the German railway system, the State forests taken over by the German State. The State monopoly in salt was given to the Deutsche Bank, and the tobacco monopoly taken over by a private German company. Far more important, however, were the shares of the Credit-Anstalt which were owned, at that time, by the Austrian Government. After the reorganization of the Credit-Anstalt in 1931, 49 per cent of its shares were taken over by the Government. These, together with some others, were now transferred to the Deutsche Bank. Since at the same time the only other important bank, the Zentraleuropäische Länderbank, came under the control of the Dresdner Bank, practically the whole of Austria's banking and insurance business had passed into German hands.

471 It must be borne in mind, in this connection, that the Central-European banks held a key position in the industrial life of their countries. It has been estimated that the Credit-Anstalt controlled almost 90 per cent of Austria's industry and agriculture. Moreover, the Austrian banks and financial institutions still possessed considerable investments in the Balkan countries, particu-

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larly in banking, and in the textile, chemical, and food-processing industries.[7] All these controlling positions now passed into the hands of the German banks. Vienna became Germany's launching ramp for south-eastern Europe, and Austrian economic quislings greatly helped the Germans to advance their economic penetration of the Balkans. 471 453 457

But the indirect control of Austrian industry through the banking system was only a first step. Within a very short space of time all the more important Austrian firms passed either partly or wholly into German hands. This was achieved either by methods of outright robbery, as in the case of "aryanization" (the confiscation of Jewish property), or by exploiting the financial difficulties in which many firms had been landed as a result of the occupation and incorporation of Austria; or through a skilful handling of the financial control which had been gained in the first instance. In this way all important industrial enterprises were absorbed into the big German combines like the I.G.-Farben, Krupp, Henschel, Vereinigte Industrie—A.G., and particularly the Hermann-Goering Works, which acquired the control of the largest part of Austria's heavy and allied industries.[8] Altogether, it has been estimated, a share capital of about 380 to 400 million schillings (of industrial, commercial, and banking firms) passed into German hands. This compares with a sum of about 710 million schillings which was the total value of all shares admitted for quotation on the Vienna Stock Exchange in August, 1938.[9] 648 471 728

While the big Austrian firms were being subjected to German control a process of decline took place among the smaller firms. Many small business men were ruined by the policies of rationalization, concentration, and above all by the extension of war production at the cost of the 471

1 [Cf Category 116, p. 91-92 -- Analyst]

471 typically Austrian high-quality consumer goods industries. Between 1938 and 1942, the number of business enterprises in Austria declined from about 21,300 to 16,300, while the corresponding number in Germany increased from 337,000 to 353,000 over the same period.

648 The changes were less spectacular in agriculture. But
423 many of the large estates belonging to the Church and the
167 monasteries as well as State-owned land came into German
728 ownership. Farmers who were in difficulties were not assisted but bought out and German "hereditary farmers" (*Erbhofbauern*) were settled in Austria. At the same time the sons of Austrian peasants were sent to Poland, Russia, and even to Bohemia and Moravia in order to "colonize" these areas. However, the changes in property relations were of less importance in the sphere of agriculture than the extreme regimentation of production and the system of forced deliveries which reduced the peasants to a state of serfdom.

728 It is too early as yet to give an exact picture of the effects
471 of seven years of German domination on Austria's economy. Some major results are, however, clearly discernible.

648 First, it is clear that the Germans completely changed
433 the economic structure of Austria. Austria's economy was wholly adapted to suit the needs of the German war machine. And since Austria, like Czechoslovakia, was for a long time the safest place from air attack in Hitler's *Festung Europa* it became one of the most important centres for the production of armaments. Heavy industry was greatly expanded. In Linz alone the Hermann Goering concern erected 320 coke ovens and 6 blast furnaces. In 1943, it was estimated that about 25 per cent of Germany's war industries had been concentrated in Austria.

On the other hand, many of the specifically Austrian

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industries producing high-quality goods such as electrical equipment, precision instruments, food products, leather goods, arts and crafts, the fashion industry, etc., were either completely ruined by the dearth of raw materials, or they lost their identity by being absorbed into some German concern. Many smaller firms with a high reputation had to close down, and their carefully built up personnel was drawn into the army or into the armament industries. A considerable effort will be required to restore these enterprises which are of great importance for Austria's exports, particularly in her trade with Britain and the United States.

In agriculture, too, the many promising developments before 1938 were brought to an end and production was devoted to the sole purpose of yielding as great a surplus for Germany as possible. In particular, the output of vegetables, staple foods and industrial crops was greatly stepped up.

While Austria's economic structure has been altered, total production was greatly increased. Between 1938 and 1944 steel output, for instance, was doubled; the production of aluminium rose from about 4,000 to 72,000 tons, and the generation of electricity increased from 2½ million kW.h. to almost 10 million kW.h.

The upward trend in war industries was accompanied by considerable shifts in the location of industry. In particular, the Linz-Wels-Steyr area in Austria was greatly expanded and converted into a huge centre of heavy industry. Motor roads and inland shipping facilities were also greatly extended.

These increases were achieved through a considerable reduction in the output of the consumer goods industries, by neglecting the replacement of worn-out machinery, by moving German capital equipment and German and

648 foreign labour to Austria,[10] and also by making much
728 fuller use of Austria's resources than ever before. Indeed,
433 the organization of a war economy has revealed the
471 potential wealth of Austria—as of other countries—showing what could be achieved in peace time if only proper use were made of existing opportunities.

The increase in production, however, was also achieved by eating deeply into Austria's resources. In many cases it will take years before the damage can be repaired, if indeed it can be repaired at all. In the case of timber, for instance (an extremely important export commodity in Austria), a reckless policy of exploitation has undone many years' work of careful afforestation. The intensive cultivation of the soil and the lack of artificial fertilizers and of animal feeding-stuffs has had the most damaging effects on agriculture. Up to the middle of 1942 harvests and herds of livestock were maintained at the pre-war level; but the position has greatly deteriorated since then. 1943, in particular, was a bad year and large numbers of livestock had to be slaughtered.

The increase in the output of oil in Zistersdorf from about 30,000 tons in 1937 to something like 1 million tons (which is considerably more than Austria's total peace-time requirements) may, it is feared, have dangerously exhausted these valuable resources. Similarly, the rate of exploitation of the iron ore deposits reached an undesirably high level.[11]

727 Our provisional economic balance sheet would not be complete without remembering the tragic destruction of manpower: the thousands of Austrians killed in Hitler's war and the many brave men and women done to death in concentration camps and at the hands of the executioner.

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NOTES TO CHAPTER VI

1. "German security capitalism, unlike British security capitalism, operated not under *laisser-faire* but under strict government regulation aimed at both economic and political objectives."—George W. Edwards, *The Evolution of Finance Capitalism*, p. 76.

2. See P. Barrett Whale, *Joint Stock Banking in Germany*, pp. 102–4.

3. For a good summary of these findings see Joseph Borkin and Charles A. Welsh, *Germany's Master Plan.*

4. In 1936, the tax was removed after negotiations between Austria and Germany. German tourists going to Austria were then advised to frequent only Nazi-owned hotels and inns.

5. What this "New Order" meant was outlined in a speech by Dr. Funk, then Minister of National Economy, in July, 1940: "The peace-time economy, prepared in a comprehensive plan, must guarantee to the Greater German Reich a maximum of economic security and to the German people a maximum consumption of goods, in order to increase the welfare of the people. The European economy must be directed to this end." Quoted in *The Penetration of German Capital into Europe*, No. 5 of a series of reports on conditions in occupied territories issued by the Inter-Allied Information Committee in London (1942).

6. Owing to the various bank mergers which had taken place after the inflation and during the depression, the number of major banks had fallen from 8, in 1926, to 2, in 1938.

7. According to the *Survey of International Affairs* for 1938, German investments in Yugoslavia amounted to only 55 million dinars, while Austrian investments amounted to 336 million dinars.

8. For a more detailed description of the transfer of Austrian capital into German hands, see *Österreich unter dem Reichskommissar* (Paris, 1939).

9. The participation of German capital in the total issued

share capital of the more important branches of industry has shown the following alterations:

	Percentage of German Capital	
	1937	1944
Banking	9	82
Mining	60	96
Machine industry	12	81
Electricity supply	34	82
Electrical engineering	46	92
Insurance	56	80
Paper and cellulose	5	66

10. It has been estimated that about 3 million Germans and 1 million foreign workers came into Austria, while about 1 million of the 6½ million Austrians were scattered abroad.

11. Output of crude ore increased from 1·8 million tons in 1938 to 5 million tons in 1942 and probably 7 million tons in 1944.

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CHAPTER VII

FUTURE PROSPECTS

AUSTRIA is to-day faced with economic problems similar to those of the other liberated countries of Europe. The damage caused by air-raids, fighting, sabotage, and destruction by the Germans will have to be repaired. Large arrears of repair and replacement in building and capital equipment will have to be made good, while the transition from a war economy to peace production is presenting formidable problems of its own. 727

The damage which Austria's economy suffered in seven years of German occupation and six years of war is, of course, very considerable. Nevertheless, the chances for recovery and a relatively short transition period are in many ways better now than they were in 1918. First, the lightning speed with which the Red Army descended on Vienna and the important industrial districts surrounding it, have allowed Austria and Vienna to escape the disastrous destruction experienced by Budapest, Warsaw, and many German towns. Secondly, Austria is not, this time, faced with the tremendous task of changing the economic structure of the metropolitan province of a great empire into that of a small, independent state. There is now no overgrown state apparatus and no heavy burden of pensions on that score. Thirdly, there are new opportunities for firm bonds of friendship between Austria and her neighbours, Czechoslovakia and Yugoslavia, and also with the other nations in south-eastern Europe, and there is every promise of fruitful economic co-operation between them. 648

AUSTRIA'S ECONOMIC DEVELOPMENT

648 The suspicions of 1918 against Austria as the centre of Habsburg power has given way to a feeling of common interest after the common experience of German oppression. Fourthly, the destruction of Germany's political and economic power will, for the first time, allow Austria to re-build and develop her economy freely and without the defeatist and destructive interference of German business and its Pan-German friends in Austria. Last 727 but not least, Austria's prospects of recuperation are 186 better than in 1918 because Austrians themselves have changed. The experience of twenty years—not very easy 642 ones, to be sure—of an independent Austria and of the subsequent catastrophe of seven years of German occupation have cured them of such *Anschluss* ideas as they may have had. They are firmly determined to have their own independent country and to maintain its independence. A healthy and constructive Austrian nationalism has developed in place of the defeatism and lack of confidence of the inter-war period. The active part which many Austrians took in the liberation of their country, and the speed with which Austrians of all parties came together and formed a Provisional Government of national unity is a hopeful sign for the future. Austrians have started to learn to take their fate into their own hands and not to rely solely on foreign help for their salvation. This change of outlook, if it can be preserved and fostered, cannot but greatly assist the reconstruction of the country.

600 In spite of the extreme seriousness of the present position, then, the outlook for the transition period is quite hopeful. In the first stages a certain degree of foreign help for relief and rehabilitation is, of course, absolutely essential. But if it is given speedily, without the delays and political interference which were such an unfavourable feature of the Hoover Mission in 1919, and

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if it is accompanied by a strong dosis of self-help, Austria should soon be able to stand on her own feet. More than that, she should be able to make her own contribution to the development and industrialization of the backward areas of south-eastern Europe.

The question of long-term development, however, puts us on uncertain ground. There are many unknown quantities in the picture. Much will depend on the actual conditions which Austria has inherited from the past, on the way in which world economic conditions develop, and, of course, on the social and economic policies pursued by the Austrian Government. Certain general ideas with regard to the future can, however, be set out and may serve as a basis for discussion and action.

First, it should be clear that the new Austria cannot just go back to where she left off in 1938. Too many changes have taken place since then; moreover, the position at that time was still far from satisfactory. On the other hand, the war economy, which permeated Austria in the past few years cannot, of course, provide a permanent basis for the country's future economic structure.

Take, for instance, the heavy industries. There can be little doubt that their war-time output cannot serve as a basis for future production targets. Peace-time requirements at home and in export markets will not suffice to give employment at the level maintained in the war years. Here the necessary change will come about on the whole quite automatically. A considerable part of the heavy industrial equipment belonged to the Germans and will be used for reparations, while the many foreign workers who were forced into the armament factories have left the country or will do so in the near future.

On the other hand, it may be a mistake to take the 1938 level of production in these industries as a guide for

000 future developments. In fact, there is very much to be said for having more heavy industry in Austria than before 1938. There are several reasons for this. Above all, there are ample natural resources to justify the development of this branch of industry. The rich deposits of iron ore, magnesite, of manganese and copper, and the plentiful supply of skilled labour and of technical personnel, provide a sound basis for a heavy industry. The lack of coal can be easily overcome by imports from the comparatively nearby coalfields in Czechoslovakia. Indeed, the need for coal in Austria and for iron ore in Czechoslovakia is one of the many instances where the two countries complement each other in such a way as to provide an excellent basis for a large and expanding exchange of goods.[1]

It is also highly probable that the market for heavy industrial products will be much larger than in the past. Austria will surely avoid the deflationary policies of the past and will plan for a state of full employment in which domestic needs for plant and equipment will be much greater; moreover, the undeveloped countries of southeastern Europe are bound to undergo a lengthy process of industrialization. Germany's monopolistic hold over this area will be broken; it is obvious, therefore, that other countries, and particularly Austria and Czechoslovakia, will become important sources of supply. And it will be, above all, the products of heavy industry that will be required in this task of industrial development.

Finally, it should be remembered that in the inter-war period the development of Austria's heavy industry was hampered and retarded by German control of the Alpine Montan and other firms which resulted in the concentration of development work in Germany and reduced Austria largely to a source of raw materials. For political

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and economic reasons alike, German control of Austrian industry will clearly no longer be allowed.

Any German property that is allowed to remain in Austria must be taken over by the Government. Where property had been acquired by the Germans through confiscation it will be returned to its legitimate owner. But there would seem to be a good case for State ownership and control of heavy industry at least; for otherwise the danger might again arise of these strategic positions being used against the political and economic interests of the nation. If the control of heavy industry, and similarly of other key industries and the major banks as well, were to be coupled with strict supervision of all restrictive agreements, foreign influence could be finally eliminated from Austria's economy, and the Government would be in a position to carry out a successful policy of full employment. At the same time, small businesses would obtain much wider opportunities and freedom of action.

This is only *one* example of the ways in which fuller use should be made of Austria's resources. There is plenty of scope in other fields as well. In view of her resources of oil Austria will not only be able to produce and export petrol and its by-products but also to develop new fields in the chemical industry. Plastics will have a future in Austria both because one of its raw-materials—cellulose—is available in large quantities, and because it is itself an important semi-finished product for many of the lighter metal- and timber-using industries and workshops.

The fuller utilization of Austria's wealth of water-power will be of particular importance. Expansion in this field would ultimately allow by far the greater part of the fuel for domestic and industrial purposes to be covered from this source. The heavy coal import requirements would be reduced; moreover, electricity could be exported to

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other countries which are not so well endowed with hydro-electric resources.

Experience in the Soviet Union, in the Tennessee Valley, and in Scandinavian countries has shown how an intelligent public policy of regional, social, and industrial development can be fruitfully centred on a programme of electrification. Cheap power could become the life-blood for new branches in the metallurgical and other industries; it could serve to improve the transport system, and would give a great stimulus to the production of electrical equipment. The domestic facilities and living conditions of the people would be greatly improved; particularly those of the inhabitants of the more remote parts of the country where conditions are still primitive.[2]

If the exchange of goods between Austria and her eastern neighbours is to increase, as may be surely expected, Austria's agriculture will also have to undergo certain changes. The agricultural protectionism of the thirties, introduced in response to the growth of industrial tariffs, will have to be modified so that Austria can offer a greater market for the agricultural surplus of the Balkan countries. This does not necessarily mean that the relative importance of agriculture will decline; but there would have to be a change of structure. The production of cereals and other staple foods would give way to that of protective foods—livestock, dairy products, market gardening, etc., being expanded. This development would be fully in line with the ideas and recommendations put forward by agricultural and nutritional experts at the Hot Springs Conference on Food and Agriculture. It would also be in line with the pre-war trends in Austrian agriculture and would fit in with the natural conditions of the country. With the rising standards of living which a full employment policy and peaceful development would

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surely bring, the domestic demand for higher class foodstuffs like milk, eggs, and meat will expand considerably so that increased agricultural imports may well be accompanied by a prosperous and healthy expansion of Austrian agriculture itself.

A word may now be said about the general future of foreign trade in Austria, though this question does not rest with Austria alone. Austria's prosperity and living standards are directly dependent on its trading opportunities and therefore on economic development abroad. The disappearance of German methods of forcing large areas into bilateral trade agreements, and the deliberations of the United Nations at the Bretton Woods Conference, surely justify the hope of less economic nationalism after the war and a limited return, at least, to multilateral trade. Austria, as well as other countries, would certainly stand to benefit from such developments.

In any case, there can be no doubt that Austria's trade with her Slav neighbours—Czechoslovakia and Yugoslavia—should greatly increase. In the past, the artificial diversion of trade caused by the Rome Protocols, and the understandable fears of Pan-German, anti-Slav developments in Austria led to a decline of trade relations between Austria and her Slav neighbours. These stumbling-blocks have now disappeared and have given way to feelings of friendship and common interest, which will certainly bear fruit in the economic sphere. The complementary nature of Czechoslovakia's and Austria's industrial structures has already been mentioned, and there is no doubt that there is a fruitful field for a great expansion of trade between the two countries, particularly if investment programmes and trade policies can be jointly discussed and integrated.

The industrialization of the countries of south-eastern

Europe will also have beneficial effects on Austria's trade which will last long after their initial development requirements for capital goods have declined. The main obstacle to greater trade with this area in the past lay in its poverty, mainly due to agricultural overpopulation and primitive methods of cultivation. It was lack of purchasing power, not lack of needs, which restricted the foreign trade of these countries. Their industrialization would prepare the way for an increase in productivity, for the creation of a larger export surplus and, therefore, for a greater demand for imports.

One result of industrialization in south-eastern Europe may, indeed, be a decline of Austria's industrial superiority in that area and a fall in the demand for some of its products. Its terms of trade might even (though not necessarily) deteriorate. But this will be greatly outweighed by the much larger total volume of trade that will materialize, provided Austria's export industries are sufficiently flexible to switch from the traditional low-quality exports designed for that area to high-quality products and even semi-luxuries.[3] But there should be no difficulty here as these are precisely the industries for which Austria has always been particularly well equipped.

Particular stress has been laid in the preceding paragraphs on the potentialities for trade expansion in the Danube Basin, because it is there that considerable changes can be expected. But this does not mean that Austrian foreign trade should be exclusively, or even predominantly, restricted to this area. Austria's foreign trade has always been greatly diversified, both with regard to the products exported and as regards the countries to which they were sent. This diversification should be fully maintained and developed. This means that the fashion

industry, the production of leather goods, lace material, and all the other related products has to be rehabilitated so that they can again find a market in countries with a high purchasing power such as, particularly, Britain and the United States. Greatly expanded opportunities for tourist traffic will provide another considerable item on the balance of payments with these and other countries.

Finally, a field which has been badly neglected in the past and which offers great scope in the future is trade with the Soviet Union. In the 'thirties, trade with that country had dropped to less than 1 per cent of Austria's total foreign trade. There can be no doubt that the present establishment of friendly contacts between the new Austria and the Soviet Union will be conducive to a great increase in trade between the two countries. Austria's engineering and electrical industries will certainly be able to provide many goods essential to the Soviet Union, while that country, in turn, possesses many of the raw materials and manufactured goods which Austria has to import. The fact that the Soviet Union is now a Danubian state has also strengthened the geographic basis for mutual trade.

If all, or at least some, of these trading opportunities are developed there can be hardly any doubt of Austria's permanent capacity to pay for her essential imports of raw materials and foodstuffs and, indeed, for those foreign manufactured goods and semi-luxuries which a rising standard of living will call for. Moreover, a properly developed Austrian economy should be able to produce a sufficiently high export surplus to repay those foreign loans which might be needed in the first stages of relief and rehabilitation.

Much more could be said on Austria's economic future. Questions such as the structure of industry and banking,

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600 social and labour policy, currency matters, etc., have not even been touched upon. But it would be out of place in a general survey such as this to attempt to produce detailed blueprints for every branch of economic activity. The above remarks may at least serve to illustrate the significance of that part of the Moscow Declaration which states that independence will "open the way for the Austrian peoples themselves, as well as those neighbouring states which will be faced with similar problems, to find that political and economic security which is the only basis for lasting peace".

But in spite of the clear language of the Moscow Declaration, in spite of the unmistakable wishes of the Austrians themselves, sceptical voices are again heard from time to time asking whether small states in general, and Austria in particular, can go back to independence. Will Austria be a "going concern"? Will it not be necessary to incorporate it into a larger economic area? Much of what has been said in this book will, it is hoped, have provided an answer to such questions. But here, in conclusion, a few further observations may be offered on this subject.

As far as Austria is concerned, the economic advocates of geo-political solutions fall roughly into two groups: those favouring the *Anschluss* and those recommending some sort of eastern European or Danubian federation. As regards the *Anschluss*—be it with Germany as a whole or with some of the southern German states—it is fortunately no longer necessary to enlarge on this proposition. For Austria it would mean the subordination of its industry to German requirements, the reduction of the country to a raw material base for Germany. For central and eastern Europe it would carry a renewed threat of German economic and political penetration and domination. From

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this there would be only a short step towards conflict and another war in Europe and the World.

The regional blocs which have been proposed in one form or another for central and eastern Europe may also carry political dangers with them. They may, for instance, be intended to split and separate the Great Powers who have won this war and whose unity must be the guarantee for future peace. But even on the purely economic plane the problem of federation is not a simple one. If two or several countries have a highly homogeneous economic and social structure, and a similar outlook on politics and economics, federation might be very fruitful. But it is precisely these conditions which are lacking in that area. Hungary, which up to the war possessed a semi-feudal structure, faces problems which are quite different from those of Austria, where the land problem was negligible compared with that of industrial cartels, for instance.

One of the most urgent problems in the area is the industrialization of the backward agricultural countries. A customs union of these countries with the industrial economies of Austria and Czechoslovakia, combined with a more or less *laisser-faire* economic policy, would mean that the new industries in those countries would never get a chance to develop. They would remain backward simply because they had been backward before.[4] On the other hand, for Austria a regional bloc, particularly if it should adopt a strong protectionist policy, would mean that many valuable features of her economy (such as the great diversification of production and trade) would be lost. Let there be no mistake; close economic co-operation between the governments in this area is highly desirable and, indeed, essential. But a considerable degree of independent action will be necessary for each country to be able to solve its own specific problems.

The main error of the out-and-out "federationists" is that they mistake the form for the essence. Federation is one form in which, under certain circumstances, economic co-operation may best be accomplished. The essential thing, however, is not federation but economic co-operation, and it is on this that the future of Austria and of the world depends. Political security, based on the close co-operation of the Big Five and of all peace-loving democratic nations, full employment, a prosperous and expanding world trade, the development of backward areas, in short, "freedom from want and fear"—this is the framework in which all nations, big and small, can prosper and develop. Destroy this basis, go back to division and political insecurity, mass unemployment and economic nationalism, and mankind will face a new disaster. The small nations would again be the first to feel the shock but ultimately the whole world would be involved in conflict and destruction.

In the prevention of such danger by the democratic peoples of the world lies our hope for a bright future.

NOTES TO CHAPTER VII

1. In the past the German-controlled Alpine Montan preferred to buy its coal from the Ruhr mines owned by the German Steel Cartel.

2. The great potentialities of hydro-electric development in Austria are ably summarized in the memorandum *Ausbau der Oesterreichischen Energiewirtschaft*, by Professor Johann Grabscheid (published by the Free Austrian Movement, London, 1944).

3. See, A. J. Brown, *Industrialization and Trade*, Chaps. II and III.

4. For a general discussion of the economic effects of federation on a small country see K. W. Rothschild, "The Small Nation and World Trade", *Economic Journal*, April, 1944.

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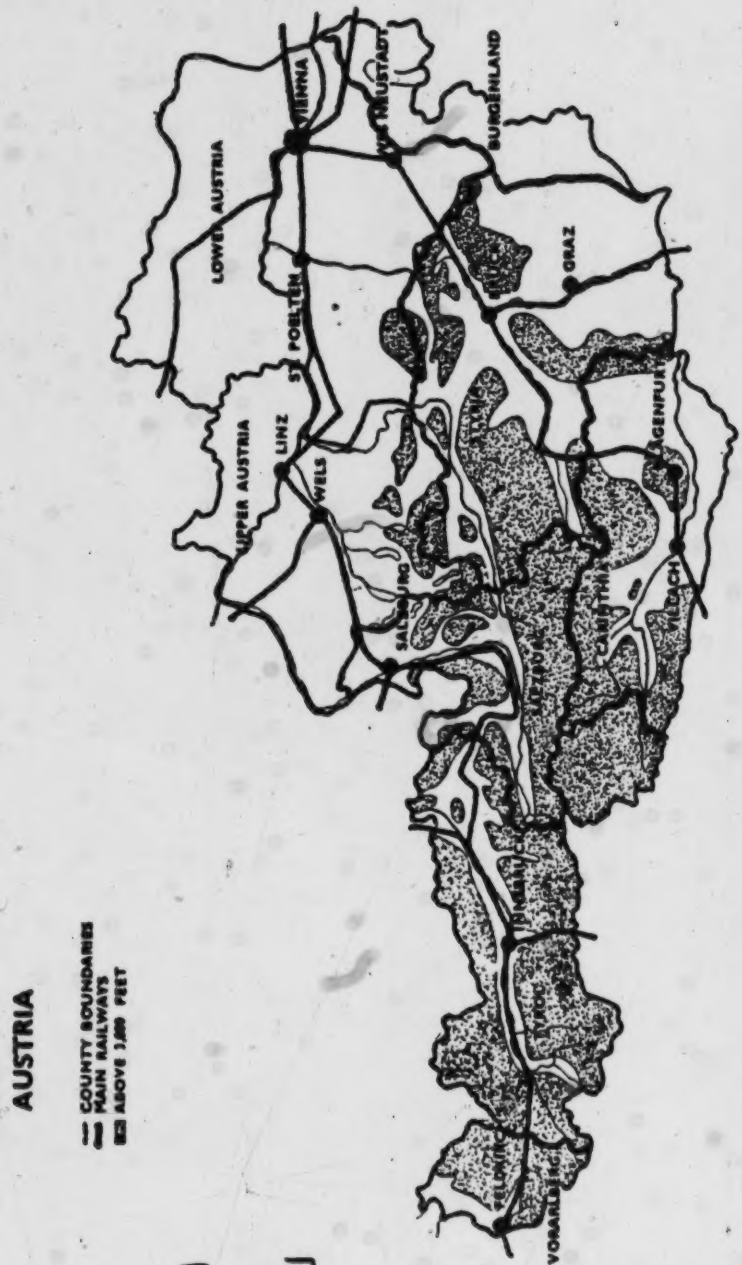

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LAND UTILIZATION

INDUSTRY
AGRICULTURE
PASTURE AND FOREST

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DENSITY OF POPULATION

OVER 200 PER SQUARE KILOMETRE
100-200
50-100
UNDER 50

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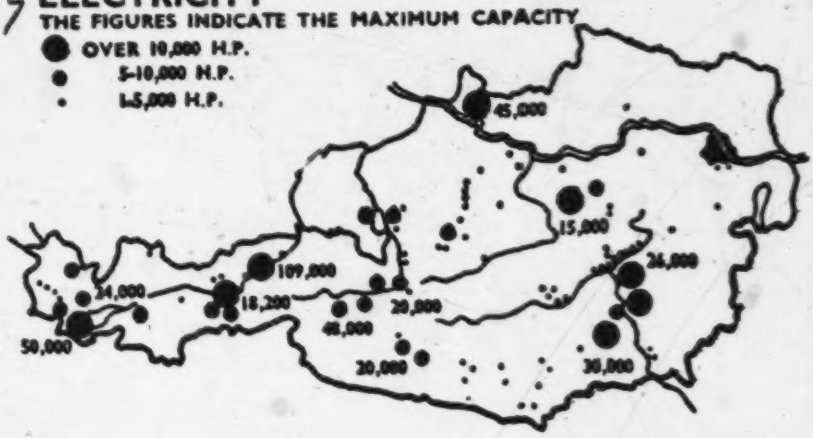
ELECTRICITY

THE FIGURES INDICATE THE MAXIMUM CAPACITY

- OVER 10,000 H.P.
- 5-10,000 H.P.
- 1-5,000 H.P.



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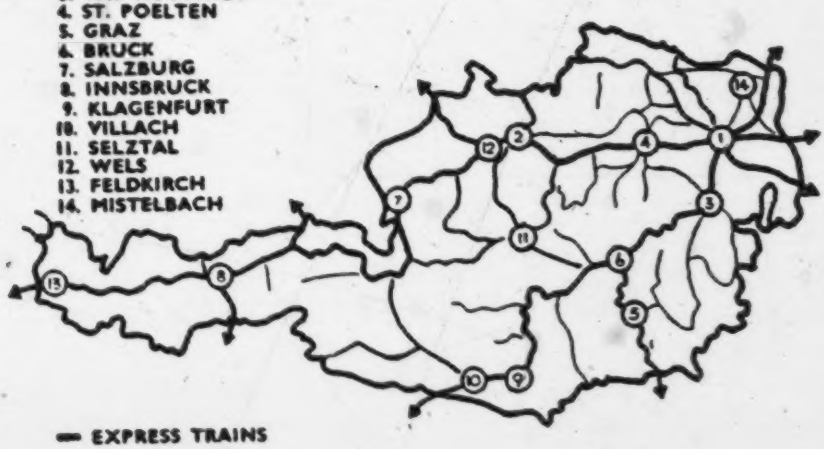
RAILWAYS

1. VIENNA
2. LINZ
3. WR. NEUSTADT
4. ST. POELTEN
5. GRAZ
6. BRUCK
7. SALZBURG
8. INNSBRUCK
9. KLAGENFURT
10. VILLACH
11. SELZTAL
12. WELS
13. FELDKIRCH
14. MISTELBACH



- EXPRESS TRAINS
- FAST TRAINS
- SLOW TRAINS

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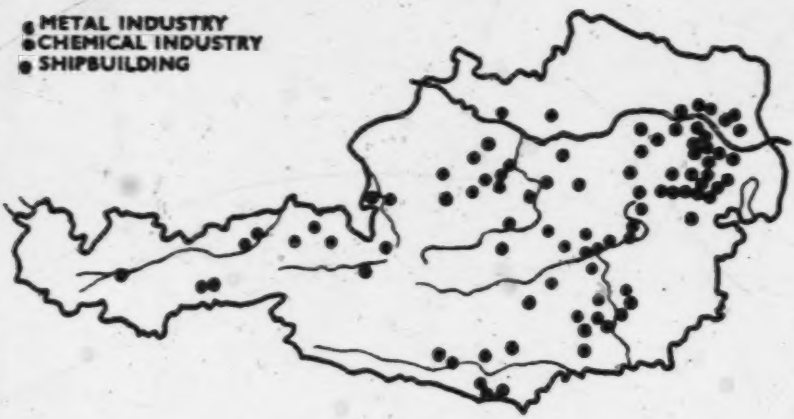
INDUSTRY

METAL INDUSTRY
CHEMICAL INDUSTRY
SHIPBUILDING



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INDUSTRY

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- TEXTILES
- GLASS
- LEATHER

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- TOBACCO
- SUGAR
- BEER

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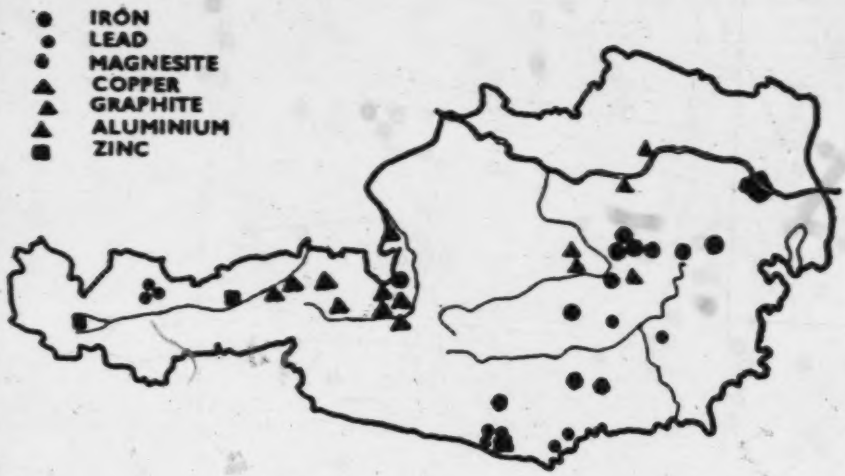
RAW MATERIALS



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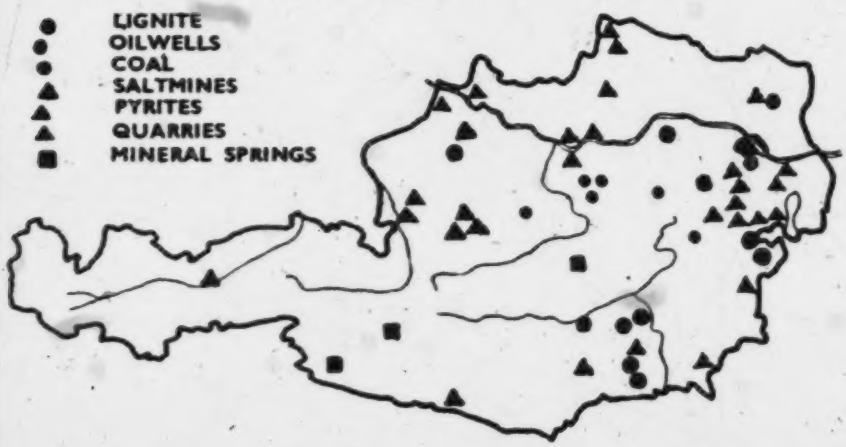

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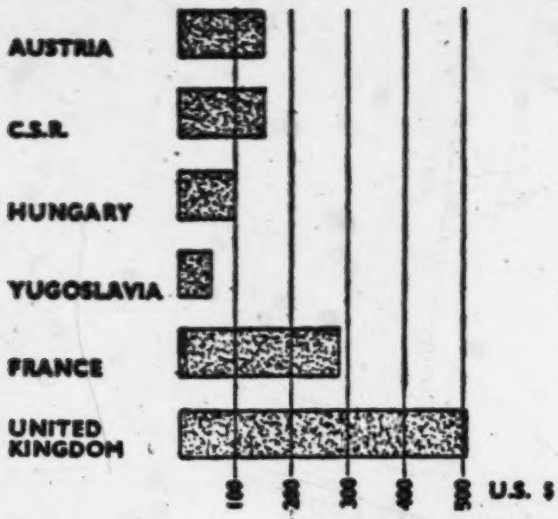
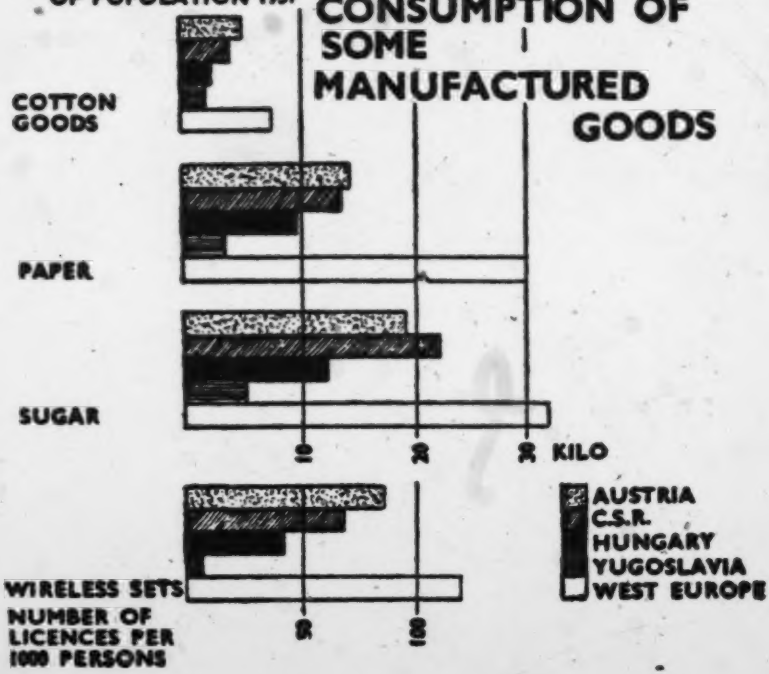
ESTIMATES OF NATIONAL INCOME

PER HEAD IN 1936 - 1937



ESTIMATED YEARLY CONSUMPTION OF SOME MANUFACTURED GOODS

PER HEAD OF POPULATION 1937



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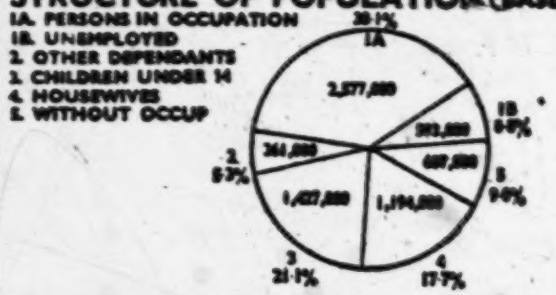
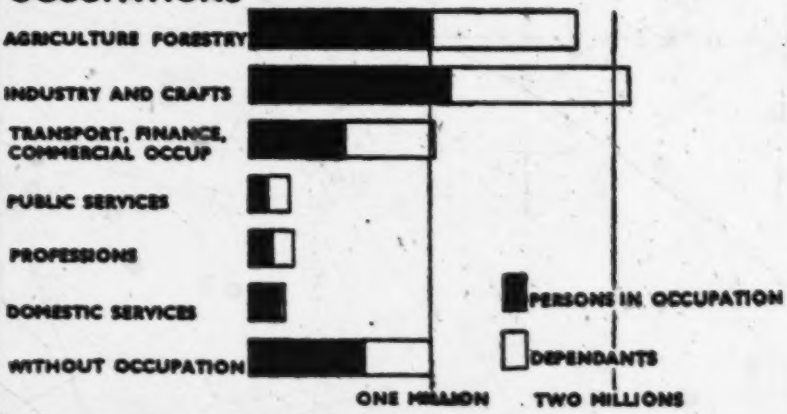
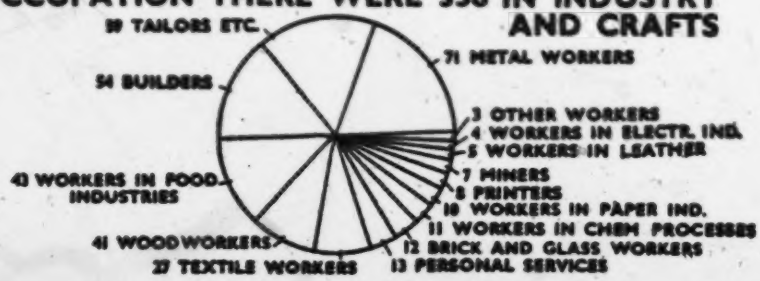
STRUCTURE OF POPULATION (BASED ON 1934 CENSUS)



OCCUPATIONS



OUT OF ONE THOUSAND PERSONS IN OCCUPATION THERE WERE 358 IN INDUSTRY AND CRAFTS



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INDEX OF INDUSTRIAL PRODUCTION

1929=100

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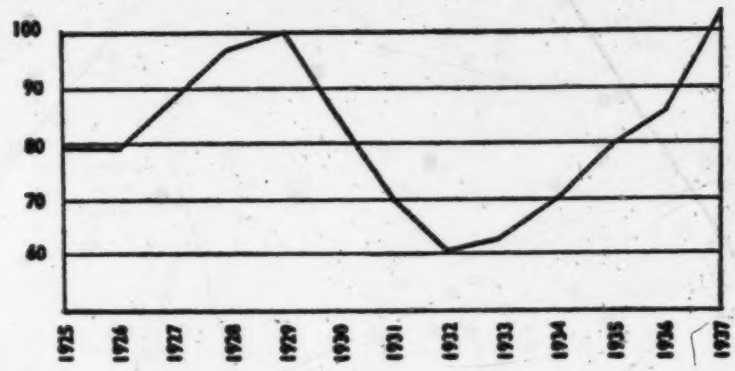


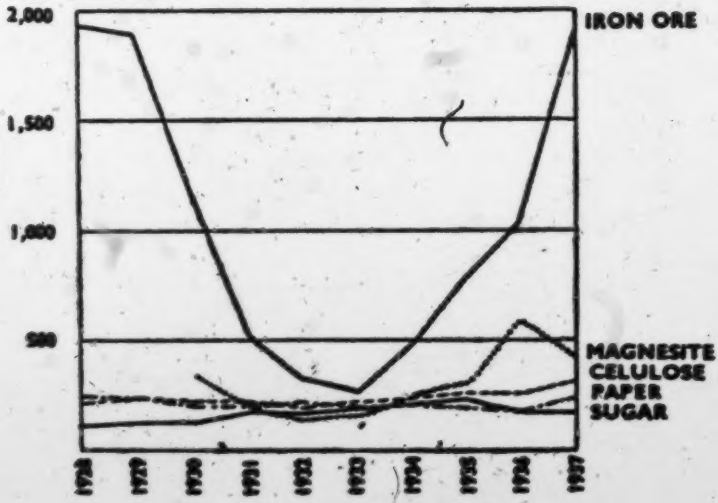
ELECTRICAL ENERGY

[377]

IN MILL. KW.

OUTPUT OF CERTAIN COMMODITIES

IN 1,000 TONS



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UNEMPLOYMENT

UNEMPLOYED IN RECEIPT OF BENEFITS IN THOUSANDS

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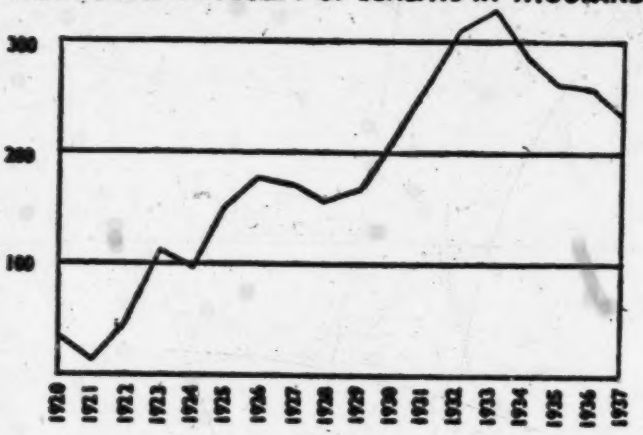

IMPORTS AND EXPORTS OF COMMODITIES

IN MILLION SCHILLINGS

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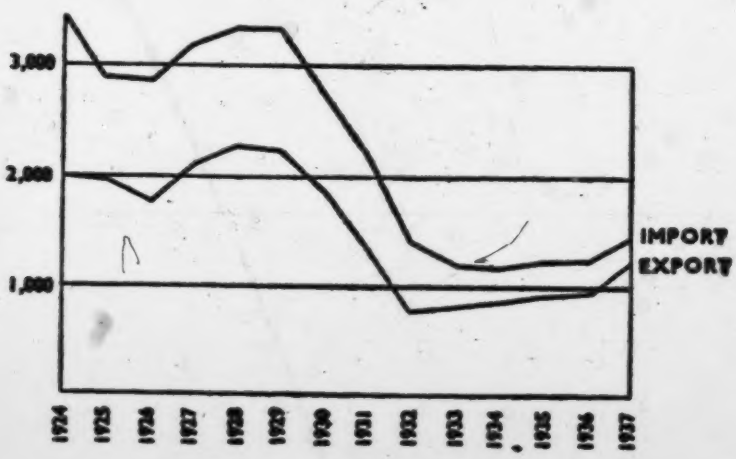

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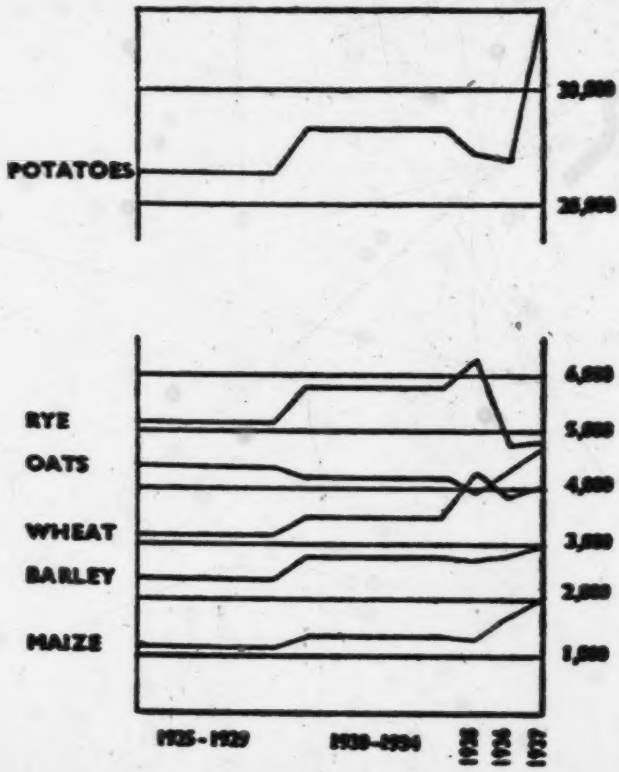
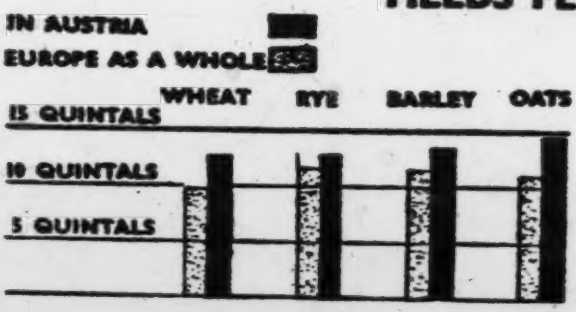
PRODUCTION OF CERTAIN AGRICULTURAL PRODUCTS
IN THOUSAND QUINTALS



COMPARISON BETWEEN AGRICULTURAL YIELDS PER HECTARE



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[For informed speculation on the political and economic factors likely to affect social planning and probable trends in post World War II, Austria, see category 116, pp. 93-104.]

3; Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

PREFACE

121 THE idea of writing this book came to me after a talk given early in 1951 to the Winnipeg Branch of the Canadian Institute of International Affairs. It was clear on that occasion that a well-informed group of Canadians knew little about Austria and that their potential interest in the subject was considerable.

As a student of international relations I have frequently felt the need of the kind of objective general study of contemporary conditions in another part of the world that this book sets out to be. If we keep moving in the right direction, the obligations of twentieth-century citizenship will extend increasingly beyond national politics. And political obligations, international in scope, can only be satisfactorily fulfilled on a basis of widening knowledge.

Post-War Austria is a subject both interesting in itself and typical of the troubled continent of which it is the geographical centre. Its importance to Europeans needs no emphasis, but it is a subject also of particular significance to the people of North America, who have emerged from the War with greater relative wealth and increased productive capacity.

Two things are required by the author of the type of study I have mentioned: versatility and leisure to do maximum justice to a moving scene. These I have not possessed in the measure in which they are needed. To present a balanced picture I have had to deal with subjects of which I have little technical knowledge, and I have had to combine the whole undertaking with my normal academic duties. In spite of these disadvantages, the absence of any general study of Austria since the war has encouraged me to make the attempt.

114 The chief difficulty in writing about recent events is the lack of reliable sources. Official documents may be inaccessible, and statistics are not always available. The fact that Austria is an occupied country makes the situation worse: the occupying

INTRODUCTION

121 In my capacity as Foreign Consultant to the Library of Congress, I attempted to provide in this study a report on Austria's postwar economic problems accompanied by a short survey of the Austrian economic theory and related literature.

The survey deals with the reconstruction of Austria in the period from 1945 until 1952, and the major economic elements and features sponsoring the reconsolidation of the country are considered. 647 The ideological reflections elaborated therein are the result of those basic decisions which had been shaped within the scope of the Ministerial Committee for Economic Questions, which is a sub-committee of the Federal Austrian Government. The Ministerial Committee for Economic Questions is a joint bipartisan committee consisting of representatives of the Austrian People's Party and of the Socialist Party of Austria and functions in accordance with the constitutional rules of the Austrian Federal Government. Consequently, resolutions made by it require in each case unanimous vote of its members. Built up on this fundamental basis are the big investment programs of the Austrian Federal Government, which have been carried through during the last years, particularly after the ERP Program started. These programs are set up by the ERP Central Office of the Federal Chancellory in permanent consultation with the competent Ministerial Departments and the interested parties of industry, trade and commerce before a definite decision is taken by the Ministerial Committee for Economic Questions, whence they are reforwarded to the respective sections of the ECA Service.

465 As regards the five agreements about wages 435 and prices reached in the years from August 1947, 652 they were negotiated and passed as a result of common deliberations between the various interested economic associations (Federal Chamber of Industrial Activities, the Chamber of Agriculture, Labor and Trade Union), whereby, in this sector which is so important to the whole economy of the country, a middle line was maintained and the political interests coordinated as far as possible. In this connection it might be considered that all political parties agree in the view that the real wages and salaries of the workers and employees should be maintained, thus

II. ECONOMIC-POLITICAL ISSUES: ANALYSIS AND SOLUTION

The first part of this survey was intended /121 to acquaint the reader with a review of opinions, thoughts and trends of the scientific economic works and to furnish him with a cross-section of past and present publications which influence the intellectual profile of contemporary Austria since 1945. The second part shall acquaint the reader with Austria's many economic problems and the important aspects of Austrian economic policy, thus pointing up the expert's ideas and considerations which are at the basis of measures enacted. This will make it possible to get an over-all view of the reciprocal action between the ERP and the various economic sectors within the framework of a national economic balance.

A. The Political and Economic Reestablishment of the Second Austrian Republic. Problems of Austrian Reconstruction.

1. The Political and Economic Reestablishment of the Second Austrian Republic. 648 728

During the Second World War, particularly during the repeated meetings of leading political and military leaders, principles were laid down upon which the postwar political and economic reconstruction of the world should be based. The first of the pertinent documents was the eight-point declaration of the Atlantic Charter of August 14, 1941, by President Roosevelt and Prime Minister Churchill. Both expressed the desire to reinstate sovereign rights and autonomous government in all countries that had become victims of agression. The second basic document of this type was President Roosevelt's New Year's Message (January 6, 1942), concerning the Declaration of the United Nations at Washington, D. C., on January 1, 1942, based upon the principles of the Atlantic Charter. However, of importance to the constitutional reestablishment of Austria, was to be the solemn declaration of the governments of the United Kingdom, the Soviet Union and the United States during the Moscow Conference of Foreign Ministers (October, 1943), providing that one of the aims of this reorientation was that Austria, the first free country to become a victim of Hitler's aggression, must be freed from German rule. The great powers considered the forced annexation of Austria by Germany

648 to stand on her own feet. But the doubts about Austria's viability were not silenced. On the contrary; they were raised with increasing insistence in at least one quarter: amongst the Pan-Germans in Germany and in Austria. To-day, we see more clearly, perhaps, than ever before how the arguments against Austria's economic independence were used to further Germany's imperialist designs, both before and after Hitler's access to power in Germany.

It was not without effect. The constant repetition of the same argument weakened Austria's power of political and economic recuperation and progress.

Nor, as we have seen, has this propaganda failed to make headway elsewhere. The doubts of 1920 still linger on. •121 If, in the following pages, we tell the story of Austria's economic development in her twenty years of independent existence, this is not only to show what has been achieved, and what lessons need to be drawn from the experiences and mistakes of the past, but also to destroy finally the myth of Austria's "inability to live".

727 At present, there are naturally many initial difficulties to overcome before Austria will become prosperous and 433 economically healthy. These difficulties, however, are simply consequences of a process of looting in the course of seven years during which Austria was harnessed to the German war economy, and of heavy destruction wrought during the last phase of the war. Disruption of transport and traffic, acute shortage of food and other essentials, temporary isolation from the outside world—these are consequences of war which Austria shares with all states of Europe which had been under German rule. It is absolutely clear that without large supplies of food and fuel Europe as a whole will barely be able to live through the first years of peace. Thus, in Austria, too, all available

INTRODUCTION

energies will have to be directed to securing by improvisation the bare means of existence and survival. Even after the initial period only a gradual progress in reconstruction is to be expected. This book does not intend to deal with the difficult and manifold problems of the immediate post-war emergency measures. It has a wider aim. It proposes, by a critical study of the inter-war period, to outline more generally how Austria, by harnessing all her resources and adapting herself to their best possible use, is able to attain prosperity and to keep pace with a corresponding process of world economy. 4/33 727 121

Before turning to the development of the inter-war years, however, a few words should perhaps be said about Austria's natural resources and about her economic development before the last war.

NATURAL RESOURCES

Austria, like Switzerland, is a mountainous country, and so the scope for agriculture is naturally limited. Only 28 per cent of the total area is arable land, while another 30 per cent is taken up by permanent meadow and pasture. This compares with 47 and 18 per cent respectively for Czechoslovakia, 68 and 19 per cent for Hungary (a typical agricultural country), while the percentages for Germany[1] are 46 and 17 and for the United Kingdom[2] 24 and 31 respectively. Accordingly, Austria belongs to the industrial and food-importing nations of Europe. Even so, her soil and climatic conditions have favoured the growth of certain special branches of agriculture, such as those connected with milk and milk products and fruit growing.[3] In these fields an export surplus had been achieved by the beginning of the thirties. 311 [133]

"Land not under cultivation" takes up as much as 42 per cent of the total. That 42 per cent represents, how- 311 137

1 [IN 1930, i.e. EXCLUSIVE OF THE SAAR TERRITORY]
2 [FIGURES FOR 1937]
3 [CF. CAT. 116, P. 12 — ANALYST]

122 The generosity of the Creditanstalt-Bankverein in Vienna, Austria, has enabled the Library of Congress to put into operation a program of Foreign Consultants in Austria. One of the main duties of the Foreign Consultant is to report on the general trends in his subject field and on the special attention given to particular aspects, in short, to prepare a picture of the intellectual progress in his area of responsibility.

114 Dr. Franz Heissenberger was born in 1899. He attended the Academy for Commercial Studies and later the University of Vienna where he received his doctoral degree in law in 1926, and in political science in 1929. He joined the staff of the Anglo-Austrian Bank Ltd. in Vienna advancing to the position of department chief. After the war, in 1946, he joined the Austrian civil service as chief of the Economic and Financial Department of the Austrian Ministry of Planning and later on of the Austrian Ministry of Nationalized Enterprises. In this capacity he also served as editor of the ERP Quarterly Reports, submitted by the Austrian Government to the ECA Mission in Austria. Dr. Heissenberger later left the government service and resumed his activities as economist as member of the staff of the Creditanstalt-Bankverein in Vienna.

[...ing Title Page]

5: Heissenberger S-4, 5 (no date) 1953 EK1 Austria EK1

FOREWORD

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122 This is the second study to be published in the Austrian program of Foreign Consultants to the Library of Congress, made possible through the generosity of the Creditanstalt-Bankverein, Vienna.

It is the main duty of a Foreign Consultant to make a survey of the intellectual life in his country and in his field of responsibility and to include factual and bibliographical information which will encourage and facilitate research as well as direct contact between scholars, institutes and libraries. Dr. Franz Heissenberger offers in this study a short survey of Austrian thinking, teaching and research in the field of economics and its scholarly roots in past decades, and then concentrates on a detailed analytical description of the economic recovery of Austria, as a record of the events during the years 1945-1952. The strength of this survey lies in the abundance of material and information presented, compiled by an individual who was not dependent on published sources only but could draw on the knowledge and experience he acquired through his official and professional participation in this phase of Austria's economic life. The weakness of this study lies in the fact that it was translated in the field without the extensive professional editing and reorganization required for an English-speaking audience and this Division could only undertake minor adjustments and clarifications of the text without interfering basically with the author's intentions.

This study, besides being a concentrated source of information for additional research, represents an interesting documentation of Austria's positive efforts toward economic recovery and the decisive role the United States has played in it.

Harry J. Krould, Chief
European Affairs Division

March 1953

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3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

114 Powers suffer from diplomatic reticence, and the Austrians themselves are under restraint.

000 From February 1946 to October 1949 I was working in Austria as British Council Representative. The many contacts I made then have been invaluable in the preparation of this book, and I owe a great deal to my Austrian friends and acquaintances. They have helped me in a wide variety of ways and have given encouragement and constructive criticism. I am particularly indebted to my colleagues at Vienna University and to many good friends who are engaged in educational and cultural work.

I want especially to express my deep gratitude to Dr. Leopold Figl, who has just laid down the burden of his memorable Chancellorship, Vice-Chancellor Dr. Adolf Schärf, and other members of the Austrian Cabinet who spared time last year to see me and answer questions. I am most grateful to Dr. Felix Hurdes, Former Minister of Education and now President of the National Assembly, and Dr. Leopold Zechner, President of the Vienna School Board, with both of whom my duties as British Council Representative brought me into frequent contact. Dr. Heinrich Gleissner and Dr. Ernst Koref, to whom this book is dedicated, and Professor Ludwig Adamovich, President of the Constitutional Court, have also been most helpful. I have been very fortunate in being able to talk to a large number of Austrian civil servants about the problems of their departments and to read many unpublished departmental papers.

114 Sources for the period of the Provisional Government, from April to December 1945, are particularly scarce. There was no Parliament, there were few newspapers, and comparatively little has been published on the subject. British and American documents covering the period are still 'classified', and the publication of the reports of the British and American Elements had not started. I have therefore depended largely on information gathered in interviews with some of the Austrians and British who played leading parts in the events of that time. Some of my most reliable informants, however, spoke freely on the understanding that they would not be quoted.

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3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

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facing page 4 (a)

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P
CZECHOSLOVAKIA
Vienna
RIA
HUNGARY
YUGOSLAVIA
Boundar
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3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

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undaries of the Austro-Hungarian Empire.....
ernational Boundaries after the First
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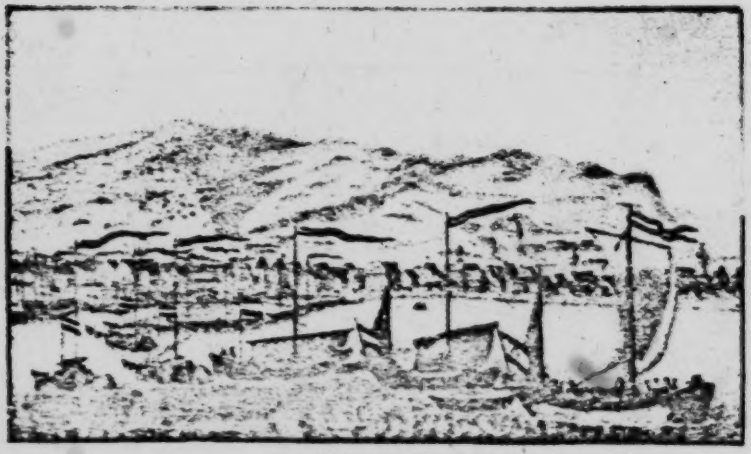

Bregenz in 1799.

361 BREGENZ AND LAKE CONSTANCE. Old and venerable Bregenz, Austria's gateway to the West, has maintained its leading position in the life of Vorarlberg
131 throughout the centuries and today it is still the capital. It has been favoured in its situation. On one side it nestles beneath the protecting spurs of the Northern Alps; on the other it stands astride the route which traffic has followed from the earliest times along the banks of the Rhine, one of the natural highways of Europe. These factors have made of it a little town with a charm which is all its own. Its strategic importance was proved again and again during the chaos of barbarian invasion by the Saracens or from the East, during the quarrels of feudal overlords and the raids of the Appenzell folk and the Thirty Years' War. These have left marks on its countenance which, do it honour and give it a claim on one's respect. These lines are not the wrinkles of age, but an indication that the spirit behind them has learnt how to overcome adversity and to pursue a settled course with courage and consistency.

Modern Bregenz is once again proving by its actions the existence of this driving spirit. It is fully aware of its importance as Austria's open gateway to the West, and from this realisation has come the strength to begin reconstruction, which in view of the Motherland's difficult position after the second destructive world-war is doubly important.

133 The cable railway which leads straight from the town to the commanding
361 heights of the Pfänder reveals that the attraction of Bregenz lies not only
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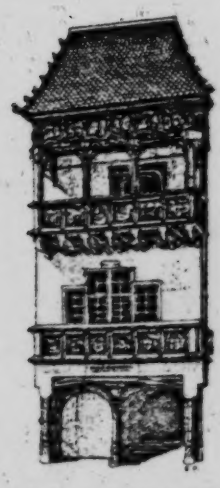

Innsbruck, Goldenes Dachl.

Europe is distinguished from the other continents by its combination of the maximum number of diversities in the minimum space. Austria is similarly singled out among the other European countries. And within Austria, the same distinction applies to Tyrol. The strong feeling of unity found in this province, contrasted with the diversities of its population, landscape and climate make it as strange yet alluring as its own name—Tyrol ....

THE FORMATION OF THE PROVINCE. North Tyrol can be said to be divided into two by the axis of the Brenner line and to be evenly balanced on either side of it. Taking Innsbruck as lying on the axis itself, we have Hall and Zirl, Telfs and Schwaz, Imst and Jenbach, balancing one another. The two great valleys on either side, the Ötztal and the Zillertal, have the Silltal between them. The curve of the Inn near Landeck is counterbalanced by its bend near Wörgl; there its upper branch runs south, as here its lower branch runs north; there the railway leaves the river and climbs to the snowy Arlberg, here it branches off to the ski-ers' paradise on the heights between Kitzbühel and Hochfilzen.

In the Alps the Seefelder Sattel forms a continuation of the north-south axis. On the one side stretch the Mieminger and the Wetterstein, on the other the chain of the Karwendel. The pass and lakes of the Fern lead from the Upper Inn Valley, the lake and pass of Achen from the Lower Inn Valley towards Bavaria.

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Ötztal Costume.

Beyond this territorial formation lies, in the north-west of the Province, the Außerfern, with intervening gateways—the district of Reutte through which flow the rivers Lech and Loisach, and in the south-east of the province of East Tyrol, the district of Lienz, watered by the Isel and the Drau.

The formation of Tyrol is regular—not rigidly symmetrical, but harmonious. The features which offset one another have both similarity and differences. The Ziller Valley, for example, at first broad and almost devoid of interesting features, rises a bare 300 feet at Mayrhofen. There it splits up into the "Gründe", like the fingers of a hand, and suddenly reveals its whole beauty; only the "thumb" has extended earlier at Zell in the Gerlos. In contrast, the valley of the Ötz rises by the "steps" of Ötz, Umhausen, Längenfeld and Sölden through delightfully contrasting gorges and basins until, after passing Zwieselstein, at Gurgl and Vent, it reaches the highest farmhouse, which lies at a height of over 6000 feet. The Sill Valley is unlike both. Starting from Innsbruck, the capital of the Province, it carries the main railway line and the main road up to a deeply cut pass with glaciers left and right. The Upper and the Lower Inn Valleys are equally important, but as different from one another as night from day, as are the chalk formations from the primary rocks south of the Inn.

132 The wanderer—in Tyrol one has to wander—comes across sudden changes in scenery as well as sudden changes of weather. North and South contest one against the other. The Föhn (south wind) forces the snow to retreat high up into the mountains in winter—the temperature may rise 70 degrees Fahrenheit in twelve hours—and in August a cold spell may cause a very sharp fall. Mountain and valley intensify the contrasts. He who freezes at midday in the eternal winter

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Evening on the Ossiacherset.

Over Carinthia hovers the atmosphere peculiar to a frontier province, the perfume of far-distant lands which, coming as it does here from the Slavonic East and the Latin South, makes one's heart beat faster even in settled times. The irresistible stream of life constantly carries a trace of foreign customs through the filter where contact is made with other territories, influencing both nature and the works of man. The force of nature is so strong that it is able to combine even opposing elements into a united whole, forming from them something individual, compact, harmonious, truly Austrian and specifically Carinthian.

SYMPHONY OF THE COUNTRYSIDE. In its physical features the province resembles a mussel-shell, with level ground and deep rills which extend far up into the surrounding framework of mountains. At first falling steeply, then more gradually, the mountains sink into the plain from the west, north and east. To the south stands a disconnected Alpine wall. 133

Nature has left but few passes in this girdle of mountains, and even these are barely usable in winter. All the valleys lead to the lowest level where the waters collect, to be released eastwards by a single outlet, that which the Drau has made by its own force.

But what a variety of contours, what play of colours this mussel-shaped Province offers. It would be hard to find such a many-toned melody of colour and form within another area as small as this, with its bare 10,000 square kilometres. [131]

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Four quarters make one whole: this expression was coined for Upper Austria. Security and tranquillity are the key-note of this province which stretches from the Alps to the forests of Bohemia, embracing a considerable stretch of the Danube. 131

The Upper Austrian peasant is not in the habit of making much fuss about his work and the city dweller is equally modest. But such modesty cannot be allowed to detract from the solid achievements of the peasants and townsmen which are Upper Austria's two first claims to fame. After these come her monasteries and convents.

But let the Province speak for itself and its inhabitants.

DOWN THE ENNS. Where the Enns leaving its narrow valley flows swiftly northwards to join the Danube, the "Green Province" joins Upper Austria at Steyr. Softly, gradually, the mountain ranges decline to smoothly rolling hills, until they subside restfully in the old iron town at the juncture of the Enns and the Steyr. For hundreds of years the hammers of armourers and cutlers have been pounding away on the banks of the river, for it is here that the iron of the Erzberg is welded into implements of peace and war. Together with the names of such well-known products as Werndl Rifles and Steyr motor cars, one comes across the name of Michael Blümelhuber. His part it was to produce delicate ornamental objects from the iron by his skill in steel-cutting. 133

131 The Burgenland has some strange features. It is the youngest province of Austria, yet it claims to be one of the oldest. For a time it belonged to Hungary, and just during this period it held a brilliant position in Austrian intellectual life, boasting of such mighty names as Haydn and Liszt, Hyrtl [103] and Semmelweis. Its name is taken from three castles which no longer lie within its frontiers, but is justified by other castles as well. It is of considerable length—160 kilometres from North to South, corseted somewhere in the middle to a wasp-waist only four kilometres in diameter. Its plains are sparsely inhabited, while its mountain land is densely populated. It has a raw climate in the south, while in parts of its northern areas, the climate resembles that of Helwan in Egypt. Its frontiers with foreign countries are longer than its inland boundaries, yet it is Austrian to the core.

133 The inquiring stranger who has set out on a voyage of discovery should first drive by car along the Bundesstrasse to Bruck-on-the-Leitha and here turn off to the right into the Leitha mountains which in the centre separate the Burgenland from Lower Austria. From the summits of the mountains one looks down on to the Neusiedler Lake. Over 900 feet above the shining surface of the lake one finds oneself beneath sighing trees growing on what was once the bottom of a great sea. The sea itself, it is true, disappeared thousands of years ago, but the work of its maritime life remains in the form of rich deposits of mussel chalk. Walking along any forest path in the Leithagebirge one can easily trace in the stones the fossil forms of long vanished animals and plants.

When the tourist is weary of scientific research he can clear his brain in the sparkling Neusiedler Lake or with the no less inviting wine which ripens on its shores.

423 The plain to the north of the Neusiedler Lake was always one of vast estates. Between the scattered villages lie the dairy farms of the great landowners, who have their castles and manors in the villages. In Kittsee, Gattendorf and Halbturn there are many examples of baroque art. Lukas von Hildebrandt, Maulpertsch and others were commissioned to work there for the Magyar feudal landowners, Esterházy, Batthyány and so on.

133 Adjoining this countryside, the moor-land district, is tucked away on the eastern shores of the Neusiedler Lake a cloud-overcast and wind-harassed group of lakes. There are a number of warm and brackish little lakes, scattered over steppes of pronouncedly eastern character. Sea-sparwort, feathered grasses and copper-

FOLKSONG.

When Croatian girls are singing
To the tamburizza's sound,
You hear ancient lays a-ringing,
Every eye casts smiles around.

For they're singing of Junakan,
Their lord's rapture and distress.
Of the king's descendant, Marko,
And his wife, the proud princess.

derable development of traffic and trade. 172
The Bernsteinstrasse, that famous trading highway of prehistoric times along which, about 1000 years before Christ, the honey-coloured amber, tears of the sea, was brought from the coasts of Samland to Italy, passes through the Burgenland. It crossed the Danube at Hainburg, a predecessor of the Roman road which later lead to Italy by way of Carnuntum, Ödenburg, Steinamanger and Laibach. Today 131

Ödenburg (Sopron) belongs to Hungary. What the "Ödenburg Sack", connected to Hungary by a narrow tongue of land only five kilometres wide between the frontier and the Neusiedler Lake is to Hungary, is to Austria the "Ödenburg Spur" which limits the Burgenland to a width of four kilometres and almost cuts the northern and southern parts of the Province off from one another. Seven roads and three railways are thus cut off. The only road which connects the two regions had to be built by the Austrian Government.

"The bloody Hall", Lockenhaus Castle. 491

Southwards this road leads to the Oberpullendorf district, a hilly country with varied scenery and attractions of its own. Anyone interested in tracing historical developments must hasten through the Province to the spot where a range of mountains forms a barrier dividing Burgenland into two parts. The eastern corner which at the same time marks the Hungarian frontier, is the Geschriebenstein, the tallest mountain of the Province, some 2,700 feet high. Its summit affords a wide view across the plain of Raabau. On its slopes, just on the other side of the frontier at Wöllembach, on the St. Veitsberg, stood one of the best-known foundries in the Bronze Age, a prehistoric industrial centre. 133

Here the Burgenland reveals itself to the traveller. At the foot of the Geschriebenstein lies the forest-surrounded castle of Lockenhaus, which, with its Gothic Knights' Hall and a keep five stories high, dates back to the year 1200. Almost as old are the ruins of Landsee Castle on the borders of Lower Austria, one of the biggest castles in the country. 342

But to bore a tourist by dragging him from castle to castle as far as Kobersdorf would be risky, since it would—finally land him on volcanic soil. 000

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First let us visit the basket weavers

Basket-Weaver.

of the beautiful Rabnitz Valley and the potters of Stoob where the ancient craft of pottery is still carried on by hand. Then let us cross to Raiding. Here the small house is still standing where a great man in the world of music first saw the light of day—Franz Liszt. He was triumphant the world over, from Russia to France and England. Everywhere the smiles of lovely women welcomed him but more and more he was affected by that melancholy which is reflected in the verses of Lenau. The latter had connections with the Burgenland through his mother; his lyrics won as many friends for the land of the *Puszta* as did the Hungarian rhapsodies of Liszt.

131 Past Ritzing, where the surface belongs to the Burgenland but the coal below it to Hungary, because the tunnels of Brennberg, near Ödenburg, burrow below the frontier, our way leads us to Sieggraben. This is the home of the Semmelweis family, whose most famous son brought salvation from the scourge of puerperal fever to the child-bearing mothers of all times. From here the road climbs to the summit of the Rosaliengebirge, where a view opens towards the east across the Wulka Plain, taking in Ödenburg and the Neusiedler Lake and westwards, the Bucklige Welt, Wiener Neustadt and the Leitha.

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Village Drummer.

On the Leitha also lies the battlefield of 1246. Friedrich the Quarrelsome, last of the Babenbergs, made the territory which had formerly belonged to the Mark of the Carolingians the subject of his first demands.

The Burgenland was long contested. Not for nothing do the many churches in its pleasant villages stand on commanding heights, surrounded by walls which give them the appearance of fortresses, and not for nothing were the many castles and fortified towers set up.

The days of the Turkish invasions brought poverty and desolation to the land, but at the same time a new population which was fleeing from the Turks and found a new home in the Burgenland—the Croats. From Kroboteck in the district of Jennersdorf through Stinatz, Punkitz, Podgoria and Kroatisch-Minihof there

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

CHAPTER I

INTRODUCTION

THE IMPORTANCE OF AUSTRIA.

728 WHEN the Foreign Secretaries of Britain, the Soviet Union, and the United States met in Moscow in November, 1943, they issued a declaration stating that Austria, the first victim of German aggression, was to regain her independence at the end of the war; that this independence was to "open the way for the Austrian peoples themselves, as well as those neighbouring states which will be faced with similar problems, to find that political and economic security which is the only basis for lasting peace"; and that Austria's position would depend on the part the Austrians themselves play in their liberation.

731 This declaration was testimony to the importance which is attached to Austria's independence from the point of 721 view of European and world peace. A glance at the map reveals at once the central position which Austria occupies in the heart of Europe. Her frontiers border on six other countries; her capital, Vienna, lies at the junction of Europe's main east-west and south-north arteries; while the Danube is a natural gateway to the Balkans. Just as the collaboration of the Habsburgs was essential to the realization of Emperor Wilhelm's Berlin-Bagdad dreams in 1914, so the occupation of Austria in 1938 was the first prerequisite for Hitler's attacks on Czechoslovakia, Poland, the Balkans, and the Soviet Union. A prosperous and independent Austria, fully co-operating with her

131 democratic neighbours, is therefore an essential condition for checking Germany's "*Drang nach dem Osten*" in the 721 future. Indeed, if the Austrian state had not existed it might have been necessary to invent it.

721 Fortunately, no such invention is needed. The events which have taken place in Austria in the days of liberation, 642 and since, testify to the ardent desire of most Austrians to rebuild their country on a firm, independent, and democratic basis. Austrians from all sections of society took part in the armed expulsion of the German occupationists. The liberating armies in the east and in the west were everywhere greeted with joy. For the first time in Austria's history, there is a spirit of unity and common purpose among all democratic Austrians. This has enabled them to form in a surprisingly short space of time a truly representative government, free trade unions, a progressive youth movement, and other democratic bodies which have made a bold start in rebuilding the shattered [668] political and economic fabric. Remnants of Nazi cells and of Nazi ideology have certainly survived and remain to be dealt with. But there is no doubt that the vast majority of Austrians have been cured of any illusions they may have entertained about the necessity or desirability of an *Anschluss*.

433 This is a very welcome fact. It is, indeed, an essential condition of any democratic revival. But it is not, by itself, sufficient. As the Moscow Declaration rightly indicates, the creation of satisfactory economic conditions is essential if stability and peace in that area are to be secured. And it is on this score that some people, who are otherwise entirely in favour of Austrian independence, begin to raise their doubts. They remember the prolonged controversies after the last war which centred on this very point: whether the new Austrian Republic would

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Ötztal Costume.

Beyond this territorial formation lies, in the north-west of the Province, the Außerfern, with intervening gateways—the district of Reutte through which flow the rivers Lech and Loisach, and in the south-east of the province of East Tyrol, the district of Lienz, watered by the Isel and the Drau.

The formation of Tyrol is regular—not rigidly symmetrical, but harmonious. The features which offset one another have both similarity and differences. The Ziller Valley, for example, at first broad and almost devoid of interesting features, rises a bare 300 feet at Mayrhofen. There it splits up into the "Gründe", like the fingers of a hand, and suddenly reveals its whole beauty; only the "thumb" has extended earlier at Zell in the Gerlos. In contrast, the valley of the Ötz rises by the "steps" of Ötz, Umhausen, Längenfeld and Sölden through delightfully contrasting gorges and basins until, after passing Zwieselstein, at Gurgl and Vent, it reaches the highest farmhouse, which lies at a height of over 6000 feet. The Sill Valley is unlike both. Starting from Innsbruck, the capital of the Province, it carries the main railway line and the main road up to a deeply cut pass with glaciers left and right. The Upper and the Lower Inn Valleys are equally important, but as different from one another as night from day, as are the chalk formations from the primary rocks south of the Inn.

●132 The wanderer—in Tyrol one has to wander—comes across sudden changes in scenery as well as sudden changes of weather. North and south contest one against the other. The Föhn (south wind) forces the snow to retreat high up into the mountains in winter—the temperature may rise 70 degrees Fahrenheit in twelve hours—and in August a cold spell may cause a very sharp fall. Mountain and valley intensify the contrasts. He who freezes at midday in the eternal winter

A PAGE OF HISTORY

Meinhart the Second (of Görz) who was Meinhart the First of Tyrol, the man who formed the Province into a political unit in the thirteenth century, gave it the name of his castle near Meran, Schloss Tirol, is little remembered today. His wife, Elizabeth, on the other hand, still lives in the memory of the people. The widow of the Emperor Conrad the Fourth and mother of Conradin, she gave Tyrol the impressive background of the Staufer Empire. She set up a permanent memorial to her unhappy son in the Monastery of Stams. Meinhart, through the marriage of his daughter with the son of the Emperor Rudolf I, established the first connection with the House of Hapsburg.

Popular interest concentrates much more on the stirring story of Meinhart's grandchild Margarethe Maultasch ("Pocket-Mouthed Meg"), who drove out her first husband to marry her own cousin. She was excommunicated by the Church on the grounds that this marriage involved a double sin. It was long years before the ban was lifted. She survived her second husband and only son; in 1363 she made over "the land on the Etsch and the Inn Valley with Schloss Tirol and all else appertaining thereto" to Rudolf the Endower. Fourteen gentlemen of Tyrol put their seals to the deed in the name of all inhabitants of the Duchy, of the "clergy and laymen, nobles and commoners, wether living in the towns or in the country". With this impressive voluntary deed Tyrol began its life in the federation of Austrian Provinces. It soon found an opportunity to prove its loyalty.

Friedl with the Empty Pocket, popular despite his outlawry and excommunication, confirmed the freedom of the Province at the Diet of Meran in 1423, when for the first time burghers

of the ice world of the Ötztal may enjoy eternal spring the same evening 9000 feet below amid vines and chestnut trees. The modern mountain railways make the contrast even more unbelievable.

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THE TYROLESE. You will find among the people of Tyrol as many contrasts as those which characterise its landscape. To Tyrol the Bavarians came from the north and north-east, from the west and north-west the Allemanians, and from the south, Latin races infiltrated. The remnants of an aboriginal population whose source is obscure sought refuge from the invaders among the crags and crannies of the mountains where their descendants are to be found to this day. Throughout the length and breadth of the country you will come across curious names of village and pasture which recall these various races. Tyrol, which resembles Switzerland in this respect, managed to weld these various tribes—and later the people of German, Italian and Ladinian race—together, to live peacefully in a small area. Today these elements have overcome the limitations of nationalism and feel themselves to be above all Tyrolese. Once again the forces making for unity proved stronger than those tending towards separation, and the passes, as the word implies, have become links, not barriers.

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In Tyrol, inhabitants, dialect, costume, methods of building houses and of agriculture

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SALT FROM HALLSTATT.

Thousands of years before the birth of Christ, the salt deposits in Hallstatt brought settlers to this remote spot and soon gave them comparative prosperity. Mining was also carried on, bronze cast, coarse wool woven and many a beautiful vessel of clay skilfully formed, although without the help of a potter's wheel. In baskets and sacks the salt was brought along byways to the trading roads and there exchanged against Roman goods. When the overlordship of Rome came to an end, Hallstatt fell into oblivion, the barbarian invasions temporarily obliterating its very name.

In 1292 Duke Albrecht I of Austria ordered the salt works of Gosau to be opened. This led to friction with Archbishop Conrad of Salzburg, as salt was also produced in his territories at Hallein. Possibly this prince saw danger to his revenues in the competition. Possibly the new works at Gosau really lay on Salzburg soil. In any case when the news of Albrecht's death became known in 1295, the soldiers of Conrad of Salzburg, accompanied by a mob from Hallein, overran the Kuchelthal, destroying the salt-pans and the new trading-centre.

Salt mines in Hallstatt were first mentioned in 1311, as a concern run by the State. A new method of producing the salt had been developed; instead of it being simply hacked off in blocks, it was dissolved in water, and the solution pumped above ground into pans. For a time the salt thus recovered was transported just as it had been 1500 years previously; that is, it was brought in sacks to Lambach and there shipped down the Traun.

Hallstatt's production in 1311 was considerable, amounting to about 4800 tons a year. By 1534 it was already 10,000 tons, rising to 25,000 tons in 1571.

The discovery of the Ischl salt mountain in 1562 caused Hallstatt's

out. Circumventing the deep cut valleys, the high roads lead to the hilly uplands. Before long one glimpses the wooded rolling summits with the Alps on their southern horizon. The surrounding hills are covered with dark green forests, against which ploughland, pastures and farms stand out beneath the sunlit clouds. The slender-spired, white-walled churches on the heights might be pilgrims' ships about to set sail towards shores in the heavens. From the depths rises the sound of the rushing waters of the Feldaist, which after flowing placidly through meadow land at Wartberg, has been trapped in a wide and narrow rocky gorge through which it has to storm its way into the open. There its dark sister, the Waldaist, which has its source among deep forests where in remote villages the inhabitants paint religious pictures on glass, flows placidly to join it.

Amid such surroundings lies Kefermarkt, whose gothic church contains a well-known carved altar, a fine example of late mediaeval art. It breathes the spirit of an artist who was at one with the people. St. Wolfgang occupies the central shrine, with St. Peter and St. Christopher on either side. The delicate tracery of the lime-wood carving branches upwards like the tops of trees. Something of the old-world peace that permeates the hill region which the traveller has just left seems to be embodied in the gentle inspired features of the central figure. In the face of the "Holy Ferryman" St. Christopher, one finds traces of the severity of the northern landscape. Any day you can run across people with such impassive faces, with such dour expressions on those inclement uplands of the Upper Mühlviertel, where spring arrives a month later than elsewhere in Austria, and where even in summer the solitary farmhouses are endangered

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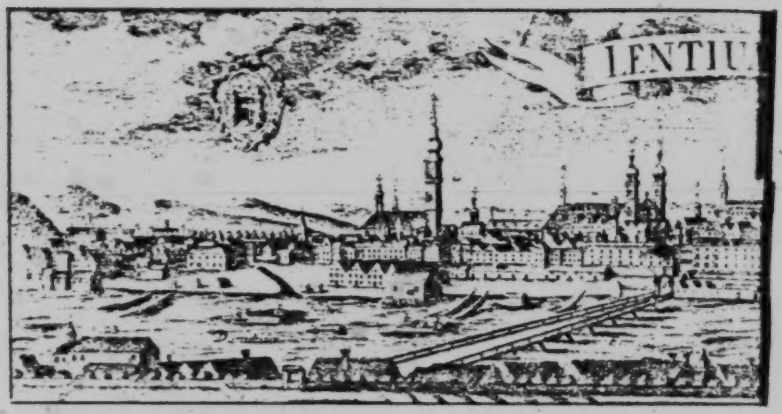

132 by raging storms. Here an early winter may often come to destroy the harvest, the fruit of bitter toil, and sweep away bridges and footpaths so that neighbour is isolated from neighbour.

361 At such times life is easier in the Upper Austrian towns—for instance, in Freistadt, the former frontier fortification north of Kefermarkt. Round the mediaeval town with its wide, turreted square lies a broad moat. On the wall which once defended the citadel whisper ancient lime-trees, casting their shadows over the children who play beneath them.

496 Not far from here runs the line between Linz and Budweis, the first "railway" line constructed on the continent of Europe, which unites the former Crown Lands of Bohemia to Upper Austria. In biedermeier times the citizens of Linz used to make excursions on this railway, travelling far into the country in horse-drawn railway carriages resembling post-coaches. These were in use for 40 years before the horse-drawn was replaced by the steam railway.

133 Up hill, down dale, sometimes in deep valleys, sometimes climbing up to the heights, the Mühlviertel, which has been called, not without reason, the "hunchback"-land, stretches further and further out towards the dim vastness of the Böhmerwald. At the foot of the Dreisesselberg, where Bavaria, Bohemia and Upper Austria meet, rises the broad Mühl from which the district takes its name, its golden-brown waters flowing on to the Prämenstratensian monastery of Schlögl. For many hours one can trace its meanderings through solitary mountain forests, following the sound of the woodsman's axe or the smoke of the charcoal-burners, where the grey wisps 288 float above the lofty crests of the pines. From courtyards and houses come the 248 muffled rhythm of hand-operated spinning wheels. Here flax is grown, spun and

bleached,

133 You once stood in May in Wiener Neustadt on the Ungarfeld. There was the rocky wall of the Hohe Wand in the south. The Rosalien range appeared as a light coloured, enticing forest. Eastwards the green pasture-land opened out like a [874] gateway. The two gothic towers of the Theresian Military Academy were an unchanging landmark of the "ever-loyal town".

You first drove over the Semmering in time of peace. Then you were able to enjoy yourself quietly and at leisure. Giants must once have played in this area, using as dice the mountains which begin here, wild and majestic. A man of the determination of Karl Ghega was needed to tame this wilderness. He bent the mountains and the deep gorges to his will. His tunnels and viaducts alternate [496] in carrying the railroad to its highest point. The Semmering railway was the first mountain railway of the world which all others used as a model. All the railways of the Andes in South America learned from it.

[132] The Semmering district, in a pocket of warm air above cold and misty valleys, is Lower Austria's show-piece. People from all the world over come here in search of health and peace. The Viennese regard the Semmering, Rax and Schneeberg as their own estates in the Alps. Towards the east the landscape slopes gradually down to the forested knolls of the hill country. In Mönichkirchen the work of Anton Wildgans reached epic status.

IN THE WACHAU DISTRICT. In the first days of creation there may have been some question as to which was the stronger, land or water. In the Wachau, the river triumphed over the mountains, although it has still to follow a course prescribed by the former, as to where it should narrow, should turn, should form bays and inlets; rocks jut out to spur its flanks, hidden granite builds hurdles over which it is forced to leap. Between Melk and Krems nestle a dozen charming villages whose picture lingers long with the wanderers along the banks and the passengers on the Danube steamers. Weissenkirchen lies in the heart of the Wachau district in a sunny position to the south. Old courtyards, arcades, rounded archways and vinecovered houses call for attention. In the small village of Schwallenbach they will show you the old parish church and the "Devil's Wall". The boatmen of the Danube tell the story of its origin. The Devil's grandmother is said to have scoffed regularly at the columns of pilgrims and the ships of the Crusaders, moving the Archfiend one night to try to block the flow of the Danube by building this [172] stout wall. At Willendorf was found the sandstone figure of a "Venus" which archaeologists admire as a relic of matriarchal, pre-historic times. Spitz, a sleepy little Danube town at the foot of the Jauerling should not be overlooked. Backed by the four-square tower of the Hinterhaus ruins, it is in blossom time a fairy garden of pink and white. Standing out against the mountains behind are multi-coloured forests—pale green larches, rust-brown fir trees and dark pines.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

727 Other injuries from which Austria suffered were the result
433 of deliberate German policy. So long as the Nazi occupation lasted, Austria was treated as an appendage to the German economy, and her interests were subordinated to those of the Reich. She was no longer considered as an economic entity, and no attempt was made to maintain the balance of her economic life.

[133] About 57 per cent of Austria's total area is over 1,000 metres
[311] (3,281 feet) high, and 37 per cent is woodland. It is therefore hardly surprising that only 21 per cent is cultivated and that before the War, in spite of strenuous efforts, the country could produce only three-quarters of its total food requirements. At the same time it was essential that it should be as self-supporting as possible. To import even a quarter of its provisions imposed a severe strain on the balance of trade. Yet during the Nazi period efforts to increase Austrian agricultural production were relaxed. The self-sufficiency of a mere group of provinces was a matter of no significance to Hitler, and he preferred to depend for his food supplies on the conquered and dependent lands of Central and Eastern Europe. The *Ostmark* could be better used for other purposes.

Austrian farms therefore lost man-power to the army. Their livestock was reduced. Equipment grew old and could not be replaced. Owing to lack of fertilizer the quality of the soil deteriorated. In 1945 domestic food production reached less than half, and in 1946, when conditions were much less disturbed, only about two-thirds of the pre-War level.

[313] Austria's forests are one of her most valuable natural resources. Her timber industry, together with the paper and cellulose industries dependent on it, accounts for about 9 per cent of her national income and for a substantial proportion of her exports. During the War the forests were ruthlessly exploited, and it has been estimated that at least 10 million cubic metres of timber were felled in excess of the economic figure, the fellings mainly taking place in the most accessible areas. This meant that years of strict control would be necessary to restore the timber industry to a healthy condition. At a time when the country was struggling to rebuild its economy, one of its main sources of wealth was in a state of convalescence.

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Bregenz in 1799.

361 131 BREGENZ AND LAKE CONSTANCE. Old and venerable Bregenz, Austria's gateway to the West, has maintained its leading position in the life of Vorarlberg throughout the centuries and today it is still the capital. It has been favoured in its situation. On one side it nestles beneath the protecting spurs of the Northern Alps; on the other it stands astride the route which traffic has followed from the earliest times along the banks of the Rhine, one of the natural highways of Europe. These factors have made of it a little town with a charm which is all its own. Its strategic importance was proved again and again during the chaos of barbarian invasion by the Saracens or from the East, during the quarrels of feudal overlords and the inroads of the Appenzell folk and the Thirty Years' War. These have left marks on its countenance which, do it honour and give it a claim on one's respect. These lines are not the wrinkles of age, but an indication that the spirit behind them has learnt how to overcome adversity and to pursue a settled course with courage and consistency.

Modern Bregenz is once again proving by its actions the existence of this driving spirit. It is fully aware of its importance as Austria's open gateway to the West, and from this realisation has come the strength to begin reconstruction, which in view of the Motherland's difficult position after the second destructive world-war is doubly important.

133 361 496 The cable railway which leads straight from the town to the commanding heights of the Pfänder reveals that the attraction of Bregenz lies not only

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IT ALL BEGAN WITH THE FLOOD

When Noah first set foot from the ark on dry land, he found himself not on Mount Ararat, as is generally believed, but in Vorarlberg, at the summit of the Widderstein. It is true that the venerable mountain mentioned in the Old Testament is not the only one which claims to have been the landing place of the Ark after the flood. But the attempts of other places to steal the glory of having been the second cradle of mankind must be disregarded in view of the claims which Vorarlberg can advance. When the first ascent of the Widderstein was made, remains of the bulwarks of the Ark — or at least of some of them — were still lying on the summit. This discovery, the Vorarlberg people claim, of course put an end for all time to the controversy as to which country Noah first set foot on.

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The second patriarch of the human race was thus the first inhabitant of Vorarlberg.

Alas that efforts to continue the history of Vorarlberg from this point onwards should oblige one to admit that the descendants of the Old Testament hero must have remained analphabets through several thousands of years, at least until the birth of Christ, for they have left to posterity no record that they ever existed.

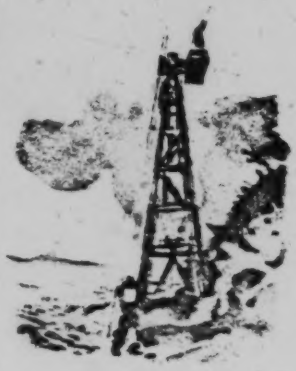
Otherwise, Vorarlberg's first inhabitants seem to have known a very elementary form of civilisation. There are few traces of their activities, other than a few primitive hearths sheltered behind rough walls. Much ingenuity was called for to find even these.

In fact, the first tidings of Vorarlberg come to us from one of the many branches of the family of Noah, those who called themselves Romans. They selected the fifteenth year after the Emperor Augustus ascended the

in its historic importance and cultural activity, but also in its geographical position. This overhead railway is one of the oldest and most popular in Austria. Certainly the view from the Pfänder over Lake Constance and the Swabian Plain which lie below, spread out like a map framed by the Swiss and Vorarlberg mountains, can hardly find its equal. And the lake itself! In its manifold beauty, whether it presents a limpid surface ruffled by tiny sparkling waves which caress the swimmer, or some masterpiece of colouring by nature which takes one's breath away, with the tinted curtains of the sunset changing from minute to minute, or the threat and fury of unleashed elements, lies a magic attraction from which few are immune and which tempt the poet to take up his pen in their praise.

THE AUSTRIAN GEOGRAPHY OF THE RHINE. As the whole world knows, the question of the left bank of the Rhine has been the starting point of many bloody European wars, even of the world wars.

Strange how the most complex questions change their whole character when treated in Austrian fashion. The left bank of the Rhine! Who knows that Austria possesses a left bank of the Rhine, or that the river is crossed by two Austrian bridges? That the Vorarlberg parishes of Höchst, Fussach and Rheinau belong to the left bank? (It may be



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View of the Town of Bregenz.

133 mentioned here that Goethe crossed Lake Constance from Fussach when he returned from Italy in 1811.)

The landscape which extends on either side of the Rhine's artificial channel is a peculiar one. Suddenly transported there, one would not believe oneself to be in a mountain district any longer. Swamps, in part made fertile through drainage, spread out for miles. Looking north, one has the illusion of being in a sunken plain. A colony of many varieties of birds inhabits this stretch of land. Few can withstand the charm of the softly waving reeds. The broad expanse of country, the rustling and whispering of the brittle stalks and slender foliage of the reed-banks seem to liberate the spirit. Unconsciously one breathes more deeply, the eye drinking in greedily the distant blue, the ear attuned to the voice of nature. The heart is soothed by the spirit of the moors in the all-pervading stillness, broken only by the harsh cry and the beat of the wings of some startled bird.

361 The largest Rhineside market town in Vorarlberg is Lustenau, celebrated like all Rhine settlements for its rich harvests of carefully tended fruit. As a settlement the big market town presents a singular picture. The houses, scattered over an area which is wide in comparison with the number of its inhabitants, are often hidden behind the dense foliage of fruit trees which entirely conceal them from the road. Lustenau is more or less of an enclave. Both in language and physiology, its inhabitants differ considerably from those of the rest of the Province, who

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Sample of Peasant Weaving from the XVII Century.

361 of "Garden City". The social problem is solved here in noteworthy fashion,
288 for although more than half the population is dependent on industry, it has no proletariat.

133 In grappling with its problems, the town has, of course, been helped by its favourable geographical position. The winter sport resort of Bödele which is easily reached by a picturesque road brings life to Dornbirn as soon as the white carpet covers the ground. In summer its chief attraction is a beautiful and sinister gorge which is reached by a romantic artificial flight of steps—the Rappenlochschlucht. Closed in by walls of rock which tower vertically to a height of several hundred feet, crossed far above by a bridge, the turbulent mountain waters far below foam and roar through the gorge. The spectacle is well calculated to awaken a wholesome respect for the might of those forces which give shape and form to surrounding nature, and through her to our own lives.

133 From the tree-covered summit the hoary keep of Neu-Ems Castle overlooks
712 the valley of the Rhine. The steep crag commanding the town bears the ruins of Alt-Ems, before its destruction in the Appenzeller War one of the greatest castles of the German Reich, equal in size to the famous Wartburg. The palace built by Count Kaspar still stands today at the foot of the Castle Rock. A number of other buildings and historic names lend to Dornbirn that magic of departed grandeur which always lingers around historic walls and ancient monuments.

133 THE GARDEN OF VORARLBERG. In the midst of the plain through which flows the Rhine rises the Kummenberg, a witness to the activity of the Rhine Valley Glacier in the Ice Age. To the south its tree-covered

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from the canton of le Valais, in Switzerland. At the beginning of the 15th century the number of these peasants who came to settle in Graubünden and Vorarlberg was steadily on the increase. These new arrivals seeking employment were readily welcomed by the land-owners, and the uninhabited upper valleys were allotted them to build new homes. In order to persuade them to settle permanently the gift of land was accompanied by various privileges. In this manner the uncultivated part of the Tannberg, in the Upper Bregenzerwald, and especially the two Walser valleys which have taken their name from it, developed into the home of a sturdy peasant race which has become a permanent factor of the national and economic structure of the Province.

Anyone who wants to form a picture of the strenuous way in which these descendants of the old inhabitants of the Valais who have retained much of the peculiarities of their former country in their speech, dress and customs gain a bare existence from a grudging nature, needs only to observe how they live in the Grosse Walsertal. Generations of bitter struggle for daily bread have produced a sturdy and weather-beaten folk whose existence is deeply rooted in the soil.

The people of Vorarlberg are not uniform in character, but form rather a mosaic of various sturdy elements welded together by historical developments.

slopes rise gradually, but to the north it falls away steeply. It is well worth the trouble of climbing, for looking down from its heights one has a delightful outlook over the entire Vorarlberg part of the Rhine Valley. In the east the picturesque houses of the market town of Götzis combine their greetings with those of the massive ruins of Neu-Montfort. The chief picture to the north and south is that of innumerable tiny rectangles of grass alternating with arable land, a clue to the agricultural structure of the countryside. An unusual trick of nature affords amusement to visitors to the summit of the Kummenberg: pieces of paper or material which are thrown out over the yawning depths are returned to their owner by the air currents. Even hats which have been tossed over are said to come back of their own accord, but not everyone cares to put this to the test.

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To the south of the Kummenberg a vale branches off from the main Rhine valley which is called the "Garden of Vorarlberg". About a dozen pleasant villages cling to the foot of the mountain or have found themselves a sunny place half way up it, and in blossom-time the whole countryside is one fragrant bridal bouquet. On the sunny slopes flourish delicious grapes; Fraxern, hidden in a hollow between the green hills, is famous for its wonderful black cherries, which attract crowds of visitors who arrive with baskets and carts. Viktorsberg, looking

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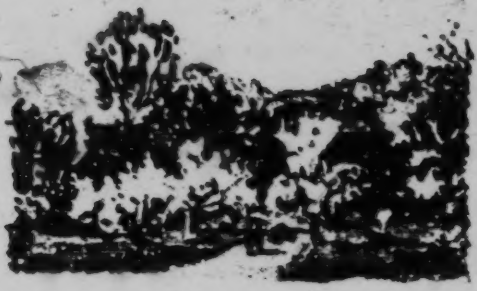

of local feudal lords, special privileges which ensured it unusual opportunities for development.

The picture of a mediaeval townlet which Feldkirch presents today is furnished mainly by the streets of the inner town, consisting of solid and impressive buildings in which merchants have carried on their affairs for many generations. Such evidence as survives of former defensive constructions like the Churer Tor, the Katzenturm and Schattenburg Castle, which towers over the town, conjure up visions of scenes long past to attract a stranger's attention.

361 871 Feldkirch was called "Studierstädtlein" in bygone days when it was of great importance—one might almost say of unparalleled importance—in educational affairs. It had a grammar school, a college for teachers which attracted students from all over the country, and the famous Jesuit college "Stella Matutina", well-known throughout Europe.

361 635 It could with almost equal justice have been called the "Township of Bureaucrats", although it was never a centre of government. But the majority of the other administrative bodies of the province are established in Feldkirch. The cosmopolitan character of the bureaucracy of the Austro-Hungarian Monarchy has affected the racial composition of the local population.

361 498 Feldkirch, as a junction on the only direct East-West route, is of importance to the Austrian traffic system. It is the main railway station on the frontiers of Austria with Switzerland and Liechtenstein, and thus a connecting-link in the West European transport organization.

● 133 DO YOU KNOW THE LEGEND OF THE THREE SISTERS? No? Then wander from Feldkirch through the Ill Ravine, the "Felsenau", that deep channel which the river has for centuries been cutting through the imprisoning rocks and which is still so narrow that there is only just room for the railway leading to the Walgau to run beside it. A feat of engineering was called for to carry the road over river and railway on a precarious bridge. Once one emerges from this narrow gorge, the character of the countryside is seen to have completely changed. Even the air is cooler, and the natives say that east of the Felsenau (i. e. in Walgau) it is "a jacket cooler" than in the Rhine Valley. You walk all

With only four factories employing over 500 persons, it is the smaller and medium sized specialised industries which are typical. First comes the textile trade. The Vorarlberg cotton industry, which enjoys an international reputation, produces not only the finest multi-coloured woven cloth in Austria, but also high class printed goods. Woven silk and specialised woollen and knitted goods are also typical of local industry. Vorarlberg's reputation for embroidery and hand-made lace has spread far beyond the confines of Europe. Other Vorarlberg industries concern themselves with refining and specialised finishing processes, for the Province is lacking in almost all raw materials. Cogwheels, gears, pumps and watches, sliding scales and specialised tools are all made here. The factories for the construction of elevators and cable-railways are based on "White Coal", on the natural water-power of the Province, the exploitation of which has been developed to a high degree.

the more easily and vigorously and you are quickly in Frastanz. 133

Here it was that three sisters once lived—at a happy period, no doubt, for, according to an accepted legend, a spring of pure gold flowed at the foot of the Garsellaspitze. One sunny Sunday these three sisters, instead of going to church as custom and piety dictated, started out towards the Garsellaspitze. Who knows whether it was the flowing gold which led them astray or whether they simply wanted to gather berries? In vain did the church bells call them once more to mass. The three sisters, their heads filled with mundane matters, ignored the summons. Soon they found a place where berries grew so thickly that they were able to fill basket after basket in a short time. As a last reminder of neglected religious duties came the faint tinkle of the transubstantiation bell. When they ignored this final warning, they met their fate. Unable to move, their bodies froze and turned to stone. When the faithful left the church after mass they stood and stared, for at the foot of the Garsellaspitze rose up side by side three tall rocks. The three sisters, however, were never seen again. Their baskets full of berries were found there on the following day. So came the [illegible] rocks by the name of [illegible] Three Sisters". 133 773

WHERE THE UNICORN HAS ITS HOME. Yes, indeed, the mythical unicorn still exists in Vorarlberg, in the above-mentioned Walgau—in the coat-of-arms of Bludenz, its chief town. Here the landscape is sunny and smiling and the people vivacious and cheerful.

Despite the dominance of the unicorn in the Walgau, or

Rankweil.

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Tisis.

rather in Bludenz, it is not dangerous to live there. On the contrary, this little town on the Ill with its romantic past and its industrious present offers many attractions and opportunities to visitors. To begin with there is the picturesque centre of the town with its narrow streets and mediaeval avenues. The Obere Tor is decorated with a fresco of Friedrich of the Empty Pocket which recalls how the people of Bludenz afforded their liege lord sanctuary and loyalty after he had been outlawed by the Emperor. There is a parish church built on a dominating cliff, and the more massive than beautiful Castle Gaienhofen, which has been put to various uses in the course of the years. As far back as the Celts and the Romans there were settlements on this site. The attractive and charming surroundings of Bludenz have earned it the name of "Gateway of the Alps". For one who wishes to get to know all the passes from the valley level to the snow-capped mountains of the main Alpine range it would be hard to find a more favourable centre than this little town of the Walgau.

●133 Arriving at Bludenz by train, every traveller is struck by a snow-capped mountain of bare rock rising sheer out of the green valley. This is the Panüler Schrofen, the western "shoulder" of the Scesaplana, queen of the Rätikons. As the culminating point of a whole chain of mountains this giant is not only an attraction for local tourists, but is one of those peaks which have made history in the opening up of the Eastern Alps. Thanks to its commanding height, it offers an almost unrestricted view of the countryside, including a charming glimpse of Swiss Prätigau in the depths below.

THE VALLEY OF WHITE COAL. The Montafon valley played a part in national transport centuries ago, for it is the gateway to southern Europe, and more immediately to Veltlin. Today it is a power centre for countless industries scattered over a considerable part of Central Europe.

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On the way from Bludenz to Montafon one passes through Vandans, a village which is threatened as no other by the primitive forces of the mountains. Millions of cubic metres of rubble and boulders lie waiting in clefts of the Vandanser Rock Wall, like a wild beast crouched to spring, ready to hurl itself down at a given moment on to the peaceful human community, carrying death and devastation. An attempt has indeed

Feldkirch; Churer Gate.

been made to guard against such an occurrence by the construction of mighty barricades. Whether man will be found to have succeeded in banning such elemental natural violence, the future will show.

Stuben on the Arlberg.

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Further up the Ill lies Schruns, the chief town of the Montafon, nestling picturesquely in an arm of the valley. Few places in Vorarlberg have been so fitted by climate and surroundings to become a health resort as this pretty market town.

It is indisputable that the people of the Montafon are very different from the rest of the population of Vorarlberg, as their customs, temperament and language plainly show. Montafon has withstood germanisation longer than any other part of Vorarlberg, and has thus preserved certain characteristics of its original Romanic population. 563

Opposite Schruns lies Tschagguns, once much visited by pilgrims but nowadays more of a centre for winter-sport. Tschagguns has particularly good ski-ing facilities and is also the starting-point for trips to the Rätikon, the excursion being facilitated by a cable railway to Grabs, 4,800 feet above sea level. In the area accessible from Tschagguns, the exacting mountain climber will find the same satisfaction as the tourist who wants only to discover and meditate on the beauties of nature. The way to the Gamertal, which is widely known for its beautiful scenery, the end of the valley with the Lindau Hut rising from the last scrubby pines in the foreground, backed by the Three Towers in the distance, has been characterised by the most experienced and best-known Alpine climbers as unique and incomparable. 361 529 133

Bregenz Tower.

A few miles beyond Schruns, on the slopes of the mighty Kapelljoch, which is to be made accessible by a cable railway, in a narrow part of the Montafon Valley lies the district of the "Fratte", which divides the valley into Outer and Inner Montafon, or, as the inhabitants say, "Outer and Inner Fratte". The first hamlet of the Inner Fratte is St. Gallenkirch, whence the valley of the Suggadin river stretches away in the south to the mountain health-resort of Gargellen. Surrounded by the most bizarre of mountain scenery, the latter is, perhaps, artistically

361 considered, the most attractive place in the entire Province. What makes of it a
529 health-resort is the fact that of all places in the Province, it has the record
133 for sunshine, and that it has the same wonderful climate as the Swiss health-resort of Davos, only 18 kilometres distant as the crow flies.

That the Montafon, particularly the Inner Fratte, has lost its original character
361 of a mountain farming area is immediately evident when one comes to Parthenen,
133 last of the valley settlements. At first glance it is recognised as an industrial township.
377 Montafon's name of the "Valley of White Coal" is here justified, for the district in which Parthenen is situated is devoted to the production of electrical power. Cable-railways, elevators, narrow-gauge railways running at a height of over 5,000 and 6,000 feet, extensive plants and tunnels several kilometres in length show at first glance with what energy technical knowledge is striving to render the forces of nature of service to man. The source of these forces is the glaciers of the main range, the "Blue Silvretta", famous as a ski-resort in spring. It is easy to repeat without giving the matter further thought that the beauty and natural charm of the mountains are destroyed when their useful potentialities are exploited by mechanical means. It is far wiser and more just to go oneself (and how much simpler the many inventions of the much abused mechanical developments have made such a trip), to ascertain with one's own eyes that the two enormous artificial lakes at Vermunt and Obervermunt have lent a touch of beauty to the picture which was lacking in the monotonous valley which they have superseded. For the mountain lover there still remain the combs and peaks of the monarch of the Vorarlberg Alps, the 9892 foot high Piz Buin, which he can approach with untroubled heart and a determination to dare its perils, without any risk that his ideal picture will be found marred by the spirit of a profit-seeking age.

529 THE LOFTY CASTLE OF THE
526 WHITE ART. It is not so very many years ago that winter was regarded as a visitation of God. More especially was this the attitude of the mountain folk whose means of livelihood were drastically curtailed during the cold months by the many feet of snow. This attitude only underwent a change when human ingenuity succeeded in making use of two strips of wood bound to the feet with one end bent upwards, which brought with them greater freedom of movement even over deep snow. This happened in Austria towards the end of the last century. One of the areas in which this now widespread

in deep snow sown with glittering crystals. When a blue sky rises in an arch above, it is enough to make every heart beat more quickly. One feels an irresistible urge to set forth on skis, to plough a shadowy blue track in the virgin white, to hear the crackling and whispering of the myriad shining snow crystals, to abandon one's body and spirit to a purity and freedom which is only to be found in the alpine heights in wintertime. And the experience of the whirlwind descent, the snow flying up like clouds of star-dust! Here there is enjoyment for everyone, even though their numbers run into thousands. There is room enough for each one to get away from the others and to make a track of his own. The great hotels are ready to furnish proof that city dwellers who cling to their standard of comfort are also catered for. A first class ski-school provides individual and successful instruction in the White Art, and the ski-lifts enable those setting out on a ski-tour to reach attractive areas without effort. 529 526

Lech-on-the-Arlberg is even more beautiful scenically than Zürs, although it does not lie so high and is less fashionable. Perhaps just for this reason it is more intimate and cosy. Lech attracts many guests in summer as well, although it is chiefly a winter-sport resort, furnished with all the necessary modern equipment.

Before we say good bye to the Arlberg, let us take a glance at one of its wild and romantic beauties—the avalanches. Many readers may be surprised to hear avalanches numbered among the beauties of nature, but their surprise betrays that they have never experienced the grandiose spectacle of this wintery force on the Arlberg. When on fine days towards the end of March and in April the modestly blooming violet begins to oust the snow in the valleys, high up amidst the peaks, still in full winter costume, an ominous rolling and a muttering begin which strike a chill into one's very bones. Lying in the sun in a safe corner, one can watch this drama of nature for hours without wearying. Again and again one looks up as one catches the rumbling sound, and in a few seconds gigantic masses of snow like a great white river throwing up showers of spray cascade down over black rocks into the ravine below. Long 133●

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after the avalanche has subsided to the view, the accompanying thunderous roar continues, itself gradually subsiding into a silence which leaves the ear keyed up for the next demonstration.

The Walser villages are interesting, in character easily distinguishable from other places in Vorarlberg. Every farm is built at least a stone's throw away from the next, according to Walser custom, and isolated houses are to be found as high up as the last slopes which it is at all possible to reach by vehicle.

The picture of the Great Walser Valley reminds the observer that it is not always man who rules nature, but that sometimes it is nature who forces man to acknowledge her imperious rule. The impression left by a visit to the Small Walser Valley is a much friendlier one. This district, which economically is an enclave not only within Vorarlberg but also within Austria, has an individual note due to the highly developed tourist trade which is everywhere in evidence. The natural traffic routes of the Small Walser Valley connect it with the adjacent Allgäu, but it has no direct connections with Vorarlberg or Tyrol. This valley, which offers many opportunities for winter sport, but is also attractive in summer on account of its beautiful scenery, has built up a remarkable tourist connection. It can boast of a very large number of comfortable inns and hotels. You will find them all along the only road, which links up the market towns of Riezlern, Hirschegg and Mittelberg, and on the slopes above. Obviously such developments have an influence on the way of life of the native population. But it is surprising to learn that in the Lesser Walser Valley even simple peasant's farms are furnished with many of the comforts of civilisation. Most of them have central heating, running hot and cold water, mechanical washers and modern kitchen conveniences run by electricity.

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[133] 361 MODERN NOMADS. The Upper Bregenzerwald, that is, the country above the Bregenzer Ache from the Bezau onwards, is chiefly mountainous in character, declining to hill country in the Lower Bregenzerwald. Populous settlements are scattered through the vales which branch off from the wide valley; solitary, 'sun-

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Ötztal Costume.

Beyond this territorial formation lies, in the north-west of the Province, the Außerfern, with intervening gateways—the district of Reutte through which flow the rivers Lech and Loisach, and in the south-east of the province of East Tyrol, the district of Lienz, watered by the Isel and the Drau.

The formation of Tyrol is regular—not rigidly symmetrical, but harmonious. The features which offset one another have both similarity and differences. The Ziller Valley, for example, at first broad and almost devoid of interesting features, rises a bare 300 feet at Mayrhofen. There it splits up into the "Gründe", like the fingers of a hand, and suddenly reveals its whole beauty; only the "thumb" has extended earlier at Zell in the Gerlos. In contrast, the valley of the Ötz rises by the "steps" of Ötz, Umhausen, Längenfeld and Sölden through delightfully contrasting gorges and basins until, after passing Zwieselstein, at Gurgl and Vent, it reaches the highest farmhouse, which lies at a height of over 6000 feet. The Sill Valley is unlike both. Starting from Innsbruck, the capital of the Province, it carries the main railway line and the main road up to a deeply cut pass with glaciers left and right. The Upper and the Lower Inn Valleys are equally important, but as different from one another as night from day, as are the chalk formations from the primary rocks south of the Inn.

132 The wanderer—in Tyrol one has to wander—comes across sudden changes in scenery as well as sudden changes of weather. North and south contest one against the other. The Föhn (south wind) forces the snow to retreat high up into the mountains in winter—the temperature may rise 70 degrees Fahrenheit in twelve hours—and in August a cold spell may cause a very sharp fall. Mountain and valley intensify the contrasts. He who freezes at midday in the eternal winter

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Volders.

But if one asks what, in view of its many contradictions, Tyrol really is, one is again confronted by something strange and mysterious. It is a fact that, looked at from outside—for instance from Salzburg or from Vorarlberg, Bavaria or Italy—Tyrol presents the picture of a close-knit unit. Is it the mountains which hold together the Province (which in all documents is referred to as the "Land in the Mountains" because it is entirely dominated by mountains and because from north to south the whole territory consists of mountainous country which never descends to the level of the plains)? Is it a gift conferred by the gods for good or ill fortune; is there some idea of sacred mountains behind the song which tells of the "Holy Province" of Tyrol? . . .

The peculiarly pious devotion of the mountain dweller to his homeland and his liberty has done as much to create the feeling of unity as has the great history of Tyrol which people keep alive today in many customs and many forms.

341 THE ARTS. In Tyrol, art belongs to the soil. The supreme period of its architecture is reflected not only in venerable abbeys, stately mansions, churches and the houses of the nobility, but also in many a farm-house and its outbuildings, in wayside crucifixes, chapels and shrines.

Apart from the imposing buildings and monuments which served the interests of the aristocracy and the well-to-do citizens—the most important example of these is the Tomb of Maximilian beneath the lofty vault of the Hofkirche in Innsbruck—the simpler output of native craftsmen is often impressive and singularly moving as, for instance, that gem of art, the little rococo church in the dreamy hamlet of Gschnitz. Built in the spirit of devotion, its existence threatened on all sides—from avalanches and landslides from the mountain above, from the torrential river below in the valley—it seems amid the forces of nature to do honour to God in the Highest, man upon Earth, and to act as a gracious mediator between the two.

Stams; Cistercian Monastery.

532 The artistic sense of the people is most apparent in the national costumes and

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hail. Whether it is the waters of a lake, or ice which fills a hollow in the rocks, whether it is water or an avalanche which crashes downwards in a mist of spray, it is fundamentally the same thing; the transient-permanent and the permanent-transient, the fixed, the fluid and the fleeting are merged together in struggle and in play.

A WORD TO THE VISITOR. The height of summer or the depth of winter are not necessarily to be recommended as the best seasons to visit Tyrol, although—or rather because—these are the most popular tourists' seasons, when all the world travels. If you make a comparison between the seasons of the year and the hours of the day, you will appreciate this. In March, the year's morning, the countryside reveals itself full of promise, and new life is stirring on every hand. June is the noon of the year, heavy with blossoms. In the twilight of September the ripe fruit falls with the fading leaves as the new buds are forming. Peace descends with the last evening hour when the countryside, replete, goes to rest through the Christmas midnight of the year. Let then the connoisseur of delights choose from these four seasons marked out by the clock of the year the one best suited to his personal tastes and needs.

The tourist can be confidently recommended to establish his first centre in the Innsbruck area. This must not necessarily be in the town itself. Igls to the south of it and the Hungerburg to the north, the unspoiled mediaeval town of Hall with its saline springs and deposits, and Seefeld, on the plateau of the watershed between the Inn and the Isar, all belong in this sense to Innsbruck, combining the charms of a town with those of the country. After all, why should one not spend a rainy day of the holidays in museum or café, enjoy a theatre or concert in the greater freedom which goes with a holiday abroad than one can feel at the end of a humdrum working day?

All around Innsbruck lie quiet, shady forests which offer such a wide variety of walks for a whole day, half-a-day or even for an hour as could not be exhausted in a year. Here the Upper and Lower Inn Valleys run together, the valleys of the Wipp and the Stubai joining them from the South. The Sellrain also flows from the West into the Innsbruck basin. In all these valleys terraces have formed from 600 to 900 feet up called the "Mittelgebirge" which are most massive at Innsbruck where they are broader than the valley itself. 133

They are well populated and well developed. They lie in the fertile middle belt. The views they afford looking downwards into the valley, or of more distant prospects, are just as attractive as the views you will see on gazing upwards into the mountains or at your immediate surroundings.

[496] 133 Within half-an-hour the cabin of the cable-railway swings one up from a height of over 1700 feet to well over 7000 feet, to the Hafelekar, whence one gets a fine view of the mountains of the wild Karwendel range. But one cannot see as far as the heart of the Karwendel, to the mysterious and death-haunted Ahornboden. In one hour the cable railway lands the visitor amid the extensive pine-woods on the Patscherkofel, opposite the Stubaier Ferner (glacier). In half a day one can reach the Stubai Alps and the glaciers of the Ötztal and Zillertal. Three hours by road or rail take one over the Brenner, in the south, to Bozen and Meran. It is from this neighbouring other-world that the Föhn, the heady south wind, streams [243] into the Province of Tyrol. Its burning breath does the maizecobs to a turn even in autumn. The maize stocks are left standing in the harvested fields of the Innsbruck valley until late in the year, while the reddish gold and brown cobs lend the splendours of their colouring to the gable walls beneath the protecting eaves of the peasants' homes.

The immediate surroundings of Innsbruck exhausted, a short train journey of one to three hours will present the traveller with new and attractive beauty-centres: the dark Achen Lake, set amidst steep and gloomily-romantic cliffs, the little fortress of Kufstein with its giant organ whose thunderous pipes are audible from afar and its imposing background of the many-peaked Kaisergebirge, the smiling and sunny surroundings of Kitzbühel with its mountain pastures and ski-ing areas. Or one may go further up the Inn Valley to the glacier world of the Urgebirge Valleys as far as the Paznauntal which ends so impressively below the Trisanna Bridge and Wiesberg Castle, to the sun-bathed townships of Imst and Landeck. Still further [496] on lies the world-famous Arlberg and the Fernpass with its lakes. There is distant Ausserfern with the Plansee and the bizarre chalk mountains of the Lechtal and the Zugspitz mountain with its rack-and-pinion railway.

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In former times a legendary lake is said to have covered the northern part of the Salzburg Province which is also called Flachgau. It took its origin in the neighbourhood of the Lueg Pass, following the bed of the Salzach, still narrow, until it broadened out in the high ground between Hallein and Anif. As it increased in size and strength it covered the whole district; Waller- and Mattsee were swallowed by it and even the course of the Salzach was no longer recognisable.

But this whole picture has been developed from what exists today. The actual process was the reverse. Neither river nor lake were swallowed up by that ancient sea at a time when neither Anif nor Hallein existed. It is nearer the truth to say that all this slowly emerged out of the vast expanse of water as the flood slowly receded. It was only then that the lakes of today emerged as evidence of the former vastness of these still unusually deep and restless lakes; only then did the Salzach carve out its bed, towns and villages springing up along its banks. But in that forgotten Chalk Age, when this almost boundless lake covered the land, the waters were even then broken by a few islands—the Salzburg Stadtberge. They are older than the surrounding plain, more established and calmer. They heard the sound of the receding waters, the farewell croaking of frogs and the splash of gigantic prehistoric monsters wading the fords. On their slopes many of these beasts must have sat humped together in hopeless melancholy. Month for month the darkening moon

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Salzburg, 15th Century, Woodcut.

133 sank behind them, the all-knowing vultures encircled them. On their slopes the first birds laughed, and in their impenetrable forests the little songsters built their nests.

The charming legend of Franz Solanos tells how this holy man was accorded a rare favour on his deathbed: clouds of birds gathered at his window, flew about his weary head, sat confidingly on the edge of the bed and perched by thousands on the branches around his cell to lend beauty to his last hours with their gladsome song; blackbirds were there, chaffinches, robins, larks, thrushes and yellow-hammers. There was even, the legend tells, a canary to blend its song of triumph with the contrasting notes of an albino blackbird which warbled ecstatically from so far away that it was invisible. The soul of the holy man was raised ever higher amid the heavenly concert until it was finally wafted into eternity.

The end of the prehistoric ages before man appeared on the earth is supposed to have been similarly accompanied by the song of birds. Well may they have chorused, not their pity or grief, but their anticipation as the earth emerged from the receding waters with its promise of nesting places and abundant food.

Salzburg must have been born to the accompaniment of some sweet and impressive melody, a melody that the Province embodies today.

133 Not all the Province of Salzburg arose out of the waters. Going south one meets more

133 and more prehistoric volcanic rocks and lava formations, slate flattened by pressure during millions of years, granite formed of sandstone ground up and re-formed by intense heat, porphyry and mica. The Province is not only old in so far as its history is concerned. Long before history began, what is now Salzburg was steeped in ancient lore—a lore which indefinably conveys its message to man, slowing down the steps of those who tread its soil and enriching their minds.

Seen as a whole, the contours of Salzburg Province may be compared to one of those mid-summer cloud edifices, the cumuli, which, bathed in the rosy light of evening, pile curve upon curve in baroque extravagance, rising to a slender spire. [792] At this narrow extremity, close to Bavaria, lies the formerly famous but nowadays little known Benedictine monastery of Michlbeuern with its romanesque church and the statue of the venerable Meinrad Guggenbichler, whose carved church doors with the moving figures of Mary and Elisabeth in Irrsdorf, to the south-east, are all too little prized.

This northern part of Salzburg, characterised by pleasant hills, the lakes of Mattsee and Wallersee lying amidst green meadows and sub-alpine vegetation which often merges into moors with their reeds and heather, is crowned by the chief city of the Province.

361 When first approaching the city from the station, the visitor has no inkling of Salzburg's venerable beauty. The broad street is flanked on the left by the embankment of the main line to Bavaria, a pebbled walk beneath chestnut trees, placards, a kiosk. Later come grocery stores, inns, paper shops, hotels and souvenir shops, as in many another provincial town. The unusual, the characteristic note of Salzburg is struck quite suddenly by the Mirabell Palace, in the Rainerstrasse. Now rises curtain after curtain to disclose the Salzburg of legend and romance. The Dreifaltigkeitsgasse leads past the Seminary to the first church of Fischer von Erlach. Thence beneath the Sautter Archway one reaches the Linzerstrasse which from time immemorial has borne the traffic through Salzburg. The Romans themselves passed along this delightful highway, coming from the direction of Radstadt to cross the Tauern Mountains.

Tower after tower crowned by the glittering symbol of Christianity pierces the blue morning sky above the ancient heart of the city on the left bank, the church spires seeming almost to reach

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Salzburg, Horse Trough.

castle guards, which seemed to have no end, and finally the great organ which once bellowed out over the city like a bull if an enemy was sighted in the distance. At last we climbed the famous observation tower.

"Outside the confined space of the fortification, we suddenly felt free as the birds as we came out upon the topmost pinnacle, which is higher even than the bastion itself. Our guide described the surrounding beauties in homely terms. 'Over there', he said, 'you may see the Gaisberg, that green hump there, and beside it the rocky Tennengebirge, the Göll and behind them the Übergossene Alm'.

"I quickly turned away in order, solitary as one can be in a crowd, to have the entrancing panorama to myself.

"Clearly outlined, as in a vision, I saw how the Alps extend almost up to the city boundaries, but not further to the north. The magnificent eagle-like ridges of the Untersberg and the Stauffen are the last efforts of the world of rocks to extend its domains. The mountains shut the lovely city into a spacious acute angle, but so respectfully that they do not actually touch it.

"The south-east is marked out by the luscious green of conifers and grass-lands which spread over the guardian Gaisberg. To the South, a little apart from the latter, arise the bare cliffs of the Tennengebirge; further to the West lies the marble mountain of the Untersberg. In the far West, almost on a level with the city, are outlined the sharp ridges of the Stauffen. The acute angle formed by the mountains is occupied by a vividly green and very level plain which seems to have thrust itself through the gap to the South, the Lueg Pass, where the waters of the Salzach have forced their way through the rocky wall.

"From this narrow gorge of the Lueg Pass debouches not only the wide Salzburg plain, but also the silvery Salzach, which winds its way swiftly through

man of Raitenau something of its right place in history. By land and by sea the Turks were seeking to plant the green banner of the Prophet in the West. Spain, the Pope and the Doge' Republic of Venice had fitted out a great fleet of galleys which were assembled in the harbour of Messina for the fight against the overwhelming traditional enemy. Austria was making an attempt to shield the open frontiers of the Continent from the forward-thrusting East during years of fighting, while in Europe itself the religious wars had broken out. In France the Huguenot War was raging, while Scotland watched its queen, Mary Stuart, die under the headsman's axe. Don Carlos died mysteriously in Spain and in Germany the subjects were expected to accept the religion of their ruler together with his bread. Philip II of Spain and Queen Elizabeth had started new epochs in their kingdoms, while Italy had found its way to baroque style and culture after the glorious period of the Renaissance.

In the Roman-German Empire the brilliant period of Karl V, whose arrival was welcomed by Albrecht Dürer and whom Titian painted before his death, was past. Emperor Rudolf II had retreated to his gloomy castle at Prague in order to forget the cares of the Empire in astrological meditations. Groups of persons exiled on account of their faith wandered from country to country, while the conflicts which were to lead to the murderous Thirty Years' War were coming to a head.

In these troublous times, in 1587, the twenty-eight-year-old Wolf Dietrich was placed on the Archbishop's Throne of Salzburg, chosen by the prelates of the Cathedral. His ambitious dreams given practical shape by travelling as a cavalier through Italy, France and Spain, there came as a flash the idea of attaining sovereign power with a

Fountain.

bushes to the cluster of Salzburg islands. The hill which is crowned by Hohensalzburg forms a slight hollow in the protective shelter of which the old city, guarded from above, to the rear and on its flanks by the mountain, and in front by the river, opens its eyes to the morning sun. The rejoicing peals of the bells of two dozen churches sound like the wakening cry of a happy and beloved child.

"To the North and the North-West the long plain so expands that everything approaching the city in olden times was visible days ahead. At midday the sun shoots burning arrows into this open countryside. There lies Bavaria with —far away—Passau, city of bishops. From here the northern, Germanic world reaches out to meet these territories so closely linked with the South. Here the skies above Salzburg arch dominatingly over the surrounding heights.

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Leopoldskron Castle.

133 "The picture would be incomplete if one failed to mention the many spots where the green of the meadows, moors and hills is pierced by rocky, barren stone. Constantly the soft blanket of earth is broken by a chalky dolomite hump, a rocky ridge of the same ancient grey as the massive Hohensalzburg, which rises sharply or in milder contours from the soil. The Gaisberg also displays this almost yellowed grey tone, particularly in places where the new motor highway cuts into it, carrying a suggestion of the skin of a snake, or of the sun-bleached baroque façades which are such a feature of Salzburg. But one would seek in vain for a comparison for the proud, starkly outlined peaks of bare rock, which here and there jut out from the crest of the Untersberg.

"Turning towards the south-east, one cannot fail to be reminded of the sandstone of the Vienna Basin, the so-called Mediterranean Terraces of tertiary rock on which, as Stifter says, "the fiery stream of wine lies slumbering". The Plainer Hills are of a similar rock-formation, rising above the later morraines and the moors of the Salzburg plain. According to dependable reports, there was once a vineyard here which became the basis of the cellars of the good monks of St. Peter's in the valley below."

000 Our traveller, aroused at last from solitary contemplation, found himself alone on the tower of Hohensalzburg. His cheeks changed colour, for the air had undergone as great a change as the walls of the fortress, and the sun suddenly lost its power. To the West lay a leaden pall which within seconds dissolved in rain, sweeping in sheets over the blotted-out plain. The long grass visibly and gratefully revived beneath it, and from the moors rose clouds of mist. But before the ground was really damp, the sun was victorious, building its own triumphal arch across the heavens. Not enough with one, two

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Werfen Castle.

175 the bishops, the peasant revolts and days of baroque glory to the rapid change in history after the last of the archbishops, Prince Colloredo, had fled "abroad" (meaning Vienna), to abdicate there. The Duke of Toscana succeeded to the Province, but he soon exchanged it for the rulership of Würzburg, Salzburg thereby becoming Austrian territory until, soon afterwards, it was given to Bavaria by Napoleon. Four years afterwards it was "repatriated" at the cost of money, or rather of land, namely the left bank of the Salzach, remaining from this time onwards a Crown land of the Monarchy and finally becoming the modern Austrian province.

133 All this and much more the swift green Salzach saw, this river which rises in the western corner of the Province, high above on the Salzachgeier and traverses the land like the veins of a transparent leaf. Following the course of the Salzach upwards from Salzburg, one soon reaches the Lueg Pass, and on emerging on the other side of the tunnel one usually finds entirely different weather. The cloudy sky which one has left behind is here clear. Glorious mountain air comes down from the Hochkönig which, with its glacier, the "Übergossene Alm" (the "Drowned Field") is some nine thousand feet high. To make the ski descent from Hochkönig to Werfen, a run of over 2400 yards, is a rare experience for sportsmen. On the opposite side the Tennen-

proved the starting point of the Thirty Years' War, the open-air stage of the Hellbrunn Steintheater, one of the oldest of the German out-of-door theatres, was producing an opera called "Andromeda". "Il Orfeo" and other plays followed, bearing witness to the Archbishop's love of art. The latter soon afterwards erected a baroque stage in the Italian style in his official residence.

In 1628 the Cathedral was completed by Paris Lodron. The sumptuous interior, with its 12 balconies and several organs concealed under the great dome, made it possible for Orazio Benevoli, composer of the Cathedral Dedication Mass, to make use of the many-choired, many-voiced style of the Venetian-Roman school with unimaginable effect. That unforgettable "Dedication Mass" has gone down in the history of great music, employing as it did 16 vocal and 34 instrumental voices with the assistance of 3 organs, the singing voices being divided up into no less than 8 different choirs which were posted on 12 different balconies. It was at this period that the Salzburg cathedral and church concerts, which were to grow into an honourable tradition, made their promising start.

So was born and developed that unique atmosphere of Salzburg musical and theatrical culture which was built up by Benevoli, Bernardi, Megerle and Hofer, Muffat and Biber, Eberlin and Caldara up to the pre-Mozart period of Leopold Mozart, father of Wolfgang Amadeus, Cajetan Adlgasser and Michael Haydn, brother of Josef Haydn.

On January 27th, 1756, a son was born to the Archbishop's Concert Director, Leopold Mozart, who was baptised under the name of Johannes Chrysostomus Wolfgangus Theophilus Amadeus. This child was destined to become Salzburg's greatest son.

"Perchtenlauf" in St. Johann im Pongau.

gebirge rises starkly with its gigantic caves of ice; the gloom, the echoes and the changing light of the latter have the fascination of the underworld. The castle high above Werfen, one of the few in these chivalric-clerical surroundings, has never been taken by storm and is therefore well preserved, although it was once almost gutted by fire.

The course of the Salzach now takes a sharp turn to the left, bringing it close to the vast bulk of the Hohen Tauern. Within this curve lies the entrance to a charming freak of nature, the Liechtensteinklamm. The Arlbach here cuts its way violently through the Radstadt chalk. The gorge resulting, the Liechtensteinklamm, is extremely narrow. Still today the inexorable water cuts into the proud and deeply wounded rock, sawing it in twain. One follows the vigorous water-saw on a slippery plank-walk, along the cleft in the path, deafened and often drenched in fine spray. From time to time one is startled

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The Wolfsgraben.

by a mysterious roaring from the depths of the mountain. Soon one finds oneself within this mountain, remote from the sun even though it be at its zenith, trapped in a damp gorge, surrounded by high walls but sure of one's way on the narrow path which has been carved out of the stone. The water foams angrily through narrow passes, tearing at the rocks, wearing away the stones, swirling and growling through the hollows it has worn in the walls, leaping, tossing, screaming, as though a terrible rebellion had broken out in the usually placid element.

133 The next lateral valley is watered by the Gastein Ache, the healing and magical
529 waters of which are well-known. The two Gasteins, Hof- and Badgastein, are world famous. The reputation of these health resorts has been connected for centuries with the names of illustrious visitors. These two spas which formerly slept in winter now attract crowds of visitors through their ski-lifts. They seek health in the neighbouring mountains, which vary from giants which climb to
654 glacial heights to more gentle hills. Nearby lies the Sonnblick with a meteorogical station lying at a height of 10,000 feet above sea level. A further lateral valley
133 serpentines in the bold curves of a car road up the gigantic bulk of the Grossglockner, providing enchanting glimpses of rushing mountain streams glittering far below and of white, foaming waterfalls which sway in the wind like the beards of ancients. Over all this, a vast sea of cloud.

This giant world of the alps rules the emotions of man with almost painful majesty, commanding his ear, absorbing his glances, and forcing him to speak almost in whispers. One can imagine this vast mass of rock with its thin covering of arid grasses groaning under the indignity which the splendid road has imposed upon it. One can almost feel the mountain rising and falling as it breathes deeply, seeking to hurl the crawling, twisting car into the depths which make one giddy as one looks down.

In the far distance light and shade change as in a Rembrandt picture. Amidst this stupendous landscape, one experiences a feeling of liberation and lives through a whole gamut of emotions, passing from sheer amazement to a sense of com-

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prehension of all things in which time no longer plays a part. The motor road climbs to a height of almost 7800 feet, ending at the foot of the ascent to the highest peak (12,000 feet).

The Glocknerstrasse. View of the Edelweiss Peak.

The Glocknerstrasse takes its start in the pretty little valley town of Bruck-Fusch, near the Zeller Lake, on which the railways and motor roads leading to the Saalach Valley also converge. Zell-am-See, in winter a happy training area for skiers, becomes in summer a gaily-coloured and picturesque holiday resort.

Valley after valley winds through the giants of the Tauern world until the Grossvenediger is reached, and finally one of Salzburg's two frontiers, that with Italy, which is dominated by the Dreiherrenspitze.

Let us return gradually to the eastern end of the Province where the Niedern Tauern sink by degrees to lay themselves at the foot of man, so to speak, in the Tauern Pass. It must not be imagined that they make it any too easy for him; even this pass, swept by snowstorm and avalanches, is 5400 feet high. On this high plateau lies a blue-white alpine paradise, which makes way for the road to the Lungau, a region consisting mainly of high plains characterised by their clear, sparkling air filled with the faint scent and whispering music of the otherwise rarely-seen larches. Mauterndorf, Maria Pfarr, Moosham (a casket of treasures from a mediaeval museum) and finally Tamsweg, well-known as the coldest place in Austria, and also for its beauty. Spread out in generous profusion are a number of strong, well-built settlements, solid in construction, with beautiful old churches and a horizon of mountain silhouettes. Further away, beyond the confines of the province of Salzburg, towers the mighty Dachstein:

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Behind the nobly formed Bischofsmütze and the remote stretches of the Gamsfeld the Schafberg lifts its beaky nose over the dark waters of the Wolfgangsee, the bizarrely picturesque mountains grouped about it like stage scenery.

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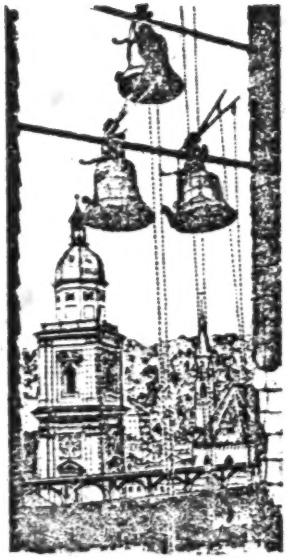
133 From the heights of the "Landauer", a shady resting place opposite, one looks down into sheltered St. Wolfgang. From here a cheerfully puffing engine takes us up the rack-and-pinion railway to the Schafberg. The view from the summit discloses a picture of such divine beauty that the name given to one of the stations, "Himmelspforte" ("Heaven's Gate"), seems quite justified. Beneath the precipice which falls abruptly away stretches the pale blue of the dancing Attersee, the whitely shimmering Mondsee (Moon Lake), while the deep blue of the Wolfgangsee completes a unique Trinity which even if it should not be compared to holy things, must yet be admitted to be divine in its gaiety, and has a beauty which almost hurts the eye as it gazes upon it insatiably.



Belfry.

Travelling westwards from the Wolfgangsee one arrives once more at the city of Salzburg. The road offers variety enough as it leads past the small, jade-coloured Fuschlsee, following the bends and curves of the Gaisberg as it winds around it, passing the bare Nockstein before it reaches the city on the Salzach.

000 But let a visitor speak again, that same admirer of Salzburg whom we last met on the "High Fortress", who finds himself attracted again and again towards the capital:

"Even after a few days away I felt drawn again to Salzburg. It seemed to me that there was sanctuary there, and security; a feeling of being in a chosen home, such as one gets in a castle. Thus in the evening we turned towards the city. The fields became darker and darker, a deep black-green, with inky spots of pine-wood above which this or that summit was still daubed in flaming colours by the setting sun. Yellow-white houses lay scattered about like crustaceans on the sea shore. The bushes beside the pale grey roadway were rounded off, macabre as evergreens against a white wall.

"In the sky and on the earth glittered golden stars. A penetrant smell of shave-grass arose from the earth. A myriad grasshoppers filled the air with their shrill, uncanny harping. We seemed to smell the very perfume of the shadows. The moon broke suddenly, violently, through a bank of clouds. The cool of the evening softly touched forehead and cheek.

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Evening on the Ossiachersee.

Over Carinthia hovers the atmosphere peculiar to a frontier province, the perfume of far-distant lands which, coming as it does here from the Slavonic East and the Latin South, makes one's heart beat faster even in settled times. The irresistible stream of life constantly carries a trace of foreign customs through the filter where contact is made with other territories, influencing both nature and the works of man. The force of nature is so strong that it is able to combine even opposing elements into a united whole, forming from them something individual, compact, harmonious, truly Austrian and specifically Carinthian.

SYMPHONY OF THE COUNTRYSIDE. In its physical features the province resembles a mussel-shell, with level ground and deep rills which extend far up into the surrounding framework of mountains. At first falling steeply, then more gradually, the mountains sink into the plain from the west, north and east. To the south stands a disconnected Alpine wall. 133

Nature has left but few passes in this girdle of mountains, and even these are barely usable in winter. All the valleys lead to the lowest level where the waters collect, to be released eastwards by a single outlet, that which the Drau has made by its own force.

But what a variety of contours, what play of colours this mussel-shaped Province offers. It would be hard to find such a many-toned melody of colour and form within another area as small as this, with its bare 10,000 square kilometres. [131]

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133 The types of rock and strata, of erosion and accumulation, vary within very limited areas. The work accomplished by long-vanished glaciers of the Ice Age is etched in intriguing lines. Below in the valleys lie lakes with shallow and sandy creeks of an almost southern warmth, above them terraces and debris of moraines now thickly wooded. In the hollow lie the isolated hills and the bogs. Up in the mountains you can find romantic lakes and waterfalls, harsh clefts and bare ridges and the wild confusion of the crust of a forgotten world, petrified while still in eruption, then scoured and pounded by wild storms. Add to this the colourful variety of the vegetation, enriched by the flora of the adjacent Mediterranean, Illyrian and Baltic territories; the deciduous forests and woods of mingled firs and larches, and the flowering carpet of the mountain pastures. Who can explain the presence amidst all this profusion of the Wulfenia, a plant native to the Himalayas and unknown in any other part of Europe?

ANDANTE MAESTOSO. Where the province joins Tyrol and Salzburg, it is dominated by the Hohe Tauern, which culminate in the majestic pyramid of the Grossglockner (approximately 12,000 feet) above the Pasterzen Glacier. The colours of the meadows and woods stand out sharply contrasted against rocks and snow. Through it runs the magnificently constructed alpine highway to Salzburg. [491] On the Carinthian side the Möll foams past the well-known mountain village of Heiligenblut, to be joined by the waters of the Malta from Ankogel and Hochalmspitze. Through the glistening spray of a hundred waterfalls it flows into the Lieser, which absorbs it near the ancient town of Gmünd (traversed by a road in use since Roman times which leads over the Katschberg to Salzburg), and bears it onwards to the Drau at Spittal, the starting point of the Tauern railway. Shortly before this the river is joined by the overflow waters of the Millstättersee. This area

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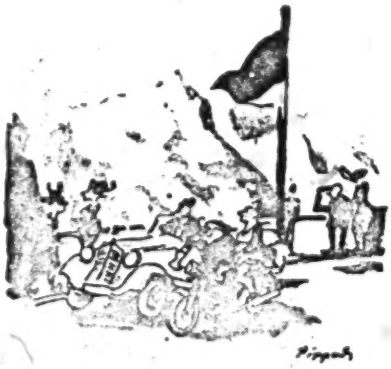
FROM HISTORY

In the year 976, when the Emperor Otto conferred the Eastern Marches on the Babenbergs, he also separated Bavaria from Carinthia. From this time dates the independent existence of the Province, at first as a subject duchy. In 1077 the house of Eppenstein established its independent rule, to be followed by that of Spanheim and—after the brief interlude of Ottokar of Bohemia—by the line of Meinhard, an offshoot of the family of the Counts of Tyrol. In 1335 the province became a permanent possession of the Hapsburgs. Carinthia, the frontier province, fell like other districts a victim to the disorders and famines of that period. The constant bloody invasions of the Turks, Hungarians and Venetians gave its patriotic inhabitants opportunity to prove their loyalty and courage in the face of the enemy. The Emperor Friedrich III sent word to the Carinthians that "they had earned for all time thanks, honour and praise from the Holy Empire."

Then Carinthia developed during almost three centuries of peace and achieved great prosperity. The riches found in the mountains played a big role—iron, first mined by the Romans, came from Hüttenberg, lead from the Bleiberggraben and the Karawanken, gold and silver from the Tauern. Feudal overlords were still powerful in the land: the Archbishop of Salzburg in Friesach and the Bishop of Bamberg in Villach were the mightiest. They created these towns, whose commanding positions on the great traffic routes gave them an importance which even exceeded that of the old ducal town of St. Veit. The Duke and the Court officials of the Princes of the Church gave the countryside the imprint of the rule of a mediaeval aristocracy through their numerous castles and country residences. This imprint lingers on

formerly prospered from the water-power of the mountains, as old stamping-mills and finely escutcheoned mansions in quiet valleys and on deserted heights still bear witness. Today it belongs to the devotees of mountain climbing, ski enthusiasts, and worshippers of the world of the great mountains who find happiness among the edelweiss, gentian, rhododendron and scented nigritella, to the marksman who pursues the noble chamois up the mountain clefts and to motorists who find pleasure in following the curves and twists of the excellent mountain roads.

ALLEGRO CON MOTO. From here up to the Styrian Alps, and running parallel to them, stretch the Noric Alps. Here there are a few summits over 6000 feet, but as the world of eternal snow and ice is left behind, the majestic note gives peace to the sighing of vast forests. Within the wide crescent which they form together with the lower groups of the Gurktaler Alps, the Nockberge and the Metnitztaler Alps as far as the deep valley of the Olsa, life is peaceful,



Glocknerstrasse.

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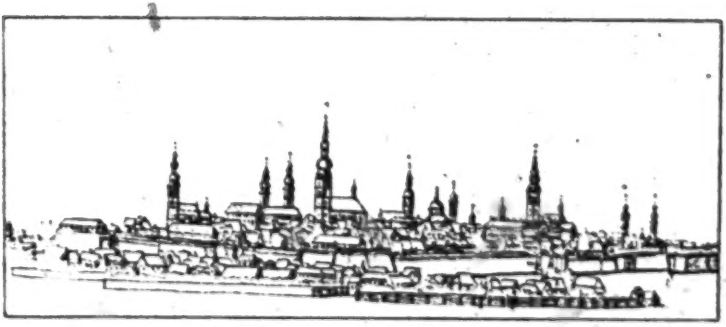

Klagenfurt Etching, 1547.

133 with a tempered gaiety. The softly rounded hills and grass-covered slopes with their carpets of flowers strike a bucolic note. This is a domain of shepherds and of modest travellers who come here in summer in search of peace and placid beauty. In winter it is a ski-terrain which not even the novice need fear to tackle. The cable railway to the Kanzel, above the Ossiachersee, which is extended by a ski-lift to the heights of the Gerlitzen, saves a long climb. Broad valleys which are all traversible lead from the Glan, the Gurk and the Lavant through a fertile and cultivated area back to the Drau. The Brennsee and the Afritzersee maintain Carinthia's reputation as a country for warm lake bathing. High up on the Turrach Pass which leads over into the Valley of the Upper Mur one sees the dark, shining surface of a small lake. Towards the East, where gaps leading from north to south mark out the line of the mountain ranges and the flowing water, the melody of the landscape becomes softer as one crosses the saddles of the Kor and Sau Alps with their abundant fauna until it blends into the farewell song of the Drau. Along a railway line and the dreamy road which Rudolf Hans Bartsch calls "the road of the Styrian wine carrier", Carinthia's chief river passes over into the rich vineyards of what was formerly Austrian South Styria. Not far from Wolfsberg, chief town of the fruit-producing Lavant Valley, the "Paradise of Carinthia", a modern car road leads over the

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Lavant Valley Costume.

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Villach, 17th Century.

in the ring of castles surrounding St. Veit, of which the famous Hochosterwitz may be called a "Carinthian Graal", in the castles crowning Friesach and in the fortified mansions near the Italian frontier. A later creation of these proud overlords was Klagenfurt, now the chief town of the Province. Sheltered by the castles and towns splendid buildings arose—in Klagenfurt the Provincial Diet Hall, in Spittal-on-the-Drau a dream of early Renaissance in the shape of the Palazzo Porcia. Here and elsewhere grew up many a comfortable burgher's house which spoke of prosperity resulting from thriving trading, and some fine churches.

The Napoleonic times did not spare peaceful Carinthia. General Bonaparte marched through the Province in 1797. The Imperial grenadiers occupied it in 1805 and 1809. Open rebellion against the foreign conqueror was organised by Johann Baptist Türk, the Carinthian Andreas Hofer. He moved too early in the day to be successful and it was not until 1814, under Metternich, that the great hour of liberation from foreign rule struck.

During the stormy year of 1848 the inner unity of Carinthia was again demonstrated. It was the same during the first World War, the mountain

saddle of the Pack into the Graz basin, thus affording a quicker and more comfortable connection with Styria than is provided by the railway which runs by way of Friesach and the Neumarkt Saddle. On the southern slopes the peasants' houses lie at very high altitudes. The Benedictine monastery of St. Paul, a well-known educational centre, is situated here. In the mountains are iron ore and coal. The wind sweeps through the extensive forests, and across flower covered fields in which the blue squill, a child of the South, is still to be found.

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FURIOSO. South of the west-east line which the Gail-Drau Valley cuts through Carinthia, at the foot of the frontier wall formed by the Carnic-Julian Alps and the Karawanken, the melody of the landscape is different again. After the *Andante* of the Hohen Tauern and *Allegro* of the Noric Alps which is transformed into the softer airs of the Lavant Valley, comes the wild *Furioso* of the storm-swept Kalkgebirge.

Between the Gail and the Drau, the Gailtaler Alps sometimes rise to a height of 6000 feet. To the south they fall away in impressive walls of rock. On the more gentle northern slopes

133 *frontiers of the Province proving an insurmountable barrier. In 1918 South Serbia laid claim to Carinthian territory and foreign troops soon invaded a country which had collapsed after four years of war. But the Carinthians stood firm in loyalty to the Motherland, and the Province emerged intact from the defensive battles of the year 1919 and the plebiscite of 1920. The inflexible patriotism of its people had triumphed. History repeated itself after the second World War in which Austria was involved. The old saying "Carinthia free and undivided" will be bequeathed by the present sorely-tried generation to its sons, as an inheritance which is part of the very existence of the Province.*

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WHAT THE PEOPLE ARE LIKE

Anthropologically there are two main types clearly traceable in Carinthia: a blond, tall, long-skulled type and a dark, tall, long-faced but short-skulled type. Both types are about equally prevalent. The eastern type of man, smaller, with a broader skull and darker skin, is less frequently met with. Here and there in many places there are isolated traces of a Mongol race, revealed by the characteristically wrinkled eyelid and the position of the eye. It is typical of Carinthia that none of these traits indicates a national division. They result from centuries of constant racial intermingling, being found quite as frequently among the German-speaking as among the Slovene inhabitants of the Province. It seems that the original Celtic peasant inhabitants gradually mixed with Germanic, Slovenic and other elements which penetrated the Provinces as the result of colonisation, wars and the expeditions of merchant caravans.

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Living in this area marked out by its natural boundaries, these peoples, aided by the effects of common conditions of life and progressive intermarriage, gradually developed into that Austrian-

lies the picturesque Weissensee, the only alpine lake which can boast of a bridge. The Gailberg offers a way over this mountain range connecting the towns of Kötschach and Oberdrauburg. A second road leads over the Kreuzberg between Hermagor in the Gail Valley and Greifenburg in the Drau Valley. Where the two broad river valleys meet lies Villach, on the extensive mountain plateau of the Dobratsch which has been given the name of "Carinthian Rigi" on account of the wonderful view from it. The acrotherm al baths and the valuable metals won from the Bleiberger Erzberge are some compensation for the devastation caused by landslides in the dawn of history on the south side of the Dobratsch. The wierd scenery must be in part the reason why a famous colony of painters has settled in these parts, in the village of Nötsch. Among them are such well-known artists as Franz Wiegele, Arnold Clemenschitsch, Kolig senior and Herbert Boeckl, as well as Anton Mahringer and Raimund Kalcher.

Only south of the Gail Valley and of the lower reaches of the Drau is the wild character of the frontier mountains fully apparent. The wall of the Carinthian-Julian Alps stretches from Tyrol to the Gailitz Gorge through which passes the railway-line to Italy. In the Monte Coglians it attains a height of 9000 feet. It has a single negotiable pass—a military road even in Roman times—at Plöcken. The crests of the ranges tower upwards in pyramids or sheer walls of rock in a bewildering variety of forms, differing according to their height and the type of stone. Dense beech woods alternate with open fields, the meadows of the Gartnerkofel reflect the majestic violet blossoms of the Wulfenia. The Wolayersee reflects an impressive view of the surrounding country.

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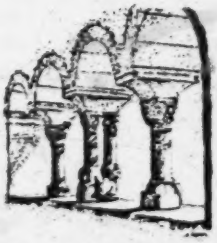
The Landhaus, Klagenfurt.

Lower down in the Gail Valley lies the reed-girdled Presseggersee.

Next comes the unbroken wall of the Karawanken Alps, their highest point, the Hochstuhl, lying well above 6000 feet. This range is a continuous chain of peaks, ridges, rocky clefts and awe-inspiring precipices as far as the Obir, the slopes of which in places suggest a monstrous stairway. The rose-tinted "Alpine glow" of these mountains in the setting sun is an unforgettable picture. The great pyramid of the Mittagskogel is reflected in the Faakersee, which many consider the most beautiful lake of Carinthia. Nature has allowed few streams to flow from this mountain, but the river named after Bad Vellach is an exception. Here, in the neighbourhood of Eisenkappel, ancient volcanic formations give a picture of a prehistoric mountain world. Its wildness is modified by the beauty of the Drau Valley, a considerable part of which is known as the "Rosental"—"Rose-Valley". This picturesque name has nothing to do with roses, but may be connected with the rectangular fields of ripening buckwheat which, with their rosy shimmer, are a pleasure to the eye when one looks down from the terrace of the Hollenburg on to the old armoury of the "Gun-Maker of Ferlach". The name really derives from the lords of Raseneck-Rosegg, who owned a fortified castle at the same place. Apart from this, the rudeness of nature is tempered only by the pine forests, and, in spring, by the sea of narcissi which bloom in the mountain pastures. Josef Friedrich Perkonig, the great writer on Carinthian scenery, called these parts "the quiet kingdoms". The Karawanken can be traversed by the Wurzen Pass, the Loibl Pass and a road crossing the Seeberg; at Rosenbach they are pierced by a railway tunnel.

PASSACAGLIA. All these different groups of mountains which vary so greatly from one another combine to form a delightful enclave in the heart of Carinthia, where the varied motifs of the scenic melody are repeated in a comprehensive recitatif. From the prehistoric mountains, mighty glacial streams which dug for the lakes of today their deep beds descended to the valleys. There are more than 200 of these in Carinthia. The rivers brought gravel and clay and continued



Millnatt, Cloister Walk.

alpine type which is nowadays implied by the use of the word "Carinthian", creating a feeling of natural common weal, without entirely destroying specific indications of individual differences. An extravagant capacity for enthusiasm, a light-hearted joi de vivre *and love of good food, an impulse towards what is great and profound, are ascribed to the Germanic element. Rough and primitive strength, loyalty, a coarse sense of humour and self-confidence are believed to originate in the Celtic admixture. From this last the people are considered to derive a certain uncomprehending tendency to reject all that is new or unusual, the much criticised tendency to leave everything as it has always been. Whether this be true or not, all these qualities do, in fact, mark out the Carinthian generally, with little distinction as to his mother tongue. They equalise out in the souls of the people, stormy contradictions blending in the calm of a purposeful attitude towards life. Light usually triumphs over the darkness of the depths.*

NATIONAL CUSTOMS.

The colourful customs of the inhabitants derive from age-old sources. In Central and Lower Carinthia, they date from the Celtic part of the prehistoric migrating hordes and the days before the birth of Christ. Heathen processions around the mountains in spring which led to the heights of former Celtic places of worship, became in Christian times Easter pilgrimages, such as the strange "Vierbergelaufen" in the Zollfeld area. The customs and legends of Upper Carinthia date back to the times of Teutonic invasion. Prayers for good harvest weather and for fertility embodied in the old custom of blessing the fields, the solstice fires and the marriage customs as well as those of the "Rauhnächte" have undergone many a change since they were first

Gail Valley Costumes.

building on the inheritance of the moraines of the ice age. The mountain winds carried seeds from afar. Thus there came into being a mixed landscape of thickly covered, isolated summits, ranges of hills, meadows, ploughed fields and stretches of water. 133

In this enclave lies the largest lake, the Wörthersee, the centre of summer holiday life, a reservoir of warmth covering an area of some 20 square kilometres. On its shores are many country houses, colonies of bathing huts and popular holiday resorts, among which the most important are the spas of Velden and Pörtschach. The Wörthersee is also a first class centre for sport of all kinds. On its beaches are crowds of bathers, swimming and playing games of water-ball; beyond them rowing boats explore the bays and inlets, while further out again, white sails swell in the wind and speed boats flash by, many towing a surf-riding board on which a bronzed figure is precariously balanced. In late winter, the wide surface may become a skating rink of vast dimensions. On the shores of the other lakes, large and small, life is less intense, but more idyllic. The Ossiachersee dreams pensively in the shadow of 133 529 133

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Shrine.

the Gerlitzen, with the secularised monastery of Ossiach on its shores. The broad and open Millstättersee, named after the health resort of Millstatt in the centre of which are a monastery and church of venerable age, looks serenely out at the world. Of the "Thousand Statues" which classical scholars claim to have been the origin of the name there is today no trace, unless one is prepared to find a modern version of them in the muscular figures which crowd the great diving-tower of the swimming pool, a true campanile of water sport. The Faakersee lies amidst fascinatingly beautiful scenery. Far away in the south of the Province smiles the little Kloppeinersee, which can boast of being even a few degrees warmer than the Wörthersee.

This lake owes its agreeable temperature to its sheltered position. Although the southern sun reaches it across the wall of mountains, the latter wards off cold winds. During the greater part of the year, this lake forms a calm island of fine weather amidst the surrounding storms. If one looks across the countryside from the Ulrichsberg, Carinthia's most typical mountain, one gets a good picture of how all the varied elements which make up the landscape blend harmoniously together—the central part of the great mussel of Carinthia and the surrounding mountains, with the valley of the Drau which traverses the entire Province from the Porta Tyroliae at Oberdrauburg to Unterdrauburg at the other end and beyond, receiving all the tributary streams and the ribbons of the highways which, a true network of roads, lead from all directions to the heart of the Province.

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RESTING PLACE BETWEEN NORTH AND SOUTH. Whoever wishes to enter or leave Carinthia must traverse a high pass or a narrow gorge, no matter from where he comes. So nature has ordained.

For this reason the roads have stood from time immemorial, however much they may have been improved by science. Their wearisome length, their task of linking the Adriatic arm of the Mediterranean with the Danube Valley area, have influenced the way of life of human beings and their choice of settlements. Carinthia is and always has been a resting-place for recuperation after climbing up from the sea level and overcoming the barrier of the southern Alps, before preparing to cross those to the North.

Glan Valley Costume.

The pattern of the Roman roads has been indelibly recorded. There is the Noric Road, which

inaugurated. Hüttenberg has its "Reifsenz", a miners' festival which expresses the longing for light of those who hew coal in darkness below ground. The "Kufenstechen" in the Gail Valley where horse-breeding is important to the people, derives from old tournaments. A ring which is held out on to the course by a girl has to be speared at full gallop. The "Kranzelstechen" in Weissenfeld in the Gurk Valley is a similar custom.

On such festive occasions, or at the ceremony of the dedication of the local church, one sees the old national costumes which are heirlooms in the valleys. At other times simple garments of home-woven linen and "Loden" (coarse woollen cloth) are usually worn.

VILLAGE AND FARM

Variety lends a special charm to farm and village. Scattered in small groups, the buildings stand in colourful and attractive gardens filled with flowers and enclosed by hedges. Built here of wood and there of stone, flat alternate with sloping roofs, and pergolas crossing the garden from one side to the other with those running the length of it. The wooden pillars supporting the veranda roofs are always carved; doors and windows are framed in colour and decorated by flowers. The "Kachelofenstube" ("Tiled Stove Room") contains hand-carved furniture and gaily painted chests. In the remoter valleys the "Rauchstube" ("Smoky Room") is still to be found. Originally it was a living room with an open fireplace and hand-made copper vessels. Shrines and waysides crosses differ greatly one from the other. Grain chests display the pleasure taken in artistic hand carving and colouring.

The food of the country people is simple and wholesome. Milk and sweet dishes made from flour form the basis of nourishment. Of the latter the most popular in town and country are the large "Nudel", a sort of cake, made of

Gmünd.

begins at Aquileia and forks north of Osoppo, the western branch crossing the Plöckenpass and the eastern the watershed of Pontebba. Where it emerges from the high mountains arose the modern Mauthen on the site of Loncium, and where it crosses the Gailberg into the Drau Valley grew up Oberdrauburg. Here one branch leads past Aguntum-Lienz through the Puster Valley to the Brenner and another past Teurnia (now called St.-Peter-im-Holz), Spittal-on-the-Drau and Gmünd to the Katschberg and on to Salzburg. The eastern fork runs from Pontebba-Tarvis to the place where the trading centre of Villach developed, and past the Ossiachersee and the Wörthersee to Virunum at Zollfeld, near the point where Klagenfurt was established, and further on to St. Veit, where the former dukes of the Province held court. Further along its course

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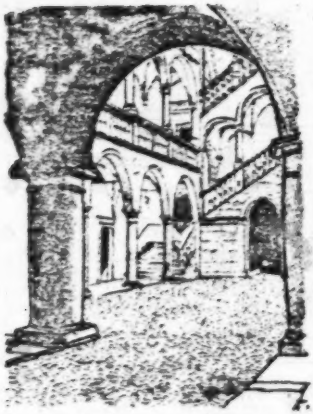

Spittal, Castle Porcia.

to the Neumarkter Sattel and Styria arose the proud town of Friesach. From Virunum a road led eastwards. On this route lie the larger towns of Southern Carinthia, such as Völkermarkt and Bleiburg.

This natural network of roads is as much used as ever today. This has maintained the prosperity of the settlements along its path. The fulcrum may have varied its position slightly as the area developed, but it has always lain within the triangle Villach—Klagenfurt—St. Veit. The advent of the locomotive, of the automobile, even of the airplane have brought little change in this respect. These routes follow the historic, natural highways. At most, where in olden times an obstacle was circumvented, it is today surmounted by an artificial construction, or bored through by a mountain tunnel as the Tauern railway does at Mallnitz and the Karawanken railway at Rosenbach. Even the airplane flying high above follows the old Pontebba route in order to avoid dangerous storms.

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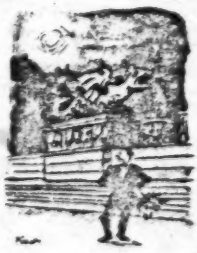
THE TOWNS OF CARINTHIA. The Carinthian settlements have earned their right to be called towns more through their historic past than for any other reason. They are small in size and their economic importance varies greatly. Nowhere do they crush nature like a stone fist, forcefully suppressing it. It is nature which encircles and penetrates them, surrounding them with a framework of lovely scenery, predestinated and naturally developed as centres of a district. This may be the reason why for a long time none of them was given the absolute dominance of a capital. An additional reason may be that the three most important places all lie in the centre part of the Province close together, having originated in different feudal territories of which they formed the centre.

The old ducal town of St.-Veit-on-the-Glan, where Walther von der Vogelweide sang, as well as his less talented colleague, the Carinthian Zachäus von Himmelberg, was pre-eminently a fashionable court centre, which later came into competition with the picturesque little mountain town of Althofen, an iron trading centre. Today it is a typical provincial town,



Klagenfurt, the Dragon.

133 489 ROUNDING OFF THE PICTURE. The broad belt of mountains whose waters flow into the Carinthian basin, towards which their valleys also run, and the uniform transport network which has consequently developed and has its centre here, have helped to give Carinthia remarkable political and economic unity.

361 438 Within its confines there are no dividing barriers. No one area of Carinthia could exist independently of the others. They supply one another's needs. Without serious loss no one of them could be separated from the others and attached to some neighbouring economic territory dependent on a too distant centre. Their life is indissolubly united with the whole Carinthian plain and its towns which are the essential nerve-centres—Klagenfurt, with its government-offices and most of the higher schools, a scientific centre of the Geschichtsverein (Historical Research Society) for Carinthia and the museum collections provides for administration and cultural life, Villach as a railway junction of great importance looks after the technical requirements of the communications system. These two towns with St.-Veit-on-the-Glan and the rest of the smaller towns give the area its necessary economic backing.

Thus this compact organisation is permeated by all those elements of which the living body of Carinthia is constituted. It is surrounded by the eternal symphony of colourful scenery, interesting through its peculiar mingling of culture and national dress, exciting by virtue of the far-away magic beyond its frontiers.

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Graz, Mausoleum.

This Province, on the northern fringe of which the Kalkalpen stand as shimmering walls, and into which, between the Radlpass and the Wechsel, the sources of its streams and rivers flow from the primeval formations of the Lower Tauern and the Styrian border mountains, this Styrian land, which ends with its broad valleys of ploughland and gently sloping vineyard hills to the east and the south, has never lacked admirers to sing its praises. 133

Styria takes its name from the Count of Steyr, who in the 12th century was entrusted with this territory as a frontier outpost in the south-eastern corner of the Empire. Frequently overrun, defested and rebuilt in the course of the changing centuries, its history has indeed been that of an outer march. Its name brings with it the memory of stubborn struggles, and the silver panther on a green field stands to honour its spirit in its coat of arms, kept immaculate by manly courage. 103

How shall one try here to describe the Province in a few words? At what boundary should one begin, at what places pause to use that district and its inhabitants to illustrate the whole? Obviously from Graz, the capital, we must try to get a glimpse and general picture of past and present. A fishing village and a market-place near the Mur Bridge in the shadow of the fortifications of the Castle Rock—this was Graz more than 900 years ago. Civic industry, the good and ill fortune brought by the centuries, have filled its history. Emperors have reigned there, and there also servants of art and science have come together from all quarters of the globe. Today Graz is a town with a quarter of a million inhabitants, surrounded by busy industrial 361

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361 districts, but the old Cathedral with the Mausoleum, the Armoury and the Joanneum are carefully preserved and living witnesses to its colourful past.

The other towns of the Province are no less worthy of consideration; Bruck, formerly so wealthy, with the famous Market Fountain in front of the Kornmesserhaus, the iron-producing town of Leoben, the trading centres of Judenburg and Murau, the last of which has grown up so charmingly around its Schlossberg.

Space calls for brevity. We must limit our wanderings to three districts; from them, we can learn to know the whole of Styria.

133 WEST STYRIA. It is part of the secret of Western Styria that the colourful and clamorous life of our times which is to be met within a number of mining and industrial settlements from Steyeregg to Piberstein is constantly influenced by the underlying muted tones of the ancient soul of the Province, which lives on in its quiet woodland solitudes. The southernmost point is the mountainous country beyond Eibiswald, crowned by the distant heights of the Koralm Range. The Freiland forms part of the Province and above it the tiny church of Maria-Osterwitz, which grows up into the clouds. There is that little corner behind Modriach and Pack which seems lost to the world, where they adhere more closely to ancient custom and habits of work than elsewhere. There is the Gössnitz,

with its steeply sloping fields rising above the rushing mill-streams below. Still 133
valleys sweep in attractive crescent form around and below the peaks of the Stubalpe.
Everywhere in these barren farmlands from Radlpass to Lower Gleinalmspeik, [311]
the fields and meadows have been conquered from the wilderness of vast forests
by means of fire and plough. Everywhere on these islands created by persistent,
back-breaking peasant labour, the brown wooden farmhouses beneath their silver-
grey roofs of slate defy the gales which come raging from the storm-centres of the
mountain fields, and in age-old "Rauchstuben" the life-blood of ancient legends
thaws again before the warmth of the open fire.

Beyond the savagery of the mountains, a world of vine-covered hills unrolls 245
like a gay-coloured scarf before the dark girdle of the forest peasants land. On
the sun-side of the mountains below the heights, the vineyards on the slopes are
staked out with serried rows of vines on supporting poles. This is the picture
which begins in a small way at the "Gasselberg", where with care it is possible
to produce a Schilcher which has the proper tang alongside many an unassuming
vintage. In the Styrian Schilchertal, between Ligist and Eibiswald, the view
broadens and opens out. The vineyards there on the Hochstrassen and on the
clear-cut, towering mountain ridge of Greisdorf are famous from olden times.
The Engelweingarten above Stainz should be saluted with joyful respect, as should
all the carefully tended vineyards where the Wildbach grapes ripen.

At the foot of this double garland of forest and vineyards is fruitful soil in which 181
Turkish wheat prospers under a burning sun, yet despite all the riches which lie
in the soil or come from the
bright skies above, bad weather,
misfortune and hard times have
made the population adopt a
grave and sometimes resigned
attitude towards life.

A friend of the Styrian
motherland wandering through-
out the strip of country which we
call West Styria and observing
it with affection, would soon
notice that beneath the noise and
bustle of the fleeting present
there lies hidden the treasure
of a rich past. Roman in-
scriptions on stones and the
tombstones of Italian officials
and native Norics which are

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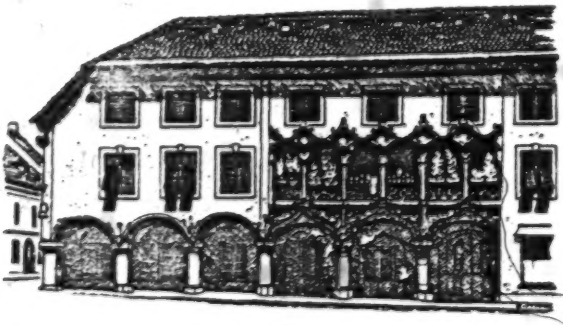
Women of Lauben.

their slaves, the Slavs, before them with their whips. After the year 800 A.D. when Charlemagne had broken the tyranny of the Avars, there came monks from Salzburg to preach Christian doctrines and with them Bavarian peasants. But soon the Magyar invaders swept in to interrupt the peaceful work of these settlers among the natives. Only after the Battle of Lechfeld was it resumed. Then, with the vigour of the adolescent Western world as a spur, a civilisation based on the hard work of a simple peasantry grew throughout the centuries into that unobtrusive, modest culture which has survived all the hard tests of the past. In those early days the villages grew up on river banks and in sheltered corners between hills, overshadowed and protected by the castles of the ruling knights; the Riegersburg, which crowns the steep slopes of the Felsberg, is a fine example of the latter. Protection from the danger which always threatened from the East was afforded by the frontier towns of Friedberg, Hartberg, Fürstenfeld and Radkersburg. The burghers who lived in them and in the market-towns, proud of their social position, yet in close contact with the country-folk, kept the latter in touch with the developments of the age and brought to them profitable trade.

The Raab, the chief river of East Styria, flows broad, sluggish and dark from the districts where the villages melt into fertile fields and the storks nest on roof-tops and chimneys. As it hurries through Passail the river is still an immature mountain stream. From this remote and pleasant market-town Peter Engelbrecht once found his way to the Imperial Court in order to teach Latin grammar to Maximilian, later the first emperor of this name. Further on, below the old Stubenberg castle of Stubegg lies Arzberg, where, as the name suggests, lead ore (with a silver content) was mined.



Bruck-on-the-Mur, Kornmesserhaus.

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342

Eraberg.

Then the walls of the Goller and the Gösser close in on the river at Raabklamm. Through this gorge a series of stone steps, foot-paths and bridges lead above the roaring, turbulent waters.

At the other end of this gorge rises Gutenberg, a fine castle which owes its impressive lines to the Stubenberg family to whom it has belonged since the 13th century.

361 St. Ruprecht-on-the-Raab owes its name to the Archbishopric of Salzburg which owned properties here since the year 860. Once a large parish and the judicial centre of an important district, it is today a notable market town which is sought out by holiday makers who appreciate its mild and health-giving summer climate.

Here the Weizbach joins the main stream; on its upper reaches lies the township of Weiz, a centre of industrial activity whose foundries even in far-off ages disturbed the placidity of the countryside, into which it is constantly spreading out its tentacles. Its landmark is the partly romanesque Taborkirche, records of which date from 1188. [346] The church on the Weizberg is built high above the town. Its exuberant-baroque twin towers afford a commanding view of the countryside in all directions. The cherished "Himmelsbergerin" as pilgrims call the shrine, is the work of Veit Königer, the Styrian baroque sculptor, and the painter Ritter von Mölk. The famous Renaissance Hall of the Joanneum at Graz was removed thence from Radmannsdorf Castle, today the seat of the Prefecture. Gleisdorf, once an old trading centre, was built on the ruins of Celtic civilisation. Many a well-preserved burgher's house bears witness to the prosperity of former times.

133 Just before Feldbach, the old market-town of the old Duchy which was raised
361 to the status of a municipality in 1884, the road turns off which leads past Castle
342 Kornberg with its many towers to the Riegersburg. The little town of the same name lies snugly ensconced on the lower slopes of the steep basalt rocks which are crowned by one of the most famous castles of the Province. Through seven gateways the approach winds into the inner courtyard, where a deep well is covered by a fine superstructure in wrought iron. Although Rutgerespurc Castle dates from the

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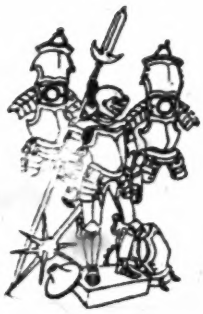
ON THE ERZBERG.

Styria is called "The Iron Province", and if one recalls the Armoury in Graz, that unique storehouse of the militant frontiersmen, one realizes how applicable is this name which chroniclers and poets are so fond of giving to the Province. It applies firstly to the mountain which forms the heart and centre of the countryside, the Erzberg. Since the times of the Romans the work of the miners on its slopes has been developed from early primitive methods to those of modern technique; the tall mountains around, and the old houses below the castle of the Oswaldikirche maintain the warmth and romance of Styria amid more mundane surroundings. The buried treasures of the mountains were welded into useful implements by the mills in Vordernberg and the iron works in the forest-glades until, in the middle of the 19th century, the works were able to make use of the newly-discovered brown coal mines. On this combination were founded the great iron works of Donawitz and Kapfenberg, which have made the name of Styria known throughout the world.

The Erzberg alone is enough to make Styria a rich Province. According to the legend it was in bygone times a mountain just like any other. One day a merman was caught in the Leopoldsteinersee. In return for his freedom he offered mountain treasure as ransom—gold to last one year, silver for ten, or iron to last for ever. The natives chose the last named.

The rust-brown iron mountain rises to a height of 2,600 feet by a series of gigantic steps, at the foot of which lies the market-town of Eisenerz, crowned by the "Schichtturm" and an old fortified church. Here beats the heart of the "Iron Market" in its metallic depths. Thousands of miners can be seen on the iron-ore terraces, many of them working on the mountain as

12th century, it owes its present form and the insolent splendour of the interior mostly to the "Gallerin", born a Baroness von Wechsler, whose adventurous career is even today the source of many much appreciated stories.



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The Raab, along the banks of whose quiet, swiftly-flowing waters stand the great mills of the district, passes on into Hungary. Its basin has been made prosperous by peasant industry and toil.

The Feistritz starts its romantic course through Styria on the western slopes of the Wechsel, born of springs which arise amidst the wild mountain scenery of the Stuhleck and the Pretul Alps. For a considerable distance it is confined in a narrow valley, past Rettenegg [316] and Ratten where the mining of brown coal has brought strange people and customs to the old forest peasant village, and is followed by the road and railway which serve the farms scattered on the mountain slopes or congregated into villages.

Birkfeld, the old market-town of the Duchy lies well above the river. Anger, on the other hand, lies in the depths of the valley, surrounded by fruit trees, its dreams of the peaceful comfort of older times nowadays disturbed by the asbestos mills and the trucks from the soapstone quarries at Rabenwald. Through the cleft between Rabenwald and the Kulm, which affords a widespread view of the countryside, the Feistritz changes its direction to flow

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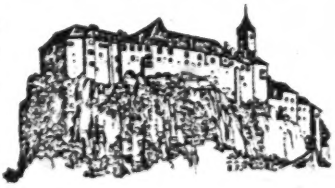
[342]

Hartberg.

east, and later southwards. Before it comes out into the open valley it passes below the forest-clad ruins of the ancient fortress of Stubenberg, the family seat of an old Styrian ruling family. Once again the Feistritz is swallowed up by a dark forest gorge, the Herbersteinklamm, at the end of which arises an imposing castle of the same name. Many periods have made their contribution to it—romanesque, gothic, renaissance, baroque. Peasants' straw-thatched farmhouses join the villages on the outskirts of the broad valley. Orchards follow the line of the low forest hills and on either side of the wide river lie fertile fields. Through an avenue of poplars the road leads to the picturesque and harmonious Castle Feistritz, well-hidden by the surrounding forests.

361 Out of the broad plain which was once owned by the Dukes of Styria rises Fürstenfeld, built up by the industry of its inhabitants, which has yet suffered the hardships of a frontier town up to the present day. The knights of Malta, evidence of an unbroken tradition, retain today their claim to a share in the property of the parish church which dates from 1232. A tobacco factory which has been established with its many branch buildings near the old castle soon recalls to lead us to the present.

133 The strip of land between the Feistritz and the Province of Burgenland is cut by the parallel rivers, the Safen and the Lafnitz. The hills which divide the two valleys rise up from the vineyards and forests until at Rabenwald and Massenberg they tower far above the stately Waldberge. Northwards these hills are overshadowed by the forest-clad mountains of the Jogelland which shut in the earlier course of the River Lafnitz.



Riegersburg.

133 342 At the foot of the mountains, between the serried rows of village houses which have often had to be rebuilt in the course of their tragic history, stand the residences

did their grandfathers before them. On holidays they wear the sober Maximilian miner's formal dress as has been the custom for centuries. Work above ground has made the old shafts obsolete, a giant electric crane replaced the old trucks.

These roads once led to Vordernberg, on the other side of the Eisberg. The brown ones brought iron ore, the black ones coal and the white, flour. Up to the time of Emperor Joseph II this once-wealthy mining and industrial town had the trading monopoly for all iron ore smelted there. Since Donawitz has been able to draw coal from Seegraben, the blast furnaces of Vordernberg have fallen on evil days.

Styria is also called "The Green March", because of the woods which cover the spurs of the alps, as vast forests in the heights and as cool coverts between the vineyards of the lowlands. They are peopled by mountain dwellers of ancient and hardy stock such as the Archduke Johann knew and loved. That princely friend of the people rescued the Province from economic and mental decay, making of it a pleasant garden where the concerns founded and encouraged by him exist today. Johann gave proof of his love for Styria by taking one of its daughters for his wife. The people and the forests have grown together to make up what is implied by the term "forest motherland."

IN THE CAPITAL.

The pleasantest way to reach Graz is to cross the Ries. The road descends in ever-sharper curves until after one steep drop one finds oneself facing the five terraces of the town. At once the eye is caught by the Schlossberg with its corpulent Clock Tower.

A sky of southern blue sets off the grey stones of the main square. Outside the Rathaus the flower and vegetable market is a riot of colour. The character of provincial nobility, originally built for defence 133
and as a refuge for the villagers, which today 342
illustrate modern farming methods or have become seats of responsible national education. Castle Neudau, the old Wasserburg may be named as one example of many.

Close to the edge of the mountains, at the 361
foot of the Ringkogel, over which the Romans built the Säumerstrasse, lies the town of Hartberg amidst country which has been cultivated since the earliest times. Today it is the seat of various administrative authorities, an outpost of northern East Styria. The fine lines of the baroque tower of the local parish church puts it ahead of many other pleasing pieces of architecture in Hartberg.

Pöllau, the market-town between Rabenwald 361
and Massenberg has become famous on account 346
of its old monastery church, a spacious building distinguished by its fine workmanship. The 532
most important interior decoration is the painting by the Master who created the Pöllau frescoes, Matthias von Görz.

The ancient Monastery of the Prebendaries 792
at Vorau stands in solitary grandeur. Founded 346
in the 12th century, razed to the ground by fire and rebuilt, ravaged by wars and consequently fortified like a castle, showing signs of decay yet refurbished in the styles of successive periods with added beauties, it has always been a centre of monastic discipline and learning, and of the religious and educational work carried on by the priests in the mountains and valleys of the district. The church has two German towers. On the walls of its brightly-lit interior the Masters of the early 18th century have put all the joyful triumph of the baroque age into their paintings, colouring and stucco work. The sacristy is known for its "Judgement Day", and "Last Supper",

by J. C. Hackhofer, and the library for its treasures of old manuscript.

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by J. C. Hackhofer, and the library for its treasures of old manuscripts.

Space must be found for a word about the hill country between the Raab and the Mur, the Land of the Seven Valleys which, separated from one another by forested heights, all guide their dark streams past quiet rural villages and mills hidden behind alder groves, flowing in the same direction towards the Mur. The latter, sweeping eastwards, forms a natural boundary for Styria. In the forests the edible chestnut is common, here and there casting its shade over a tumulus, which bears witness to long-forgotten settlements. Summer warms the air with southern strength, autumn bringing clear skies and the finest views from the footpaths which wind through vineyards and woods to white chapels.

529 The Gleichenberge and the Stradner Kogel are of volcanic origin. The curative properties of their springs are widely known. Bad Gleichenberg enables numerous visitors to combine the healing qualities of forest solitude, with up-to-date medical equipment.

245 The vine, which is cultivated in East Styria with varying results north of Hartberg, steadily improves in quality towards the south, reaching its zenith in the Klöcher Gebirge and around Halbenrain where the fine vintages are stored in the wine-cellars.

361 Mureck is a town of ancient Styrian civic culture, but its crown, the castle of Obermureck, lies on the other side of the Mur in what is today foreign territory, [342] as does Oberradkersburg, the ducal castle which since 1918 has been separated from the most southern town in Austria, the ever-loyal Radkersburg. None of the sufferings of a frontier town has been spared it. The tombstones in the churchyard of the gothic parish church are witness to the origins of its inhabitants. The venerable relics of Styrian civic life of olden times which are preserved in the tower of the Rathaus below the solemn frescoes of Fritz Silberbauer will encourage future generations to emulate the loyalty and watchfulness of their ancestors.

[498] THE STYRIAN ENNSTAL. Where the train leaves the narrow valley of the Palten to enter the broader valley of the Enns, it is greeted by a noisy network of sidings, signals and rails in the big station of Selzthal. The time-table describes it as a junction where many passengers change trains at an important crossing of north-south and west-east routes. Its name is better known in and outside the Province than many another which formerly meant fame and surviving tradition in the Enns Valley. A hundred years ago Selzthal was not much more than the name of a district, of a forest valley in which the charcoal-burners worked for the

and appearance of the old town is determined by a mingling of Late Gothic, Lombardian Renaissance and Italian Early Baroque. The well-known double-spiral stairway is a specimen of the extravaganza in form of the 15th century. Half a century later the Diet Hall was built, a renaissance building of mature beauty. Within the severe exterior, dominated by massive cornice mouldings, one is surprised by the southern spaciousness of the three-storied arcaded courtyard. A harmoniously blended stairway leads to the banqueting hall. The bronze well in the courtyard is the work of native bronze casting. The adjoining Provincial Armoury, established in 1640, contains the greatest collection of historical armour and weapons in Europe.

The best work of the early baroque period is the tomb of the Emperor Ferdinand II. It was designed as a reminder of the triumph of the Counter-Reformation. The 16th and 17th centuries are responsible for the many arcaded courtyards. It was in the 18th century that the palais and residence of prosperous citizens were built.

SOUTH STYRIA, LAND OF VINEYARDS.

On the mountain tops shine small, white churches and summer bungalows gleam palely among groves and thickets. The shaded side of the mountain slopes are covered with forests, the southern sides bear sunny vineyards. The vines are often trained up poles which are usually the tops of fir trees, planted in the soil so that each vine looks like a well-grown tree. In the leafy vineyards are dozens of rattles, operated by the wind, which chatter at every gust. They are like wooden stars, little ones and big ones, which reflect the sunbeams, lending an unusual charm to the countryside. They give tongue at the least breath of air, their varied and often

Pöllau.

iron hammers of Admont Monastery, the iron-bearing rocks affording a meagre existence. Its few houses were not enough to form a village, and it belonged to the parish of Versbühel in the district of Rottenmann. But where the railway lines came to meet and cross, there the noise and bustle of the new life brought new inhabitants, new houses. Workshops and homes grew up amid the ever increasing noise and drifting smoke. In itself no beauty-spot, it is the gateway to a world of high mountains and age-old valley culture, the Ennstal. 361

To the right following the course of the river runs the Pyhrn railway, which then crosses the valley and disappears into the Bosruck Tunnel behind Ardning, emerging into the open to carry traffic to Linz in Upper Austria. 496

The track of the other line which leads to Amstetten follows the course of the Enns. From it one sees one picture after another of the ever-changing beauties of nature. The moss which spreads over the valley has in places been torn 133

133 *musical notes enlivening the warm nights and sun-drenched, dreamy days. The more abundantly the vines have blossomed, the sweeter the ripening grapes,* [137] *the more wind rattles are set up to protect the cherished fruit. In their thousands they are supposed to scare away the bold thrushes and starlings.* 346 *Although when they sound loudly a cloud of scared birds rises into the sky,* 792 *they soon settle again among the sweet grapes. The wind-rattles really contribute more to the atmosphere of this part of the country than to the effective protection of the wine. Visitors as well as natives adore them; you quickly learn to distinguish the notes of one from another. On stormy nights of hail and thunder, it is as if they were calling in alarm to the ruler of the clouds.*

Styrian attributes:
Dour but galant the Ennstaler,
Charming the Ausseer girl,
Thoughtful and grave the Murbodner.
Solemn, good trencherman the East Styrian,
Easily roused the Graser,
Soft of heart the Lower Styrian.
And all tough and courageous in the cause of the Motherland.

up or dug out to form ditches and pits; between them stand the narrow sheds containing slabs of dried peat. The valley extends as a wilderness filled with the humming of a myriad insects busy above the red carpet of wild mustard out of which rise blackberry brambles and the white trunks of young birches. The Kulm, a tree-clad hill on the pale summit of which stands the pilgrimage church of Frauenberg, rises steeply from the banks of the Enns. With two towers and light coloured walls the old shrine reflects the light of the surrounding mountain peaks, which look like a festive garland supporting the blue of the heavens. For half a century the abbots of Admont have cherished this church of Our Gracious Lady with artistic and more than loving generosity. In the "Turkish Year" (1683) the church was invested with its baroque pomp as a worthy framework for the old shrine, to which Johann Thaddäus Stammel later added a glorious wreath in the shape of a delightful choir of angels.

A narrow avenue of chestnut trees leads to a Calvary Mount on the fringe of the mountains. The group around the Cross rises above a weather-beaten wall. It is the work of peasant hands and has an impressive solemnity seen against the background of the distant mountains. In the valley below the Enns emerges, a green and glittering torrent, to flow through meadows and alder bushes to Admont.

The two slender towers of the Abbey which are seen by the tourist from a long way off, were only built after the great fire of 1865, but the surrounding settlement and the foundation of the monastery date back to the earliest history of the Province. [103] Latest research claims to have established that the name Admont is of Illyrian origin, and that the "region of plentiful water" which this name suggests in Illyrian had therefore long been inhabited by human beings—by fishermen, woodsmen and hunters—when monks from St. Peter in Salzburg came, in 1047, to the monastery. It had been built by Archbishop Eberhard with money given by St. Hemma of Gurk, there to found what became one of the most prosperous and best known cultural centres of the Province. Worship and science, art, agriculture

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[217]

Bad Aussee.

and forestry all found a home here. Progress and civilisation were spread through the surrounding virgin forests and through the properties which had been given to the monastery in Sausal and Untersteier. Often threatened by fire, the monastery[1] has succeeded in preserving undamaged its famous treasury, the library with the frescoes of Altomonte and the masterpieces of J. T. Stammel up to the present day. During the heyday of the monastery, the flower of Austria's youth took their vows here, a long line of artists, men of learning and priests being noted in the chronicles of the monks during the course of a whole century. The great world, however, has forgotten most of their names, although historians still speak of Abbot Heinrich II, whose gifts of statesmanship resulted in the dignity of a Governor of Styria being added to his title of Abbot before he was treacherously murdered in 1297.

Better remembered in our own times are the names of the scholars Richard Peinlich and Albert von Muchar, after whom streets have been named by the provincial capital.

After a short, enforced pause, the rule of St. Benedict was re-established in the almost 900 year old cloister, a monastic revival in modern times of a venerable past.

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Towards the north, beyond the little village of Hall, where salt was crystallized out of the waters in the 12th century, and the hidden, solitary mills, the Haller Mauern majestically enclose the Admont Valley. How grand are the names of the Steinberge—Pyhrgas, Hochturm, Hexenturm and Natternriegel! And how grandly their cliffs and peaks glow beneath the summer sky. For nearly half the year through clear and frosty wintry days they are covered with a glittering mantle of snow.

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To the South the jagged Hahnstein rears its head, blocking the view to the higher peaks of Sparafeld and the Reichenstein. On the slopes of the Klosterkogel lies Röthelstein Castle. Lime trees stand in the outer courtyard, which is surrounded by a turreted and loopholed wall. A massive archway leads to the Residence which is known as a fine example of 17th and 18th century architecture.

1 [i.e. Admont Monastery -- Analyst]

On the left bank of the Enns, running eastwards, the road leads past the Grabnerhof, a modern agricultural college, and through the little village of Weng, climbing steeply to Buchau. 874

Through meadows and woods the little road leads out of a realm of solitude past traces of the bygone days of the "Ironmasters" to come gradually into more populated and livelier surroundings. In 1150 this place was called St. Gallus-in-Silva, i. e. St. Gallen-in-the-Wood—and the descriptive name is still applicable. 361

The main road from Admont to the East runs towards the Hohen Buchstein, at the foot of which road, railway and river enter that unique natural phenomenon which the Enns through countless aeons has carved out of the chalk cliffs, the Gesäuse. A sunny, cheerful forest valley, the river tearing its way through the rocks below, and on both sides high forests filled with the rushing wind and the songs of birds in the tree-tops. Now and again a stone avalanche falls from distant heights with the re-echoing crash of falling debris. Where small lateral valleys join the Ennstal they afford above dark forests glimpses of the gorges and heights of the Gesäuseberge. It is an exciting excursion, no matter whether the traveller looks out from the window of a train or the back of a car, or, disregarding the fatigue of going on foot in the old way, enjoys the beauty of the Upper Styrian mountain world in a four-hour walk. 133

Into the Gesäuse runs the Johnsbach Valley, once filled with noisy life by blacksmiths and their apprentices, but now a popular point of entry for mountaineers who whish to climb the heights of the Reichenstein, Ödstein, Planspitze and Hochtor. In Gstatterboden, on the calmer reaches of the river, the mountain giants are again visible in all their majesty.

Where the Erzbach joins the Enns lies Hieflau, long famous for its output of Styrian iron. The nearby Erzberg and the waterway of the Enns enabled Hieflau to establish and develop its furnaces, to turn out iron ingots and to build workers' houses. There are still some remains of the great Enns Dam, a picturesque construction of the hydraulic engineer Hans Gasteiger, who was buried in Kirchlandl in 1577. 361 327

The Enns, now flowing northwards, buries itself deeply between high plateaus on which farmers have long been settled amidst meadows and woods. Hastening past Gross-Reifling with its castle-like houses dating from the times of the iron carriers

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133 and raftsmen, leaving Altenmarkt behind it, the Enns, today the favourite torrent for adventurous souls in collapsible boats, flows across the frontier into Upper Austria.

[496] From Selzthal the railway runs upstream along the left bank of the Enns to Radstadt and Bischofshofen in the province of Salzburg. All along its course northwards stands a chain of the characteristic peaks of the Kalkalpen in exciting divergency—Hochmölbing, Totes Gebirge, Hochtausing, Grimming, Stoderzinken and the lower flanks of the massive Dachstein. Different again, less wild, but as unique in their own way, are the forested subalpine hills which run off here to the left. Behind them lies the wilderness of the Niedere Tauern with their many lakes.

361 Liezen at the northern edge of the valley, mention of which occurs in documents [438] of 900 years ago, was the most important transport junction before the railway came into being. Trade and barter brought prosperity from the salt carriers and the traders who arrived by way of the Pyhrnstrasse. The growth of the neighbouring town of Selzthal has brought losses to the former roadside settlement, but the persevering inhabitants have found other means of livelihood and today its flourishing industries have raised Liezen to the status of a town.

[529] Wörschach, a pleasant and peaceful spot at the entrance to a gorge, attracts from afar holiday visitors and health seekers year after year to the healing springs of its radio-active sulphur baths. Mountaineers and ski-ers climb from here into the mountain world of Hochmölbing, Warschenegg and Hochtausing, the climber often finding summer conditions on the verdant heights of the Schneehitzalm and the Bärenfeuchten between the numerous herdsmen's huts. The mere pedestrian crosses the Taschnermoos within view of the towering Grimming and goes on to the Puttererseе by way of Aigen.

[346] From Wörschach the road leads westwards to Niederhofen, whose little gothic church deserves the attention of all lovers of art—and of Styria. This building contains curious tempera paintings from about the year 1500 and three carved altars from the 17th century. According to Ferdinand Tremel, the Styrian historian, we have in it one of the oldest churches of the Enns Valley. In Stainach, to which the junction of the Salzkammergut electric railway and the Bischofshofen—Selzthal line have brought new life and trade, we catch sight of the rocky nest of "in der Pürgg" above. The great gothic church there, noteworthy for its antiquity as well as for its unusually artistic architecture, well earns its local name of "Steyrisches Kripperl" (Styrian Crib). Inns and farmhouses surround it, completely filling the gap in the rocky cliffs.

On the other side of the valley lies Irdning, an impressive market-town whose busy life confers many advantages on the wide mountainous hinterland.

From Liezen onwards one is impressed again and again by a mountain which rises above lower wooded heights like a vast, glittering castle of rock—the Grimming.

133 It is not surprising that in the Middle Ages it was described as the highest mountain in Styria and that the people paid tribute to its majesty in awe-inspired legends.

361 The market-town of Gröbming is worth a visit. Holidaymakers are attracted to it because of its fine situation and wonderful scenery. People from a wide area come to deal with officials who long ago established themselves here because of the central position. Art lovers come again and again on pilgrimages to the beautiful [346] gothic church whose great carved triptych altar of the year 1510 stands out among other art treasures.

Going upstream, we find the Enns flowing through increasingly cultivated and civilised country the nearer it gets to the old mountain town of Schladming. This place has been well planned and beautifully proportioned about a great square. Overshadowed by the towers of the Catholic parish church of the 16th century and the Evangelical church (1862), it presents a picture of dignified calm. In the past it has seen much want, warfare and tumult. It was the scene of peasant and religious wars. Fires and economic collapse ruined many an old family. The civic rights which were lost by Schladming in the year 1525 were restored to it again in 1925 in recognition of the courageous temperament and vigour of its 133 population. The Schladming countryside gets its individual note from two plateaus, the Rohrmoos and the Ramsau. The latter, lying at a height of over 3000 feet at the foot of the Dachstein, has been populated and cultivated for ages. The picturesquely-scattered farm-houses bear many evidences of their occupants' unquenchable love of the homeland. Thanks to its healthy situation in the heights and the approach it offers to the Dachstein via the Austriahütte, Ramsau is one of the most popular holiday centres of the Alps.

342 From Rohrmoos, a little further off, the view of the Dachstein range is if anything grander and more impressive. Here, as on the Ramsau, the farmhouses have in many cases retained the local peculiarity of the flatly inclined purlin roofs (as they are to be found westwards in the adjoining province of Salzburg). Together with the wooden shingle roofs weighted down by stones, they give the countryside its distinguishing note. These comfortable and homely dwellings are fast disappearing. Modern ideas and times call for economy with wooden shingles, pointing to the greater space and other advantages afforded by the steep roof.

133 HOCHSCHWAB AND MARIAZELL. On the borders of Lower Austria rises the broad and mighty complex of the Hochschwab. The range covers a surface of 400 square kilometres and includes over a hundred separate peaks. When the townsman sees these mountains, he has the feeling that Faust's magic

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cloak has transported him into another world. The magnificent though distant views across the Danube to the high-lying plateau of the Waldviertel, to the West towards the Dachstein and beyond it to the Glockner, to the South as far as the barrier of the Karawanken are not easily forgotten.

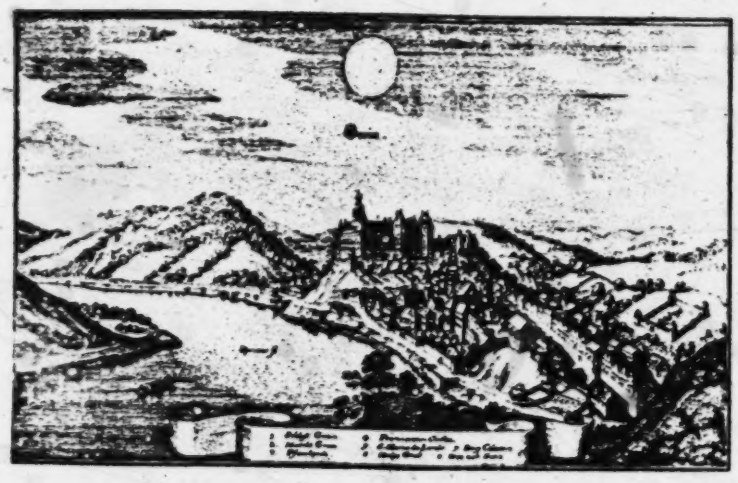
Dachstein, Southern Slopes.

No less impressive is the wilderness of surrounding peaks and snowfields. The Hochschwab, that mighty giant, is approached through defiles and valleys where stand old foundries and deserted smithies. One's eyes are continually drawn to the towering walls of this gigantic range.

That is how the monk had seen it who is mentioned in the legend of the founding of Mariazell. In the middle of the 12th century, Otto VII, Abbot of Lambach, sent one of his monks eastwards to spread the teachings of Christ in the wilds of the mountains. He carried with him on his arduous journey an ikon of the Virgin, carved out of the wood of the lime-tree. But before long he found that he could no longer find his way out of the mountains, range upon range rising before him to bar his path. At last he sank down exhausted before a wall of rock, calling on the Virgin for help and rescue. In answer to his prayers the unscaleable barrier of rock parted asunder, granting him a miraculous passage to the valley behind it. There the holy man stayed and decided to build himself a cell in honour of the Virgin. 773

Now a town, Mariazell is delightful in summer as in winter because of its position and the surrounding scenery. Its central point is the great pilgrimage church, the largest in Styria. Gothic forms and baroque roof are impressively united. To the rear of the middle part of the nave is the chapel of Our Lady and the revered picture of the Virgin Mary and Child which is the object of worship. 361 346

The simple "Marien-Zelle" has developed into a place of pilgrimage, its religious influence reaching far beyond Austria into other lands. Processions of pilgrims seek comfort and strength here. Women and girls who wear a picture of the Virgin Mary of Mariazell on a slender chain about their necks, are supposed to be protected by it from sin and distress, and to retain for life a share in that charm and gaiety which enshrines this little jewel of a town in the mountains and spreads over the whole Styrian countryside. 788



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Four quarters make one whole: this expression was coined for Upper Austria. Security and tranquillity are the key-note of this province which stretches from the Alps to the forests of Bohemia, embracing a considerable stretch of the Danube. 131

The Upper Austrian peasant is not in the habit of making much fuss about his work and the city dweller is equally modest. But such modesty cannot be allowed to detract from the solid achievements of the peasants and townsmen which are Upper Austria's two first claims to fame. After these come her monasteries and convents.

But let the Province speak for itself and its inhabitants.

DOWN THE ENNS. Where the Enns leaving its narrow valley flows swiftly northwards to join the Danube, the "Green Province" joins Upper Austria at Steyr. Softly, gradually, the mountain ranges decline to smoothly rolling hills, until they subside restfully in the old iron town at the juncture of the Enns and the Steyr. For hundreds of years the hammers of armourers and cutlers have been pounding away on the banks of the river, for it is here that the iron of the Erzberg is welded into implements of peace and war. Together with the names of such well-known products as Werndl Rifles and Steyr motor cars, one comes across the name of Michael Blümelhuber. His part it was to produce delicate ornamental objects from the iron by his skill in steel-cutting. 133

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Schwertberg.

Downstream the raftsmen see from afar the massive blocks of the city tower of Enns. Known already to the Romans, Enns has been since olden times an important depot for salt, wood and iron. Goods not discharged there for road transport, stayed on the barges until the Danube Maut (customs house) was reached. The market-town there is still known as Mauthausen, and commands the waterway to Vienna and Hungary.

IN THE MÜHLVIERTEL. In the great quarries carved out of the steep Danube cliffs one glimpses the primitive Mühlviertel scenery, based literally on granite. How many blocks of it have been cut and shipped upstream and downstream from Mauthausen, and used to build railways, roads and bridges, making the name of this picturesque market-town known throughout Europe! On the same bank further downstream before the Danube enters the narrows of the Strudengau is a fertile stretch of land known as the Machland. The chief town is Perg, once famous for its sandstone quarries from which millstones were cut. Close by is Baumgartenberg, which rises abruptly with the massive tower of its entrance gates and its high-roofed church out of the spreading orchards.

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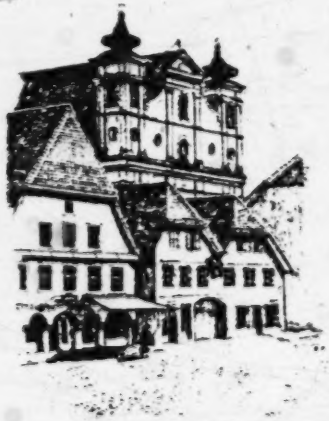

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Steyr; the old Dominican Church.

A secular building of equal interest is the massive Greinburg with its granite arcades built on a cliff jutting out towards the Danube, dominating the town of Grein, framed by the forests and reflected in the waters of the Danube. Ships navigating this part of the Danube have to be on the lookout for rapids and whirlpools. Warnings are exhibited on the banks near danger spots and where necessary, hoisted on flag poles. The tugs toil upstream laboriously hauling heavily-laden barges past the picturesque riverside villages of Sarmingstein and St. Nikola.

Northwards from Perg and Mauthausen the Mühlviertel countryside broadens

SALT FROM HALLSTATT.

Thousands of years before the birth of Christ, the salt deposits in Hallstatt brought settlers to this remote spot and soon gave them comparative prosperity. Mining was also carried on, bronze cast, coarse wool woven and many a beautiful vessel of clay skilfully formed, although without the help of a potter's wheel. In baskets and sacks the salt was brought along byways to the trading roads and there exchanged against Roman goods. When the overlordship of Rome came to an end, Hallstatt fell into oblivion, the barbarian invasions temporarily obliterating its very name.

In 1292 Duke Albrecht I of Austria ordered the salt works of Gosau to be opened. This led to friction with Archbishop Conrad of Salzburg, as salt was also produced in his territories at Hallein. Possibly this prince saw danger to his revenues in the competition. Possibly the new works at Gosau really lay on Salzburg soil. In any case when the news of Albrecht's death became known in 1295, the soldiers of Conrad of Salzburg, accompanied by a mob from Hallein, overran the Kuchelthal, destroying the salt-pans and the new trading-centre.

Salt mines in Hallstatt were first mentioned in 1311, as a concern run by the State. A new method of producing the salt had been developed; instead of it being simply hacked off in blocks, it was dissolved in water, and the solution pumped above ground into pans. For a time the salt thus recovered was transported just as it had been 1500 years previously; that is, it was brought in sacks to Lambach and there shipped down the Traun.

Hallstatt's production in 1311 was considerable, amounting to about 4800 tons a year. By 1534 it was already 10,000 tons, rising to 25,000 tons in 1571.

The discovery of the Ischl salt mountain in 1562 caused Hallstatt's

out. Circumventing the deep cut valleys, the high roads lead to the hilly uplands. Before long one glimpses the wooded rolling summits with the Alps on their southern horizon. The surrounding hills are covered with dark green forests, against which ploughland, pastures and farms stand out beneath the sunlit clouds. The slender-spired, white-walled churches on the heights might be pilgrims' ships about to set sail towards shores in the heavens. From the depths rises the sound of the rushing waters of the Feldaist, which after flowing placidly through meadow land at Wartberg, has been trapped in a wide and narrow rocky gorge through which it has to storm its way into the open. There its dark sister, the Waldaist, which has its source among deep forests where in remote villages the inhabitants paint religious pictures on glass, flows placidly to join it. 133

Amid such surroundings lies Kefermarkt, whose gothic church contains a well-known carved altar, a fine example of late mediaeval art. It breathes the spirit of an artist who was at one with the people. St. Wolfgang occupies the central shrine, with St. Peter and St. Christopher on either side. The delicate tracery of the lime-wood carving branches upwards like the tops of trees. Something of the old-world peace that permeates the hill region which the traveller has just left seems to be embodied in the gentle inspired features of the central figure. In the face of the "Holy Ferryman" St. Christopher, one finds traces of the severity of the northern landscape. Any day you can run across people with such impassive faces, with such dour expressions on those inclement uplands of the Upper Mühlviertel, where spring arrives a month later than elsewhere in Austria, and where even in summer the solitary farmhouses are endangered 361 532 132

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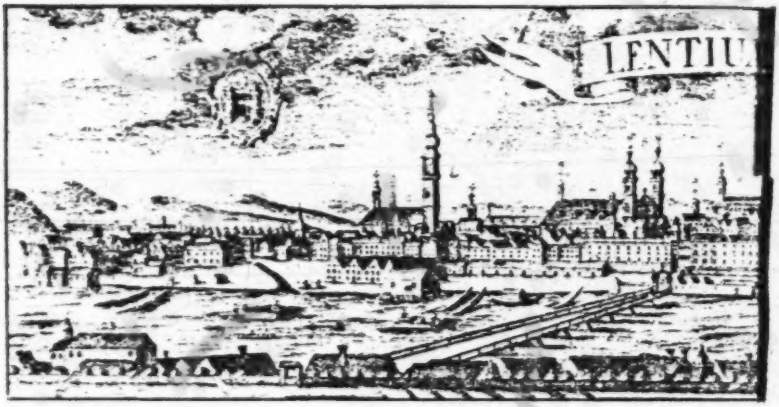

132 by raging storms. Here an early winter may often come to destroy the harvest, the fruit of bitter toil, and sweep away bridges and footpaths so that neighbour is isolated from neighbour.

361 At such times life is easier in the Upper Austrian towns—for instance, in Freistadt, the former frontier fortification north of Kefermarkt. Round the mediaeval town with its wide, turreted square lies a broad moat. On the wall which once defended the citadel whisper ancient lime-trees, casting their shadows over the children who play beneath them.

496 Not far from here runs the line between Linz and Budweis, the first "railway" line constructed on the continent of Europe, which unites the former Crown Lands of Bohemia to Upper Austria. In biedermeier times the citizens of Linz used to make excursions on this railway, travelling far into the country in horse-drawn railway carriages resembling post-coaches. These were in use for 40 years before the horse-drawn was replaced by the steam railway.

● 133 Up hill, down dale, sometimes in deep valleys, sometimes climbing up to the heights, the Mühlviertel, which has been called, not without reason, the "hunchback"-land, stretches further and further out towards the dim vastness of the Böhmerwald. At the foot of the Dreisesselberg, where Bavaria, Bohemia and Upper Austria meet, rises the broad Mühl from which the district takes its name, its golden-brown waters flowing on to the Prämenstratensian monastery of Schlögl. For many hours one can trace its meanderings through solitary mountain forests, following the sound of the woodsman's axe or the smoke of the charcoal-burners, where the grey wisps 288 float above the lofty crests of the pines. From courtyards and houses come the 248 muffled rhythm of hand-operated spinning wheels. Here flax is grown, spun and

bleached,

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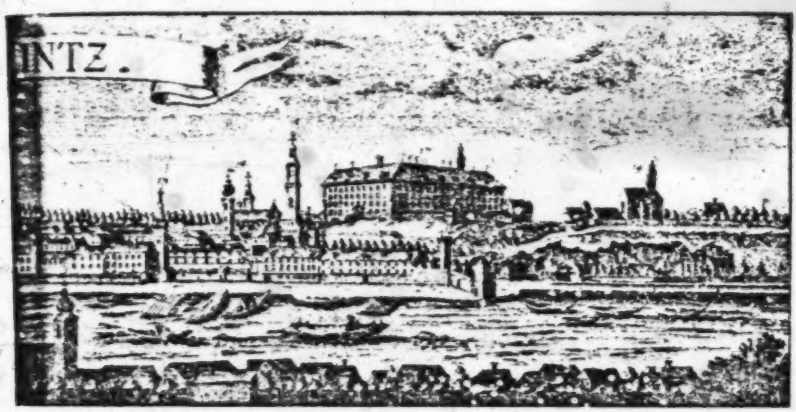

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importance to decline, but on the other hand production on a large scale was planned for the whole district. A conduit for dissolved salt in solution was constructed from Hallstatt to Ischl and later extended to Ebensee, thus laying the foundations for an industrial development, the principles of which are still valid today.

A difficulty inseparable from the recovering of salt was the considerable amount of wood required. The two salt-pans at Hallstatt in which the solution was evaporated needed 380 cubic metres of wood per week. Gradually but surely the forests disappeared, for apart from the need of fuel for the pans, building and mining timber was also necessary. In the middle of the 16th century Hallstatt had a consumption of 88,000 tons of wood per year. These proved the maximum figures for salt production. The discovery of the salt mountain at Ischl and the subsequent laying of the salt-solution conduit saved the forests of the Hallstättersee.

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In 1750 the transport of salt underwent a great change through the regulating of the Traun. From now on the

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bleached. At Rohrbach and Neufelden the country opens out. Hops flourish on long poles and the Mühl is dammed to form a lake, the falls of which produce much needed water-power.

The wide ribbon of the Danube borders the Mühlviertel on the southern side, but the wild Urgebirge impedes the river's course, forcing it into creeks and side-arms. So were created the confined, deeply forested Danube narrows from Bavaria to beyond Lower Austria. A journey through those romantic reaches of the great river is not easily forgotten.

THE CAPITAL. Linz is a retiring town, a coy beauty. Anyone arriving from the railway station will not appreciate it. Nor will the motorist, if he follows the main road passing the iron foundry. The proper way to arrive at Linz is to land from the Danube. Then you will take it to your heart, for Linz is born of the Danube. St. Martin-über-dem-Felsen is its most ancient church.

The castle is an outpost. It has seen many changes, from monastery to castle, later to a

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712 princely residence and then to barracks. Since the time of Rudolf II it has stood, a massive block-house, above the town. The old town lies at the foot of the mountain, where the little houses start to rise towards larger ones. The growth of Linz dates from the establishment of its market; originally it was just a broad street adorned with lime-trees and wells, an example of the interpenetration of town and country. The middle-class houses of the square speak of old-fashioned comfort. Narrow house fronts conceal long courtyards with ornately arched entrances. The Rathaus with its baroque façade and octagonal tower is hardly more noticeable than other buildings.

Linz has always been a bourgeois town. Each stone proclaims that this is no creation of monarchs, that this is a town of self-satisfied middle-class folk. Its history is a record of industrious citizens.

The northern porch of the fine Diet Hall reminds one of the great days of the 16th century. During the Reformation Johannes Kepler taught here and wrote his first work, the "Harmony of the World". The severely monastic renaissance buildings contrast with the elaborate baroque outlines of the Jesuit Church. Ignoring the busy bustle of nearby factories, the charm of this town of free burghers lies in its quiet and dreamy atmosphere, the baroque note of the buildings on the main road and the hour when the far-famed women and girls of Linz stroll of an evening on the main square and along the Danube banks.

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361 UP THE DANUBE. Linz and (on the opposite bank) Urfahr are suitable points of embarkation for Danube steamer trips. The adjacent slopes of Frein- and Pöstlingberg, to which the little suburban houses on the river banks cling like birds'-nests, confine the bed of the stream at the start. The steamer passes between the impressive Kalvarienbergkirche and the slender tower of Puchenau, following the curve of the legend-haunted Kürnberg, in the forests of which are the walls of an ancient, weather-beaten refuge from invaders. Above the far-flung wall of mountains lies the Cistercian monastery of Wilhering. Built during the Crusades on an isolated strip of river bank, it was rebuilt after a disastrous fire with all the splendour of Austrian rococo.

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salt from Hallstatt—still 10,000 to 15,000 tons a year—was towed over the lake and taken down the Traun in small boats. From this time on a separate industry developed—that of ship-building, for there was a considerable fleet to keep in order. There were six-oared and nine-oared boats; upstream they were drawn by horses. The knowledge of ship-building acquired by the inhabitants of the Salzkammergut proved of good service during the wars against the Turks, for many hundreds of war vessels were built by them, to be used on the lower reaches of the Danube.

At the beginning of the 17th century, as a result of the Plague and the Turkish Wars, the Salzkammergut was involved in grave economic difficulties. In 1714 the Salt Office in Gmunden refused all responsibility for steady salt production "while the salt workers are literally dying of starvation". In 1715, people in Hallstatt were reduced to eating soup made of salt water and bran bread.

In 1717, scurvy broke out in Aussee. In 1770, the worst was so great that the miners saved the tallow issued to them for lighting purposes in the mines in order to be able to take it home on Fridays as extra fat.

The time was ripe for social upheavals, and in France the flag of revolution was unfurled. In Austria radical reforms were proclaimed by a progressive monarch, the Emperor Joseph II.

ANCIENT CUSTOMS.

The traditional customs of the Province follow the seasons of the year. Just before Christmas families work with devotion and skill to build up a Manger scene, often several yards long. From moss and roots a Salzkammergut scene is built up in which the Crib is placed with its carved wooden figures, which generally date from the 18th century. Midnight mass is solemnly

Wilhering Monastery.

As one passes through a romantic countryside, villages crop up here and there, crowding their red roofs around lofty church spires. Elsewhere the mighty keep of a mountain castle challenges the skies. The steamer threads its way among sandbanks where herons stand motionless as dream figures until suddenly one of them flaps his wings and writes the cryptic signs of his flight in the morning sky. In the far distance one can see where, to the south, the wall of the Alps blocks out the horizon; at times it seems to draw nearer and at times it seems to be swallowed up in the misty distance.

133 361

The boat steams cautiously past the rocks of the Aschacher Kachlet, giving the passenger time to look at the tower of Eferding Parish Church, in which a certain Johannes Kepler once married the daughter of a simple citizen, Reutlinger. Beyond the ruins of Schaumburg we approach the hills of Aschach. The grapes embodied in the coat-of-arms of this market-town are a reminder of bygone days of Upper

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Aschach-on-the-Danube.

Austrian wine-growing. The green grapes on the sunny walls of many a farmhouse seem to be dreaming of these bygone glories. Today, the mugs in the "Bauernstuben" ("Peasant Parlours") and the glasses on the inn tables are no longer filled with wine, but with the cider and perry from apples and pears which in late summer lie in great heaps before the old home presses, richly carved and decorated with mottos. The Upper Austrian is a great drinker of cider in pauses between his warm work in the fields, and at "Jause" (tea time), in cool, paved rooms or in the shade of an inn lime-tree in summer.

The wooded charm of the mountains lining the Danube Valley strikes an ever more solitary note. The hills and cliffs twist the ribbon of the river into loops until at Schlögen it makes a great bend around the foot of the mountain on which stand the ruins of Haichenbach. Next come the villages of boat-builders; further upstream we see on high ground the market church of Engelhartszell on the right bank, near the Bavarian frontier.

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IN THE INNVIERTEL.

[492]

Rich harvests are usual in this part of the country. The four-square farms nestle comfortably and with an air of independence in the rich fields. In the stables, side by side with the long row of sturdy cart-horses are fast trotters, which draw the farmer and his wife on cross-country trips, or when they enjoy the hospitality of a wedding feast in some neighbouring village. Baroque church

announced by trumpets from the tower, and hundreds of candles burn in the cemetery.

In the "Raukmacht", before the Feast of Epiphany, you can watch the "Glöcklerlaufen" *in many parts of the country around Ischl. Young men in groups of up to 30 and more carry transparent head-dresses on their heads in the form of chapels, fish, crosses, ships, etc., which are lighted up from within by candles. They are dressed in white, with dangling bells and run from house to house at a definite steady pace.*

In the spring, at Candlemas, the time for changing servants, there is "Aperschnalzen". *This is a rhythmic cracking of whips which welcomes the first patch to be clear of snow. Later comes the* "Almauftrieb" (*the driving of cattle up to the mountain pastures*) *to be followed in autumn by their being driven back to the valleys. The procession up to the green pastures is a great event. The cattle are decorated with coloured ribbons and garlands of flowers, the leading bull carrying a bell. The calves often bear crowns of real flowers between their tiny horns.*

On Palm Sunday the palm bush is constructed. Branches of pine, willow and spring flowers are twined together in bunches to which ribbons and apples are attached, and are then fastened to long poles and carried to the church. Afterwards they are placed in the middle of the fields to make them fruitful, and left until the new grain or high grass has grown up all around.

Corpus Christi Day is a religious holiday throughout the Catholic countryside. Everywhere there are processions. At Hallstatt and in Traunkirchen, where there is too little space between lake and mountains, the Corpus Christi "Procession" *is held upon the lake. On the water, verses are read from the four gospels, while guns thunder from the shores or in the mountains.*

towers and the steep span-roofs of the houses look out over golden fields of wheat and barley, over level plains and gently sloping hills of arable land, over orchards heavy with fruit and extensive forests. Like a constantly recurring *leit-motif*, the chain of the Alps thrusts the many-shaped zigzag of its peaks into the sky wherever one glances southwards. Whether it be in the prosperous market-towns on the Inn, in Schärding or Braunau or the land up-country, in Ried or Haag, in old riverside-shipping towns like Obernberg or in the distant villages, everywhere you sense the Innviertler's *joie de vivre*, his passion for dancing and song, his simple enjoyment of marriage and church festivals. Trace this to its source and you will find that it is love of the soil, of the Province, of home—as you will find it interpreted in the dialect verses of Stelzhamer.

Braunau-on-the-Inn.

If you are looking at altars and similar church decorations in this area, you will surely come across the name of Schwanthaler. An artist whose imaginative sketches have been exhibited all over Europe lives here in a romantic castle at Wernstein-on-the-Inn—Alfred Kubin.

IN THE HAUSRUCK. Across the Province of Upper Austria runs a forest-covered range of alps, the Hausruck. Its massive height may well have seemed to popular imagination like the body of a giant resting embedded in the surrounding hills, lost in mysterious dreams.

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Schärding-on-the-Inn.

133 When this sleeping giant stirs—landslides of the underlying gravel beds, say the geologists—the giant Hausruck often shifts houses from their anchorage. Yet the people love him as a well-meaning giant, especially since he presented them with a treasure which adds to their prosperity. In the time of Emperor Joseph II, fields of brown coal were uncovered here. Since then a mining population has grown up. Wolfsegg, a market-town over which stern battles raged during the Peasant Wars, has given its name to the second greatest coal area in Austria. The fertile slopes of the Hausruck stretch out to the Danube Valley. At its lowest point lies Lambach, the old Benedictine settlement on the Traun. Its splendid baroque porch is worth attention. On leaving the neighbourhood of this monastery, one enters an area of almost irresistible beauty.

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133 THE SALZKAMMERGUT. It is impossible to paint in words a convincing picture of the glories of the Salzkammergut. One can mention its name, together with those of various favorite spots there, to stir up feeling or memories. There is that feeling of elation which is inseparable from this area; everyone is susceptible to it, whether he comes from Upper Austria, Salzburg or Styria. A sense of expectancy masters eye and mind. Impatiently one's gaze wanders from the lovely immediate surroundings to the exciting view ahead, both impossibly lovely. An involuntary cry, a sudden embrace, may afford vent to the emotions—the Austrian will suddenly cry out: "God must have made this world in seven holidays!"

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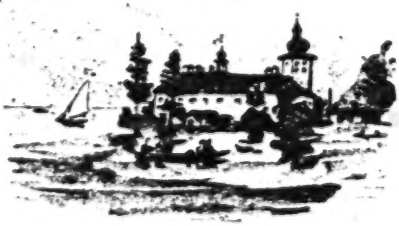
There are a few among many such customs. There is the cavalcade of the peasants on St. George's Day, and other peasant processions. There is much competition among the young men. It is real work dragging logs to the summits for the "Sonnwendfeuer" (Solstice Fire) or the tallest fir tree down to the valley for the maypole. If the youths of one village manage to cut down the carefully-guarded maypole of a neighbouring village, it is a notable achievement.

Inseparable from the customs of the people are their songs. Hence the many folksongs to be found everywhere—the "Almrufl", the "Jodler", poacher's songs and Christmas lays. The themes underlying the traditional folk dances are love and play. The "Ländler" and complicated figure dances alternate with the difficult "Schuhplattler". Thus do old customs give a clue to the people and their character.

What names of districts, lakes and mountains shall one cite? There is the towering triangle of the Traunstein, Schafberg and Dachstein, the latter a part of Styria, emblems of the three provinces they dominate, the beauty of each reflected in surrounding lakes. Then the lakes themselves—the Traunsee, with its two aspects, the one gay and southern, and the other romantic, gloomy—behind it the rocky silhouette of the "Schlafende Griechin". The Attersee, a vast stretch of water, home of softly-gliding yachts, with rows of summer villas on its banks. The sunny Mondsee calmly rocks its waterlilies in face of the steep and menacing Drachenwand. On the other side of the Scharfling is the Wolfgangsee, framed like no other by towering mountains. Theatrically they stand encircling the lake, the Zwölfer-, the Retten- and the Mittagskogel, the haughty Sparber and the long Bleckwand. The sharply-silhouetted Schafberg dominates them all. In the midst lies the lake—dark, dreaming—princess or child of this encircling range. On its shores lie unreal townlets like illustrations to a fairy tale, St. Wolfgang the loveliest. Morning, noon and night one can watch the fascinating interplay of fresh breezes, light and shadow. Clouds drift across the mountains like playful cherubs, to be joined by pudgier cherubs, born of the mists over the little river in their mocking contemplation of the earth beneath.

Further down the valley stands Ischl, the summer residence of the old Emperor Francis Joseph. In the fields you may find planted tall poles bearing bunches of flowers left over from the Easter celebrations, or twigs of palm-willow, which the superstitiously devout plant in the soil, believing that it is a protection against hail-storms.



Orth Castle.

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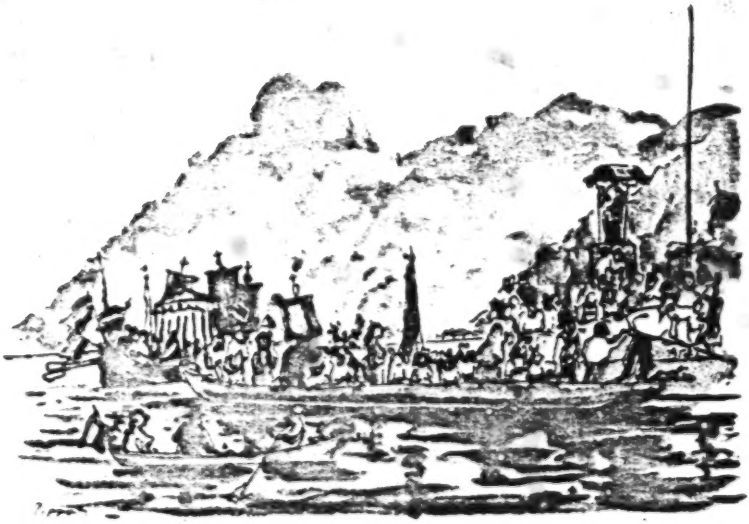

Corpus Christi Procession on the Traunsee.

133 361 Further up the Traun lies the Hallstättersee, a tight-lipped storehouse of ancient secrets. The houses of the little market-town are piled one above the other on the narrow rocky terraces leading from the shores of the lake to the slopes of the Salzberg, on whose heights lies a famous ancient burial ground. 765 Lines of Hamlet come back involuntarily as one inspects the charnel-house with its many rows of skulls with religious inscriptions painted across the bony foreheads.

133 Indifferent to man's changing fortunes, the Dachstein, its royal peak towering above the mountain forests, watches eternally in its glacier armour. Below, the Gosau Lakes look up at it with unrevealing eyes of green in whose depths one can read only the reflection of primitive natural forces.

946 In the Salzkammergut, beauties of nature and of handicraft are never far apart, and on turning from the one you meet the other. There are carved statues and

pulpits, sacred images and churches with famous altars—Hallstatt, Mondsee and, at St. Wolfgang, Michael Pacher's wonderful altar triptych. 346

There is the old monastery settlement of Traunkirchen; on a steep hill jutting out into a creek of the lake which the Romans called "The Happy", the monastery lies adjacent to the church and the dreamy courtyard of the now solitary garden, cut off by an arched gateway from the outside world. Next again comes the cemetery, protected by a low wall of rock which runs down to the lake. The graves are huddled together, the mounds and crosses covered by rambler and ivy. Those whose minds incline that way may reflect in this lovely spot on life's reconciliation with death. 361

Turning back to pulsating, exuberant life, the picturesque streets tempt one to travel further, mountain railways wait to carry one up to the summits which afford such unique views of the lake district of the Salzkammergut.

Just as in Rome one drops a coin into the Fontana di Trevi if one wishes one day to return there, so one should linger for a parting glance at the promenade in Gmunden. Built in a series of rising curves, the epithet it seems to call for is "graceful". Country mansions, castles and middle-class homes rub shoulders with one another. Boats rock softly on the water, swans glide elegantly towards the shore and the silver-grey outlines of the lakeside castle are reflected in the waves.

Hallstatt

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FROM KREMSMÜNSTER TO ST. FLORIAN. Swiftly and smoothly the pastel-green waters of the Traun run through forest and field out into the fertile moorland near Wels, a town which has a colourful and distinguished past. The course of the Traun is followed closely by the smaller Krems. This river has given its name to a splendid abbey. Anyone seeing Kremsmünster for the

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St. Wolfgang.

361 first time is immediately struck by its mighty, castellated walls with their great cupola-
133 crowned roof. From the high belfry of the monastery towers with their helmet-like domes come notes of praise to the Creator. Standing before the interesting arcades of the fish-tanks, one is filled with admiration for the architect of the abbey. When (for the arcades of this unique building go far beyond the utilitarian purpose for which it was intended) one looks at the skies reflected in the crystal-clear surface of the fish-pond, listening to the fall of the water pouring from the moss-covered carved figures round the spring above it, one has a feeling of having caught a glimpse of a forgotten and enchanted world in which the strange story that the fish here were once called to feed by the notes of a bell sounds quite reasonable. Looking out from the top of the "Mathematical Tower", from the Observatory, one can see far into the valley of the Krems which spreads before one like a beautiful garden following the slopes of the foothills. To the south one sees the multitudinous peaks of the Tote Gebirge. With its rugged ridges and snowy, glittering peaks, it is majestically overshadowed by the wall of the Hohe Priel. There are many all-day excursions to be made in this area across rising plateaus and a landscape of primitive beauty. As one approaches it through the Almtal or by way of Hinterstoder one enters the realms of great heights and brooding silence.

874 The teachers took good care of you. They let your surroundings speak for themselves. You will never be able to forget the arcaded courtyard of the Schallaburg with its wonderful terra cotta work from the hand of an Italian master. Seitenstetten was rather far off, but you managed to visit it. Quiet and beautiful, yet busy in its own way, it is set in a fertile countryside.

241 Once two of you decided to go off together. Above your heads you bore a flag which was supposed to express the longing of its bearers for the open spaces and all things beautiful. They found their way to Mank, to Amstetten and further afield, discovering that this province possesses as many real farmers as it does great, rounded hills. Like castles on the latter stand the two-storied farms of the landed farmers. Theirs is the world in all its essence—ploughland, meadows, forests. Black-trunked, heavily grown pear trees stand before the farms, in gardens, in hedges. The peasant dialect is soft, easy going, manly and kindly.

000 Later you once stood with a girl up in the mountain-pass village of Annaberg, in the porch of the church. The curious high tower with its covering of metal plates showed clearly against the blue winter sky and in the far distance before you was the snow-topped ridge of the Ötscher. Then you set forth into the boundless glistening world through the dark-green snow-covered forest. There a wonder arose out of the earth, a wonder for you, child of the hills. Through the crystalline crust of the ice broke the faultless bloom of the first christmas rose, born of the silent force of winter. Carefully you picked the blossom, and carefully you gave it to the girl. Pure and white as the rose was this hour, pure as the eternally sparkling snows, young as the potent breath of the woods and as free of dust as the beckoning blue heavens.

● 133 788 You have not forgotten the sparkling summer waters of the Erlauf and Lunzer lakes. Surrounded by flowers and forests, tranquil, glitteringly blue, they call to you, offering rest to the weary visitor from the cities, and tempting the peasant pilgrims of Lower Austria away from their pious, easy walk of penance to the Virgin Mary at Zell.

000 STUDENTS IN THE WACHAU DISTRICT. Your St. Pölten teachers wanted you to see many and varied things, and so you found yourselves in the wine-gardens of Göttweig Monastery. Oh unforgettable hour! Blue as the night, golden as the moon, milk-white as the surrounding chestnut blossoms. St. Benedict is fond of building on mountains. Before us were the valley and the low country and there beyond, half hidden by fields, the Danube. Above were many hundreds of lights, gables, roofs, towers and mountains. On the morrow you passed through Krems, singing, because you were students, "A wandering apprentice I, knowing no cares ..."

How it echoed in the narrow streets! The past took you warmly by the hand. If you had found a blue-uniformed sentry standing guard at the Steiner Tor with

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Göttweig Monastery; view from Stein-on-the-Danube.

red top-boots and white leather accoutrements, you would not have been surprised.

When the happy crowd went on to Dürnstein, was it still an excursion? Was not it rather a dipping into the romance of the past? "At the Sign of the Singer Blondel" or "At the Sign of King Richard the Lion Hearted" are names of inns there. And when you lay up above on the remains of a castle wall, the dark water streaming past below and the dark forests gleaming on the slopes of the mountains, you had for the first time the feeling of getting to know the spirit of a countryside and of being close to all the fateful events it had seen.

361 Melk is throned in majesty. From a massive parapet of stone rise Prandtauer's
792 glorious towers. The Monastery is vast and overpowering. It was the birthplace of law and order in the Danube district, as of Austrian culture and literature. The treasures which the magnificent library offers to the mind can hardly be grasped by the eye.

292 Everyone should at least once have seen the colourful silk dresses and shimmering gold bonnets of the women from the Wachau district. How lovely when the evening light falls on them as it did that time in Göttweig, and you hear the moving rhythm of the song: "So home we go in the full moon's light."

● 133 THE WALDVIERTEL. Eggenburg lies almost
241 on the dividing-line between vineyards and forests, gently warmed by virtue of the declining and widening slopes. But high above, around the Nebelstein, the wind blows chill and raw. There the oats have to be mown by mitten-covered hands. As the Ottenschlag saying has it:—"Three-quarters of the year winter, one quarter cold." In places there are enormous blocks of stone which have carefully to be avoided by the plough. Vast forests of pine give the countryside a dark and rugged hue, relieved only by

Weissenkirchen.

the austere yet lighter shades of oats and rye. Colour is lent by blue flax, red and white poppies and verdant green fields.

The view is dominated by range upon sweeping range of eternal mountains. White highways curve gracefully up and again down the steep slopes. Everywhere at the highest point stands a dark-green forest of pines. At times the ground stops abruptly, and you can see whence the gigantic stone masses fell—and are falling still today—which formerly towered above field and forest as ancient mountains. A precipice drops steeply away, the debris of fallen stone-masses lying at its foot among the many trees. Past great piles of stones large and small flow the Thaya and the Kamp, sweeping stones with them. They swirl in endless bends around the foot of cliff after cliff. About their sheer walls stand defiant castles and dreamy ruins.

Apricot Gathering in the Wachau District.

Once you were invited to visit the forest district. For a whole day you journeyed through the woods and then you were forced to stop. Before you arose a great baroque tower, below it a forest of gothic pillars reaching towards the heavens, cloisters and a shaded well, the whole complicated gothic blossoming and rommesque fading—the monastery of Zwettl in its lovely situation on the banks of the swift-flowing Kamp amidst mighty forests. Continuing, you came to the frontier, high above. A piece of secular and chivalric history confronted you like a rock—Heidenreichstein, the most beautiful river-castle of the Province.

Usage and custom are rooted in the soil of the woodlands. On the house gables appear May blossoms in many colours. Young men plant green fir-trees, decorated with waving ribbons, for their girls. Mischievous "May paths" are devised with sawdust or water mixed with lime which are suddenly found leading over streets and byways from a certain door to another, thus making public what the parties concerned had kept a closely-guarded secret.

In many places the winter evenings still see the traditional "Rockreise". Women and girls "visit" friends in order to spin thread. Softly the delicate wheels turn, young men come and sing, and the women and girls tell stories of the robber chief Grasl, of the wicked Waldschrat and of God's vengeance on the inquisitive girl. Here and there an old loom is still standing.

All the Provinces of Austria have frontiers with foreign countries, with the exception of Vienna. All the Provinces of Austria have capitals of their own, with the exception of Lower Austria. Vienna is surrounded by Lower Austria, providing it at the same time with a capital. Thus the Province of Lower Austria occupies a unique position in relation to the capital of the entire country, being closest to it in times of sorrow as well as in times of joy.

This Province is fourfold, the Danube dividing it from West to East. To the south of the river one part lies below and the other above the Wienerwald and in the North the third lies before the Manhartsberg and the fourth behind it.

The four quarters may also be regarded from another aspect. On the map, above and to the left is the Waldviertel, sombre and of manly strength. Adjoining it, consisting of broad, low and sunny hills is the fertile Marchfeld. Below to the left one finds charming sub-alpine country and finally the Wienerwald with falling slopes and plains in the east.

A many-rayed star of roadways spreads outwards from Vienna over the countryside. Parallel to the Danube, the Linzer Bundesstrasse follows an old Roman road over the Strengberge to Amstetten and St. Pölten. To the north of it the highways run towards Bohemia, the one heading for Budweis, the second straight for Prague and the third for Brünn. Pressburg (Bratislava), on the other side of the frontier, is passed on the journey to the Carpathians. On the way to Budapest or down to the Balkans one may pause awhile at Bruck-on-the-Leitha. Eisenstadt is on one of the roads to the vast Hungarian plains, while the serpentines of the Semmering continue to where

THE WINE DISTRICT. Your home lies below the Manhartsberg, its people and landscape familiar to you as a picture book which you have looked through countless times. 133

There above stands the hill you love the most, the Hutberg, just 890 feet high. From it, on clear autumn days, you can see the Schneeberg, Rax, Ötscher and Hochschwab; you can see over the boundaries of Lower Austria into Styria.

SPRING IS LOVELY. Approaching the vineyards, you find a young peach tree. Its delicate branches are full of pale, ethereal flames, daintily burning garlands of roses without origin or connection. You can see no leaves, only blossoms below which grows not the slenderest blade of grass. The vines are still cracked, brown and withered, their shy green shoots still pale and tiny. Innumerable grey sticks seem weather-worn and dead, the yellow earth still lies naked. Thus it is that the wonderful pale pink garlands of peach blossoms seem to have grown straight out of the dry wood and wintery earth. You could walk for hours and find nothing except beckoning bushes of flame above brown vines and endless rows of grey spikes. 245

This picture before you is full of a delicate grace, of a strange beauty of shading. From the lowest vineyards which rise gently before your feet, you meet three delightful colours, old acquaintances and yet uncannily strange. A vineyard hut, washed grey by the rain, without walls and straw-thatched. A cherry tree, heavy with shining white blossom, arising from deep-yellow earth! It is hard to believe that this picture lies on the banks of the Pulkau, not on those of the Yang-tze-kiang. Grey, white and yellow, that is the quiet, dainty widespread tricolour of all the flowering clay mountains

273 Along the roadside, steep steps below protecting arches amidst trees and overgrown with brambles and bushes lead down into the wine cellars. On a holiday, many old hands return gladly to the place they were once so eager to leave. One hears familiar salutations—"Grüss Gott, Herr Professor"—"Servus, Franz"—"Servus, Schani".

Such greetings empress the brotherhood of those who work amidst the vines, a comradship which seldom dies. However distinguished the position some of them may have attained in the great world beyond, they are glad to return to the comfortable corner seat which was theirs of old—perhaps the more so because it is now unfamiliar. You could do worse than find such a corner yourself one day.

The white candle sputters and drips, held in a black iron spiral, as its gold-tipped flame lightens the surrounding shadows. Glasses hanging from the rough hooks of the black-wood glass-rack, reflect delicate or brilliant hues. The landlord, coming from the barrel with a brimming wine-siphon, takes them down one after the other and lets the thin stream of wine run into them, fragrant with summer, foaming and bubbling. As the traditional toast—"Gesundheit!"—"Good Health!"—goes around, one might think it the password of some secret society.

Day fades unnoticed into night as tongues are loosened and secrets shared. The wine and the earth which nourished it establish their rule over the hearts of men. *In vino veritas*—the inner soul of men, be it good or bad, reveals itself in words while the world beyond is wrapped in silence. Whatever the sounds of the street outside, they fail to penetrate into this roadside cave. Emperors and kings, battles and epochs cease to count. The world is that which lies within the orbit of the flickering candles. Here village school-teachers, priests, professors, doctors, their fathers and their brothers are one!

361 For many, Retz is the fairest town of the wine country. Here, during the dark days of the Thirty Years' War, the first Austrian hymnal was put together; it enshrines the soft and moving lyrics of Mediaeval German. That which Stifter's "Nachsommer" (Indian Summer) expresses in words, is told in stone in the beautiful municipal square of Retz. Below the square and under the houses lies cellar after cellar. In some of them you could drive with a carriage and pair. Above towers and crenellated walls, on the way to the forests higher up, stand two stately windmills, solitary and lovely, with no fellows in all Lower Austria.

•133 IN THE MARCHFELD. You once stood day after day as the tireless lark filled the blue heavens with his song, while the great world stirred like a strong man awakening from a sound and refreshing sleep. This world seemed to be one vast wide-stretched field of green and brown, bounded only by the blue-forested Bisamberg and the Carpathians. Between these two were fields of pale, shimmering corn or misty plough-land. Above all arched the mighty dome of the skies.

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Klosterneuburg.

The tree-girdled villages with the red church spires were unpretentious and companionable. Around Easter the straight roads bordered with cherry trees became long avenues of fantastically beautiful blossom.

133 Gross-Enzersdorf marks the limits of the extensive island known as the Lobau, an unspoiled wilderness of water, trees and bushes. The river broadens out as the current flows more rapidly.

536 A son of Essling grew up to become a great master: Rafael Donner. Through Dürnkrut and Kroissenbrunn which appear in "King Ottokar, His Rise and Fall", Marchfeld has a link with Grillparzer.

000 IN THE DISTRICT BELOW THE WIENERWALD. Anton Wildgans called one of his books "Fate of Mödling". He lived near St. Othmar in a house above which grew dark umbrella pines between cliffs and sky. Any of you who want to appreciate the beauty of your country should read these books, the original manuscripts of which are preserved in the Wildgans House.

133 You once stood in May in Wiener Neustadt on the Ungarfeld. There was the rocky wall of the Hohe Wand in the south. The Rosalien range appeared as a light coloured, enticing forest. Eastwards the green pasture-land opened out like a [874] gateway. The two gothic towers of the Theresian Military Academy were an unchanging landmark of the "ever-loyal town".

You first drove over the Semmering in time of peace. Then you were able to enjoy yourself quietly and at leisure. Giants must once have played in this area, using as dice the mountains which begin here, wild and majestic. A man of the determination of Karl Ghega was needed to tame this wilderness. He bent the mountains and the deep gorges to his will. His tunnels and viaducts alternate [496] in carrying the railroad to its highest point. The Semmering railway was the first mountain railway of the world which all others used as a model. All the railways of the Andes in South America learned from it.

[132] The Semmering district, in a pocket of warm air above cold and misty valleys, is Lower Austria's show-piece. People from all the world over come here in search of health and peace. The Viennese regard the Semmering, Rax and Schneeberg as their own estates in the Alps. Towards the east the landscape slopes gradually down to the forested knolls of the hill country. In Mönichkirchen the work of Anton Wildgans reached epic status.

IN THE WACHAU DISTRICT. In the first days of creation there may have been some question as to which was the stronger, land or water. In the Wachau, the river triumphed over the mountains, although it has still to follow a course prescribed by the former, as to where it should narrow, should turn, should form bays and inlets; rocks jut out to spur its flanks, hidden granite builds hurdles over which it is forced to leap. Between Melk and Krems nestle a dozen charming villages whose picture lingers long with the wanderers along the banks and the passengers on the Danube steamers. Weissenkirchen lies in the heart of the Wachau district in a sunny position to the south. Old courtyards, arcades, rounded archways and vinecovered houses call for attention. In the small village of Schwallenbach they will show you the old parish church and the "Devil's Wall". The boatmen of the Danube tell the story of its origin. The Devil's grandmother is said to have scoffed regularly at the columns of pilgrims and the ships of the Crusaders, moving the Archfiend one night to try to block the flow of the Danube by building this [112] stout wall. At Willendorf was found the sandstone figure of a "Venus" which archaeologists admire as a relic of matriarchal, pre-historic times. Spitz, a sleepy little Danube town at the foot of the Jauerling should not be overlooked. Backed by the four-square tower of the Hinterhaus ruins, it is in blossom time a fairy garden of pink and white. Standing out against the mountains behind are multi-coloured forests—pale green larches, rust-brown fir trees and dark pines.

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Saubenstein.

mighty Benedictine monastery according to Prandtauer's grandiose design, the Prelate's Courtyard with its quiet fountains, the Imperial Wing, the great half-moon of the terrace between the two monumental and at the same time delicately contrasted towers, the high dome of the cupola, the library, the fine reliefs of the archways and the artistic ceiling frescoes. Stand beneath this baroque canopy and look upwards: Virtues, Wisdom and the Arts are seen attempting to lead the human soul to higher things.

Here one is confronted with a part of the spirit of Austria. Side by side with the inescapable reality of everyday life and the material world, thought and emotion have built an unattainable but equally real world

491 of the imagination in baroque style. It is in conformity that the Wachau district does not possess any broad, straight motor roads. Here everyone is forced to linger, to regard quietly his surroundings, perhaps also to ponder a little over himself and the world.

133 Melk stands at the beginning of the Wachau, which now passes Schönbühel to oecome the most famous part of the Danube Valley. Church and castle stand here on rocky ground near the river, showing a marked individuality of design. You would be well advised to stop at Aggsbach to climb to the ruins of Aggstein. The countryside here opens up like a burst and overripe fruit. Along the horizon roll the green waves of the mountains, hill upon hill. Far below the remaining walls of the once mighty castle gleams the "Rosengärtlein". Scattered around are farms, churches and fertile fields. Down in the valley vineyard follows vineyard. The sharp tang of woodruff rises on the air, and may later be met again floating in a refreshing wine-cup.

361 A culminating point in this feast for the eyes is Dürnstein. It rises up abruptly in complicated lines and its harmonious blending of ochre and white. Sheltering beneath the dominating ruins of the old castle and a baroque monastery tower is the clean little market town where the moving story of Richard the Lion-Hearted and his minstrel Blondel is still honoured today.

131 The Burgenland has some strange features. It is the youngest province of Austria, yet it claims to be one of the oldest. For a time it belonged to Hungary, and just during this period it held a brilliant position in Austrian intellectual life, boasting of such mighty names as Haydn and Liszt, Hyrtl [103] and Semmelweis. Its name is taken from three castles which no longer lie within its frontiers, but is justified by other castles as well. It is of considerable length—160 kilometres from North to South, corseted somewhere in the middle to a wasp-waist only four kilometres in diameter. Its plains are sparsely inhabited, while its mountain land is densely populated. It has a raw climate in the south, while in parts of its northern areas, the climate resembles that of Helwan in Egypt. Its frontiers with foreign countries are longer than its inland boundaries, yet it is Austrian to the core.

133 The inquiring stranger who has set out on a voyage of discovery should first drive by car along the Bundesstrasse to Bruck-on-the-Leitha and here turn off to the right into the Leitha mountains which in the centre separate the Burgenland from Lower Austria. From the summits of the mountains one looks down on to the Neusiedler Lake. Over 900 feet above the shining surface of the lake one finds oneself beneath sighing trees growing on what was once the bottom of a great sea. The sea itself, it is true, disappeared thousands of years ago, but the work of its maritime life remains in the form of rich deposits of mussel chalk. Walking along any forest path in the Leithagebirge one can easily trace in the stones the fossil forms of long vanished animals and plants.

When the tourist is weary of scientific research he can clear his brain in the sparkling Neusiedler Lake or with the no less inviting wine which ripens on its shores.

423 The plain to the north of the Neusiedler Lake was always one of vast estates. Between the scattered villages lie the dairy farms of the great landowners, who have their castles and manors in the villages. In Kittsee, Gattendorf and Halbturn there are many examples of baroque art. Lukas von Hildebrandt, Maulpertsch and others were commissioned to work there for the Magyar feudal landowners, Esterházy, Batthyány and so on.

133 Adjoining this countryside, the moor-land district, is tucked away on the eastern shores of the Neusiedler Lake a cloud-overcast and wind-harassed group of lakes. There are a number of warm and brackish little lakes, scattered over steppes of pronouncedly eastern character. Sea-sparwort, feathered grasses and copper-

Up in the Leithagebirge, near the village of Winden is the Ludlloch, a place where, according to the evidence of human remains discovered there, cave men and cave bears lived in the time of the later Stone Age, i. e. 6,000 or 7,000 years ago. Unfortunately there is no means of the times extent, and it is therefore uncertain whether the cave men eat the bears or the cave bears the men. But as there are considerably fewer bears than men in the Burgenland today, it may be safely assumed that the bears headed the list of table delicacies.

The Burgenland is not unfamiliar with the question of land reform. Should the great estates be preserved as grain producing property or should homes be found for thousands of people in new villages? There are arguments on both sides.

A farm is a book of wisdom. The Burgenland owes its fertility to the hard working hands of its farmers who never neglect their soil, and who meet all their trials with placid good humour.

Although nine-tenths of the Burgenland is devoted to agriculture and forestry, it has over 200 industrial undertakings. There are saw-mills, wood-carving centres, parquet-flooring

gleaming pools lie generally 133 ●
beneath heavy masses of clouds whose great shadows move constantly over the inhabitants, houses and flowers. St. Andrä near Frauenkirchen is the place which has a climate in summer similar to that of the Egyptian Helwan. Here, as on the eastern 245
shores of the Neusiedler Lake, flourish almond trees and other plants usually only to be found in the South. Between the lake corner and the heath district lies a strip of specially favoured countryside, one of the chief Burgenland wine districts, with its centre at Gols and Weiden.

The tourist may now find it hard to make a decision: what should come first? Here beckons wine. Ochre yellow is the earth which produces it. Blue shadows toy with every shade of green, that of the firmly tied vines and that of the serrated, dull-surfaced leaves. Soon the glasses 273
sparkle with Ruländer and Furmint, Welschriesling and Blaufränkisch and other famous vintages.

Above the water a silver heron sails 136
majestically through the air, reminding us that the shores of the Neusiedler Lake are unusually well-stocked by nature with wildfowl. In the reed belt surrounding the lake live the grandest varieties of herons; here you also find nests of the bustard, willow-wren and bearded titmouse—a colony of birds such as can be seen nowhere else in Austria. When a flight

136 of wild ducks settles down here with rustling wings you may be meeting with old acquaintances again from the Wiener Stadtpark. The only difference is that there they allow themselves to be tamely fed by children, strutting like actors in the pay of the Municipality of Vienna, while here they lead a free marauder's life in the nightly-stirring reeds of the Neusiedler Lake.

133 And the centre of all this, the lake. As you will expect, it too possesses strange features. In Austria, country of Alps, it is the only lake which is typical of those found in the steppes. Flat as a pancake, it is so shallow that you can fearlessly wade across it in any direction you choose, with no need to know how to swim, exposed to no other danger than that of inadvertently crossing the Hungarian frontier which runs through it.

On what one might call Western Austria's corresponding lake, Lake Constance, you find proud steamers sailing over the bottomless depths famed in ballads, but on the lake in the Burgenland the reckless sailor must only beware that the wind does not blow away all the water from under his keel. This must not be taken too literally, yet it is a fact that when the wind blows for days in a certain direction the whole water is actually driven together in the extreme corner of the lake. This phenomenon of the bewildering "Windstaue" is only one of the many peculiarities of the lake.

Another strange thing is that nobody knows whence its waters come, for the only tributary is the Wulka, an insignificant little trickle. Four times as much water as the brook contributes is regularly lost from its wide surface by evaporation. Logically, the lake should have vanished long ago. In defiance of all the laws of hydrography, it continues to exist, leaving scientists to puzzle out from what hidden sources it manages to keep going.

[691] Occasionally the lake falls on hard times, and about once in a century it disappears altogether. This provides an occasion for the peasants on its shores to measure its bed painstakingly, and to resume the bickerings about the ownership thereof which had been dropped during the preceding century or even the one before it. About the time that the legal costs of these quarrels have so accumulated that the lawyers begin to be afraid that they will not be able to collect them, the lake quietly rises again, taking possession of its old bed as if it had never chosen to

factories, brick kilns, lignite works. There are factories which turn out linen, hemp and jute, blankets and felt, pencils, artists' chalks, asbestos, jade, sugar and methylated spirit. There are canneries for fruit and vegetables, and workshops producing stucco supports from the reeds of the Neusiedler Lake.

BURGENLAND—THE GARDEN OF VIENNA.

Fruit, vegetables, grapes, the first early cherries, fresh lettuce, cauliflower, asparagus, strawberries, apricots, tender french beans—the first, long awaited harvest, doubly welcome after the winter, rolls in the spring towards the Vienna markets in a chain of high-piled lorries.

OGGAUER WINE.

In Oggau there is a Roman cemetery which dates back to the third or fourth century A. D., in the graves of which clay vessels have been found. Archaeologists say that these vessels contained the wine given to the dead to take with them on their journey to the other world. This calls for reflection. In those days every mortal expected that he would be served with nectar and ambrosia at the table of the gods. But the inhabitants of Oggau preferred to take with them their choicest wines rather than have to be dependent on the drinks of the gods.

Gustinus Ambrosi, the deaf sculptor, says of his Burgenland:

"How fortunate that I have travelled through the whole of Europe and have been able to drink in the splendour and magnificence of its many countries, with their thousand types of scenery, peculiarities and variations. Certainly it is nice to stay at home, but I felt the urge to get away and would have gone to the ends of the earth,

disappear. In former times it seems to have 133
behaved even worse, for old documents mention it sometimes as a lake, once as a swamp, once as a river, then as a stream, while others appear not to have known of its existence.

The country lying between Eisenstadt and 361
Ödenburg, Mattersburg and Rust, is the real heart of the Province. The lake parishes of Oggau and Mörbisch and the small "free town" of Rust are far-famed for their wine. On the gabled roofs and the chimney-pots stand pensive storks, in the vaulted cellars lie the massive wine barrels. As far back as [424]
the year 1364 the inhabitants received royal permission to mark them with the coat-of-arms of Rust—a trade-mark protected by law nearly 600 years ago!

Leaving the delights of Oggauer and Ruster 361
wines, let us turn to Eisenstadt, the city of 533
Josef Haydn.

One does not need to be especially sensitive to atmosphere to feel the genius of the great master in this little town which is so closely united with the surrounding countryside. The tiny house where he lived is still standing. How

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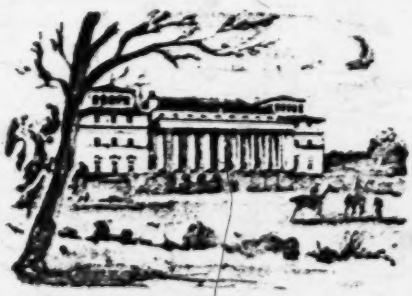

Esterházy Castle, Eisenstadt.

361

[217]

Eisenstadt, Synagogue Death-Glass.

buildings—the Council Hall, attractive official buildings, the homes of civil servants and villas. Side by side stands the history of old Eisenstadt written in stone—the old royal free town, the Esterházy residence, the Jewish Ghetto in Unterberg and the more recent settlement of Oberberg. The Wolff Collection in the Provincial Museum has some unique monuments of Jewish culture. The Calvary Mount in the Bergkirche gives a glimpse of another world, with its painted, strikingly realistic wooden figures in curious grottos. A first inspection of Eisenstadt may well be rounded off by a visit to the wonder-working picture of the Virgin and to the tomb of Haydn in the Bergkirche.

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245

Other attractions await us. Above Mattersburg appear the slopes of the Rosaliengebirge, covered with the luscious purple of flowering sage. One could wish that here spring might last for ever for us to admire the sea of blossom, cherry tree after cherry tree intermingled with peach and apricot, and the yellow-white blossoms of the plum, with their tangle of intertwined black twigs; great beds of strawberries flourish in the rich and fertile soil.

342

Far above the little village of Forchtenstein stands a well-preserved castle of the same name. It was once the seat of the Counts of Mattersdorf, whose forebears, Simon and Bertram, came from Spain in the year 1200 with their sister Tota, of whose beauty it was said that it had no equal throughout the world. A poet might well harbour the fancy that her beauty lives on in the spring splendour of the flowering hedges on the Rosaliengebirge. The student of history may remember that in the year 1374 the Counts of Mattersdorf and Forchtenstein placed this part of the Province under the jurisdiction of the Duke of Austria. Their escutcheon, combined with that of the Güssingers, forms today the coat-of-arms of Burgenland.

Forchtenstein.

172

The early Stone Age has left evidence of human progress in the Wulka Plain. The Bronze Age which succeeded it was marked by a consi-

FOLKSONG.

When Croatian girls are singing
To the tamburizza's sound,
You hear ancient lays a-ringing,
Every eye casts smiles around.

For they're singing of Junakan,
Their lord's rapture and distress.
Of the king's descendant, Marko,
And his wife, the proud princess.

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derable development of traffic and trade. The Bernsteinstrasse, that famous trading highway of prehistoric times along which, about 1000 years before Christ, the honey-coloured amber, tears of the sea, was brought from the coasts of Samland to Italy, passes through the Burgenland. It crossed the Danube at Hainburg, a predecessor of the Roman road which later lead to Italy by way of Carnuntum, Ödenburg, Steinamanger and Laibach. Today Ödenburg (Sopron) belongs to Hungary. What the "Ödenburg Sack", connected to Hungary by a narrow tongue of land only five kilometres wide between the frontier and the Neusiedler Lake is to Hungary, is to Austria the "Ödenburg Spur" which limits the Burgenland to a width of four kilometres and almost cuts the northern and southern parts of the Province off from one another. Seven roads and three railways are thus cut off. The only road which connects the two regions had to be built by the Austrian Government.

"The bloody Hall", Lockenhaus Castle.

Southwards this road leads to the Oberpullendorf district, a hilly country with varied scenery and attractions of its own. Anyone interested in tracing historical developments must hasten through the Province to the spot where a range of mountains forms a barrier dividing Burgenland into two parts. The eastern corner which at the same time marks the Hungarian frontier, is the Geschriebenstein, the tallest mountain of the Province, some 2,700 feet high. Its summit affords a wide view across the plain of Raabau. On its slopes, just on the other side of the frontier at Wollembach, on the St. Veitsberg, stood one of the best-known foundries in the Bronze Age, a prehistoric industrial centre.

Here the Burgenland reveals itself to the traveller. At the foot of the Geschriebenstein lies the forest-surrounded castle of Lockenhaus, which, with its Gothic Knights' Hall and a keep five stories high, dates back to the year 1200. Almost as old are the ruins of Landsee Castle on the borders of Lower Austria, one of the biggest castles in the country.

But to bore a tourist by dragging him from castle to castle as far as Kobersdorf would be risky, since it would—finally land him on volcanic soil.

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Güssing.

Burgenland's volcano—Pauliberg is its name—is of course no longer active. But it provides the Province with indispensable basalt for road building.

The Burgenland volcanoes—there are more than one of them—although non-eruptive, have the hot springs which still flow along the thermal line. That line of healing springs which begins in Vienna and continues through Baden and Vöslau, unites in Burgenland with the sulphur baths of Leithaprodersdorf, northwest of Eisenstadt. It carries on to the unpretencious health centre of Sauerbrunn at the foot of the Rosaliengebirge and feeds the mineral springs of Kobersdorf at the foot of the Pauliberg. Parallel to it runs a second line from the radioactive baths in Edelstal to the mineral springs of Deutschkreutz.

133

Far off in the south of the Burgenland the basalt cone of Güssing is still recognisable as a part of the volcanic chain. The narrow strip of land where three countries meet and where the castle ruins of Neuhaus look down from the mountain, is in its isolation one of the most lovely spots of Austria. Here the Raab traverses the Province. Its name has survived from the days of the Romans, who may have adopted it from the Celts or the Illyrians. The town of the same name situated where the river joins the Danube is called Györ in Hungarian, preserving the memory of the Avars who, when the barbarian flood had subsided, remained as rulers of Pannonia, and thus in the Burgenland. "Györ" means "ring", the Avars designating as "rings" the earthworks behind which they defied a superior force, while their mounted hordes ravaged the countryside.

103

Kobersdorf.

Bernstein.

In Southern Burgenland there are no surviving traces of the Avars, although the names of many places bear witness to their not always willing followers, Slavonic tribes who, as farmers, were forced to contribute to the support of the Avar nomads. Welten,

776 there in the days of Charlemagne. In 1926 St. Martin was made the patron saint of the Burgenland. But the fact that every self-respecting Burgenländer insists on eating roast goose on St. Martin's day is not necessarily due to his piety. Since the days of the Carolingians, a number of places in the Burgenland have been connected with St. Martin either by their names or by the dedication of a church. The most southerly is St.-Martin-on-the-Raab.

Schlaining.

792 From St. Martin it is not far to St. Gotthard. This monastery, just across the frontier, was founded by French Cistercians in 1184. It is a curious coincidence that in the Battle of St. Gotthard in 1664, where the Turks were defeated in open conflict for the first time, French troops played a decisive part. The battlefield lies within the Burgenland parish of Mogersdorf. The name of the neighbouring village, Maria-Bild-bei-Weichselbaum, recalls the legend that a wonder-working picture of the Virgin was brought from a forest shrine to the village church, but transferred itself back to its original site, where a church was then built.

778

Kittsee.

● 133 Even in the days of the Carolingians the rivers of Lafnitz and Pinka contributed to the establishment of settlers in the Burgenland. The Lafnitz today forms a natural boundary with Styria. If you follow the line of the Pinka northwards you will find that it crosses the frontier of Austria seven times.

[361] The same typically Burgenland villages are to be found on either side, inhabited by a mixed Croat and German population. The river fortress of Eberau in this district is perhaps the least known castle in Austria.

Lockenhaus.

In its upper reaches the Pinka like the other Burgenland rivers—the Raab, Lafnitz, Güns, Rabnitz, Eicha and Leitha—unites the Burgenland with the Styrian-Lower-

133 Austrian alpine foothills, to which it by its character belongs. Sandwiched in between, on the upper Pinka, one finds a living witness to Burgenlend history in the Magyar enclave of Oberwart.

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563 Pannonian Mark. For half a century hordes of Hungarian horsemen overran Europe, spreading out even to France and Italy. The Battle of Lechfeld in 955 A.D. put an end to this, and the Magyars then tried to secure themselves a permanent home in the Danube Basin. Their "Westwall" was the impenetrable forests of southern Burgenland, and further northwards, the swamps of Rabnitz. The valleys in the forest belt were defended by barricades and troops.

[292]

Oberwart.

In one of these "Warte" or outposts, which is today the Hungarian-speaking village of Oberwart, the Magyar garrison maintained itself for 1000 years. Here the Magyar origin of the population is still evident in their speech and picturesque dress.

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135 mines of Tauchen, the antimony and sulphur-stone deposits at Schlaining, the iron ore which was mined even in Celtic-Illyrian times at Eisenzicken

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On the Kahlenberg.

old vineyard tavern which is listed for protection under the Ancient Monuments Act evokes lively pictures of biedermeier days, when the suburbs were holiday resorts and Schubert, the eternally young, wandered the countryside with his friends. Bauernfeld, Beethoven and Grillparzer sought rest and relaxation here among the green fields. Here Waldmüller proved the power of his brush and Ferdinand von Saar, the poet of solitude, wrote his rapturous elegies on Vienna, the city of his dreams.

From the higher parts of the suburb of Döbling one can recognise the peaks of the Lower Carpathians, the Schneeberg and the Ötscher. To realise the whole charm of the surroundings of Vienna, you must see it from the heights of the Kahlenberg. There you will understand how the city has really grown into its natural framework and how its Cathedral and many towers, the river, the mountains, the plain and broad horizons have come to form parts of a single whole. This is a picture which never fades from the memories of those who have once seen it.

If one then approaches Vienna from the north, from the direction of Prague or Brünn, the whole city seems to have been swallowed up by the mountains. Then the Wienerwald looks like a great, green and shady creek past which the silver Danube flows, broad and lazy, downstream. Mountains rise up one behind the other, followed closely by the alps in ever-higher ranges.

361
● 133

As the journey to Vienna usually ends in the afternoon or early evening when the sun is over the alps in the south or west, one feels in the magic of these sub-alpine woods, an irresistible temptation to hasten on to the valleys of the Wienerwald, to rest and linger there in a spot so favoured by nature.

Coming from Budapest or Pressburg (Bratislava), the picture is again different. There the wide river, the broad plain fill eye, ear and senses with their unchanging rhythm. Something of the Puszta melancholy still lingers; when such feelings translate themselves into music they find their expression in Schubert's "Der Tod und das Mädchen", or Beethoven's "Moonlight Sonata".

From the south one enters by the gates of gaiety. To pass by the swimming pools off the high road, to cross the vineyards or walk alongside them, Pfaffstätten and Gumpoldskirchen not far off, to recognise the lime-tree before the doors of the Höldrichs Mill, to catch sight of the cheerful black pines behind the Türkenturm of Petersdorf on the Parapluiberg, to see the bold profile of the Kahlenberg ahead and finally to look for the silver-grey needle of the tower of St. Stephen's—all this induces a mood of light-hearted gaiety. It is a part of the "G'schichten aus dem Wienerwald" ("Tales of the Vienna Forest"), or a bar of the Blue Danube Waltz.

Beethoven's House.

INTRODUCTION

energies will have to be directed to securing by improvis- 433
ation the bare means of existence and survival. Even 727
after the initial period only a gradual progress in reconstruction is to be expected. This book does not intend to deal with the difficult and manifold problems of the 121
immediate post-war emergency measures. It has a wider aim. It proposes, by a critical study of the inter-war period, to outline more generally how Austria, by harnessing all her resources and adapting herself to their best possible use, is able to attain prosperity and to keep pace with a corresponding process of world economy.

Before turning to the development of the inter-war years, however, a few words should perhaps be said about Austria's natural resources and about her economic development before the last war.

NATURAL RESOURCES

Austria, like Switzerland, is a mountainous country, 311
and so the scope for agriculture is naturally limited. Only [133]
28 per cent of the total area is arable land, while another 30 per cent is taken up by permanent meadow and pasture. This compares with 47 and 18 per cent respectively for Czechoslovakia, 68 and 19 per cent for Hungary (a typical agricultural country), while the percentages for Germany[1] are 46 and 17 and for the United Kingdom[2] 24 and 31 respectively. Accordingly, Austria belongs to the industrial and food-importing nations of Europe. Even so, her soil and climatic conditions have favoured the growth of certain special branches of agriculture, such as those connected with milk and milk products and fruit growing.[3] In these fields an export surplus had been achieved by the beginning of the thirties.

"Land not under cultivation" takes up as much as 42 311
per cent of the total. That 42 per cent represents, how- 137

1 [In 1930, i.e. exclusive 5 of the Saar Territory]
2 [Figures for 1937]
3 [Cf. Cat. 11b, p. 12 — Analyst]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

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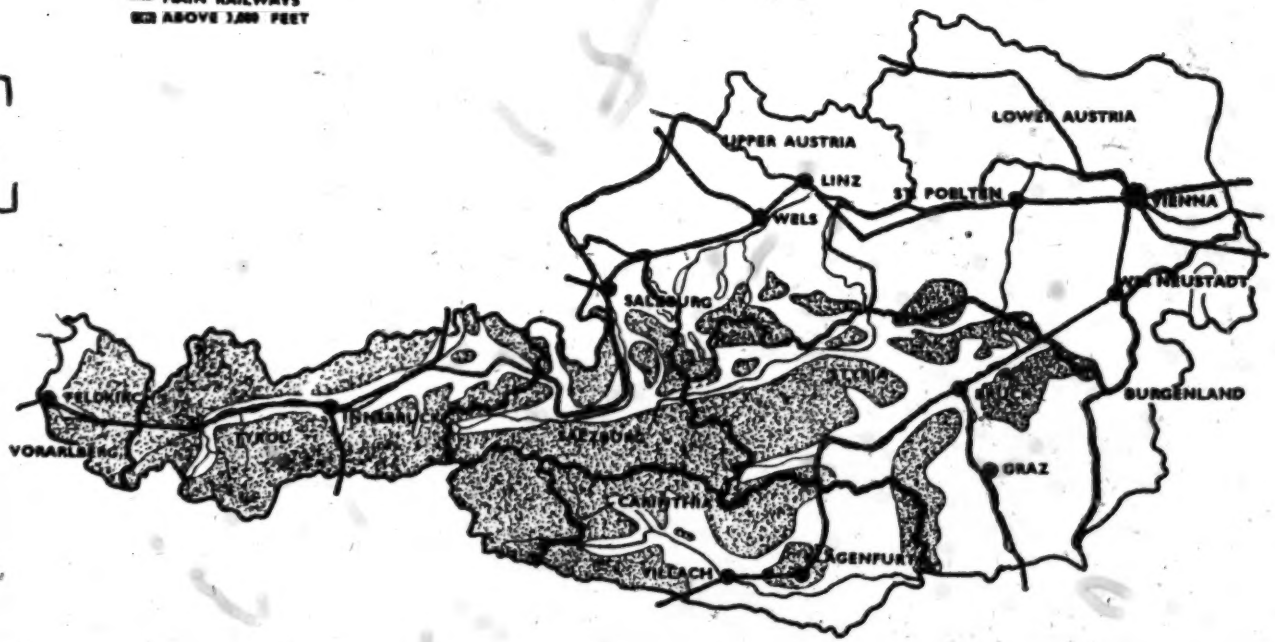

[p. 110]

of peasant labour and civic industry, the wine carriers from Hungary and the lowlands bringing greetings from far-off lands. Occasionally great nobles who broke their journeys had brought the exciting atmosphere of the big world. Like shafts of lightning historical moments lit up this forest-hidden land when the Turks came to trouble even the lonely vicarage on the Pack, or later, when the French marched in via Eibiswald and Preding. After the modest deposits of iron ore had been exhausted, the valuable timber caught the eye of the iron-masters. The streams drove the wheels of the hammers in the scythe workshops. The manor house to which one of the largest, the Tunner-hammer, belonged, still stands today amidst the smoke and noise of the colliery. Ever since Archduke Johann drew up with his own hands the plans for the construction of the railway line from Graz to Köflach in the fifties of the last century, and had them put into effect despite obstinate opposition, West Styria has become more aware of the vigorous life of modern times.

EAST STYRIA. Four main roads give access from the chief town to the rich fruit-bearing country of East Styria. Around this territory winds the River Mur, sweeping southwards from the sharp angle it makes at Bruck, and then eastwards to leave Austria at Radkersburg, forming a living barrier along the boundaries of East Styria.

The white ribbon of the first road runs past Maria Trost, climbing the hill within view of the massive Schöckel, descending to Weiz where it forks, one branch leading to the northern hill country, while the main road runs dead north, right into the heart of Peter Rosegger's "Waldheimat" ("Wooded Homeland"). The second highway is that famous

133 Austrian alpine foothills, to which it by its character belongs. Sandwiched in between, on the upper Pinka, one finds a living witness to Burgenland history in the Magyar enclave of Oberwart.

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135 mines of Tauchen, the antimony and sulphur-stone deposits at Schlaining, the iron ore which was mined even in Celtic-Illyrian times at Eisenzicken

and on the Eisenberg and the pyrite rocks at Redlschlag are instances of the varying types of soil.

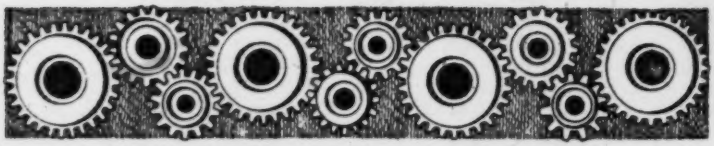
Unique in Central Europe, however, is the asbestos of Rechnitz and the Styrian jade from Bernstein. The green, veined stone is really beautiful. It comes to the workers who have inherited their trade from father to son as uninteresting stone splinters. The final products can be seen at the Vienna fair—unbelievably delicate vessels and translucent vases. The finest examples have gone to all parts of the world. The late King Alfonso of Spain even took some of them with him into exile.

The Burgenland is a country of ancient traditions, legends and memories. The story of the good prince Giletus and his wicked wife is supposed to explain the origin of the Neusiedler Lake. Then there is the legend of the "Wasserstoffel", a creature like a human being which lived in the Neusiedler Lake like a fish and, caught and tamed, emptied a whole sack of frogs, snails and water-snakes on to the banqueting table of his adored young mistress at her marriage, because this seemed to him to be a most delicate dish. The wedding gift was anything but well received, and the poor Wasserstoffel, who had meant it well, fled in despair and was never seen again. The Templar knights, who lost the castle of Lockenhaus through treachery, are said still to haunt it. In one of the most beautiful castles there occasionally appears a "White Lady", gentle and gracious.

The son of Wolfers von Gussing and his grandsons were called Henz, and from these proud lords whose family was one of the most powerful in the Burgenland the inhabitants are supposed to have received the name of Heinzen.

Between Guns and the Carolingian Lutzmannsburg lies the monastery of Marienberg. It was founded in 1194 as a branch of the Austrian Cistercians of Heiligenkreuz, who about this time were granted estates on the shores at the Neusiedler Lake, where the name of Monchhof still recalls their memory.

Frankenau and a number of neighbouring parishes are inhabited by Croats. This race is to be found in many other villages scattered throughout the whole Province. How they got there, we shall see later. First let us visit the basket weavers



439 territories, Austrian producers were forced to adapt their output to these new conditions. This was of course only possible through the painful process of making certain changes in the economic structure.

439 The main bases of Austrian trade, as vital then as now, were:

135 a) the abundance of forests which ensure timber for export as well as for the furniture-making and paper industries.

b) The deposits of iron ore which form the basis of iron and steel production and the iron-working industry.

c) The wealth of water in the alpine districts, constituting an extensive source of power which is being increasingly exported in addition to supplying Austrian industry with current.

d) The recently-discovered inland oil fields (at Zistersdorf).

e) The fashion and luxury-article industry, an export factor of increasing importance.

f) The credit balance of services (tourist trade and transit trade).

433 It is one of the characteristics of industrial-commercial production that Austria, as a result of her comparative lack of capital, should be at a disadvantage whenever it is a question of mass production. But wherever there is a chance for painstaking finishing, special skill or workmanship, as well as good taste and original ideas on the part of the producer to play a rôle, the prospects of success are excellent. It is not only, as is often mistakenly imagined, the fashion and luxury industries to which this applies, but all the many branches of manu-
472 facturing where it is the quality of the work which counts. These factors are strengthened by the prevalence of small concerns in Austria. Factories with up to 100 employees amount to 75 per cent of the total, those with 100 to 1000 employees to a little over 20 per cent, and the factories employing over 1000 persons to only 4·4 per cent.

652 After the stabilisation of the currency, production and export trade showed
433 a favourable increase between the years 1923 and 1929. Production rose during this time by nearly one third. Then followed the general slump, especially
458 serious for Austria on account of her great dependence on export. The development which had begun so hopefully was now brought to a standstill through the external crisis.

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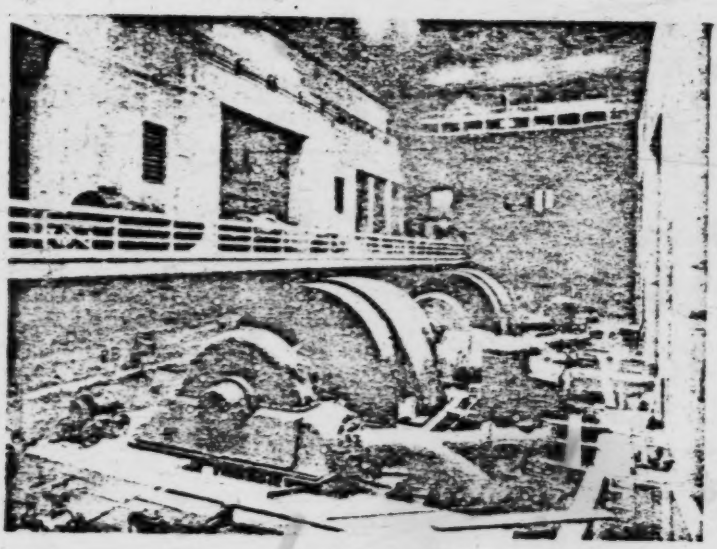

Kaprun Power House.

AUSTRIA'S RICHES—THE "WHITE COAL".

[135]

The power system of the Austro-Hungarian Monarchy was based entirely on rich coal deposits mostly located in Upper Silesia, and later re-inforced by the discovery of great oilfields in Galicia. At the end of the war in 1918, the young Republic saw itself faced with the task of replacing as far as possible the loss of almost all its coal by the available water power. The exploitation of native water power, however, was badly neglected during the First Republic because of shortage of capital; for this neglect a heavy price was to be paid after 1945.

In Western Austria, an important power producing plant—the "Ill Works" in Vorarlberg—was set up, the midway stage being reached between 1925 and 1935. It was used, however, solely to export current to Germany, and the electrification of the Austrian railways which had been begun long before was stopped half-way.

Between 1938 and 1944, the extension of the Austrian water power system was not carried out in the interests of home industry. The works built during this period were designed to supply current from the highest Austrian Alpine regions to Germany, while our own country was supposed to be supplied in winter

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

311 ever, one of the most important natural resources of
137 Austria: her forests. In a Europe greatly deficient in
[313] timber this is a great asset, and wood has, in fact, been one
[439] of the main items on Austria's export list. With an export of 1,236,000 cubic metres of sawn softwood—more than half of the trees are spruce—Austria provided 5·3 per cent of world exports in 1935 and took the sixth place among exporting countries.

• 135 What of Austria's resources in minerals and energy? Here the picture does not differ greatly from that presented by other industrial countries, not counting the almost self-sufficient continents of the Soviet Union and the United States: considerable deposits of certain important materials are accompanied by a more or less complete absence of others.

135 Take the two basic materials of heavy industry: iron
316 ore and coal. Austria is a country with considerable resources of iron ore, 90 per cent of which comes from the famous Erzberg in Styria, where the ore has an iron content of 40 per cent. Production in 1937 was 1,885,000 tons* which—in metal content—represented 0·7 per cent of the world output; about one-sixth of this was exported. Coal, on the other hand, is only to be found in quite insufficient quantities. In 1937, production amounted to only 230,000 tons while 2,657,000 tons had to be imported. On the other hand, lignite is plentiful: an output of 3,244,000 tons required to be supplemented by only 185,000 tons of imports. Some of the lignite deposits are in close proximity to the iron ore deposits in Styria which has greatly contributed to the growth of the iron and steel industries in that district.

There are also considerable deposits of magnesite, lead, copper, graphite, and salt. In 1935, Austria produced 24

* Unless otherwise stated, "tons" always mean metric tons.

INTRODUCTION

per cent of the world's output of magnesite and thus took 135 second place after the Soviet Union. In producing 9 per 316 cent of the world's graphite output, Austria followed close on the Soviet Union, Korea, and Germany.[4] The output of other minerals was less impressive and there were no great export surpluses.

About fifteen years ago, oil was discovered near the 315 little village of Zistersdorf, near Vienna. Production was 135 started in 1932 at the very low level of 100 tons, but it increased quickly until it reached 33,000 tons in 1937, the last year of Austria's independence. Since then the Germans, in their urgent need for oil, greatly increased the output in this district and annual production reached a level of one to two million tons. This quantity greatly exceeds Austria's peace-time requirements of oil.

As against her lack of coal, Austria is in the fortunate 377 position of having a practically unlimited supply of water power. Although this had by no means been fully harnessed, the 1936 production of 2,680 million kW.h.[5] of electricity sufficed to cover more than half the country's energy requirements. A small proportion of this electricity (340 million kW.h.) was exported.

Stretching the meaning of "natural resources" some- 457 what beyond its usual limits, two further assets, of great importance to Austria's economy, may be mentioned at this juncture. These are the geographic position of Austria in the heart of Europe, and the beauty of the Austrian towns and countryside. With regard to the first, Austria and particularly Vienna have, ever since the days of the Roman traders, been important junctions of the main European traffic routes. The Danube Valley, opening a gap between the Alps and the Carpathians, provide an east-west route, linking the Balkans with central and western Europe. At the same time the Brenner

[Cf. p. 12, Cat. 116 — 7 ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

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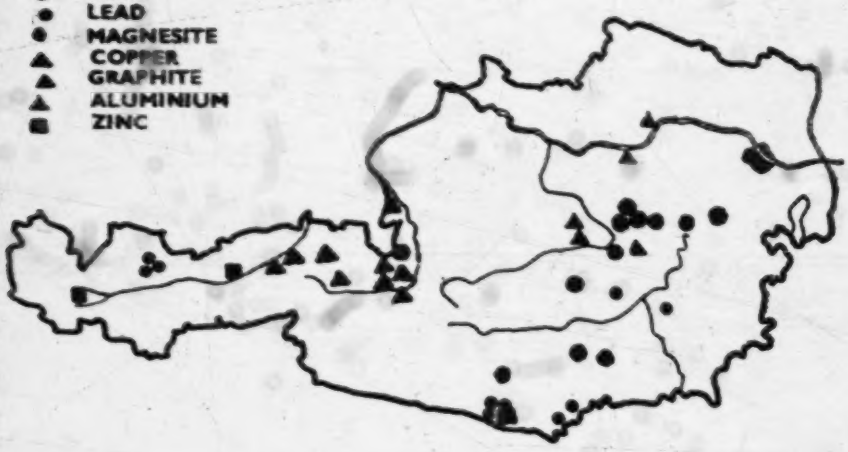
RAW MATERIALS



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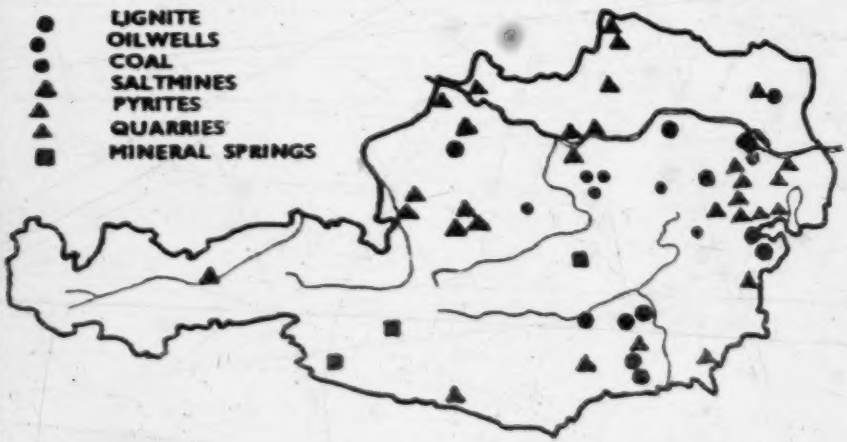

[p 115]

On Sundays she dons her special finery—

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the terrible danger with which it threatened them bit deeply into the minds of the people; in such old customs as the "Schmoderwitz" the memory of this host on.

With the extinction of the Tyrolese branch of the ruling house, Tyrol lost its political eminence in 1665.

At the turn of the seventeenth and eighteenth centuries, after nearly a hundred and fifty years of peace, it became one of the battlefields of the War of the Spanish Succession. At first Prince Eugene was successful in the south of the country, but later it was occupied by the Bavarians. The Tyrolese rising, the merciless battle at the Pontlatz Bridge in the depths of the Upper Inn Valley, and the Battle of Lang below the Brenner Pass, put an end to the "Bavarian Roadies" and showed for the first time the almost unconquerable strength of a mountain people when it allies itself with the powerful natural defences of its native soil.

Peace returned to the Province and once again a great princess left her mark on the capital. Maria Theresia had come to Innsbruck to celebrate the marriage of her son Leopold; a triumphal arch was to commemorate the event. Five weeks later the beloved husband of the Empress died in the Hofburg at Innsbruck. That is come about that, to remind one of the inconstancy of fate, the arch shows on the side through which the bridal pair entered the city, scenes of joy and of life. On the other, which faces the town, are scenes of mourning illustrating the transitory nature of human fortune. To this day it is called the Arch of Triumph. The triumph of life over death, or of death over life?

The Napoleonic Wars brought to Tyrol its heroic epoch which culminated in the year 1809. Its tragedy was that Tyrol was important enough to be overrun, but not of sufficient importance

Andreas Hofer.

a shot-silk apron, and a kerchief over the short laced bodice: from the small hard hat with gold braid and tassels hang long satin or velvet ribbons down her back; in her hair is a silver pin and she wears an old fashioned necklace of garnets. In winter-time she wears in addition a black shawl with long fringes. The children are movingly solemn duplications of their elders.

OF MOUNTAINS, TREES, MOUNTAIN PASTURES AND ANIMALS. Eagle and ibex, chamois and marmot, black-cock and capercailzie are all symbolic of the mountains, as are also almrausch and edelweiss, gentian and auricula, nigritella and artemesia. But as is often the case with symbols, the more frequently they are employed in old coats-of-arms and modern posters, praised in word and song, displayed stuffed, pressed and dried in museums, or grown and cultivated in gardens, the more legendary they become. 136 137

Many of them have long ceased to be representative. The eagle and the ibex have been forced by the greed of man to flee to sheltering heights, the edelweiss and artemesia to withdraw to inaccessible crags. Other alpine fauna are rarely seen by the tourist, since they avoid the times and places of his choice. Equally invisible are the mountain flowers which cannot flee from man. 137

Up in the Leithagebirge, near the village of Winden is the Ludloch, a place where, according to the evidence of human remains discovered there, cave men and cave bears lived in the time of the later Stone Age, i. e. 6,000 or 7,000 years ago. Unfortunately there is no means of the times extent, and it is therefore uncertain whether the cave men ate the bears or the cave bears the men. But as there are considerably fewer bears than men in the Burgenland today, it may be safely assumed that the bears headed the list of table delicacies.

The Burgenland is not unfamiliar with the question of land reform. Should the great estates be preserved as grain producing property or should homes be found for thousands of people in new villages? There are arguments on both sides.

A farm is a book of wisdom. The Burgenland owes its fertility to the hard working hands of its farmers who never neglect their soil, and who meet all their trials with placid good humour.

Although nine-tenths of the Burgenland is devoted to agriculture and forestry, it has over 200 industrial undertakings. There are saw-mills, wood-carving centres, parquet-flooring

gleaming pools lie generally 133
beneath heavy masses of clouds whose great shadows move constantly over the inhabitants, houses and flowers. St. Andrä near Frauenkirchen is the place which has a climate in summer similar to that of the Egyptian Helwan. Here, as on the eastern 245
shores of the Neusiedler Lake, flourish almond trees and other plants usually only to be found in the South. Between the lake corner and the heath district lies a strip of specially favoured countryside, one of the chief Burgenland wine districts, with its centre at Gols and Weiden.

The tourist may now find it hard to make a decision: what should come first? Here beckons wine. Ochre yellow is the earth which produces it. Blue shadows toy with every shade of green, that of the firmly tied vines and that of the serrated, dull-surfaced leaves. Soon the glasses 273
sparkle with Ruländer and Furmint, Welschriesling and Blaufränkisch and other famous vintages.

Above the water a silver heron sails 136
majestically through the air, reminding us that the shores of the Neusiedler Lake are unusually well-stocked by nature with wildfowl. In the reed belt surrounding the lake live the grandest varieties of herons; here you also find nests of the bustard, willow-wren and bearded titmouse—a colony of birds such as can be seen nowhere else in Austria. When a flight

136 of wild ducks settles down here with rustling wings you may be meeting with old acquaintances again from the Wiener Stadtpark. The only difference is that there they allow themselves to be tamely fed by children, strutting like actors in the pay of the Municipality of Vienna, while here they lead a free marauder's life in the nightly-stirring reeds of the Neusiedler Lake.

133 And the centre of all this, the lake. As you will expect, it too possesses strange features. In Austria, country of Alps, it is the only lake which is typical of those found in the steppes. Flat as a pancake, it is so shallow that you can fearlessly wade across it in any direction you choose, with no need to know how to swim, exposed to no other danger than that of inadvertently crossing the Hungarian frontier which runs through it.

On what one might call Western Austria's corresponding lake, Lake Constance, you find proud steamers sailing over the bottomless depths famed in ballads, but on the lake in the Burgenland the reckless sailor must only beware that the wind does not blow away all the water from under his keel. This must not be taken too literally, yet it is a fact that when the wind blows for days in a certain direction the whole water is actually driven together in the extreme corner of the lake. This phenomenon of the bewildering "Windstaue" is only one of the many peculiarities of the lake.

Another strange thing is that nobody knows whence its waters come, for the only tributary is the Wulka, an insignificant little trickle. Four times as much water as the brook contributes is regularly lost from its wide surface by evaporation. Logically, the lake should have vanished long ago. In defiance of all the laws of hydrography, it continues to exist, leaving scientists to puzzle out from what hidden sources it manages to keep going.

Occasionally the lake falls on hard times, and about once in a century it disappears [691] altogether. This provides an occasion for the peasants on its shores to measure its bed painstakingly, and to resume the bickerings about the ownership thereof which had been dropped during the preceding century or even the one before it. About the time that the legal costs of these quarrels have so accumulated that the lawyers begin to be afraid that they will not be able to collect them, the lake quietly rises again, taking possession of its old bed as if it had never chosen to

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Schwaz.

When the townsman takes his holiday, they have often ceased to blossom, or have fallen to the sweep of the scythe. In July and August the mountain is dead, and May and June, when its flowers blossom, is not the time for most tourists. So it should be for those who are only looking for mountain peaks, precipices and ice-fields and to whom flowers are no more than trophies! But anyone who really loves flowers, and is not simply out to collect rare specimens should be less ambitious, and should ascend the gently rounded hills which are despised by the alpinist and labelled cow mountains, cow-pastures, high hillocks or sheep mountains.

Starting out from the valley, he will soon reach terraces on which lie villages and isolated farms. Above these, yet before the hardly penetrable undergrowth of young trees is reached, begins the belt of larch wood, or larch meadows. These trees, the noblest and jolliest of all those whose needles turn yellow and carpet the earth in autumn, and which pur forth indescribably delicate and tender shoots in May, love light and air. They grow in broad coverts, often intermingled with birches, and casting delicate shadows. Sometimes it seems as though it was not the wind which moves their branches, but that it is these softly waving branches themselves which set gentle currents of air in motion when one reverently enters their lofty precincts. Even the ground at their feet is soft and gaily be-decked. In May the gentians blossom here, in June the orchids of countless knightly orders; the columbine nods and the lilies-of-the-valley spread perfume, the field tragopogon turns its yellow wheel, the dark-blue devil's claw threatens.

Kufstein.

Kitzbühel.

How delightful to wander through this park! Behind the intertwined fence, to which the larches have contributed their hard, reddish wood—a silky silver-grey in winter, which withstands the weather and does not rot—begins the steep, thick-set mountain forest and the tiring climb. One hears the ringing blows of the axe, as the felled trees crash down

to be able to effect a decision. Tragedy has accompanied the country up to this very day. Despite the courage of its people it was for the first time split into three parts. This only lent more importance to the heroic stand of the small mountain population against the foreign emperor as an example of a national uprising which was soon to be reflected on a much greater scale. For this reason also the names of Andreas Hofer, Haspinger and Speckbacher, the second battle at Pontlatz Bridge, and the three battles of Berg Isel have become history. The last words of the "Sand Innkeeper" of Passeier before his execution "at Mantua, in chains" rang out like the tolling of a bell to awaken the slumbering consciences of his contemporaries,—"Adieu, thou despicable world". Through his tragic fate and self-sought heroism, Andreas Hofer has become a symbol of the unity and freedom of the Province.

For the same reason the heroic defence of the southern frontier of the Province in the first World War by the "Standschützen" (Tyrolese peasant riflemen) which is for ever linked to the name of Innerhofer, will never be forgotten, all the more so because they were tragically unable to save South Tyrol from its fate. But even the attempt made from Tyrol during March 1938 to offer a last resistance to the threatened occupation of Austria which was condemned to failure will be preserved in the living history of Tyrol as often as the events of 1934 to 1938 are recalled. Over the struggle for South Tyrol, for its right to self-determination and to its national existence since 1918, it is best to be silent here. But whoever has scanned the history of Tyrol, however cursorily, will not be surprised that that lives on in the hearts of its people which history and culture have created in the course of centuries, and which frontiers have now divided.

Carol Singers.

into the runways which go down from mountain to valley. Here is the realm of the huntsman—and the poacher's kingdom.

On the fringe of the tree-clad zone, where the forest begins to dissolve, there are new features. The trees are not at all stunted—indeed, they were more so in the crowded spaces of the wood. Here each one stands alone, perfected in strength, beauty and individuality.

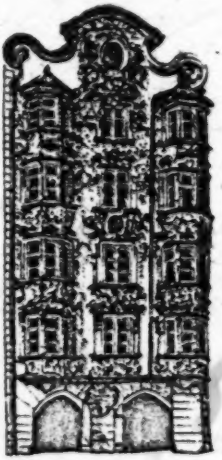
The stone pine, the mightiest of native conifers, first makes its appearance at this height. Its growth is slow and deliberate. After fifty years it is no taller than a man, and the giants have lived through the Napoleonic Wars and even the Peasant Revolts. Unlike the other conifers, every stone pine is an independent individual, broadly spreading or rising to a slender top, sometimes regular,

137 sometimes fantastic in shape. Its needles are double the length of those of the pine tree, of softest blue-green, sometimes black-green, in contrast to the blue-grey of the pine. The cones of the stone pine are the largest of any. If one breaks a twig, a pleasant-scented resin oozes out.

As soft and delicate as is the impression conveyed by the larch, so is that given by the pine dark and sturdy. No fields lie below it, only rocks, the leaves of christmas roses and juniper.

The last of the firs and larches which have thrust their way up into the higher altitudes are of a different type. The larch has become bearded, fissured and gigantic, retaining few of its more delicate charms. The great weight of snow has pressed the branches of the mountain fir close to the trunk and crushed them downwards towards the ground. In winter wild creatures seek refuge from the elements in the warm tents provided by the down-bent branches. What appears in the distance to be the well-formed crown of a single fir-tree is revealed on nearer approach to be the tops of a whole family of trees. Closely grouped around the parent tree, children and children's children have come to maturity in its shadow. They afford mutual protection and shelter and have become to such an extent one single tree-family that when the progenitor in their midst begins to decay, its descendants close the gap until the ancestral tree has recovered itself as the rejuvenated and immortal tree of the species. [342] Only the fir-trees—and of these, only the mountain firs—behave in this way. Larches and pines have no family ties. The lightning which fells one of them, the storm which uproots it, affects that one tree alone.

Anyone who imagines that he is leaving the abundance of the valley for the poverty of the mountain will be surprised when he finds luxuriant virgin forest. But he will lose his astonishment when he discovers that he is treading under foot black, peaty earth more fertile than can be found in any garden. Only where the inimical wind and snow ravage the mountain passes does the realm of the last giants end. Only whatever can live through the winter beneath the snows, and nothing else, can survive here to flourish luxuriantly during the brief summer. Here is the lovely world of alpine flora. One's foot sinks deep into rich carpets. The crocus



Baroque House in Innsbruck.

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forms white or lilac islands and streams in the moist ground. The bloom of the gentian reflects a deeper and softer blue than that of the southern seas. Beneath the blue sky rises the curve of the mountain slope, dotted with yellow auriculas and besprinkled with the lighter blossoms of the anemone.

Clumps of saxifrage scent the air; creeping flax covers the stones; dusky red primulas edge the dark clefts in the rocks. Where the snows melt, leaving the ground bare of other vegetation, nod the delicately fringed bells of the soldanellas. Here on this hill the pastel shades of the bluish globularia mingle with those of the white primula and pale yellow auricula. In the depression where the little stream tinkles and twists, heavy yellow buttercups and marsh-mallows raise their shining heads out of the vivid blue of forget-me-nots. On the Sonnberg grow nigritellas, scented and chocolate-coloured. Many other herbs and flowers are to be found here whose names amidst this riot of colour slip the memory of the wanderer, though he recognizes and constantly re-discovers them.

Well may one be bewildered by the magic of contrast—the burning sun alternating with the cool shadows cast by the clouds by the tonic air, or by the snow caps in the background against which a cow shed, a tree, a cluster of alpine roses or a carpet of flowers stands out clearly.

Even in March, when the remaining snow still sparkles with great crystals like glowing diamonds, the sun rises victorious, while from the roofs of the cattle sheds the melting snow and ice drip to the ground and the stored-up hay gives forth a summer fragrance as it awaits transport by sledge to the valley, these regions remain a realm of brilliant colouring, of soft footpaths where movement calls for no effort.

Street in Innsbruck.

Everything above the level of these alpine pastures is exposed to the fury of the elements. Only a few sheltered spots remain islands of life. Sheep graze as far up as these. These heights mark the limit of all forms of life. Yet is there not life in the rock which stretches itself and in the glacier which cuts and scours it, crushing and moulding it afresh? Here summer and winter have not yet been divorced. Is that the roaring of a torrent, or of a distant wind? The rain turns to snow and

133 *frontiers of the Province proving an insurmountable barrier. In 1918 South Serbia laid claim to Carinthian territory and foreign troops soon invaded a country which had collapsed after four years of war. But the Carinthians stood firm in loyalty to the Motherland, and the Province emerged intact from the defensive battles of the year 1919 and the plebiscite of 1920. The inflexible patriotism of its people had triumphed. History repeated itself after the second World War in which Austria was involved. The old saying "Carinthia* [629] *free and undivided" will be bequeathed by the present sorely-tried generation to its sons, as an inheritance which is part of the very existence of the Province.*

WHAT THE PEOPLE ARE LIKE

Anthropologically there are two main races clearly traceable in Carinthia: a blond, tall, long-skulled type and a [532] *dark, tall, long-faced but short-skulled type. Both types are about equally prevalent. The eastern type of man, smaller, with a broader skull and darker skin, is less frequently met with. Here and there in many places there are isolated traces of a Mongol race, revealed by the characteristically wrinkled eyelid and the position of the* [496] *eye. It is typical of Carinthia that none of these traits indicates a national division. They result from centuries of constant racial intermingling, being found quite as frequently among the German-speaking as among the Slovene inhabitants of the Province. It seems that the original Celtic peasant inhabitants gradually mixed with Germanic, Slovonic and other elements which penetrated the Province as the result of colonisation, wars and the expeditions* [137] *of merchant caravans.*

Living in this area marked out by its natural boundaries, these peoples, aided by the effects of common conditions of life and progressive intermarriage, gradually developed into that Austrian-

lies the picturesque Weissensee, the only alpine lake which can boast of a bridge. The Gailberg offers a way over this mountain range connecting the towns of Kötschach and Oberdrauburg. A second road leads over the Kreuzberg between Hermagor in the Gail Valley and Greifenburg in the Drau Valley. Where the two broad river valleys meet lies Villach, on the extensive mountain plateau of the Dobratsch which has been given the name of "Carinthian Rigi" on account of the wonderful view from it. The acrothermal baths and the valuable metals won from the Bleiberger Erzberge are some compensation for the devastation caused by landslides in the dawn of history on the south side of the Dobratsch. The wierd scenery must be in part the reason why a famous colony of painters has settled in these parts, in the village of Nötsch. Among them are such well-known artists as Franz Wiegele, Arnold Clemenschitsch, Kolig senior and Herbert Boeckl, as well as Anton Mahringer and Raimund Kalcher.

Only south of the Gail Valley and of the lower reaches of the Drau is the wild character of the frontier mountains fully apparent. The wall of the Carinthian-Julian Alps stretches from Tyrol to the Gailitz Gorge through which passes the railway-line to Italy. In the Monte Coglians it attains a height of 9000 feet. It has a single negotiable pass—a military road even in Roman times—at Plöcken. The crests of the ranges tower upwards in pyramids or sheer walls of rock in a bewildering variety of forms, differing according to their height and the type of stone. Dense beech woods alternate with open fields, the meadows of the Gartnerkofel reflect the majestic violet blossoms of the Wulfenia. The Wolayersee reflects an impressive view of the surrounding country.

of peasant labour and civic industry, the wine carriers from Hungary and the lowlands bringing greetings from far-off lands. Occasionally great nobles who broke their journeys had brought the exciting atmosphere of the big world. Like shafts of lightning historical moments lit up this forest-hidden land when the Turks came to trouble even the lonely vicarage on the Pack, or later, when the French marched in via Eibiswald and Preßing. After the modest deposits of iron ore had been exhausted, the valuable timber caught the eye of the iron-masters. The streams drove the wheels of the hammers in the scythe workshops. The manor house to which one of the largest, the Tunner-hammer, belonged, still stands today amidst the smoke and noise of the colliery. Ever since Archduke Johann drew up with his own hands the plans for the construction of the railway line from Graz to Köflach in the fifties of the last century, and had them put into effect despite obstinate opposition, West Styria has become more aware of the vigorous life of modern times.

EAST STYRIA. Four main roads give access from the chief town to the rich fruit-bearing country of East Styria. Around this territory winds the River Mur, sweeping southwards from the sharp angle it makes at Bruck, and then eastwards to leave Austria at Radkersburg, forming a living barrier along the boundaries of East Styria.

The white ribbon of the first road runs past Maria Trost, climbing the hill within view of the massive Schöckel, descending to Weiz where it forks, one branch leading to the northern hill country, while the main road runs dead north, right into the heart of Peter Rosegger's "Waldheimat" ("Wooded Homeland"). The second highway is that famous

133 *musical notes enlivening the warm nights and sun-drenched, dreamy days. The more abundantly the vines have blossomed, the sweeter the ripening grapes,*
[137] *the more wind rattles are set up to protect the cherished fruit. In their thousands they are supposed to scare away the bold thrushes and starlings.*
346 792 *Although when they sound loudly a cloud of scared birds rises into the sky, they soon settle again among the sweet grapes. The wind-rattles really contribute more to the atmosphere of this part of the country than to the effective protection of the wine. Visitors as well as natives adore them; you quickly learn to distinguish the notes of one from another. On stormy nights of hail and thunder, it is as if they were calling in alarm to the ruler of the clouds.*

Styrian attributes:
Dour but galant the Ennstaler,
Charming the Ausser girl,
Thoughtful and grave the Murbodner.
Solemn, good trencherman the East Styrian,
Easily roused the Grazer,
Soft of heart the Lower Styrian.
And all tough and courageous in the cause of the Motherland.

up or dug out to form ditches and pits; between them stand the narrow sheds containing slabs of dried peat. The valley extends as a wilderness filled with the humming of a myriad insects busy above the red carpet of wild mustard out of which rise blackberry brambles and the white trunks of young birches. The Kulm, a tree-clad hill on the pale summit of which stands the pilgrimage church of Frauenberg, rises steeply from the banks of the Enns. With two towers and light coloured walls the old shrine reflects the light of the surrounding mountain peaks, which look like a festive garland supporting the blue of the heavens. For half a century the abbots of Admont have cherished this church of Our Gracious Lady with artistic and more than loving generosity. In the "Turkish Year" (1683) the church was invested with its baroque pomp as a worthy framework for the old shrine, to which Johann Thaddäus Stammel later added a glorious wreath in the shape of a delightful choir of angels.

A narrow avenue of chestnut trees leads to a Calvary Mount on the fringe of the mountains. The group around the Cross rises above a weather-beaten wall. It is the work of peasant hands and has an impressive solemnity seen against the background of the distant mountains. In the valley below the Enns emerges, a green and glittering torrent, to flow through meadows and alder bushes to Admont.

The two slender towers of the Abbey which are seen by the tourist from a long way off, were only built after the great fire of 1865, but the surrounding settlement and the foundation of the monastery date back to the earliest history of the Province.
[103] Latest research claims to have established that the name Admont is of Illyrian origin, and that the "region of plentiful water" which this name suggests in Illyrian had therefore long been inhabited by human beings—by fishermen, woodsmen and hunters—when monks from St. Peter in Salzburg came, in 1047, to the monastery. It had been built by Archbishop Eberhard with money given by St. Hemma of Gurk, there to found what became one of the most prosperous and best known cultural centres of the Province. Worship and science, art, agriculture

plains and towns. Dark are the woods around Weitra, Harmannschlag and Karlstift on the Bohemian-Austrian frontier; the countryside lies high with its heavy, dark earth. Zwettl, the town and the venerable monastery, are surrounded by vast forests. Above Ottenschlag and Martinsberg the Waldviertel closes in on the Danube, broken delightfully by the descending valleys of the Isper and the Weitenbach. Those wishing to proceed from Gmünd, the frontier station, or from Allentsteig or Waidhofen to the Danube, prefer the road through Gföhl, passing Senftenberg on the way down to Krems. Above on the Bohemian frontier, and also in the Thaya Valley, stand fortresses and castles: Heidenreichstein, Karlstein, Raabs and Riegersburg.

The ploughed fields gain more and more on the forests, the vines creeping up the sunny slopes. Near Horn the countryside opens out attractively. Here there is a plentiful choice of routes—uphill to Drosendorf and Retz, downhill through the Kamptal to Langenlois and the spacious Tullnerfeld, or straight across country to Eggenburg and Hollabrunn, or by a sharp turn through the Mainauer forest and mountain towards Stockerau and Kornneuburg.

So with a wide detour one arrives at the quarter lying below the Manhartsberg. Corn and wheat gradually replace forest and vineyards, increasingly so towards the March. Laa-on-the-Thaya, Poysdorf and Mistelbach lie on the way to the oil district of Zistersdorf. To the south the fertile corn-growing lands link up—Gänserndorf, Wolkersdorf, Deutsch-Wagram, Gross-Enzersdorf, Marchegg and Orth.

Around the hub of the Danube, the Alpine forelands penetrate deeply into Lower Austrian territory in the

Lilienfeld, Porch of the Monastery.

to be dragged unconscious from the cellar, overcome by the fumes of the wine. 274

In the vineyards you see men's jackets and hats amidst the vines, appearing and disappearing, for their job calls for bent backs most of the time. The day may be fine and sunny, here and there a grape picker full of fun and the harvest a bumper one—still, there is no romance about their task. All day long they shuffle with bowed shoulders from vine to vine, of which there may be easily a thousand in one vineyard, one vine alone often bearing a dozen bunches of grapes. Even the wine-grower's wife, despite the watchful eye she keeps on yield and profit, may straighten her shoulders with a groan among the tangled masses of heavily-laden vines to look out over the vineyard and exclaim: "God Almighty, will it never end?" 245

BEAUTIFUL IS WINTER AMONG THE VINEYARDS. One sees a blending of golden earth, immaculate snow and the red thorns of blue-grey acacia trunks. 137

INTRODUCTION

energies will have to be directed to securing by improvisation the bare means of existence and survival. Even after the initial period only a gradual progress in reconstruction is to be expected. This book does not intend to deal with the difficult and manifold problems of the immediate post-war emergency measures. It has a wider aim. It proposes, by a critical study of the inter-war period, to outline more generally how Austria, by harnessing all her resources and adapting herself to their best possible use, is able to attain prosperity and to keep pace with a corresponding process of world economy.

Before turning to the development of the inter-war years, however, a few words should perhaps be said about Austria's natural resources and about her economic development before the last war.

NATURAL RESOURCES

Austria, like Switzerland, is a mountainous country, and so the scope for agriculture is naturally limited. Only 28 per cent of the total area is arable land, while another 30 per cent is taken up by permanent meadow and pasture. This compares with 47 and 18 per cent respectively for Czechoslovakia, 68 and 19 per cent for Hungary (a typical agricultural country), while the percentages for Germany[1] are 46 and 17 and for the United Kingdom[2] 24 and 31 respectively. Accordingly, Austria belongs to the industrial and food-importing nations of Europe. Even so, her soil and climatic conditions have favoured the growth of certain special branches of agriculture, such as those connected with milk and milk products and fruit growing.[3] In these fields an export surplus had been achieved by the beginning of the thirties.

"Land not under cultivation" takes up as much as 42 per cent of the total. That 42 per cent represents, how-

1 [In 1930, i.e. exclusive of the Saar Territory]
2 [Figures for 1937]
3 [Cf. Cat. 11b, p. 12 — Analyst]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

311 ever, one of the most important natural resources of
137 Austria: her forests. In a Europe greatly deficient in
[313] timber this is a great asset, and wood has, in fact, been one
[439] of the main items on Austria's export list. With an export of 1,236,000 cubic metres of sawn softwood—more than half of the trees are spruce—Austria provided 5·3 per cent of world exports in 1935 and took the sixth place among exporting countries.

135 What of Austria's resources in minerals and energy? Here the picture does not differ greatly from that presented by other industrial countries, not counting the almost self-sufficient continents of the Soviet Union and the United States: considerable deposits of certain important materials are accompanied by a more or less complete absence of others.

135 Take the two basic materials of heavy industry: iron
316 ore and coal. Austria is a country with considerable resources of iron ore, 90 per cent of which comes from the famous Erzberg in Styria, where the ore has an iron content of 40 per cent. Production in 1937 was 1,885,000 tons* which—in metal content—represented 0·7 per cent of the world output; about one-sixth of this was exported. Coal, on the other hand, is only to be found in quite insufficient quantities. In 1937, production amounted to only 230,000 tons while 2,657,000 tons had to be imported. On the other hand, lignite is plentiful: an output of 3,244,000 tons required to be supplemented by only 185,000 tons of imports. Some of the lignite deposits are in close proximity to the iron ore deposits in Styria which has greatly contributed to the growth of the iron and steel industries in that district.

There are also considerable deposits of magnesite, lead, copper, graphite, and salt. In 1935, Austria produced 24

* Unless otherwise stated, "tons" always mean metric tons.

A PAGE OF HISTORY

Meinhart the Second (of Görz) who was Meinhart the First of Tyrol, the man who formed the Province into a political unit in the thirteenth century, giving it the name of his castle near Meran, Schloss Tirol, is little remembered today. His wife, Elizabeth, on the other hand, still lives in the memory of the people. The widow of the Emperor Conrad the Fourth and mother of Conradin, she gave Tyrol the impressive background of the Staufer Empire. She set up a permanent memorial to her unhappy son in the Monastery of Stams. Meinhart, through the marriage of his daughter with the son of the Emperor Rudolf I, established the first connection with the House of Hapsburg.

Popular interest concentrates much more on the stirring story of Meinhart's grandchild Margaretha Maultasch ("Pocket-Mouthed Meg"), who drove out her first husband to marry her own cousin. She was excommunicated by the Church on the grounds that this marriage involved a double sin. It was long years before the ban was lifted. She survived her second husband and only son; in 1363 she made over "the land on the Etsch and the Inn Valley with Schloss Tirol and all else appertaining thereto" to Rudolf the Bankner. Fourteen gentlemen of Tyrol put their seals to the deed in the name of all inhabitants of the Duchy, of the "clergy and laymen, nobles and commoners, whether living in the towns or in the country". With this impressive voluntary deed Tyrol began its life in the federation of Austrian Provinces. It soon found an opportunity to prove its loyalty.

Friedl with the Empty Pocket, popular despite his outlawry and excommunication, confirmed the freedom of the Province at the Diet of Meran in 1423, when for the first time burghers

of the ice world of the Ötztal may enjoy eternal spring the same evening 9000 feet below amid vines and chestnut trees. The modern mountain railways make the contrast even more unbelievable.

132

THE TYROLESE. You will find among the people of Tyrol as many contrasts as those which characterise its landscape. To Tyrol the Bavarians came from the north and north-east, from the west and north-west the Allemanians, and from the south, Latin races infiltrated. The remnants of an aboriginal population whose source is obscure sought refuge from the invaders among the crags and crannies of the mountains where their descendants are to be found to this day. Throughout the length and breadth of the country you will come across curious names of village and pasture which recall these various races. Tyrol, which resembles Switzerland in this respect, managed to weld these various tribes—and later the people of German, Italian and Ladinian race—together, to live peacefully in a small area. Today these elements have overcome the limitations of nationalism and feel themselves to be above all Tyrolese. Once again the forces making for unity proved stronger than those tending towards separation, and the passes, as the word implies, have become links, not barriers.

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In Tyrol, inhabitants, dialect, costume, methods of building houses and of agriculture

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Egger-Lienz: Dance of Death.

differ from valley to valley and often from village to village. Strong, blond giants are to be found side by side with dark-haired, slender, agile men. In a few disproportionately-built men and women lives on the race of the giants of legend.

As the peasant, so his cattle. In the valley of the Lower Inn the cattle are heavily built and piebald; in the Upper Inn Valley there is a lightly built, grey type, rich in milk, growing in grace and agility as the pasturage becomes more scanty and difficult of access. In the mountain villages and remote enclaves there still survive many individual specimens of breeds which are otherwise becoming extinct.

342 The inhabitant of the valley of the Upper Inn builds his house of stone, he of
592 Lower of wood. The one keeps house and farm undivided, the other divides up
184 the farm and even the house, so that not only may several families live under one roof, but in the four corners of a large kitchen there are sometimes four ranges, each belonging to a different person who is expected to keep within the imaginary lines which mark out his own share of the floor. The Lower Inn rings with laughter and song and no one is ashamed of an illegitimate child. The inhabitant of the Upper Inn is reserved and sparing of speech; with him, the smouldering of no less violent passions is not easily to be detected.

197 There are many varieties of dialect. The people of the Ötztal call "Ferner"
184 what those of the Zillertal name "Kees" and which are called "Gletscher" —glaciers—only by the town-dwellers. The drawling and slurred vowel sounds, the clipped nasal consonants of the mountain dwellers, recall the speech of Latin races. The accent of the lowlander, in contrast, is graceful and often almost affected. In the broad valleys branching off from the main Inn Valley the inhabitants of the inner and outer valleys have little in common. In the Gschnitztal, for instance, Trins is a Romanish settlement, whereas Gschnitz at the foot of the valley is of German
609 origin. One consequence of all this is that anyone who moves from his own parish, even if only to a neighbouring one, is regarded all his lifetime as an "immigrant".

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

[R81]

VI

UNRRA and Foreign Relief

THE most urgent economic problem in Austria after the War was the lack of food. It was a problem that could not be dealt with adequately by the first-aid measures that have been described. The assistance given by the occupying Powers in the summer and autumn of 1945 led to a temporary rise in the ration scale, but in the spring of the following year the situation deteriorated. The normal consumer's ration was reduced during March to a theoretical level of 1,200 calories a day. In Vienna during May it amounted in practice to only 950 calories; 'too many to cause death and too few to sustain life', as one member of Parliament put it.

146 434 511

In October 1946 the Federal Chancellor stated in Parliament that Austria had the lowest rations of any country in Europe. According to the official history of UNRRA, Austria had a lower calorie level than any other country in receipt of UNRRA aid. What strained the patience of the Austrian people most severely was an announcement by the occupying Powers in Germany of a higher ration for the ex-enemy country. When this news was made known, food riots broke out in Vienna, and popular indignation was so strong that in November the Austrian Government announced a similar ration of 1,550 calories for Austria. It did so without the approval of the Allied Council and without consultation with UNRRA. There was therefore no guarantee that the necessary supplies would be forthcoming. But the combined efforts of UNRRA and the Governments of the United States and the United Kingdom were equal to the challenge.

The effects of the low calories scale were made worse by the nature of the rations available. They were particularly deficient in fat, animal protein, calcium, and certain vitamins. For two

[Cf. category 116, p.20 — Analyst]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

146 434 511 to three months during 1945 in Vienna milk could only be provided for infants in arms and the seriously ill. It was only by gradual and progressive stages that the supply could be organized for children between one and twelve years of age. At the worst period only about 5,000 litres a day were being distributed in the capital, whereas the normal daily consumption in 1952 was approximately 700,000 litres.

[165] The infant mortality and tuberculosis rates in Vienna show the results of under-nourishment. For every thousand live births the mortality rate amongst infants was 191 in 1945, as opposed to 53 in 1938. New cases of tuberculosis numbered 2·87 a thousand in 1946 compared with 1·11 in 1940. The tuberculosis death-rate for the first half of 1946 was nearly double the pre-War figures and about three times as high as in Britain.

The food situation naturally varied a great deal between the country and the towns. In most parts of Austria there was little real shortage on the land, and the consumption of those engaged in food production probably averaged about 3,000 calories a day. In the small country towns, from which access to the farms was easy, official rations could usually be supplemented. It was in the large towns, above all in Vienna, that the position was very serious.

The emergency was aggravated and prolonged by the requirements of the refugees and displaced persons. The return of hundreds of thousands of Austrian prisoners of war during 1945 and 1946 also increased the scale of the problem.

434 511 One of the worst features of the whole situation in Vienna was the acute shortage of fuel that accompanied the meagre rations. Gas and electricity were severely rationed, and the supply of both was unreliable and limited to a few hours a day. Fuel of all kinds, whether coal, coke, wood, or oil, for the average person was almost unobtainable. The official ration of coal per household during the winter of 1947–8 was 300 kilograms, and even this quite inadequate amount could not be 511 delivered in full. Yet a great many rooms in the city had broken windows, and glass was in very short supply and

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

were a pre-condition for the purchase of food from abroad, 433
and undernourishment stood in the way of industrial recovery. 439

The food problem remained serious for at least three years. 433
In 1947 it was often found impossible to honour the inadequate 146
basic ration scales of 1,500 to 1,600 calories, and medical inspections established that nearly 50 per cent of Viennese school children were under-nourished. Until 1948, when Austria had its first good post-War harvest, the population as a whole remained noticeably under-fed. By then most people's savings had already been spent and their mental and physical powers of resistance had been seriously weakened.

In spite of this melancholy story, great efforts were made to deal with the situation. Had this not been the case, the prolonged deprivation and distress of the Austrian people would have ended inevitably in political disaster.

In the autumn of 1945 it was decided to invite the United 648
Nations Relief and Rehabilitation Administration to organize 657
a supply programme for Austria. The way had been prepared in August, when the UNRRA Council had decided that as Austria was a liberated country there was nothing to prevent relief and rehabilitation operations being undertaken there, provided the occupying Powers approved. At the time, however, the necessary funds were not available. In November the immediate initiation of an UNRRA programme was urged, particularly by the United Kingdom, and before the end of the month an UNRRA Working Party had arrived in Vienna to obtain preliminary information regarding requirements. In December UNRRA headquarters, following a request from the Allied Council, authorized negotiations for an agreement with the Austrian Government, subject to the Council's approval. Brigadier R. H. R. Parminter, who had been serving since September as chief of the UNRRA Displaced Persons Operations in Austria, took over the duties of Chief of Mission on the 1st of January 1946 and conducted the negotiations. An UNRRA Bureau was set up in the Austrian Federal Chancellery early in the New Year to co-ordinate the transport, administration, and distribution of UNRRA supplies. On the

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

was raised successively to 1,600 and 1,700 calories a day. In June 1948 it went up to 1,800, and the following September to 2,100. Between December 1947 and December 1948 black-market food prices fell from 64 per cent to 15 per cent of the figures for January 1946. This meant that it was at last reasonable to devote a smaller proportion of foreign aid to foodstuffs and a greater amount to economic rehabilitation. Of the £8,500,000 provided by Britain, less than £1,500,000 was spent on food, about the same amount on agriculture, £2 million on coal, and over £3 million on the most urgent industrial needs. Of the American Congress aid allocated for the first half of 1948 just under 60 per cent was devoted to food and just under 40 per cent to agriculture and coal, which was of such vital importance to industry.

The administrative responsibilities of the British and Americans in Austria made them highly sensitive to the country's needs. In spite of the obvious drawbacks of the occupation, there were certain advantages for Austria during the first precarious post-War years in the presence of the Western Allies on her territory. Without them the process of rebuilding the administration and economy after the collapse of the Nazi system would almost certainly have been accompanied by even more acute material shortages than those that were actually experienced.

Though the Austrian basic ration did not rise above 1,600 calories a day until November 1947, the minimum physiological needs of the normal consumer have been estimated at 2,160 calories. It might have been expected, therefore, that the results of so long a period of under-nourishment after the strain of the War would have been far worse than they actually were. One reason why they were not has already been mentioned: a large number of people resorted to the black market. But there were two other explanations.

During 1947 there were approximately 5 million Austrians in the rationed, as opposed to the self-supplying, category. Of these only about 2 million were normal consumers in receipt of basic rations. All the rest, either as employees, workers,

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

146 434 heavy workers, children, or nursing and expectant mothers, were entitled to additional or special rations. Children had less calories, but received a special allocation of milk. In the case of employees the addition was small, but for workers of all categories and for nursing and expectant mothers it was considerable, though the minimum requirements were correspondingly greater.

648 The second explanation was the widespread and well-organized relief work undertaken by a large number of foreign organizations, mostly on a private and voluntary basis.

Of the countries that had themselves been engaged in the War, the United States and Britain took the lead in providing voluntary relief for Austria. By the beginning of 1947 a group of British societies, pooling their resources and working with the British Red Cross, had, together with the Irish Red Cross, delivered over 5,000 tons of food, 400 tons of medical supplies, and forty tons of clothing to Austria. During the summer of 1946 the British Forces in Austria organized a highly successful Searchlight Tattoo, the proceeds of which, amounting to 400,000 Austrian schillings, were handed over to the mayor of Vienna for the benefit of the children of the city. By the beginning of 1947 various American charitable organizations had delivered to Austria over 9,500 tons of food and 320 tons of clothing. A large-scale relief scheme had been organized, known as the Co-operative American Remittances to Europe, which was happily abbreviated to the word CARE. Throughout the post-War years the arrival of large food parcels, known as CARE packets, was a cause of much happiness and gratitude amongst a great many individuals and institutions in Austria. The Quakers of both countries, in addition to distributing food and clothing, made a special contribution by organizing holiday homes for young people.

Of the neutral countries, Switzerland and the Scandinavian nations made the outstanding contributions.

The first help from Switzerland arrived in the Tyrol and the Vorarlberg as early as May 1945, and by November provisions and medical supplies had begun to reach Vienna. During the

8: van Hoek EK1 Austria EK1
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[For biographic data on Chancellor Julius Raab, see category 116, entire source.]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

311

LAND UTILIZATION

INDUSTRY
AGRICULTURE
PASTURE AND FOREST

161

DENSITY OF POPULATION

OVER 200 PER SQUARE KILOMETRE
100-200
50-100
UNDER 50

[p. 111]

642 On December 3, 1945, a committee of the political parties entrusted Secretary of State Figl with the formation of a government, which the Allied Commission approved on December 18, 1945. On December 20, 1945, a session of the Federal Assembly (Nationalrat and Bundesrat) with a vote of 204 out of 205 elected Dr. Karl Renner to the presidency. He accepted the office for the term of six years.

642 642 The new federal government as well as the presidency were recognized by notes of the various powers although these notes showed deviations in texts. Thus the first phase of the constitutional reestablishment of the Second Austrian Republic was concluded. The federal government could proceed with the task of solving the most important economic problems.

2. The Situation after the Cessation of Hostilities and the First Economic Reorganization Measures, 1945-1947.

727 The reestablished Second Austrian Republic faced a great economic task. The losses and damages from the war destroyed almost a quarter of the total national capital which had amounted to about 38 billion schillings.

[362] In Vienna alone, 37,000 apartments were completely destroyed and 50,000 partly destroyed, while 25,000 were less severely damaged. Aside from extensive destruction of raw materials was the loss of machinery through dismantlements, especially in the eastern part of the country after 1945, which caused deficiencies in extremely valuable production material amounting to at least 1.2 billion RM (at prices fixed as of 1940). Plants of the electric, vehicle, machine, iron and metal industries, and steel mills lost more than 46,000 machines. This meant that in some instances, the combined loss of the war and postwar period amounted to 80 percent of the [433] machines and equipment. These deficiencies were all the more burdensome since the destruction and the removal of the production means led unavoidably to severe disturbances in the general economic scheme.

[162] Austria also suffered substantial losses in human lives. Out of a population of 7,000,000, the number of dead or missing totalled 350,000 and the wounded 170,000. These losses were mainly from the ranks of the able-bodied age groups (13 percent).

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and on the Eisenberg and the pyrite rocks at Redlschlag are instances of the varying types of soil.

Unique in Central Europe, however, is the asbestos of Rechnitz and the Styrian jade from Bernstein. The green, veined stone is really beautiful. It comes to the workers who have inherited their trade from father to son as uninteresting stone splinters. The final products can be seen at the Vienna fair—unbelievably delicate vessels and translucent vases. The finest examples have gone to all parts of the world. The late King Alfonso of Spain even took some of them with him into exile.

306

The Burgenland is a country of ancient traditions, legends and memories. The story of the good prince Giletus and his wicked wife is supposed to explain the origin of the Neusiedler Lake. Then there is the legend of the "Wasserstoffel", a creature like a human being which lived in the Neusiedler Lake like a fish and, caught and tamed, emptied a whole sack of frogs, snails and water-snakes on to the banqueting table of his adored young mistress at her marriage, because this seemed to him to be a most delicate dish. The wedding gift was anything but well received, and the poor Wasserstoffel, who had meant it well, fled in despair and was never seen again. The Templar knights, who lost the castle of Lockenhaus through treachery, are said still to haunt it. In one of the most beautiful castles there occasionally appears a "White Lady", gentle and gracious.

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The son of Wolfers von Güssing and his grandsons were called Henz, and from these proud lords whose family was one of the most powerful in the Burgenland the inhabitants are supposed to have received the name of Heinzen.

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Between Güns and the Carolingian Lutzmannsburg lies the monastery of Marienberg. It was founded in 1194 as a branch of the Austrian Cistercians of Heiligenkreuz, who about this time were granted estates on the shores at the Neusiedler Lake, where the name of Monchhof still recalls their memory.

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Frankenau and a number of neighbouring parishes are inhabited by Croats. This race is to be found in many other villages scattered throughout the whole Province. How they got there, we shall see later. First let us visit the basket weavers

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285 First let us visit the basket weavers
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Basket-Weaver.

of the beautiful Rabnitz Valley and the potters of Stoob where the ancient craft of pottery is still carried on by hand. Then let us cross to Raiding. Here the small house is still standing where a great man in the world of music first saw the light of day—Franz Liszt. He was triumphant the world over, from Russia to France and England. Everywhere the smiles of lovely women welcomed him but more and more he was affected by that melancholy which is reflected in the verses of Lenau. The latter had connections with the Burgenland through his mother; his lyrics won as many friends for the land of the *Puszta* as did the Hungarian rhapsodies of Liszt.

131 Past Ritzing, where the surface belongs to the Burgenland but the coal below it to Hungary, because the tunnels of Brennberg, near Ödenburg, burrow below the frontier, our way leads us to Sieggraben. This is the home of the Semmelweis family, whose most famous son brought salvation from the scourge of puerperal fever to the child-bearing mothers of all times. From here the road climbs to the summit of the Rosaliengebirge, where a view opens towards the east across the Wulka Plain, taking in Ödenburg and the Neusiedler Lake and westwards, the Bucklige Welt, Wiener Neustadt and the Leitha.

On the Leitha also lies the battlefield of 1246. Friedrich the Quarrelsome, last of the Babenbergs, made the territory which had formerly belonged to the Mark of the Carolingians the subject of his first demands.

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Village Drummer.

The Burgenland was long contested. Not for nothing do the many churches in its pleasant villages stand on commanding heights, surrounded by walls which give them the appearance of fortresses, and not for nothing were the many castles and fortified towers set up.

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The days of the Turkish invasions brought poverty and desolation to the land, but at the same time a new population which was fleeing from the Turks and found a new home in the Burgenland—the Croats. From Kroboteck in the district of Jennersdorf through Stinatz, Punkitz, Podgoria and Kroatisch-Minihof there

Village Street.

are many village names of Croat origin. These Croats not only repopulated the devastated areas but also cleared the forests to build new settlements. The "Displaced Persons" of the Turkish Wars have become an indispensable part of the Burgenland population.

They are called "Wasserkroaten". It is uncertain as whether this refers to their having come from the coasts of Dalmatia, or whether "Wosser Kroaten" points to their having come from the province of Wossen, i. e. Bosnia.

The soil of the Burgenland is not capable of feeding all its children, so that thousands of its inhabitants become bricklayers who work for the whole week in other parts of Austria during the season, to return on Saturdays to their native villages. Their busy hands have helped to create the splendid buildings on the Ringstrasse. In the plaster and stucco decorations of these are concealed the reeds of the Neusiedler Lake. The Votivkirche, in Vienna, is built of stone from the quarries of St. Margarethen, between Eisenstadt and the lake. The Italians who were summoned to the Leithagebirge in 1550 as stone masons had barely become Burgenlanders when they were commissioned to work on the imperial "Neugebäude" in Ebersdorf. Thus there is a close connection between Kaiser-Ebersdorf in Vienna and the Burgenland parish of Kaisersteinbruch in the Leithagebirge.

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Day, who transported his goods by one of the prescribed highways enjoyed, no matter whence he came, the local governor's protection for his person, his goods and his waggons, a truly enviable privilege in the unsettled times of the closing 13th and the 14th century.

During the Middle Ages it was open to anyone from every country to bring what goods he liked to the two great Vienna markets, with the exception of wine and beer, which were available in abundance on the spot, and of excellent quality. People of every trade and every guild could sell and offer their wares freely.

After the Turkish Wars there was a fresh revival of Vienna market life in the 18th century. But then the discoveries of the weaving loom and the steam-engine began to take effect on production and trade. In the 19th century the railway rendered goods fairs superfluous and the markets began to be transformed into sample exhibitions.

The economic system of the Austro-Hungarian Monarchy was so well-balanced that it had at first no need of any special display of sample products within its frontiers. The exchange of goods between the agrarian and the industrial areas went on smoothly and although samples of all the products of the Empire were occasionally displayed at great exhibitions—Vienna owes the building of the Rotunde to the Great Exhibition of 1873—there was actually no need of special methods to advertise or boost them, for demand and supply were well adjusted, and connections between producers and their customers dated from the times of their fathers and grandfathers.

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After 1918 more than a third of Austria's population was engaged in industry and commerce, nearly a further third being occupied with agriculture and forestry. In both cases the small or medium sized concerns were predominant, a fact which explains the ability of Austrian economy to weather the storms of crises. It had never taken special measures to promote war industries.. Never through war, but through the years of peace had the Empire prospered. When in 1866 Austria lost the war against Prussia it was because, despite the better training of her troops, the Austrian rifle was inferior to the Prussian.

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It is in concerns in which intensive labour and detail is important that the individual talent of the Austrian can find expression, not in great concerns resorting

million tons, of lignite from 3·1 to 27·4 million tons, of pig-iron from 0·25 to 1·8 million tons. The railway network increased in the same period from 6,000 km. to 23,000 km. and considerable strides were also made in agriculture and in foreign trade, though the latter played only a comparatively small part in the economic life of the Empire. 433 178

The trend towards industrialization is also shown by the percentages of persons engaged in Industry and Commerce at various dates (figures for Austria-Hungary).[8] 178 162

	1869	1890	1900	1910
Industry	19·7	21·3	22·2	24·2
Commerce and Transport	5·2	6·2	7·3	8·8
Agriculture	67·1	62·4	58·1	56·8
Services, Professions and others	8·0	10·1	12·2	9·9

These figures suggest that, in spite of a constant process of industrialization, the Austrian-Hungarian Monarchy was still a predominantly agricultural country. Moreover, this process was spread very unevenly over the whole area, leaving some regions seriously undeveloped while others attained a highly industrial character. While, for instance, the percentage of persons employed in agriculture in 1910 was 57 for the whole monarchy, it was 69 for Hungary alone but only 40 for Bohemia. In fact, industrialization was largely concentrated in a few areas, viz. the Bohemian-Moravian-Silesian region, rich in coal, the area round the Styrian iron ore deposits, and the Vienna district. Later, another industrial region sprang up in Upper Austria, between Steyr, Enns, and Linz. 178

Several factors were responsible for this high degree

1 [CF CAT. 116, P. 12 — —ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

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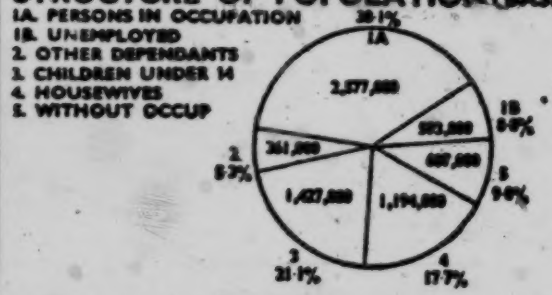
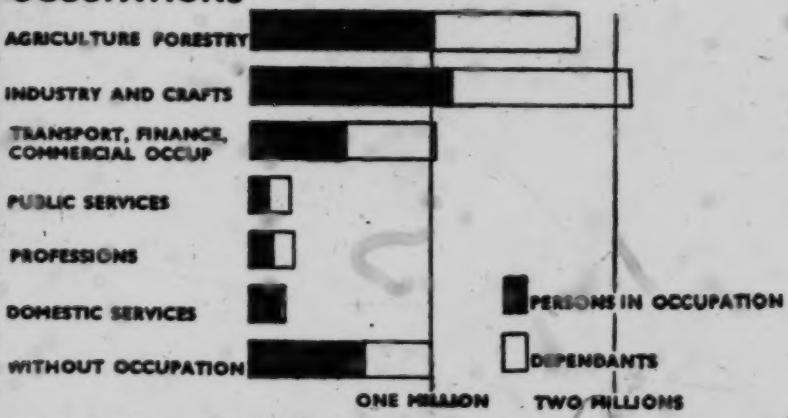
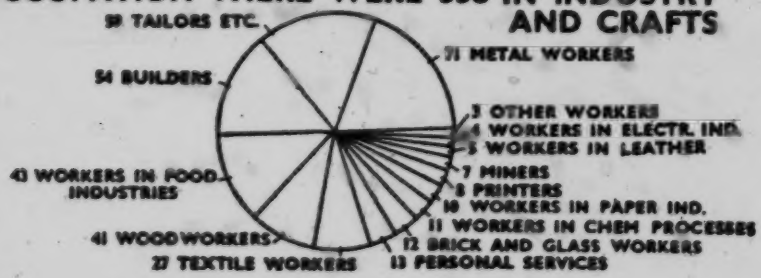
STRUCTURE OF POPULATION (BASED ON 1934 CENSUS)



OCCUPATIONS



OUT OF ONE THOUSAND PERSONS IN OCCUPATION THERE WERE 358 IN INDUSTRY AND CRAFTS



[p. 117]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

146 434 511 to three months during 1945 in Vienna milk could only be provided for infants in arms and the seriously ill. It was only by gradual and progressive stages that the supply could be organized for children between one and twelve years of age. At the worst period only about 5,000 litres a day were being distributed in the capital, whereas the normal daily consumption in 1952 was approximately 700,000 litres.

[165] The infant mortality and tuberculosis rates in Vienna show the results of under-nourishment. For every thousand live births the mortality rate amongst infants was 191 in 1945, as opposed to 53 in 1938. New cases of tuberculosis numbered 2·87 a thousand in 1946 compared with 1·11 in 1940. The tuberculosis death-rate for the first half of 1946 was nearly double the pre-War figures and about three times as high as in Britain.

The food situation naturally varied a great deal between the country and the towns. In most parts of Austria there was little real shortage on the land, and the consumption of those engaged in food production probably averaged about 3,000 calories a day. In the small country towns, from which access to the farms was easy, official rations could usually be supplemented. It was in the large towns, above all in Vienna, that the position was very serious.

The emergency was aggravated and prolonged by the requirements of the refugees and displaced persons. The return of hundreds of thousands of Austrian prisoners of war during 1945 and 1946 also increased the scale of the problem.

434 511 One of the worst features of the whole situation in Vienna was the acute shortage of fuel that accompanied the meagre rations. Gas and electricity were severely rationed, and the supply of both was unreliable and limited to a few hours a day. Fuel of all kinds, whether coal, coke, wood, or oil, for the average person was almost unobtainable. The official ration of coal per household during the winter of 1947–8 was 300 kilograms, and even this quite inadequate amount could not be 511 delivered in full. Yet a great many rooms in the city had broken windows, and glass was in very short supply and

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prohibitively expensive. The pathetic sight was common at the time of an old woman trudging back from a long tramp into the Vienna woods with sticks under her arm and a rucksack full of twigs on her back. The load would at most provide a little heat for a few hours, and the extremity of the need was proved by the lengths to which people would go to produce such small results.

Vienna is a cold city in winter. There is no doubt that the combined effect of unheated houses and inadequate food was responsible for the death of many old and ailing people. It was also partly responsible for the very high suicide rate. In 1946 there were 933 suicides or attempted suicides in Vienna alone.

The figures given regarding the food supply have referred to food coming from official sources. In Austria after the War there was an extensive black market in food, fuel, and a large number of luxuries. It was the time now often described by Austrians as the period of 'The Third Man', after the well-known film with its unflattering portrayal of Viennese conditions. The rationing system was unreliable as well as inadequate. People were justifiably sceptical as to whether they would actually receive the quotas that had been officially announced. In these circumstances it was understandable that they should turn to the black market as an alternative source.

In August 1945, when the shortage was at its worst, black-market food prices in Vienna were about 264 times as high as the official rates. The exorbitant prices reflect the intensity of the need. And there is no doubt that there were many who paid them. Otherwise the health of the people would have suffered much more than it did. There were very few rich. But the majority of the working population had been able to save during the War, when most articles were scarce. Many members of the impoverished aristocracy and middle class parted with their valuables to avoid starvation.

There was a considerable difference between the black market in Austria and that in England. In England rations were

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Socialism and German Imperialism. Most of the *Volksdeutsche* are not only of German stock but come from the Succession States, and therefore have traditional cultural links with Austria. If the Second Austrian Republic provides them with the homes they want and masters the main difficulties with which it is faced, they may yield willingly to its catalytic influence. 167 563

A most serious tendency that has become apparent in Austria since the War has been the steady transference of population from the country to the towns—the so-called flight from the land. Not only did the number of insured agricultural workers drop by over 68,000 between 1937 and 1951. In June 1952 the Minister of Agriculture and Forestry pointed out that during 1950 on an average two farmers, five farmers' children, and sixteen labourers left their farms every day to seek work in the towns or in other branches of the economy. This indicated that the general trend was affecting the farmers and their families, as well as the paid workers. Moreover, the drop in the number of labourers would have been far worse had not over 60,000 refugees and displaced persons sought work on the land. 166

The significance of the tendency can only be appreciated in relation to the economic position of Austria as a whole. Even a highly industrialized State like England, with a record of great success in the past, is being compelled by world conditions to force up its food production. Austria has not the resources necessary to concentrate on industry, and in present circumstances cannot afford to allow any branch of its production to fall below its proved capacity. The loss of man-power can in some measure be counteracted still further by mechanization, but the possibilities in this direction are strictly limited in a country where the farms are small and the countryside mountainous.

Migration to the towns is a world phenomenon, and some of the causes of it are common to the many countries concerned: the glamour of city life, the more regular working hours, and above all the greater social opportunities that a

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town offers. But there were a number of special reasons to which the post-War trend in Austria can be attributed. The comparative neglect of Austrian agriculture by the Nazis and the discriminatory nature of Austrian social legislation, before the Law of 1948 was passed, have already been mentioned. In addition, the accommodation provided for agricultural labourers was most unsatisfactory. On the majority of farms there were no dwellings at all for married workers, and the rooms provided for single men were frequently quite inadequate. Agricultural wages lagged far behind those paid in industry. At the end of 1948 they varied between 127 and 203 per cent above the 1945 level, while the wages of an unskilled industrial worker had risen 350 per cent. It is true that the farm worker had virtually no food problems and also received payments in kind, but the comparison with industry was a natural cause of discontent. Furthermore, the boom in building and construction work due to war damage and the large undertakings financed by ERP funds provided attractive opportunities of alternative employment, often near enough to agricultural areas to attract the labourers' notice.

The Ministry of Agriculture and Forestry realized the danger of the situation and evolved, somewhat tardily, a comprehensive programme to deal with it. The new Minister, Herr Thoma, who took office in January 1952, brought fresh energy to his department and issued a forceful memorandum on the subject the following summer.

The first important step taken was the Agricultural Labourers' Law of 1948. It did a great deal to raise morale and, by strengthening the workers' organization, ensured that their point of view would be heard. The establishment of Agricultural Workers' Chambers in most provinces contributed to the same result. The price increases for agricultural products approved by the Fourth and Fifth Price-Wage Agreements also improved the general situation.

Between 1947 and 1951 Government and ERP subsidies amounting to 55 million schillings were spent on agricultural housing, and 10,371 dwellings were completed, including

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3,013 married quarters. During the summer of 1952 further legislation was under consideration dealing with accommodation and technical training for agricultural workers. 362

The Ministry[7] also worked on a number of schemes in conjunction with the provinces and the Ministry of Social Welfare for helping displaced persons to settle on farms, inducing unemployed to work on the land, and persuading town-bred youths to give agriculture a trial. 464

As a result of all these efforts the flight from the land has been checked, though not stopped. Between November 1951 and November 1952 the number employed in agriculture and forestry fell by 6,500 compared with 9,400 the previous year. The fact that during the winter of 1952–3 there was a certain amount of unemployment on the land, due largely to increased mechanization, does not mean that the problem has ceased to be serious. Until agricultural production has at least regained the pre-War level, any further reduction in the number employed must remain a cause of great concern. It is a national problem which, like the drive to increase productivity, requires co-ordinated effort and a programme of public education for its solution. 464 166

A less obvious but no less dangerous trend in Austrian society since the War has been the progressive deterioration of the economic position of certain sections of the community, limited in number, but of value and importance to the nation out of all proportion to their numerical strength. The categories in question are university professors, school teachers, the administrative ranks of the civil service, and certain highly qualified groups in industry and the professions. They differ widely from one another, but there are certain common causes of their depressed condition. 565

The different categories belong, on the whole, to the so-called middle class, with its tradition of thrift and careful conservation of possessions and its deep-seated reluctance to take part in any organized public complaint about its condition. Such private property as they or their families possessed, including personal articles of value, had very largely disappeared

[7 [i.e. the ministry of Agriculture and Forestry - Analyst]

October 20th, 1926. Seipel's fourth term of office as Chancellor.
November 3rd, 1926. The "Linz Programme" of the Social-Democratic Party.
July 14th, 1927. Verdict of "Not Guilty" in the Schattendorf Trial.
July 15th to 17th, 1927. Serious disorders in Vienna. Burning of the Palace of Justice.
March 11th, 1928. First demonstration of the Heimwehr in an industrial area.
October 8th, 1929. Simultaneous demonstrations of the Heimwehr and the Republican Schutzbund in Wiener Neustadt, separated by a cordon of the Austrian Army.
September 16th, 1929. Failure of the Bodencreditanstalt.
October 27th, 1929. First demonstration of the Heimwehr in Vienna.
December 7th to 10th, 1929. Austrian Constitution changed.
May 18th, 1930. "Kornneuburg Oath" of the Heimwehr.
November 9th, 1930. Last parliamentary elections before the Second World War.
May 12th, 1931. Government action to save the Creditanstalt.
September 12th to 13th, 1931. Attempted Putsch by the Styrian Heimatschutz.
May 20th, 1932. First Dollfuss Government.
September 5th to 20th, 1932. Conference in Stresa.
March 4th, 1933. Resignation of the three Presidents of Parliament. Crisis for democracy.
March 7th, 1933. Prohibition of all public meetings. The freedom of the press curtailed.
March 18th, 1933. The German Cabinet Minister Frank threatens Austria on behalf of the Nazis.
March 30th, 1933. Republican Schutzbund disbanded.
May 1st, 1933. The Socialist May-Day celebrations forbidden.

In the meantime history had taken its inevitable course. The black and yellow flag had been hauled down in Austria and a disinherited generation hoisted the red-white-red tricolour over the ruins of the Hapsburg Empire. While in Vienna the Republic was proclaimed on the 12th of November, 1918, and the principle established that in future all power would emanate from the people, the Succession States—Czechoslovakia, Hungary, Poland and Yougoslavia—had hastened to invoke the principle of self-determination in order to declare their independence, and thus to burden the remaining rump of Austria with all debts and obligations.

To this country of barely seven million inhabitants, whose frontiers had been torn up by violence, the remnants of the army now came streaming back—officers from garrisons in Hungary and Croatia, administrative clerks from Cracow and Laibach, ship-builders from the docks of Pola and Trieste, merchants from Belgrade and the harbours of the Adriatic, teachers and doctors from the Ukraine and the Carpathians, professors from the German University in Prague, mining engineers from the Upper Silesian collieries, governors' staffs and employees from the vast forest districts, judges, diplomats, ambassadors, builders, foremen, railwaymen—all streamed back into the mutilated torso of what only four years previously had been a prosperous empire.

The fate which now overtook Austria was without precedent. The worst horror of those days was not the stormy happenings all around and the starvation, but the utterly catastrophic reversal of every aspect of life, and the disappearance of Austria's proud position. An Austrian nocturno had begun, the privileges of centuries had been extinguished.

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727 About 400,000 Austrians were killed or missing as a result of the War, and more than 300,000 were wounded. At the end of 1945 several hundred thousand men, who were badly needed in industry and agriculture, were still prisoners of war.

Certain aspects of the Allied occupation imposed a heavy strain on the Austrian economy. The wave of looting that accompanied the fighting was inevitable and temporary in its effects. But the widespread confiscations that followed were more serious. The heavy burden of occupation costs used up limited resources that were urgently required for the work of reconstruction. The division of the country into zones was a formidable obstacle to trade revival, and the splitting up of Vienna into districts resulted in inconvenience and absurdities. No actual barriers were maintained within the capital, as there were between the zones, but the system by which the city districts were allotted to the different occupying Powers stood in the way of a return to normal economic life. Two sides of the same thoroughfare might be under the control of two different countries, and at the end of 1945 the French Military Government insisted that a permit was required for sending goods from its own district on one side of the Mariahilfer Strasse to the American district on the other.

727 A further burden on the country was the vast number of displaced persons and refugees that flooded into it, mainly from
167 Czechoslovakia, Yugoslavia, and Eastern Europe. Their presence was not an unmixed disaster. The great majority of them were responsible and law-abiding, and many were skilled and able-bodied workers, who were to make a valuable contribution to agriculture and industry. But during the early post-War months there was also a reckless and disorderly element amongst them, which complicated the task of the police and sent the murder rate up to an alarming level. In spite of organized efforts to deal with the question, there were 550,000 registered displaced persons at the end of 1946, and there may well have been another 100,000 who had escaped registration. Two years later there were still over 400,000 of them left, the majority in the stateless category, and the Government was obliged to spend approximately 150 million schillings a year on maintaining them.

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Neither the present system nor reliance on free enterprise will be sufficient. But the following four principles might provide the basis for a successful policy: that private ownership of dwellings is no worse than any other form of private property, provided it is not abused; that such State controls over rents and housing as are necessary should be impartial, efficient, and complete; that private enterprise, including building societies, can make a valuable contribution to any building programme, and that the allocation of dwellings to the homeless on party grounds is an arbitrary and undemocratic abuse of political power.

Apart from this one failure, which has been tolerated owing to the low rents paid by the majority, the social services provided in post-War Austria have maintained a very high level. According to statistics prepared by the International Labour Organization, on the basis of 1949 figures, Austria devoted a higher percentage of her national income to social purposes than any other country, except the Saar and West Germany, where the high proportion of refugees made conditions exceptional. This state of affairs, together with the Price-Wage Agreements, has been responsible for the peaceful development of the country under the most difficult conditions and for the complete failure of Communism to make progress in a society which between the Wars had been strongly influenced by the doctrines of Marx.

A number of social changes can, however, be observed in post-War Austria, though in some cases it is not yet possible to see whether they are of permanent or temporary significance.

The most obvious of these was the influx of a large number of refugees and displaced persons and the absorption of a proportion of them into Austrian society. The temporary effects of their arrival, during the months immediately following the War, have already been considered. By the end of 1951 UNRRA and the International Refugee Organization, which took over this problem from UNRRA in 1947, had helped more than a million refugees and displaced persons

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in Austria to find new homes abroad or to return to their own countries. More important for Austria's future were those who remained behind. By the end of 1951 citizenship had been granted to over 214,000 of them, of whom the great majority were German-speaking. That still left nearly 360,000 whose fate was undecided, though 60,000 had been granted residence permits, a necessary preliminary to obtaining citizenship.

The main burden of maintaining camps for displaced persons fell on the Austrian Government, in spite of a $7 million grant from the International Refugee Organization. But the expense was offset from the beginning, when labour was short, by the contribution made to the national economy by the many who worked. The balance-sheet for those who became Austrian nationals must include political and cultural, as well as economic factors.

The new citizens have, on the whole, played a valuable part in the national life. Their decision to seek naturalization implied, in many cases, a desire to remain in Austria, and it was natural therefore that they should wish to make good in the country of their choice. A large number have found employment on the land and have thus helped to alleviate the serious shortage of agricultural man-power. Others, especially the Sudeten Germans from Czechoslovakia, are industrious and highly skilled workers, and their arrival has enabled Austria to inherit Czechoslovakia's reputation for fine glass-ware, successful glass factories having been established with Sudeten German labour in Salzburg and Upper Austria.

Their political value to Austria is more questionable. The so-called *Volksdeutsche*, or Germans from Central and Eastern Europe, whose cause had, in many cases, been championed by Hitler, undoubtedly include a strong Nazi and ex-Nazi element, as well as exponents of the Greater Germany idea. The *Volksdeutsche* have not only produced disgruntled opponents of the Coalition: they have played a noticeable part in such industrial trouble as has occurred. On the other hand, it would be unfair to generalize. The experiences of some of them have brought final disillusionment both about National

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Migration to the towns is a world phenomenon, and some of the causes of it are common to the many countries concerned: the glamour of city life, the more regular working hours, and above all the greater social opportunities that a

471 typically Austrian high-quality consumer goods industries. Between 1938 and 1942, the number of business enterprises in Austria declined from about 21,300 to 16,300, while the corresponding number in Germany increased from 337,000 to 353,000 over the same period.

648 The changes were less spectacular in agriculture. But
423 many of the large estates belonging to the Church and the
167 monasteries as well as State-owned land came into German
728 ownership. Farmers who were in difficulties were not assisted but bought out and German "hereditary farmers" (*Erbhofbauern*) were settled in Austria. At the same time the sons of Austrian peasants were sent to Poland, Russia, and even to Bohemia and Moravia in order to "colonize" these areas. However, the changes in property relations were of less importance in the sphere of agriculture than the extreme regimentation of production and the system of forced deliveries which reduced the peasants to a state of serfdom.

728 It is too early as yet to give an exact picture of the effects
471 of seven years of German domination on Austria's economy. Some major results are, however, clearly discernible.

648 First, it is clear that the Germans completely changed
433 the economic structure of Austria. Austria's economy was wholly adapted to suit the needs of the German war machine. And since Austria, like Czechoslovakia, was for a long time the safest place from air attack in Hitler's *Festung Europa* it became one of the most important centres for the production of armaments. Heavy industry was greatly expanded. In Linz alone the Hermann Goering concern erected 320 coke ovens and 6 blast furnaces. In 1943, it was estimated that about 25 per cent of Germany's war industries had been concentrated in Austria.

On the other hand, many of the specifically Austrian

with its steeply sloping fields rising above the rushing mill-streams below. Still 133
valleys sweep in attractive crescent form around and below the peaks of the Stubalpe.
Everywhere in these barren farmlands from Radlpass to Lower Gleinalmspeik, [311]
the fields and meadows have been conquered from the wilderness of vast forests
by means of fire and plough. Everywhere on these islands created by persistent,
back-breaking peasant labour, the brown wooden farmhouses beneath their silver-
grey roofs of slate defy the gales which come raging from the storm-centres of the
mountain fields, and in age-old "Rauchstuben" the life-blood of ancient legends
thaws again before the warmth of the open fire.

Beyond the savagery of the mountains, a world of vine-covered hills unrolls 245
like a gay-coloured scarf before the dark girdle of the forest peasants land. On
the sun-side of the mountains below the heights, the vineyards on the slopes are
staked out with serried rows of vines on supporting poles. This is the picture
which begins in a small way at the "Gasselberg", where with care it is possible
to produce a Schilcher which has the proper tang alongside many an unassuming
vintage. In the Styrian Schilchertal, between Ligist and Eibiswald, the view
broadens and opens out. The vineyards there on the Hochstrassen and on the
clear-cut, towering mountain ridge of Greisdorf are famous from olden times.
The Engelweingarten above Stainz should be saluted with joyful respect, as should
all the carefully tended vineyards where the Wildbach grapes ripen.

At the foot of this double garland of forest and vineyards is fruitful soil in which 181
Turkish wheat prospers under a burning sun, yet despite all the riches which lie
in the soil or come from the bright skies above, bad weather, misfortune and hard times have made the population adopt a grave and sometimes resigned attitude towards life.

A friend of the Styrian motherland wandering throughout the strip of country which we call West Styria and observing it with affection, would soon notice that beneath the noise and bustle of the fleeting present there lies hidden the treasure of a rich past. Roman inscriptions on stones and the tombstones of Italian officials and native Norics which are

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Women of Leoben.

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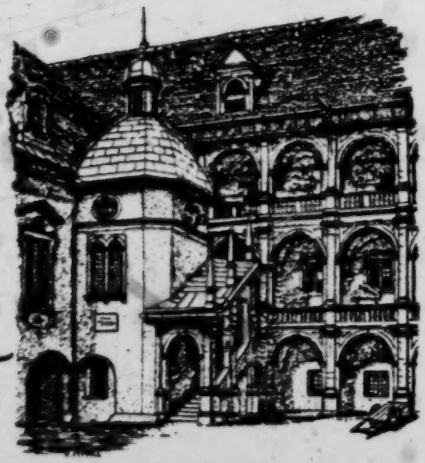

175
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Graz, Diet Hall.

turned up in the fields by the ploughs of the peasants, now decorate the walls of many a building. On the towers and churches, especially of Mooskirchen, Stallhofen, Piber and Köflach they have been preserved as an indelible greeting from distant centuries when the world-wide power of the Roman Empire allowed our Homeland to share in its civilisation and culture.

Long after grass and the wilderness had erased the traces of Roman Noric civilisation, and a new way of life, Christianity and order had come to the Province of Salzburg, the castle of Deutschlandsberg became a centre of Salzburg planning and working. Later on, but of no less importance for development and trade, the nowadays so quiet town of Piber grew to be a far-reaching centre of culture when the house of Eppenstein gave their property to the Benedictines of St. Lamprecht. Their priory, in the parish of Piber, was a coveted living which once even boasted of a bishop. The Bailiff of Piber, however, taxed the lands of the Kainachtal down to the last peasant farm in the mountains. A circle of fortified castles guarded the roads and byways leading to Upper Styria—Haunstein, Klingenstein, the Primaresburg near Lankowitz, over the ruins of which the forest of Franziskanerkogel grows, Leonrod in the Gössnitz Valley, nowadays popularly known as Höllerrock Castle, Krems, where the keep still towers steeply above the Schlossberg, and the proudest of them all, Ober-Voitsberg, in whose shadow the inhabitants have enjoyed the privileges of citizens of a princely city ever since the time of Duke Friedrich the Handsome (1367). For many centuries life was mainly a peaceful exchange

Graz, Clock Tower.

133 You once stood in May in Wiener Neustadt on the Ungarfeld. There was the rocky wall of the Hohe Wand in the south. The Rosalien range appeared as a light coloured, enticing forest. Eastwards the green pasture-land opened out like a [874] gateway. The two gothic towers of the Theresian Military Academy were an unchanging landmark of the "ever-loyal town".

You first drove over the Semmering in time of peace. Then you were able to enjoy yourself quietly and at leisure. Giants must once have played in this area, using as dice the mountains which begin here, wild and majestic. A man of the determination of Karl Ghega was needed to tame this wilderness. He bent the mountains and the deep gorges to his will. His tunnels and viaducts alternate [496] in carrying the railroad to its highest point. The Semmering railway was the first mountain railway of the world which all others used as a model. All the railways of the Andes in South America learned from it.

[132] The Semmering district, in a pocket of warm air above cold and misty valleys, is Lower Austria's show-piece. People from all the world over come here in search of health and peace. The Viennese regard the Semmering, Rax and Schneeberg as their own estates in the Alps. Towards the east the landscape slopes gradually down to the forested knolls of the hill country. In Mönichkirchen the work of Anton Wildgans reached epic status.

IN THE WACHAU DISTRICT. In the first days of creation there may have been some question as to which was the stronger, land or water. In the Wachau, the river triumphed over the mountains, although it has still to follow a course prescribed by the former, as to where it should narrow, should turn, should form bays and inlets; rocks jut out to spur its flanks, hidden granite builds hurdles over which it is forced to leap. Between Melk and Krems nestle a dozen charming villages whose picture lingers long with the wanderers along the banks and the passengers on the Danube steamers. Weissenkirchen lies in the heart of the Wachau district in a sunny position to the south. Old courtyards, arcades, rounded archways and vinecovered houses call for attention. In the small village of Schwallenbach they will show you the old parish church and the "Devil's Wall". The boatmen of the Danube tell the story of its origin. The Devil's grandmother is said to have scoffed regularly at the columns of pilgrims and the ships of the Crusaders, moving the Archfiend one night to try to block the flow of the Danube by building this [172] stout wall. At Willendorf was found the sandstone figure of a "Venus" which archaeologists admire as a relic of matriarchal, pre-historic times. Spitz, a sleepy little Danube town at the foot of the Jauerling should not be overlooked. Backed by the four-square tower of the Hinterhaus ruins, it is in blossom time a fairy garden of pink and white. Standing out against the mountains behind are multi-coloured forests—pale green larches, rust-brown fir trees and dark pines.

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[217]

Eisenstadt, Synagogue Death-Glass.

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buildings—the Council Hall, attractive official buildings, the homes of civil servants and villas. Side by side stands the history of old Eisenstadt written in stone—the old royal free town, the Esterházy residence, the Jewish Ghetto in Unterberg and the more recent settlement of Oberberg. The Wolff Collection in the Provincial Museum has some unique monuments of Jewish culture. The Calvary Mount in the Bergkirche gives a glimpse of another world, with its painted, strikingly realistic wooden figures in curious grottos. A first inspection of Eisenstadt may well be rounded off by a visit to the wonder-working picture of the Virgin and to the tomb of Haydn in the Bergkirche.

Other attractions await us. Above Mattersburg appear the slopes of the Rosaliengebirge, covered with the luscious purple of flowering sage. One could wish that here spring might last for ever for us to admire the sea of blossom, cherry tree after cherry tree intermingled with peach and apricot, and the yellow-white blossoms of the plum, with their tangle of intertwined black twigs; great beds of strawberries flourish in the rich and fertile soil.

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Far above the little village of Forchtenstein stands a well-preserved castle of the same name. It was once the seat of the Counts of Mattersdorf, whose forebears, Simon and Bertram, came from Spain in the year 1200 with their sister Tota, of whose beauty it was said that it had no equal throughout the world. A poet might well harbour the fancy that her beauty lives on in the spring splendour of the flowering hedges on the Rosaliengebirge. The student of history may remember that in the year 1374 the Counts of Mattersdorf and Forchtenstein placed this part of the Province under the jurisdiction of the Duke of Austria. Their escutcheon, combined with that of the Güssingers, forms today the coat-of-arms of Burgenland.

Forchtenstein.

172

The early Stone Age has left evidence of human progress in the Wulka Plain. The Bronze Age which succeeded it was marked by a consi-

FOLKSONG.

When Croatian girls are singing
To the tamburizza's sound,
You hear ancient lays a-ringing,
Every eye casts smiles around.

For they're singing of Junaken,
Their lord's rapture and distress.
Of the king's descendant, Marko,
And his wife, the proud princess.

derable development of traffic and trade. 172
The Bernsteinstrasse, that famous trading highway of prehistoric times along which, about 1000 years before Christ, the honey-coloured amber, tears of the sea, was brought from the coasts of Samland to Italy, passes through the Burgenland. It crossed the Danube at Hainburg, a predecessor of the Roman road which later lead to Italy by way of Carnuntum, Ödenburg, Steinamanger and Laibach. Today 131
Ödenburg (Sopron) belongs to Hungary. What the "Ödenburg Sack", connected to Hungary by a narrow tongue of land only five kilometres wide between the frontier and the Neusiedler Lake is to Hungary, is to Austria the "Ödenburg Spur" which limits the Burgenland to a width of four kilometres and almost cuts the northern and southern parts of the Province off from one another. Seven roads and three railways are thus cut off. The only road which connects the two regions had to be built by the Austrian Government.

"The bloody Hall", Lockenhaus Castle. 491

Southwards this road leads to the Oberpullendorf district, a hilly country with varied scenery and attractions of its own. Anyone interested in tracing historical developments must hasten through the Province to the spot where a range of mountains forms a barrier dividing Burgenland into two parts. The eastern corner which at the same time marks the Hungarian frontier, is the Geschriebenstein, the tallest mountain of the Province, some 2,700 feet high. Its summit affords a wide view across the plain of Raabau. On its slopes, just on the other side of the frontier at Wöllembach, on the St. Veitsberg, stood one of the best-known foundries in the Bronze Age, a prehistoric industrial centre. 133

Here the Burgenland reveals itself to the traveller. At the foot of the Geschriebenstein lies the forest-surrounded castle of Lockenhaus, which, with its Gothic Knights' Hall and a keep five stories high, dates back to the year 1200. Almost as old are the ruins of Landsee Castle on the borders of Lower Austria, one of the biggest castles in the country. 342

But to bore a tourist by dragging him from castle to castle as far as Kobersdorf would be risky, since it would—finally land him on volcanic soil. 000

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I

THE POLITICAL BACKGROUND

THE Republic of Austria was, from the first, hampered by the lack of an Austrian national consciousness strong enough to infuse any organic unity into the life of its separate Provinces. This lack, which, more than any other single cause, was to prove the ultimate undoing of the Austrian Republic, lay deeply rooted in the Habsburg past. The Germans of Austria had not been impelled by adversity to develop that patriotism which had become so marked a characteristic of the Magyar race, and which was beginning to inspire, in varying degrees, the other peoples of the Empire. German-Austrian loyalty had been concentrated upon the Habsburgs, whose policy had been supranational. German Austrians had never formed a united national group. This was partly because class divisions were felt more acutely in German circles than among the Slav peoples. But apart from this, the centrifugal tendencies existing among them had been growing, if anything, more pronounced, in the decade before the war. Some groups were purely loyalist, while others were permeated in varying degrees with pan-Germanism. There was no unifying principle at work to draw them together.

While the Habsburg experiment in a supranational empire had continued, the German Austrians had found their rich reward, for it was through the medium of the German language and culture that the Habsburgs had exercised their heterogeneous rule.[1] With the break-up of the Empire, however, the German-Austrian administrators of the Habsburgs were left high and dry; and when the centripetal influence of the Imperial House was removed, the balance of power passed from the central Government to the Provinces. 'Austria' was a meaningless concept. It was Tyrol, Salzburg, Vorariberg,

[1] In the decades before the war, however, this practice of employing Germans as officials had been ever less rigidly adhered to, for the increasing national consciousness of the minority peoples in the Austrian half of the monarchy made essential the introduction of a certain proportion of officials conversant with the local languages, etc.

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•175 etc., which profited by a great accretion of loyalty when the Habsburgs fell.

The psychological trend towards separatism was given further impetus by economic circumstances. Vienna and the industrial parts of Lower Austria had always been accustomed to obtain their provisions from all parts of the Empire. When the more distant sources of supply were cut off, German Austria became dependent on her own resources for food. As these were quite inadequate the industrial districts could only be kept from starvation by means of a central requisitioning system, which had to be introduced as early as 1916. This was bitterly resented by the food-producing Provinces, who had scarcely enough provisions to meet their own needs.[1] The resentment was the keener because of the divergence in outlook between the Social Democrats of Vienna and the Christian Socialists of the Provinces, a factor which was to be of immense significance in the history of the Austrian Republic. This divergence was not confined to politics in the ordinary sense of the term. It embraced every sphere of activity, and affected even the minutest details of daily life. The Christian Socialist and the Social Democrat lived in two different, and for the most part antagonistic, worlds.

The net result of these centrifugal tendencies was that provincial sentiment, always a latent force behind Habsburg patriotism, increased greatly in intensity during the last months of the war. And it became obvious that, if Austria was to exist at all as an independent State, the form of her constitution must be pronouncedly federal.

All parties were agreed that the constitution must be democratic in form. This general desire for democracy was partly occasioned by war-weariness. The peoples of the Empire wanted peace at any price. Their hearts had perhaps never been wholly in the war,[2] and, as economic distress increased,

[1] In May 1918, for instance, Dr. von Seidler was forced to agree that, for purposes of food supply, North Tyrol should be joined to Bavaria, and the German districts of Northern Bohemia to Saxony. (*The Times*, 6 May 1918.)

[2] Oscar Jaszi, *The Dissolution of the Habsburg Monarchy* (University of Chicago Press, 1929), pp. 14–23. Also, Edmund von Glaise-Horstenau, *Die Katastrophe* (Wien, 1929).

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the discontent of the people with a government over which they could exercise virtually no control, increased with it. It came to be widely felt that an ambitious imperialistic foreign policy was responsible for the plight of the people. Men were, therefore, increasingly susceptible to the propaganda of the Allies, which was concentrated, particularly after the collapse of their Czarist ally, in representing the war as a conflict between the semi-feudal militaristic monarchies and the free democracies of the West. It was thought, also, that the Allies would be more ready to negotiate a comparatively favourable peace with Austria-Hungary if she repudiated the old autocratic régime. Moreover, Wilson's doctrine of self-determination, to which Austria with the other peoples of the Empire subscribed, necessitated a democratic state organization. Another reason for the strength of the democratic idea in German Austria was the growth in power and prestige of the Social Democratic party. There were various reasons for this. One was the stimulus of the ideas of the Russian revolution. Another was the fact that the unity, and therefore the strength, of the party was enhanced when, after the break-up of the Empire, questions of nationality ceased to divide it. Again, economic distress had embittered the working classes, who were therefore more disposed to listen to socialist teaching. And the number of workers had greatly increased as a result of the swollen war industries. At the same time inflation had undermined the economic position and power of the middle classes. Finally, the Austrian war organization, unsuccessful though it had proved to be, had accustomed people to a form of state socialism.[1]

The first years in the life of the new Republic were not happy ones. Terrible economic distress fostered the growth of extremist elements on both sides, thus serving to accentuate sharply the already existing class and party differences. The absolute dependence of Austria on economic assistance from the Allies necessitated the adoption of a foreign policy which the majority of Austrians disliked; and the control acquired

[1] Redlich, J., *Austrian War Government* (Yale University Press, 1929), pp. 123–36.

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175 over the country by her creditors gave birth to the suspicion that government by the people for the people was synonymous with government by the Allies for the Allies.

The first election was held on 16 February 1919, one member of the National Assembly representing every 48,000 electors. 156 members were returned to the new Assembly, of whom 69 were Social Democrats, 63 Christian Socialists, 18 Pan-Germans, and 6 members of the *Landbund*. The first Republican cabinet consisted of 6 Social Democrats, headed by Chancellor Renner (who represented Austria at the Peace Conference), 5 Christian Socialists, and 4 non-party members. By the autumn of 1920, the political trend in Germany was markedly to the right, and Austria, now acutely sensitive to the German political situation, moved to the right also, exchanging a predominantly Social Democratic government for a Christian Socialist one.

The first Christian Socialist Mayr cabinet took office on 10 November 1920, and on 15 December Austria became a member of the League of Nations. But Mayr's League policy was gravely hampered by the continuance of *Anschluss* agitations, which he was unable to prevent. The weakness of his government was particularly unfortunate as the economic condition of the country was deteriorating rapidly and, as the temporary boom was over, unemployment was increasing by leaps and bounds. Strong measures were required. Mayr resigned on 1 June 1921, on the grounds that the *Anschluss* agitations had made his position impossible.

Schober succeeded him on 21 June, at the head of a cabinet comprising for the most part officials without pronounced party views.

The economic condition of the country now took a plunge downwards. The krone, which in July had stood at 110,000 to the pound, stood at 336,000 by August. The cost of living rose in two months by 124 per cent. Unemployment increased from 30,000 to 90,000, and, as the mark had by this time followed the krone, the German market was now lost.

Faced with this alarming situation Schober acted with resource and considerable courage. His ultimate aim was the

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launching of a loan by the Allies. But he realized that this was not likely to be forthcoming until Austria gave evidence of intending to help herself towards economic stability by every means at her disposal. *Anschluss* agitations proclaiming the impossibility of maintaining an independent State at all, and the refusal of the Social Democrats to agree to a policy of economy, the lurid stories of a starving Austria painted by international charitable societies in an endeavour to obtain funds to help her, and, finally, the huge loan proposed by Sir William Goode in 1920 as being the *sine qua non* of the rehabilitation of Austrian finances, frightened potentially friendly Governments who might in other circumstances have proffered help.

Schober and his Finance Minister, Gürtler, therefore embarked on the unpopular policy of self-help.

The Chancellor succeeded in negotiating a loan from Czechoslovakia, thus increasing his prestige in Paris and London. The pan-Germans, however, regarded the opening-up of normal and friendly relations with Czechoslovakia as sufficient reason for withdrawing their support from the Schober Government, although there was no longer any hope of reclaiming the Germans of Bohemia.

At home, Schober introduced bills reducing subsidies and increasing taxation, thus incurring the hostility of both Social Democrats and Christian Socialists. His inability to pass these measures, and to use credits to improve the condition of the country, led to his resignation on 24 May 1922. It also led to the growth of the conviction in Allied circles that it would be useless to attempt to assist Austria unless a rigid system of financial control was imposed on her.

On 24 May 1922 the Christian Socialist leader, Monsignor Seipel, formed a government. After a fruitless attempt to introduce a scheme of reform, he adopted a new policy. He sent a note to the London Conference saying that if the Allies would not help Austria they must take over its administration themselves. But as the Allies refused to be blackmailed, Seipel set off, on 20 August, on a tour.

After visiting Berlin and Prague he went to Verona where

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175 he met the Italian Minister, Schantzer. To him he proposed that, in return for assistance, Austria should be reduced to what would virtually be an Italian protectorate. Schantzer hesitated. In the meantime a storm of expostulation arose. In view of the *rapprochement* between Italy and Hungary, France considered that the absorption of a third state into the Italian sphere of influence would constitute a grave danger to the *status quo*.

Yugoslavia and Czechoslovakia also feared for their safety, if separated by a solid block of territory under Italian influence. As a result of all this, the Convention of Geneva was signed on 4 October.

The first of the three protocols there negotiated guaranteed the political and economic independence of Austria, and her territorial integrity. By the second protocol Great Britain, France, Czechoslovakia, and Italy undertook to make Austria a loan of fifty million crowns. In the third protocol Austria agreed to put through a programme of financial reforms, and to accept control by a Commissioner-General appointed by the League.

Seipel was much criticized by the German Nationalists and the Social Democrats for submitting to foreign supervision. The latter believed that the situation could have been met by the imposition of a capital levy and that, as it was, the poorer classes would have to bear the brunt of the reforms. However, on 24 October the Protocol was accepted, and on 28 October a Reconstruction Law was passed. On 18 November inflation stopped.

Criticism of Seipel by the German Nationalists became less vociferous as time went on, for the German mark was falling rapidly, and Germany was groaning under the burden of reparations and the French invasion of the Ruhr. And opposition from the Social Democrats was to some extent silenced by the advent of Mussolini to power in Italy on 29 October.

When Seipel resigned on 12 November 1924 considerable progress had been made towards financial and economic stability, though Dr. Zimmermann, the League Commissioner,

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still complained of extravagance in certain directions, as for instance, the number of State employees still kept on.

The Seipel Government had been, however, handicapped by opposition from the Provinces as well as from the Viennese Social Democrats. Partly as a consequence of this experience Seipel himself became increasingly centralist in outlook. And it was no doubt in some measure owing to his influence that the constitutional reforms of 1925 were centralist in character.[1]

Although in July 1925 the Layton Rist report had struck a more hopeful note as far as the economic position of the country went, internal unrest was undoubtedly increasing steadily. *Anschluss* agitations, temporarily abandoned because of bad economic conditions in Germany, began again. The members of the Ramek Cabinet, which held office from November 1924 until October 1925, were divided in their views on this question. In any case the Cabinet could not, of course, have given the movement official support, whatever its views, as most countries made the cessation of *Anschluss* agitations the *sine qua non* of trade agreements.

On 26 October 1926 Seipel again became Chancellor, and continued as head of the Government until April 1929. It was during this period that the turning-point in Austrian politics came.

During Seipel's first term of office Vaugoin, his Minister for War, had reorganized the regular army and purged it to a large extent of its socialist proclivities. In consequence of this the *Republikanische Schutzbund* had been founded on 12 April 1923, as the party guard of the Social Democrats, who felt that their position was likely to be threatened by the advancing forces of reaction. The Christian Socialists did not, at that time, make any special efforts to form a rival organization, feeling, no doubt, that their interests were well represented in the regular army by Vaugoin. Their attitude towards the Social Democrats hardened, however, after the rioting in Vienna in July 1927.

The immediate cause of the riots was the publication of the

[1] Kelsen, *Jahrbuch des öffentlichen Rechts*, vol. xv (1927), pp. 51–101.

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• 175 verdict in the Schattendorf murder trial.[1] The situation which arose was aggravated by unforeseen circumstances. For one thing, the Social Democrats did not, on this occasion, organize an orderly demonstration as was their custom. The workers, therefore, left the factories on their own initiative, and surged in disorganized groups into the centre of the city, where they eventually succeeded in setting fire to the Justiz Palast. The police appear to have lost their heads and fired on onlookers as well as rioters, causing unnecessary loss of life, and thereby inflaming the passions of the demonstrators to such an extent that their own leaders could not control them.

This incident greatly embittered the working classes, who professed themselves appalled at the callousness shown by the Government in quelling the riots. On the other hand, Christian Socialist circles thought they saw in the rioting the incipient danger of Bolshevism, and became, in consequence, very much more disposed to support the *Heimwehr* and similar semi-fascist organizations.

The antagonism between Monsignor Seipel on the one hand, and the Social Democrat leaders on the other, became more bitter than ever before as, rightly or wrongly, the Social Democrats believed that Seipel had been mainly responsible for what they considered to be the unnecessarily brutal methods employed in putting down the riots.[2] They therefore gave positive encouragement to their supporters to leave the Church, knowing that this would be by far the most effective weapon against Seipel.

It was after the July rioting of 1927 that the *Heimwehr* movement first began to play an important part in Austrian politics.

[1] In the previous January several persons had been shot by *Heimwehr* men in the course of a clash between *Heimwehr* and Social Democrat demonstrators at Schattendorf, a small village in the Burgenland. The case was a complicated one, and it was found to be very difficult to assess the blame fairly between the two contending parties. The *Heimwehr* men concerned were eventually acquitted. This confirmed the Viennese Social Democrats in the belief which, rightly or wrongly, was coming to be widely held, that it was impossible for Social Democrats to get a fair hearing in the courts.

[2] Seipel unfortunately remarked afterwards, when the riot leaders were on trial, that no mercy should be shown them. This expression, '*Keine Milde*', was always remembered against him.

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This organization had sprung up in the immediate post-war period, as a self-help movement among the peasantry in several of the Provinces, notably in Carinthia.[1] The various groups were generally led by the local nobility, lawyers, and school-teachers of the villages and the small country towns. These groups had no definite aims beyond the general intention of protecting peasant and other property against the depredations of the Yugoslavs and the 'Reds'.

It is probable that the movement would have lapsed once law and order was established, had it not been fostered by Seipel and right-wing Christian Socialist groups. As it was, the *Heimwehr*, after 1927, went from strength to strength, until it finally disintegrated before the rising tide of the Nazis in 1932.

The seeds of discord were present in it from the first. On the one hand there were the remnants of the pre-war German Nationalists, the intelligentsia of the country towns and villages, the school-teachers, shopkeepers, and small industrialists; on the other hand there were the old ruling classes, who were largely backed by the higher clergy (Prince Starhemberg is reported to have described the *Heimwehr* as "un movement religieux pour la protection non seulement de la patrie, mais aussi de la foi catholique traditionelle et de la culture chrétienne contre les ravages du libéralisme"), the big industrialists, and, later, by the Italians. The former group became ever more Nazi in outlook, as the Nazi movement grew in Germany. The other and smaller groups were not Nazi but monarchist in sympathy. However, before 1930 none of the groups in the *Heimwehr* movement was exclusive in personnel or aims.

It may be said that by 1927, when the *Heimwehr* began to arm its members on a large scale, both wings had ceased to be in any way representative of the peasants. Indeed, there seems reason to believe that the majority of the peasants, much as they disliked 'Red Vienna', viewed the fascist proclivities

[1] C. A. Macartney, 'The Armed Formations of Austria', *Journal of the Institute of International Affairs*, vol. viii, 1929. Also Dr. Kurt von Schuschnigg, *Farewell, Austria* (Cassell, 1938), pp. 113–29.

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of the *Heimwehr* leaders with even greater misgiving.[1] It was said that peasants who took part in *Heimwehr* demonstrations were frequently forced to do so against their will.[2]

In the years following 1927 there was an ever-increasing number of incidents between Social Democrats and *Heimwehr* demonstrators. Indeed, whenever the two groups arranged demonstrations, fighting broke out. And other groups on the Christian Socialist side, anxious to have their interests represented in what everybody came to feel would be the inevitable armed struggle for power, began forming their own paramilitary bodies.[3]

It must in justice be remarked that the party leaders of the Social Democrats appear to have been very much more acutely conscious of the danger inherent in these developments than were their rivals. They made repeated efforts in the years after 1927 to persuade the Christian Socialists to agree to disarm. Christian Socialist counter-proposals were, however, always coupled with demands which the Social Democrats felt they could not accept, such as cessation of opposition in Parlia-

[1] Groups in the Bauernbund, one of the largest of the peasant organizations, became increasingly critical of *Heimwehr* aims and methods: see article of Schumy, their Vice-president, in *Neues Wiener Tageblatt*, 'Man kann nicht Demokrat sein u. gleichzeitig den Parlamentarismus glatt verwerfen', etc. (quoted in the *Frankfurter Zeitung* of 26 August 1929). 'Solange die Heimwehrbewegung ihre Hauptstütze im Bauerntum hatte u. die Vertreter der Bauernschaft ihr Wort entscheidend in die Wagschale werfen konnten, war auch nie von einem Angriff, von einem Marsch nach Wien, die Rede. Diese Zieländerungen sind erst zu tage getreten als sich der Einfluss der ehemaligen Aristokraten, Generäle u. Stabsoffiziere in der Heimwehr über Gebuhr erhob. Nun waren aber gerade diese Herren nicht fähig uns in eine neue bessere Zeit zu führen; denn wir können uns nicht erninnern dass sie sich in den Tagen ihrer Macht unserer besonders angenommen hatten.' (Article in the *Bauern Zeitung*, the organ of *Bauernbund* in Upper Austria, quoted in the *Frankfurter Zeitung* of 25 August 1929.)

[2] 'Demonstrations' is perhaps a misleading term. Both the *Heimwehr* and the *Republikanische Schutzbund* were accustomed to use rifles, bayonets, hand-grenades, tear-gas bombs, and similar weapons. The *Heimwehr* had machine-guns and batteries of artillery. They were organized as a fighting force, and it was their custom to establish base hospitals, field-kitchens, etc., when they held their 'demonstrations'. (See the account in the *Manchester Guardian* of 8 October 1928, of the big Wiener Neustadt demonstration.)

[3] For instance, the *Sturmscharen* of Schuschnigg, a militant Catholic youth body, and the *Freiheitsbund* of Kunschak, a left-wing Christian Socialist working-class organization.

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ment.[1] The intransigence of the right-wing parties was probably due to the fact that they were well aware that they were in reality very much stronger than their rivals, and would almost certainly win if it came to a trial of strength.

The internal situation in Austria grew ever more chaotic in the years 1929–34. Obstruction by the Social Democrats, and the growing impatience of the *Heimwehr* and the right-wing groups with the forms of democratic government, made the working of any kind of parliamentary system increasingly difficult.[2]

The position further deteriorated in the autumn of 1930, for the November elections revealed, for the first time, a split in the ranks of the once united bourgeois front. Schober then organized a National Economic Bloc, consisting of the German Nationalists, the moderate Christian Socialists, and the *Landbund*.[3] Seipel and the clericals, with the Vienna and Lower Austrian *Heimwehr* under Major Fey, together formed an anti-Marxist front.

This split in the bourgeois ranks was viewed with favour by the moderate groups, who were glad to cut loose the extremist elements. But in fact it heralded the beginning of the end, for it meant that, in future, right-wing Governments had to be formed by uncertain coalitions, and were therefore tempted to look for support to extra-parliamentary bodies.

The comparative quiet of 1931 proved to be the lull before the storm. The *Heimwehr* movement was greatly weakened by quarrels among its leaders, and, as *Heimwehr* roots among the peasantry were shallow, little was heard of it. Attention was,

[1] An important, though numerically small, section of the Christian Socialists, led by Kunschak, continued, however, to work for conciliation with the Social Democrats. In the pages of their paper, the *Weltblatt*, they pointed out, over and over again, the dangers of intransigence. But Kunschak fought a losing battle against the extremists of his party, and in May 1929 he resigned from its vice-chairmanship, a post which he had long held, after defeat on his conciliation policy.

[2] On 18 May 1930, the *Heimwehr* leaders published the famous Korneuberger Programme, by which they pledged themselves to make an end of parliamentary democracy and the party system, and to institute a form of fascist government, using force if necessary to achieve their aims.

[3] With the exception of the branches in Salzburg and Upper Austria. These remained independent.

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175 moreover, diverted to the project of the Customs Union with Germany, in the first months of the year.

In 1932 the storm broke, and the Nazi party emerged for the first time as a strong force in Austrian politics. The *Landbund* and the old German Nationalist party were quickly swallowed up. The *Heimwehr* movement split in two, the members of the larger group becoming openly or covertly partisans of the Nazis. The peasants and the members of the moderate wing of the Christian Socialists turned in despair to Dr. Dolfuss as the one man who might save them.

Dr. Dolfuss did succeed in evoking, for the first time, the faint beginnings of an Austrian national consciousness. But his Government was too weak to withstand simultaneous attacks from the left and from the right. After having dissolved a parliament which had become unworkable in March 1933, he found himself confronted with the necessity of coming to terms either with the Social Democrats or with the *Heimwehr*, now powerfully supported by Italy. He chose the latter course. The direct result was the crushing of the Social Democrats in February 1934, and the end of the Austrian experiment in democratic government.

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adventure chance of its realisation: Salzburg should become the Rome of the North.

During his 26 years of government this religiously worldly Archbishop changed the Salzburg of the Middle Ages, the narrow and picturesquely winding streets of which offered dangerous hiding places for disease and plague, into a proud city of magnificent open squares. The Princely Residence, the Chapter-House, the Royal Stables, the Cloister Walk and the renaissance Chapel of St. Sebastian, the pleasure palace of Altenau-Mirabell, and the re-planning of the Cathedral Square are all stages of his great building activities.

Music played its own part in the splendid court ceremonies, the Salzburger Hofkapelle being founded in 1591. The composing of religious music for the Cathedral and the compositions for festive concerts attracted German as well as Italian composers.

That which Wolf Dietrich was unable to complete was continued by Marcus Sittikus. The foundations of the new Cathedral were laid according to the plans of Solari. The pleasure castle of Hellbrunn was built and the stone theatre in the extensive game preserves. At the same time that the "Defenestration" of the Imperial Envoy from a window in Prague, 1618,

Hellbrunn.

great vivid rainbows were painted against the paling violet of the skies, perfect in form and of impressive grandeur. The spot where they rose out of the soil was clearly visible. On the square before the Cathedral a seraphic ray of multicoloured fire shot up, curving joyously into the heavens, to descend to earth at the extreme edge of the plain where it joins the mountains. Below this rainbow again, starting from the roof of the Bürger hospital, the second arch bent in proud submission.

These two open gateways to the West rose sharply defined over the landscape. Little birds formed a living garland about the multicoloured double doors, fluttering, wind-swept, over the nectar-soaked plain, wheeling, returning, and vanishing noiselessly in the skies.

A description of the sights of the city alone would fill a book, many volumes or a whole library. The story could start in the cloisters of the first Salzburg Christians in Petersfriedhof, going on through the period of the rule of

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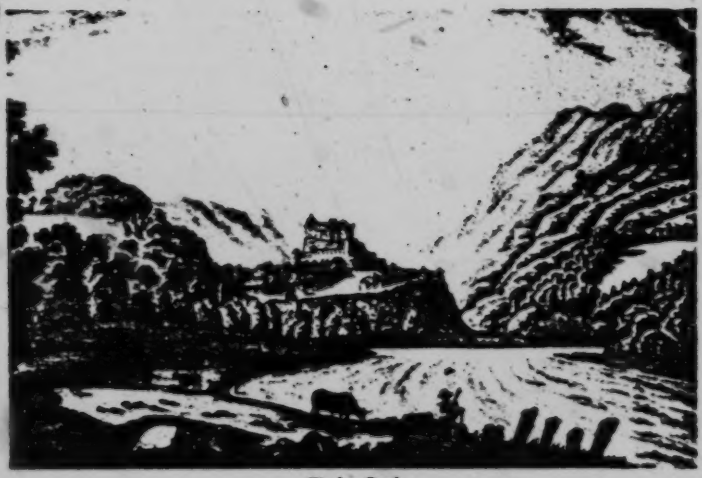

Werfen Castle.

175 the bishops, the peasant revolts and days of baroque glory to the rapid change in history after the last of the archbishops, Prince Colloredo, had fled "abroad" (meaning Vienna), to abdicate there. The Duke of Toscana succeeded to the Province, but he soon exchanged it for the rulership of Würzburg, Salzburg thereby becoming Austrian territory until, soon afterwards, it was given to Bavaria by Napoleon. Four years afterwards it was "repatriated" at the cost of money, or rather of land, namely the left bank of the Salzach, remaining from this time onwards a Crown land of the Monarchy and finally becoming the modern Austrian province.

133 All this and much more the swift green Salzach saw, this river which rises in the western corner of the Province, high above on the Salzachgeier and traverses the land like the veins of a transparent leaf. Following the course of the Salzach upwards from Salzburg, one soon reaches the Lueg Pass, and on emerging on the other side of the tunnel one usually finds entirely different weather. The cloudy sky which one has left behind is here clear. Glorious mountain air comes down from the Hochkönig which, with its glacier, the "Übergossene Alm" (the "Drowned Field") is some nine thousand feet high. To make the ski descent from Hochkönig to Werfen, a run of over 2400 yards, is a rare experience for sportsmen. On the opposite side the Tennen-

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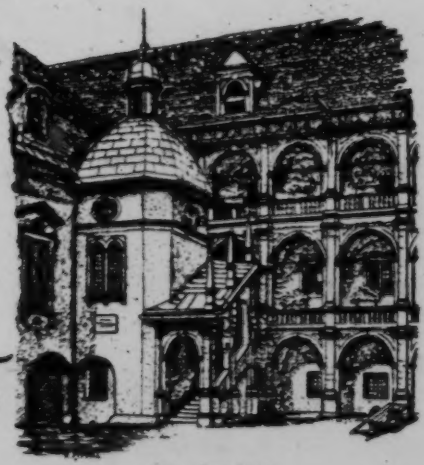

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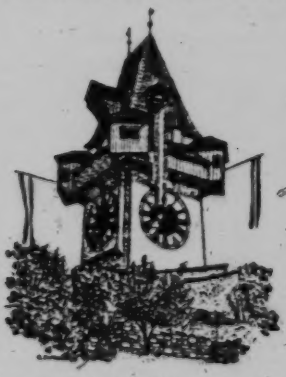
Graz, Diet Hall.

turned up in the fields by the ploughs of the peasants, now decorate the walls of many a building. On the towers and churches, especially of Mooskirchen, Stallhofen, Piber and Köflach they have been preserved as an indelible greeting from distant centuries when the world-wide power of the Roman Empire allowed our Homeland to share in its civilisation and culture.

Long after grass and the wilderness had erased the traces of Roman Noric civilisation, and a new way of life, Christianity and order had come to the Province of Salzburg, the castle of Deutschlandsberg became a centre of Salzburg planning and working. Later on, but of no less importance for development and trade, the nowadays so quiet town of Piber grew to be a far-reaching centre of culture when the house of Eppenstein gave their property to the Benedictines of St. Lamprecht. Their priory, in the parish of Piber, was a coveted living which once even boasted of a bishop. The Bailiff of Piber, however, taxed the lands of the Kainachtal down to the last peasant farm in the mountains. A circle of fortified castles guarded the roads and byways leading to Upper Styria—Haunstein, Klingenstein, the Primaresburg near Lankowitz, over the ruins of which the forest of Franziskanerkogel grows, Leonrod in the Gösnitz Valley, nowadays popularly known as Höllerrock Castle, Krems, where the keep still towers steeply above the Schlossberg, and the proudest of them all, Ober-Voitsberg, in whose shadow the inhabitants have enjoyed the privileges of citizens of a princely city ever since the time of Duke Friedrich the Handsome (1367). For many centuries life was mainly a peaceful exchange



Graz, Clock Tower.

of peasant labour and civic industry, the wine carriers from Hungary and the lowlands bringing greetings from far-off lands. Occasionally great nobles who broke their journeys had brought the exciting atmosphere of the big world. Like shafts of lightning historical moments lit up this forest-hidden land when the Turks came to trouble even the lonely vicarage on the Pack, or later, when the French marched in via Eibiswald and Preding. After the modest deposits of iron ore had been exhausted, the valuable timber caught the eye of the iron-masters. The streams drove the wheels of the hammers in the scythe workshops. The manor house to which one of the largest, the Tunner-hammer, belonged, still stands today amidst the smoke and noise of the colliery. Ever since Archduke Johann drew up with his own hands the plans for the construction of the railway line from Graz to Köflach in the fifties of the last century, and had them put into effect despite obstinate opposition, West Styria has become more aware of the vigorous life of modern times.

EAST STYRIA. Four main roads give access from the chief town to the rich fruit-bearing country of East Styria. Around this territory winds the River Mur, sweeping southwards from the sharp angle it makes at Bruck, and then eastwards to leave Austria at Radkersburg, forming a living barrier along the boundaries of East Styria.

The white ribbon of the first road runs past Maria Trost, climbing the hill within view of the massive Schöckel, descending to Weiz where it forks, one branch leading to the northern hill country, while the main road runs dead north, right into the heart of Peter Rosegger's "Waldheimat" ("Wooded Homeland"). The second highway is that famous

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one which from its earliest days has been known by its name of the Ries. Its asphalt surface climbs steeply to the high road, affording sweeping views from the inn-benches which date from the days of coach-travel. Bordered by forest and meadow, it descends gently into the Raab Valley. From Gleisdorf, where a branch leads off through Feldbach and Fehring to Hungary and another to the far-distant territory of Hartberg, its main branch continues as the Ungarnstrasse (road to Hungary) through Fürstenfeld to the Province of Burgenland.

The third road wanders towards the East Styrian hills, running past St. Marein-on-the-Pickelbach down into the Raab Valley. The fourth road over the Hühnerberg is the last in the network of roads which serves the quiet peasant life in the valleys between the Raab and the Mur.

These roads all vary, passing over hills and through valleys, past wooded mountains and vineyards linked together by fertile fields. The further east one travels along the valleys, the more they widen out as the space between the ranges of hills broadens until, in the distance, they remind one of the nearby Hungarian Plain. In the same measure that the countryside loses the shelter of the mountains do the human habitations grow together, isolated farms gradually giving place to hamlets, villages and market towns. The farms which in the middle districts consist of rambling house, cattle stalls and outbuildings, loosely grouped around one another as the terrain dictates, now move their components nearer and nearer together until on the other side of the bend in the Raab they become compact rectangles within which man, beast and the fruits of the soil are collected into one homestead.

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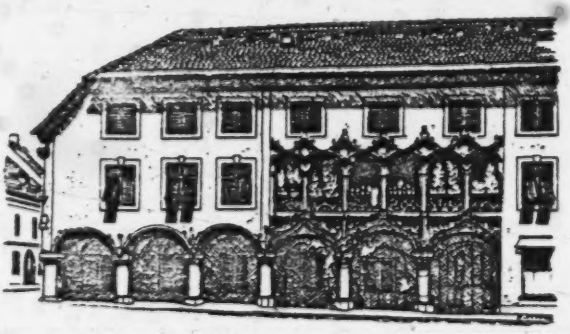
It is not hard to discover evidence of the changing fortunes of the Province. Tombstones have been found in remote parts of the forests with inscriptions in Roman letters erected to the memory of Celtic aborigines. By the roadside are overgrown tumuli which the peasants awefully refer to as "heathen graves". If one is to believe local legends, great princes are buried in some of them—perhaps even Attila himself, the King of the Huns. Later the Avars overran the country, destroying the deserted homesteads of the Romans and their culture, and driving

their slaves, the Slavs, before them with their whips. After the year 800 A.D. when Charlemagne had broken the tyranny of the Avars, there came monks from Salzburg to preach Christian doctrines and with them Bavarian peasants. But soon the Magyar invaders swept in to interrupt the peaceful work of these settlers among the natives. Only after the Battle of Lechfeld was it resumed. Then, with the vigour of the adolescent Western world as a spur, a civilisation based on the hard work of a simple peasantry grew throughout the centuries into that unobtrusive, modest culture which has survived all the hard tests of the past. In those early days the villages grew up on river banks and in sheltered corners between hills, overshadowed and protected by the castles of the ruling knights; the Riegersburg, which crowns the steep slopes of the Felsberg, is a fine example of the latter. Protection from the danger which always threatened from the East was afforded by the frontier towns of Friedberg, Hartberg, Fürstenfeld and Radkersburg. The burghers who lived in them and in the market-towns, proud of their social position, yet in close contact with the country-folk, kept the latter in touch with the developments of the age and brought to them profitable trade.

The Raab, the chief river of East Styria, flows broad, sluggish and dark from the districts where the villages melt into fertile fields and the storks nest on roof-tops and chimneys. As it hurries through Passail the river is still an immature mountain stream. From this remote and pleasant market-town Peter Engelbrecht once found his way to the Imperial Court in order to teach Latin grammar to Maximilian, later the first emperor of this name. Further on, below the old Stubenberg castle of Stubegg lies Arzberg, where, as the name suggests, lead ore (with a silver content) was mined.



Bruck-on-the-Mur, Kornmesserhaus.

Gritsch, Doiber and Oberdrosen are examples, while Windisch-Minihof has preserved its eloquent name unchanged. 103

Minihof—does it not sound as if this village had been named after one of its favourite inhabitants? On Sunday, when the women and girls of the Burgenland go to church, many of them in the traditional and proudly preserved national costumes which differ from village to village, more than one pretty girl, whether Mini, Kathi or Liesl, attracts attention.

In the Province there are about half a dozen Minihofs. But the name means nothing other than Münichhof, Monks' Dwelling. The monks, whose memory has thus been recorded did much to further the development of the Province.

About 800 A.D., Charlemagne defeated the Avars and established the Pannonian Mark, which included the best part of the Burgenland territory on both sides of the Raab and the adjoining strips of Lower Austria as far as the slopes of the Wienerwald. This became the nucleus of Austria. The monasteries of Salzburg, Kremsmünster and Mattsee, together with those of Passau and Freising, were given vast estates in the Burgenland by the Carolingian rulers and attracted settlers. The ruins of Scarabantia and Sabaria, which had the appearance of an "öden Burg" ("desolate castle"), lying about like "Steine am Anger" ("stones on the slope") then awoke to new life. Purbach and Donnerskirchen between the Leithagebirge and the Neusiedler Lake, Lutzmannsburg in the district of Oberpullendorf, close to the Hungarian frontier, and Pernau, further to the South just the other side of the frontier, all date from this time. So does Minihof, the "Hof", or residence, of the monks. 175 103

Let us here recall St. Martin, the most venerable of all the famous sons of the Burgenland. Born in 316 A.D. in the little town of Sabaria, he became through his efforts as Bishop of Tours the patron saint of the Franks. Reverence for his name was brought back to the Burgenland and to Pannonia through people who settled

Mörbisch.

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133 Austrian alpine foothills, to which it by its character belongs. Sandwiched in between, on the upper Pinka, one finds a living witness to Burgenland history in the Magyar enclave of Oberwart.

175 The Magyars came to Pannonia about 896 A.D. In 907 A.D. they destroyed the Bavarian armies near Pressburg, thus putting an end to the Frankish-Bavarian
563 Pannonian Mark. For half a century hordes of Hungarian horsemen overran Europe, spreading out even to France and Italy. The Battle of Lechfeld in 955 A.D. put an end to this, and the Magyars then tried to secure themselves a permanent home in the Danube Basin. Their "Westwall" was the impenetrable forests of southern Burgenland, and, further northwards, the swamps of Rabnitz. The valleys in the forest belt were defended by barricades and troops.

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Oberwart.

In one of these "Warte" or outposts, which is today the Hungarian-speaking village of Oberwart, the Magyar garrison maintained itself for 1000 years. Here the Magyar origin of the population is still evident in their speech and picturesque dress.

133 There are traces of almost every period of Burgenland history in the district of Oberwart. The most valuable heritage is that left by the extinct volcanoes at
529 Tatzmannsdorf, a healing centre for heart complaints and feminine ailments—an Austrian version of Franzensbad.

Geologists will find much to interest them in these parts. The brown-coal
135 mines of Tauchen, the antimony and sulphur-stone deposits at Schlaining, the iron ore which was mined even in Celtic-Illyrian times at Eisenzicken

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ROADS AND RAILWAYS.

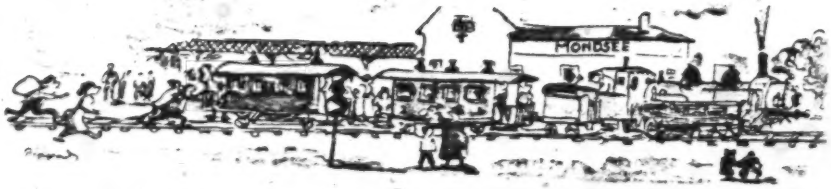
The roads of Austria are as ancient as her history, dating back to the Roman military and posting roads which followed the line of frontier fortifications right through the country. In their Provinces the Romans usually built flint or gravel roads with a uniform width from three to three and a half metres which were kept in good order by soldiers.

The Roman roads, based on surprisingly exact knowledge of the territory—in the alps they were all boldly constructed crossings via alpine passes—survived the flood of the barbarian invasions, forming Austria's principal highroads until well on into the Middle Ages.

Although very few architectural and similar buildings were created during this period, and the nobility and burghers created flourishing towns, the roads were sadly neglected and their condition became dangerous. The apparent contradiction in progress can be explained by the political situation and general conditions. Most people lived within the fortified areas—the castles, markets and towns in which even countryfolk were forced to take refuge in the constantly recurring periods of war. When danger from the Turks became a constant threat for Austria during two centuries, the roads were still more neglected, partly, perhaps, with the intention of making it more difficult to march from village to village and to penetrate into the interior of the country.

Thus until late into the 17th century the roads were allowed to degenerate into dirt tracks, without any attempt to improve them. Following the lie of the land, they ran uphill and down dale, unplanned and unregulated. The few existing fords were at the mercy of the highest floods and there were almost no ditches at the side of the roads. Such roads were naturally only negotiable for vehicles in fine and dry weather and it was a work of art to bring a load intact to its destination. A special class of freight carriers grew up who created a monopoly for themselves. Travellers as well as merchants were very much at the mercy of the skill as well as the needs of the carriers.

The great change in politics created by the victory over the Turks and the new ways to build which reached its apex in the blossoming of the baroque period, soon brought about a complete alteration of these conditions. Under the Emperor Karl VI, Vienna became a great European traffic and trading centre. Step by step extensive road planning was carried through. In the forefront stood the need of link with the Mediterranean harbour of Trieste, so the "Kaiserstrasse" was built. The road over the Semmering Pass took only 48 days to complete. At the same time the



Salzkammergut Local Railway.

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building of more roads from Vienna to Brunn, Olmutz, Iglau and Prague was started.

Hand in hand with the construction of a modern network of roads went the development of the mail service. When Napoleon made preparations for the conquest of Europe, the way had quite literally been prepared for him.

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When steam instead of horse power began to make the wheels go round in the 19th century and the first engines crawled puffing through the country—in short, when technical development revolutionised all previous ideas, covering the countryside with a dense network of railway lines, Austria took the lead among continental countries in railroad construction.

In 1837 the first train left Vienna in the direction of Wagram. By 1841 there were already 350 kilometres of railway line in use. The year 1848 saw work started on the daringly planned Semmering Railway, with its succession of tunnels and viaducts, the world's first exciting attempt to build a mountain railway. The Westbahn was built in 1858 and the Ostbahn completed in 1868. Since that time Austria's key position in the transport system of Central Europe has been undisputed. Soon goods trains from Germany, Bohemia and Poland, heavily laden with coal and industrial products of all kinds were rolling between the Brenner and the Semmering on their way over the Alps to the Mediterranean, bringing back in return southern fruits, rice, fish and silk. Southern France and Switzerland sent costly finished products in exchange for grain, cattle fodder and pigs from Galicia, Hungary, Serbia and the Ukraine.

The Arlberg Express has long been the backbone of the European transport system, collecting passengers from the West, from the Channel ports, from Brussels and Paris, from Zurich and Geneva and carrying them down through the gateway of Austria to the Balkans—to Budapest, Bukarest, Belgrade, Sofia, Athens and Constantinople.

For the lover of the beauties of this world a journey through Austria is itself an unforgettable experience. It is difficult to select for mention any of the countless scenic beauties to be seen from the Austrian railways without slighting the rest. There is the Mittenwald line near Innsbruck, the line by which one passes from Salzburg to Carinthia through the Valley of Gastein, the ascent of the Arlberg and the Brenner, the narrow-gauge Salzkammergut local railway, the cross-country connection from Attnang-Puchheim by way of Gmunden, Ischl and Bad Aussee to Salzthal, the Ennstal stretch, the Pyhrn railway, the line through the Styrian mountains, the views from the line which cuts through the mountains to Mariazell and the innumerable mountain and cable railways. Here we must stop, otherwise it will become just

204 Operating within the Austrian Productivity
177 Center there is a sub-section for "Technical Assis-
647 tance." This provides Austrian experts of various
433 establishments with opportunities to acquaint them-
selves with the latest developments of their business lines in the United States. The results of these study trips are evaluated in a publication Die Studienreise, in which the impressions and experiences of the technical assistance delegation are brought to the attention of a large circle of interested persons. The first publications are entitled Moderne Holzernte (Modern Lumber Crops) and Gäste aus Amerika (Guests from America). To acquaint the public at large in a comprehensive manner with the productivity problem, a popular pamphlet series Der Ausweg (The Way Out) has been published, its first number being entitled Produktivitätssteigerung--der Ausweg (Greater Productivity - the Way Out).

Particularly valuable for the exchange of ideas, formulas, etc., is the Economic Technical Information Service of the Austrian Productivity Center which developed into a liaison office between domestic and foreign information centers. Collaborating with Technical Assistance, it answers inquiries about American production processes, firms and equipment, and loans small-sized motion picture films and projection apparatus. It further provides, in cooperation with OEEC countries, trade or professional journals and books, furnishes excerpts of the latest American professional literature ("Digest and Abstracts Service") and answers inquiries about American licenses and patents. This service is supplied and supported by a documentation center.

647 A special cooperation for the furtherance of
816 statistics exists between the Oesterreichisches statis-
[204] tisches Zentralamt, Wien (Austrian Statistical Central Office, Vienna), and the Institute of Economic Research. The Statistical Central Office publishes monthly, in collaboration with the Committee of Economic Central Offices and Chambers, the official Statistische Nachrichten (Statistical News), the editor-in-chief of which is presently Hofrat Dozent Dr. Arnold Madlé. In this connection the Oesterreichische Statistische Gesellschaft (Austrian Statistical Society) should also be mentioned. It was established March 31, 1951, for the purpose of cultivating statistics in all sections of the social and natural sciences besides furtherance of statistical teaching. Chairmen of the board of trustees are: the president of the Austrian Statistical Central Office,

2: MacDonald S-4 (no date) 1946 EK1 Austria EK1

INTRODUCTION

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IN the autumn of 1918 the Empire of the Habsburgs collapsed; and when the Czechs, the Poles, the Southern Slavs, and the Hungarians had broken away and formed independent States, the German Provinces of the old Reich, containing some seven million out of the fifty million of the Habsburg peoples, were left alone to face an uncertain future.

The Christian Socialists of the Provinces[1] and the Social Democrats of Vienna and the industrial districts, differing in almost every other respect, were united at that time in their desire to join the German Reich, and in their intention of instituting some form of democratic government.

Frustrated by the Allies in their first objective they proceeded, with the blessing of the civilized world, to draw up with meticulous care a pronouncedly democratic constitution, which should ensure for all time government of the people, for the people, by the people. From the Cardinal Archbishop to the editor of the *Arbeiter Zeitung* there was scarcely a dissentient voice. All were agreed that from henceforward the people themselves must be the arbiters of their own fate.

The friends and enemies of Austria were equally unanimous in their approval of parliamentary democracy as a form of government. The Czechs, the Yugoslavs, and the Hungarians, in so far as they had time for consideration of Austrian affairs at all, were profoundly thankful to see the disappearance of the last remains of the old authoritarian structure of the State, for, with this destroyed, the dreaded return of the Habsburg must remain a remote contingency.

The Allies, and especially President Wilson, viewed with gratified approval the ideological change of heart evinced by their late foes. The war had been fought and won in the name of democracy, and it was consoling to see that even the ex-enemy States had come to appreciate the ideals for which so many millions of lives had been sacrificed.

[1] Throughout this study the term 'Land' will be translated as 'Province'. In fact, however, the Austrian *Ländern* were rather more important units than the term 'province' would indicate.

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2: MacDonald S-4 (no date) 1946 EK1 Austria EK1

642 178 Finally, the Germans of the Reich, the closest friends, if not blood-brothers, of the Austrians, were themselves no less determined that they too would henceforward live under a democratic form of government.

Yet in spite of this apparently auspicious beginning, Austrian politics since 1927, and perhaps even before this, moved steadily in an anti-democratic direction. By 1929 the tide had finally turned, and at last, in February 1934, democracy in Austria was overthrown.

It is not easy to assign its just significance to each of the contributory causes of this *volte-face*, for they were many and various. The following study can only be regarded as a preliminary attempt to consider some of the most important. It can make no pretence to being an exhaustive treatment of what is a very large and complex question.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

[p. 148]

IX

Social Change

178 565 BETWEEN the two World Wars the whole structure of Austrian society was radically transformed. The social pyramid, culminating in the great aristocratic families and the Emperor, began to disintegrate when the Habsburg power collapsed and Austria, from being the centre of a great cosmopolitan Empire, became a poverty-stricken fragment struggling to make ends meet. The process of disintegration was completed by the post-War inflation and the economic crisis of 1930–1. When the Second World War broke out, the most glaring inequalities of the years before 1914, with the glamour and the squalor that accompanied them, had largely disappeared.

745 During the period of transition a new social order was built up in Austria which was one of the most advanced and en-
466 lightened in the world. The origins of Austrian social legislation go back as far as the years 1882–8, when laws were passed regulating labour conditions and introducing compulsory insurance against accident and sickness for certain limited classes of industrial workers. This was followed during the first decade of the present century by measures establishing pensions for salaried employees on a contributory basis. On these foundations, after 1918, a whole series of laws was passed under the influence of Ferdinand Hanusch and Dr. Joseph Resch, the first Austrian Minister of Social Welfare. Subjects covered included unemployment insurance, holidays with pay, the extension of accident and sickness insurance, the eight-hour day, the abolition of night work for women and juveniles and of all work for children, and the introduction of Works
562 Councils and factory inspectors. During the same period Vienna was attracting world attention by its radical improvement of the housing conditions of its workers through the

May 29th, 1933. Imposition of the 1000 mark limit for German tourists in Austria.

September 7th to 12th, 1933. Ninth "Catholic Day" in Vienna. Programmatic speech of Dollfuss.

February 5th, 1934. The League of Nations to be asked to intervene in the struggle with Germany.

February 9th, 1934. The parliamentary deputy Kunschak appeals in the Vienna City Council for reconciliation between "Black" (Catholics) and "Red" (Socialists).

February 12th to 15th, 1934. House searches in buildings of the Social-Democratic Party in Linz meet with armed resistance. General strike, violent conflict in Vienna and the countryside. The Vienna City Hall occupied by troops. Dissolution of the Social-Democratic Party. Arrests of leading Social-Democrats.

April 30th, 1934. Parliamentary Session of March 4th, 1933 closed. Enabling Bill passed to authorize the Government to conduct the affairs of state.

May 1st, 1934. Publication of the new Constitution of the Corporate State.

May 20th, 1934. First Nazi bomb outrage.

July 25th, 1934. Murder of Chancellor Dollfuss by illegal S.S.

July 25th to 30th, 1934. Nazi revolt in Carinthia and Styria suppressed.

July 30th, 1934 Schuschnigg becomes Chancellor.

September 27th, 1934. Joint Declaration by England, France and Italy, guarantees the independence of Austria.

January 7th, 1935. Laval in Rome. Consultative pact between Italy and France for defence of Austrian independence.

May 1st, 1935. The "Vaterländische Front" given monopoly rights to hold political meetings.

If there were any need to emphasize or to prove the indestructibility of the conception of Austria, events subsequent to 1918 might be called as witnesses before the bar of history. With quiet determination, the Austrians pulled themselves together and prepared to tread the stony path towards the formation of a new state. Now the call came to the simple citizens, the peasants, the city workers. The privileges of a class who for the last ten years had meant no more to the various peoples of Austria than a loose bond forged by tradition and official position were swept away in the general collapse of 1918. The blackballing of socially ineligible candidates for membership of exclusive clubs and the privilege of having green shutters to the house windows—documented evidence of membership of a privileged class—together with the old uniforms and the titles of nobility became just a part of historic memories.

The Austrian people know by instinct how to determine what is part of a precious heritage from the past and what is merely outworn convention. This instinct has constantly enabled them to adjust themselves to new modes of life during the ups and downs of the centuries. The Austrian has the gift of human comprehension, a readiness to respect opinions diametrically opposed to his own. Averse from the use of force and revolted by unnecessary violence, he cherishes freedom and hates tyranny. The Austrian has no respect for an empty skull, even if it is covered by a top hat or [illegible] hat of a general. But he is capable of deep reverence for every person and every thing really worthy of it.

Austria's path which led from the First to the Second Republic was a painful and difficult one. She was no more free from errors and mistakes in home policy than from reverses

AUSTRIA'S ECONOMIC DEVELOPMENT

487 Pass and the Semmering Pass allow goods from central and northern Europe to cross the Alpine barrier and to travel south to the Mediterranean countries. Further, a number of other important lines of communication fan out from Vienna, enabling Austria to provide important transit services to other countries.

The natural beauty of the Austrian countryside is well known, and the rapid growth of tourist traffic in the inter-war period shows that Austria, like Switzerland, is a natural "recreation centre" not only for her own citizens but for a large number of people from all parts of the world.

AUSTRIA'S DEVELOPMENT BEFORE THE LAST WAR

•178 The feudal character of the Habsburg Monarchy was no fertile soil for the development of an industrial bourgoisie. The industrialization of Austria-Hungary started rather late and proceeded slowly as compared with that of Germany and western Europe. When, however, railways began to be built after 1830, manufacturing establishments sprang up in growing numbers, both to provide for the needs of the railway companies and to make use of the new transport facilities. This process of industrialization gathered momentum after the middle of last century, when the foundations were laid for a great variety of industries. The great depression of 1873 resulted in a serious setback, but progress was soon resumed, though at a somewhat slower rate.

433 A few figures will help to illustrate the rate of growth in that period.[6] Between 1841 and 1871 the production of 178 pig-iron increased from 200,000 tons to 770,000 tons. In 1871 Austria[7] possessed 1½ million cotton spindles and 580,000 wool spindles. Between 1870 and 1913 the production of coal increased from 3·4 million tons to 16·5

[CP CAT. 116, p. 12 — ANALYST]
[CP CAT 116, p. 12 — ANALYST]

million tons, of lignite from 3·1 to 27·4 million tons, of pig-iron from 0·25 to 1·8 million tons. The railway network increased in the same period from 6,000 km. to 23,000 km. and considerable strides were also made in agriculture and in foreign trade, though the latter played only a comparatively small part in the economic life of the Empire. 433 178

The trend towards industrialization is also shown by the percentages of persons engaged in Industry and Commerce at various dates (figures for Austria-Hungary).[8] 178 162

	1869	1890	1900	1910
Industry	19·7	21·3	22·2	24·2
Commerce and Transport	5·2	6·2	7·3	8·8
Agriculture	67·1	62·4	58·1	56·8
Services, Professions and others	8·0	10·1	12·2	9·9

These figures suggest that, in spite of a constant process of industrialization, the Austrian-Hungarian Monarchy was still a predominantly agricultural country. Moreover, this process was spread very unevenly over the whole area, leaving some regions seriously undeveloped while others attained a highly industrial character. While, for instance, the percentage of persons employed in agriculture in 1910 was 57 for the whole monarchy, it was 69 for Hungary alone but only 40 for Bohemia. In fact, industrialization was largely concentrated in a few areas, viz. the Bohemian-Moravian-Silesian region, rich in coal, the area round the Styrian iron ore deposits, and the Vienna district. Later, another industrial region sprang up in Upper Austria, between Steyr, Enns, and Linz. 178

Several factors were responsible for this high degree

1 [CF CAT. 116, P. 12 — ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

178 of localization of industry in the western part of the Monarchy. First, there were strong economic forces working in this direction. The coalfields of Moravia and Silesia, and the iron ore resources of Styria, had great attractions for the heavy industries. Vienna, on the other hand, where the administrative machinery of the whole Empire was centred and where Court and aristocracy lived on a grand scale, was a focus for a great variety of light industries. The food and clothing industries settled down in this area as well as the luxury goods industries which soon reached a high standard. Vienna's importance as the main market also attracted the new electrical and chemical industries to this area. Further, Vienna became an important centre of trade and finance, not only for the Monarchy but for the whole of south-eastern Europe. There were also a number of other important industries spread over other parts of the country. To this group belong above all the important paper industry which settled down near the forest regions of Austria; the spinning mills which, with their raw material imported from the west, tended towards the Swiss frontier; and the weaving factories which migrated to Bohemia and Moravia, centres of cheap power and cheap labour.

But it was not only economic factors which led to the concentration of industries in the western areas. Military considerations, for instance, were responsible for the erection of armament factories as far away from the dangerous eastern frontier as possible. Finally, the nationalities in the eastern parts of the Empire were, as a result of Habsburg policy, neglected politically, economically, and culturally, and their poverty and backwardness was a constant drag on the development of the Empire as a whole. While the western regions of Austria-Hungary were similar in their structure to that of western Europe,

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

the eastern regions were almost as backward as Tsarist Russia and the Balkan countries.[1] 178

When the Habsburg Empire fell to pieces, therefore, several countries with very different economic structures emerged. Austria and Czechoslovakia were mainly industrial countries while the others were predominantly agricultural. Weakened by four years of war, each of these new states was faced with a major problem of adjustment to an entirely different political and economic environment. Let us see how Austria set out to meet this problem.

1 [CF. COT. 116, P. 113 -- ANALYST]

AUSTRIA'S ECONOMIC DEVELOPMENT

511 Austria's intermediate position between the countries of eastern and western Europe, two sets of comparisons may 424 be given: one showing estimates of the national income of some of the countries in question; the other showing the yearly consumption of some manufactured consumer goods.[5] 1

ESTIMATES OF NATIONAL INCOME

Country	Year of Estimate	Approx. National Income per Head in U.S. Dollars
Austria	1935	150–160
Czechoslovakia	1937	150–160
Hungary	1937	90–100
Yugoslavia	1937	55–65
France	1936	270–280
United Kingdom	1935	490–500

ESTIMATED YEARLY CONSUMPTION OF SOME MANUFACTURED GOODS PER HEAD OF POPULATION

(Year: 1937)

	Cotton Goods (kilos)	Paper (kilos)	Sugar (kilos)	Wireless Sets (No. of Licences per 1,000 Persons)
Austria	5·1	14·8	19·5	92
Czechoslovakia	4·2	13·9	22·4	69
Hungary	2·4	10·0	12·7	43
Yugoslavia	2·0	3·5	5·4	7
Western Europe	8	30	32	120

THE NEW POLITICAL FRAMEWORK

178 In this second period of recovery Austria thus acquired what had only been half accomplished in the years from 1923 to 1929: a sound and stable economic foundation. But the recovery after 1932 did not simply pick up the threads of 1929. Political conditions had changed considerably, both at home and abroad; and this decisively

1 [CP CATEGORY 116, P. 77 -- ANNALY]

influenced the economic structure which emerged in these last years of Austria's independence. Two factors, in particular, were of importance: the changeover from a democratic to an authoritarian régime; and the rapid growth of the German trade offensive in south-eastern Europe.

At home, the most obvious results of the destruction of democratic institutions were of course to be found in the political field. But there were also important economic concomitants. The dissolution of free trade unions and of other democratic bodies eliminated every organized force which might have safeguarded the share of the mass of the population in the national income. While production as a whole returned to and even surpassed the 1929 level, the production of consumption goods—contrary to the experience in most of the other countries—remained far below it. The trade revival came largely from increased exports, rearmament, and public works.[7] The strong cartels which covered a large part of Austria's industry (e.g. in the iron and steel trades, in electrical engineering, in chemicals, rubber processing, sugar refining, in the paper and brewery trades, etc.) absorbed a large proportion of the rising national income into profits, and the revival failed to spread to the consumption goods industries which remained depressed and were a source of unemployment.

The external effects of the changed political situation were even more marked. In the inter-war period, and particularly after 1929, when tariffs, quotas, currency wars, etc., became the order of the day, the economic relations between most countries ceased to be governed by transactions between private traders. Foreign trade increasingly became the concern of governments, and economic policy a special aspect of foreign policy. Austria

IN THE CHANGED POLITICAL CONDITIONS OFTEL 1932 ANALYSIS
CATEGORY 116 P 77 ANALYST

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[For informed speculation on the political and economic factors likely to affect social planning and probable trends in post World War II, Austria, see category 116, pp. 93-104.]

with its steeply sloping fields rising above the rushing mill-streams below. Still 133
valleys sweep in attractive crescent form around and below the peaks of the Stubalpe.
Everywhere in these barren farmlands from Radlpass to Lower Gleinalmspeik, [311]
the fields and meadows have been conquered from the wilderness of vast forests
by means of fire and plough. Everywhere on these islands created by persistent,
back-breaking peasant labour, the brown wooden farmhouses beneath their silver-
grey roofs of slate defy the gales which come raging from the storm-centres of the
mountain fields, and in age-old "Rauchstuben" the life-blood of ancient legends
thaws again before the warmth of the open fire.

Beyond the savagery of the mountains, a world of vine-covered hills unrolls 245
like a gay-coloured scarf before the dark girdle of the forest peasants land. On
the sun-side of the mountains below the heights, the vineyards on the slopes are
staked out with serried rows of vines on supporting poles. This is the picture
which begins in a small way at the "Gasselberg", where with care it is possible
to produce a Schilcher which has the proper tang alongside many an unassuming
vintage. In the Styrian Schilchertal, between Ligist and Eibiswald, the view
broadens and opens out. The vineyards there on the Hochstrassen and on the
clear-cut, towering mountain ridge of Greisdorf are famous from olden times.
The Engelweingarten above Stainz should be saluted with joyful respect, as should
all the carefully tended vineyards where the Wildbach grapes ripen.

At the foot of this double garland of forest and vineyards is fruitful soil in which 181
Turkish wheat prospers under a burning sun, yet despite all the riches which lie
in the soil or come from the bright skies above, bad weather, misfortune and hard times have made the population adopt a grave and sometimes resigned attitude towards life.

A friend of the Styrian motherland wandering throughout the strip of country which we call West Styria and observing it with affection, would soon notice that beneath the noise and bustle of the fleeting present there lies hidden the treasure of a rich past. Roman inscriptions on stones and the tombstones of Italian officials and native Norics which are

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Women of Leoben.

announced by trumpets from the tower, and hundreds of candles burn in the cemetery.

In the "Rauhnacht", before the Feast of Epiphany, you can watch the "Glöcklerlaufen" in many parts of the country around Ischl. Young men in groups of up to 30 and more carry transparent head-dresses on their heads in the form of chapels, fish, crosses, ships, etc., which are lighted up from within by candles. They are dressed in white, with dangling bells and run from house to house at a definite steady pace.

In the spring, at Candlemas, the time for changing servants, there is "Aperschnalzen". This is a rhythmic cracking of whips which welcomes the first patch to be clear of snow. Later comes the "Almauftrieb" (the driving of cattle up to the mountain pastures) to be followed in autumn by their being driven back to the valleys. The procession up to the green pastures is a great event. The cattle are decorated with coloured ribbons and garlands of flowers, the leading bull carrying a bell. The calves often bear crowns of real flowers between their tiny horns.

On Palm Sunday the palm bush is constructed. Branches of pine, willow and spring flowers are twined together in bunches to which ribbons and apples are attached, and are then fastened to long poles and carried to the church. Afterwards they are placed in the middle of the fields to make them fruitful, and left until the new grain or high grass has grown up all around.

Corpus Christi Day is a religious holiday throughout the Catholic countryside. Everywhere there are processions. At Hallstatt and in Traunkirchen, where there is too little space between lake and mountains, the Corpus Christi "Procession" is held upon the lake. On the water, verses are read from the four gospels, while guns thunder from the shores or in the mountains.

towers and the steep span-roofs of the houses look out over golden fields of wheat and barley, over level plains and gently sloping hills of arable land, over orchards heavy with fruit and extensive forests. Like a constantly recurring *leit-motif*, the chain of the Alps thrusts the many-shaped zigzag of its peaks into the sky wherever one glances southwards. Whether it be in the prosperous market-towns on the Inn, in Schärding or Braunau or the land up-country, in Ried or Haag, in old riverside-shipping towns like Obernberg or in the distant villages, everywhere you sense the Innviertler's *joie de vivre*, his passion for dancing and song, his simple enjoyment of marriage and church festivals. Trace this to its source and you will find that it is love of the soil, of the Province, of home—as you will find it interpreted in the dialect verses of Stelzhamer.

Braunau-on-the-Inn.

If you are looking at altars and similar church decorations in this area, you will surely come across the name of Schwanthaler. An artist whose imaginative sketches have been exhibited all over Europe lives here in a romantic castle at Wernstein-on-the-Inn—Alfred Kubin.

IN THE HAUSRUCK. Across the Province of Upper Austria runs a forest-covered range of alps, the Hausruck. Its massive height may well have seemed to popular imagination like the body of a giant resting embedded in the surrounding hills, lost in mysterious dreams.

May 29th, 1933. Institution of the 1000 mark limit for German tourists in Austria.

September 7th to 12th, 1933. Ninth "Catholic Day" in Vienna. Programmatic speech of Dollfuss.

February 5th, 1934. The League of Nations to be asked to intervene in the struggle with Germany.

February 9th, 1934. The parliamentary deputy Kunschak appeals in the Vienna City Council for reconciliation between "Black" (Catholics) and "Red" (Socialists).

February 12th to 15th, 1934. House searches in buildings of the Social-Democratic Party in Linz meet with armed resistance. General strike, violent conflict in Vienna and the countryside. The Vienna City Hall occupied by troops. Dissolution of the Social-Democratic Party. Arrests of leading Social-Democrats.

April 30th, 1934. Parliamentary Session of March 4th, 1933 closed. Enabling Bill passed to authorise the Government to conduct the affairs of state.

May 1st, 1934. Publication of the new Constitution of the Corporate State.

May 20th, 1934. First Nazi bomb outrage.

July 25th, 1934. Murder of Chancellor Dollfuss by illegal S.S.

July 25th to 30th, 1934. Nazi revolt in Carinthia and Styria suppressed.

July 30th, 1934. Schuschnigg becomes Chancellor.

September 27th, 1934. Joint Declaration by England, France and Italy, guarantees the independence of Austria.

January 7th, 1935. Laval in Rome. Consultative pact between Italy and France for defence of Austrian independence.

May 1st, 1935. The "Vaterländische Front" given monopoly rights to hold political meetings.

If there were any need to emphasize or to prove the indestructibility of the conception of Austria, events subsequent to 1918 might be called as witnesses before the bar of history. With quiet determination, the Austrians pulled themselves together and prepared to tread the stony path towards the formation of a new state. Now the call came to the simple citizens, the peasants, the city workers. The privileges of a class who for the last ten years had meant no more to the various peoples of Austria than a loose bond forged by tradition and official position were swept away in the general collapse of 1918. The blackballing of socially ineligible candidates for membership of exclusive clubs and the privilege of having green shutters to the house windows—documented evidence of membership of a privileged class—together with the old uniforms and the titles of nobility became just a part of historic memories.

The Austrian people know by instinct how to determine what is part of a precious heritage from the past and what is merely outworn convention. This instinct has constantly enabled them to adjust themselves to new modes of life during the ups and downs of the centuries. The Austrian has the gift of human comprehension, a readiness to respect opinions diametrically opposed to his own. Averse from the use of force and revolted by unnecessary violence, he cherishes freedom and hates tyranny. The Austrian has no respect for an empty skull, even if it is covered by a top hat or the brass hat of a general. But he is capable of deep reverence for every person and every thing really worthy of it.

Austria's path which led from the First to the Second Republic was a painful and difficult one. She was no more free from errors and mistakes in home policy than from reverses

000 Food is not, as ascetics proclaim, just a means of prolonging a puritan existence. Far from it. Feeding—the exquisite pleasure of absorbing nourishment—is a very intimate part of the most important and the most pleasurable experiences of life. Manners and costumes associated with eating often give a faithful picture of a whole epoch, reflecting the various stages of its development whithout artificial gloss or sham. The standard of cooking and table manners reveals human—or all too human—characteristics, both of individuals and of races.

In Austria—as you will already have noticed—everything dates a long way back, the most modern things originating at the latest in the days of Maria Theresia. Very much dates back to Leopold, the saintly Babenberg, and even to the Romans. Gastronomy, the art of the epicure, goes back to prehistoric times, for in Vienna the fact has never been overlooked that taste is the first sense to awaken and the last to fade. Literature expresses its universal importance with the words: Eating is life intensified.

181 The words "Wiener Lebensart"—the Viennese manner of living—implies first of all a cultivated appreciation of all the pleasures of life—something which the non-Viennese may dismiss as self-gratification. The Viennese know how to interpret gratification, and find in it nothing derogatory. On the contrary, delight in pleasures of the senses, a desire to enjoy the good things of life contribute towards creative achievement. These things are the inexhaustible source of the Austrian people's artistic gifts, the primary urge to stretch out one's hand towards violin or palette and brush. From them arise the vagaries of fashion, the inspired variations of applied art and that style of living and being which the ancestors called "the life of the Phaeaces".

Would Odysseus ever have returned to his Penelope without the help of Naüsikaa, the well-disposed daughter of the Phaeaces of the pleasure-loving island of Scheria? The reproach implied in the word "Phäakentum," only arouses a smile here. People are well contented that pleasure-loving Vienna should be an island in the wearisome and baffling journey of life.

But let us approach the important subject of gastronomy with a respectful obeisance to bygone days:

262 A HERITAGE FROM GODS AND ANCESTORS. One can hardly speak of a culinary art prior to the arrival of the Romans and the Germanic tribes in the country, for the Celts were very primitive eaters. Their food consisted of very little bread but plenty of meat, which was boiled in water or roasted on a spit.

261 From the Teutons two principles have been handed down unaltered—that nothing
574 should be begun on an empty stomach, and that the famous Teutonic hospitality was a first duty. As Tacitus says in his "Germania": "No other race is so eager

565 them. Although the Viennese woman, superficially regarded, may have achieved
593 the emancipation of the self-supporting woman later than those of other countries, she early became the unchallenged and particularly respected representative of a well-defined and charming type of culture in the family, the home and in her salon. The average middle-class woman in Vienna has always lavished her imagination, her good taste, her emotions and her love on the home and its cultured atmosphere.
264 The famous Viennese "Gemütlichkeit" (comfort) is eternally to her credit. This was not difficult for her to achieve in the days of plenty, but she has the art of lending the poetic touch to the simplest meal. A snow-white tablecloth, a tasteful vase with flowers, an old china service, the dainty mat for a wine bottle and a touch of greenery as decoration can make the plainest meal attractive. Or the cobwebby teacloth of the Vienna Jause (tea table) with the hand-painted biedermeier cups, the charmingly arranged flowers, the sugary white and crisp "Guglhupf" (a sort of sponge-cake) in the centre and the aromatic coffee combine to bring a welcome break in the daily round.

265 This is also the reason why the restaurants in Vienna are less frequented than in other big cities. The stranger who remains more than a week in Vienna looks for private lodgings. If he is a man of name and position he soon finds acquaintances and free board. It was the custom when making a longer stay for a visitor to rent a room for the month and to eat only in restaurants.

511 In Vienna everything was cheaper than in most other cities. Karl Julius Weber wrote:—"Where is the great city where a philosopher may live so pleasantly for such a small sum of money and a man of the world can enjoy the fashionable world for an expenditure of 3,000 to 4,000 gulden? In any case one can live in Vienna twice as well as elsewhere with half as much money."

565 Glasbrenner writes with enthusiasm of Vienna:—"The Viennese is above all
181 a human being. In Vienna there is hardly a trace of class-consciousness, for in the same tavern lackeys and cab drivers sit next to artists, rich citizens and merchants,

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side by side with clerks. The Viennese goes on his way untroubled and finds his own pleasures. If he feels hot he takes his coat off, if he has an itch in his legs he dances, if he likes the look of a girl, he courts her; if he feels he wants to drink, he drinks. He is always human, always without embarrassment, a quality which he has saved from the wealth of imperial days and preserved for these days of impoverishment."

VIENNA SPECIALITIES: Many foreigners have believed that Austrian cooking is the best, the most nourishing and the most piquant. The English are content with roast beef, the French with roast mutton, ragout or a few pies, the Italians with stracchino and spaghetti. Russia has her nourishing herb soups with meat balls, the Hungarian his paprikagulyas, the Dane his buckwheat and cream. But the Viennese is interested in the multiplicity of the dishes. On great occasions he expects to see every bird from blackcock to pigeon, and every fish from trout to tunny on the festive board. In Viennese cooking the condiments are not emphasized and meat is served more à la nature. The Englishman is fond of Worcester Sauce, the Hungarian of red paprika, the Frenchman favours various spices and mayonnaises, but the Viennese prefers the natural taste of the meat. The Viennese cuisine also knows how to combine the favourite dishes of all these nations in its menu, for Vienna has learnt the art of international cooking.

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Among the bakers' specialities the first to be mentioned must be the Vienna roll. These have a history, for the Emperor Friedrich IV had the first rolls of the type called "Semmel" baked in 1487 with his portrait stamped on them, and gave one to each of the children who were called together in the city moat. Since then, the rolls have born the name of "Kaisersemmeln". Two hundred years later the "Kipfel" was baked in the crescent form of the Turkish sabres, being at first called "Mond" and later "Gipfel" (peak) after the spire of the Stephansturm which in those days carried a crescent at the top; the soft letter "G" was later changed to the crisp-sounding letter "K". The Vienna Bretzel also made its appearance about this time and was gradually followed by the salt "Stangerl", the "Girafferl", the "Schnecken" and the brioches.

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Another Vienna speciality is the Vienna "Faschingskrapfen" (a glorified doughnut). This was invented in the year 1615 by a luxurious confectioner named Cäcilie near the Peilertor, where the Naglergasse now runs. In those days it was called "cillikugel" in her honour. Not until thirty years later was it improved through

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A PAGE OF HISTORY

Meinhart the Second (of Görz) who was Meinhart the First of Tyrol, the man who formed the Province into a political unit in the thirteenth century, giving it the name of his castle near Meran, Schloss Tirol, is little remembered today. His wife, Elizabeth, on the other hand, still lives in the memory of the people. The widow of the Emperor Conrad the Fourth and mother of Conradin, she gave Tyrol the impressive background of the Staufer Empire. She set up a permanent memorial to her unhappy son in the Monastery of Stams. Meinhart, through the marriage of his daughter with the son of the Emperor Rudolf I, established the first connection with the House of Hapsburg.

Popular interest concentrates much more on the stirring story of Meinhart's grandchild Margaretha Maultasch ("Pocket-Mouthed Meg"), who drove out her first husband to marry her own cousin. She was excommunicated by the Church on the grounds that this marriage involved a double sin. It was long years before the ban was lifted. She survived her second husband and only son; in 1363 she made over "the land on the Etsch and the Inn Valley with Schloss Tirol and all else appertaining thereto" to Rudolf the Endower. Fourteen gentlemen of Tyrol put their seals to the deed in the name of all inhabitants of the Duchy, of the "clergy and laymen, nobles and commoners, wether living in the towns or in the country". With this impressive voluntary deed Tyrol began its life in the federation of Austrian Provinces. It soon found an opportunity to prove its loyalty.

Friedl with the Empty Pocket, popular despite his outlawry and excommunication, confirmed the freedom of the Province at the Diet of Meran in 1423, when for the first time burghers

of the ice world of the Ötztal may enjoy eternal spring the same evening 9000 feet below amid vines and chestnut trees. The modern mountain railways make the contrast even more unbelievable.

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THE TYROLESE. You will find among the people of Tyrol as many contrasts as those which characterise its landscape. To Tyrol the Bavarians came from the north and north-east, from the west and north-west the Allemanians, and from the south, Latin races infiltrated. The remnants of an aboriginal population whose source is obscure sought refuge from the invaders among the crags and crannies of the mountains where their descendants are to be found to this day. Throughout the length and breadth of the country you will come across curious names of village and pasture which recall these various races. Tyrol, which resembles Switzerland in this respect, managed to weld these various tribes—and later the people of German, Italian and Ladinian race—together, to live peacefully in a small area. Today these elements have overcome the limitations of nationalism and feel themselves to be above all Tyrolese. Once again the forces making for unity proved stronger than those tending towards separation, and the passes, as the word implies, have become links, not barriers.

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In Tyrol, inhabitants, dialect, costume, methods of building houses and of agriculture

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Egger-Lienz: Dance of Death.

differ from valley to valley and often from village to village. Strong, blond giants are to be found side by side with dark-haired, slender, agile men. In a few disproportionately-built men and women lives on the race of the giants of legend.

As the peasant, so his cattle. In the valley of the Lower Inn the cattle are heavily built and piebald; in the Upper Inn Valley there is a lightly built, grey type, rich in milk, growing in grace and agility as the pasturage becomes more scanty and difficult of access. In the mountain villages and remote enclaves there still survive many individual specimens of breeds which are otherwise becoming extinct.

342 The inhabitant of the valley of the Upper Inn builds his house of stone, he of
592 Lower of wood. The one keeps house and farm undivided, the other divides up
184 the farm and even the house, so that not only may several families live under one roof, but in the four corners of a large kitchen there are sometimes four ranges, each belonging to a different person who is expected to keep within the imaginary lines which mark out his own share of the floor. The Lower Inn rings with laughter and song and no one is ashamed of an illegitimate child. The inhabitant of the Upper Inn is reserved and sparing of speech; with him, the smouldering of no less violent passions is not easily to be detected.

197 There are many varieties of dialect. The people of the Ötztal call "Ferner"
184 what those of the Zillertal name "Kees" and which are called "Gletscher" —glaciers—only by the town-dwellers. The drawling and slurred vowel sounds, the clipped nasal consonants of the mountain dwellers, recall the speech of Latin races. The accent of the lowlander, in contrast, is graceful and often almost affected. In the broad valleys branching off from the main Inn Valley the inhabitants of the inner and outer valleys have little in common. In the Gschnitztal, for instance, Trins is a Romanish settlement, whereas Gschnitz at the foot of the valley is of German
609 origin. One consequence of all this is that anyone who moves from his own parish, even if only to a neighbouring one, is regarded all his lifetime as an "immigrant".

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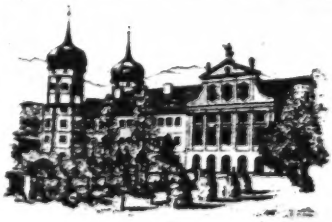
Vorderrs.

But if one asks what, in view of its many contradictions, Tyrol really is, one is again confronted by something strange and mysterious. It is a fact that, looked at from outside—for instance from Salzburg or from Vorarlberg, Bavaria or Italy—Tyrol presents the picture of a close-knit unit. Is it the mountains which hold together the Province (which in all documents is referred to as the "Land in the Mountains" because it is entirely dominated by mountains and because from north to south the whole territory consists of mountainous country which never descends to the level of the plains)? Is it a gift conferred by the gods for good or ill fortune; is there some idea of sacred mountains behind the song which tells of the "Holy Province" of Tyrol? ...

The peculiarly pious devotion of the mountain dweller to his homeland and his liberty has done as much to create the feeling of unity as has the great history of Tyrol which people keep alive today in many customs and many forms.

341 THE ARTS. In Tyrol, art belongs to the soil. The supreme period of its architecture is reflected not only in venerable abbeys, stately mansions, churches and the houses of the nobility, but also in many a farm-house and its outbuildings, in wayside crucifixes, chapels and shrines.

Apart from the imposing buildings and monuments which served the interests of the aristocracy and the well-to-do citizens—the most important example of these is the Tomb of Maximilian beneath the lofty vault of the Hofkirche in Innsbruck—the simpler output of native craftsmen is often impressive and singularly moving as, for instance, that gem of art, the little rococo church in the dreamy hamlet of Gschnitz. Built in the spirit of devotion, its existence threatened on all sides—from avalanches and landslides from the mountain above, from the torrential river below in the valley—it seems amid the forces of nature to do honour to God in the Highest, man upon Earth, and to act as a gracious mediator between the two.



Stams; Cistercian Monastery.

532 The artistic sense of the people is most apparent in the national costumes and

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

first decisions of the new Parliament, therefore, when it met on the 19th of December, was to adopt the constitution of 1929. Dr. Renner, in his New Year's Eve broadcast to the Austrian people, emphasized that the laws issued by his Government had been dictated by the force of circumstance and must now be verified by the people's representatives. 642

There were compelling reasons for having a coalition. In times of great emergency it is a healthy democratic instinct that brings political parties together to work in the common cause. Britain resorted to coalitions in both World Wars, and the First Austrian Republic had done so in the first two years of its life. The problems facing the country in 1945 were as difficult, if not so fundamental, as those that presented themselves in 1919. There was still an acute shortage of food and fuel. Although the country had gained a measure of unity since the recognition of the Central Government by the occupying Powers, the zonal frontiers remained, and each Power had special rights in its own zone. Moreover, seven years as part of the German Reich had left Austria no contacts of her own with the outside world. While his Government was still in process of formation, Leopold Figl summed up its main tasks as ensuring the necessities of life for the people, creating a unified Austria, and restoring her relations with foreign countries, especially with her neighbours. As gradual progress was made in the solution of these problems, a fourth objective of increasing urgency emerged which held the two main parties together in joint endeavour: the signature of a State treaty that would bring an end to the occupation and re-establish Austria as a sovereign State. [185]

Though these exacting tasks were sufficient to justify the existence of a coalition, there were other reasons for it which arose out of the nature and previous record of Austrian democracy.

The elections had shown that the two main political parties were closely matched in strength. The probable alternative to an alliance between them, therefore, would be tense political strife, which, in the circumstances of national emergency, 665

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as a political and economic fragment, industrially top-heavy, 433
and cut off from essential supplies, she was condemned to an uphill struggle for self-sufficiency. In 1938, just when she had achieved a measure of success, she had to submit to incorporation in an empire, the whole economy of which was moulded ruthlessly to the needs of war, without regard for the traditions or individual claims of its component parts. In 1945, as a small 185
unit, now conscious and even proud of her identity, she was set the task of rebuilding her independent existence and freeing herself from the traces of economic subservience.

To accomplish this third task Austria needed an economic plan that was based on the requirements of the future and the existing facts. Clearly the Nazi neglect of agriculture and the damage done to forests must be put right. A hydro-electric power scheme based on the country's own long-term needs was required. And a programme for industry had to be formulated which took account of Austrian tradition and craftsmanship and any features of the Nazi legacy that were of permanent value. The decision must be made as to what modifications were required in the heavy installations of the war economy in order that they might occupy a permanently valuable place in an economic structure adapted to the needs of peace.

It was difficult to form a correct judgement on this last point 000
in the exceptional circumstances of the post-War years. Not only were world markets strongly influenced by demands for reconstruction programmes. On the one hand, American generosity made available in Austria much more investment capital than would normally have been the case. On the other hand, Russian confiscation deprived the country of many industrial products and one of its main natural resources. It was obviously wise for the Austrian Government to aim at independence of American support. Yet such an objective was very difficult to attain, so long as the oil-fields and many industrial installations remained under Russian control, and no one knew how long the control was to continue. This unknown factor was a serious obstacle to the formation of any

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being about 68 per cent better than for the first half. This was due partly to the fuel crisis in January and February, but it represented also a fundamental change for the better. 439

Such briefly was the state of the Austrian economy shortly before Marshall Aid began.

A long-term programme for Austrian economic recovery could have only one aim: to achieve self-sufficiency on a lasting basis. Yet the statement of such a simple objective in 1948 was a very small contribution to the solution of the problem. The situation at the time was so critical and exceptional as to make the quiet pursuit of a long-term plan neither desirable nor practicable. Austria's first requirements were food and the raw materials and equipment necessary to rebuild her industries and her export trade. These needs had to be met at all costs and to a large extent took precedence over the consideration of priorities for the future. The future itself was so uncertain as to make too much regard for it foolish. There were three major questions which no one was in a position to answer, however confidently he might speculate. How long was Russia to control Austrian oil? How soon was Austria to regain her political independence? And what kind of Europe would she find herself in when she was free? The enigma of the future is the whole world's burden. But at present it centres round the division of mankind into two great camps, and those on the dividing line between them are especially conscious of it. 185

In these circumstances the natural tendency to take the short-term rather than the long-term view, to prefer economic tactics to economic strategy, could be justified in some measure on rational grounds. Certainly, in drawing up an ERP[1] plan for Austria, the American authorities, on the one hand, and Austrian statesmen and economists, on the other, took full account of existing circumstances and of the urgency of present claims, sometimes inevitably at the expense of long-term considerations and of the well-conceived ideas of theoretical economists.

[1] European Recovery Programme.

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185 Some of the points that carried weight with those responsible for planning Marshall Aid for Austria deserve attention.

The geographical position of the various industries played a large part in determining their position in the recovery programme. Neither the Americans nor the Austrians wanted to see American capital invested in the Russian zone. An overwhelming proportion of it was therefore allocated to the three Western zones. This course was made easier by the fact that Austrian industrialists had the same attitude, and a transference of industry from Lower Austria and Vienna to the West had already begun, in so far as new developments and reconstruction programmes made such a movement possible. The labour question, so far from presenting an obstacle to this tendency, helped to accentuate it. The transference of population from East to West has been one of the characteristics of the post-War years, due partly to war damage in Vienna, but much more to the fact that refugees from East Austria did not always return, and to the large number of German-speaking refugees from Eastern Europe that crowded into the Western provinces.

A second consideration that had great influence with the planners was the extent to which industries were easy to control and would fit conveniently into so vast a project as the recovery programme for Austria.

The Americans were in closest contact with the industries in their own zone. Here economic supervision had been their responsibility since 1945. They were aware of the needs, the potentialities, and the standard of efficiency of the various concerns, and in many cases had already done a great deal to set them on their feet. It was a matter of understandable pride to the American element that its own zone should play a leading part in the recovery of the country as a whole.

As a general rule large enterprises were the most suitable recipients of Marshall Aid. The United States Congress had not voted billions of dollars in order that an army of administrators and inspectors should travel round Europe considering the needs of small concerns. The purpose was to make a

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decisive contribution to a continent's recovery, and this could best be done by giving aid to the major industries of every country concerned. This fact alone was of great significance for the Austrian economy, with its tradition of skilled craftsmanship and its preponderance of small businesses. 185

In 1946 and 1947 the Coalition Government agreed on the nationalization of the banks and a number of key industries. These included coal, iron and steel production, the mining and smelting of other metals, the nitrogen works at Linz, certain sections of the machine and light-metal industries, the manufacture of locomotives and rolling-stock, the electrical industry, and the production of electric power. There were a number of reasons why both parties approved so large a measure of nationalization. The railways, the post office, and the sale of salt and tobacco had been nationalized under the Habsburgs, and there were compelling arguments for the extension of State control at this stage. Some of the industries now nationalized had been seriously damaged during the War. Some were in process of development on a grand scale but were incomplete. Others again were essential to the national economy but could not be run at a profit. The capital and over-all planning necessary to deal with the situation could not be provided by private enterprise, but part of it at least might be provided by the State. Whatever was done must be part of a co-ordinated plan. The aluminium works at Ranshofen, for example, would become a white elephant unless the necessary electric current were available. These considerations brought the People's Party into accord with the Socialists and Communists. 471

The effect of nationalization was to bring a large section of the Austrian economy under unified control. The nationalized industries were of vital importance to the country. Their success had become the immediate concern of the Government. They therefore had a strong claim to substantial support, and their privileged position ensured that they would get it. No industries were easier to control or would fit more naturally into the national recovery programme.

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439 A further point that weighed with the planning authorities was the state of the European and world markets at the time. 185 The main demand was for investment goods with which to carry out reconstruction programmes. Few countries had much to spend on anything but bare necessities. The prices of primary goods were therefore high, while secondary goods were relatively cheaper. The pre-War Austrian economy, with its emphasis on consumer-goods production, would have been in a weak position in the post-War world, and for the time being the war-time transformation proved a blessing. Pig-iron was one of the main exports in 1947 and 1948, and iron goods headed the list of exports in 1948.

185 Closely connected with the question of markets was the problem of the large industrial plants left behind by the Nazis. Some held that the heavy industries endangered the country's economic future, and that Austria's true destiny was to concentrate on the development of her natural resources and on the craftsmanship and design for which she was already famous. Money spent on the development of heavy industries would in the long run be wasted, because the Linz works could not hope to compete with the industries of the foremost industrial countries, which were better placed from the point of view of transport and raw materials and had greater scientific and financial resources behind them. Others maintained that Austria's iron and steel industry should be concentrated in its traditional home. Donawitz in Styria already had the impressive plant of the Alpine Montan Company. It was closer to the ore of the Iron Mountain and to such coalfields as Austria possessed. Any capital available should be spent on the development of Donawitz. The country did not require and could not afford two different centres.

The position of the nitrogen and aluminium works was different. The whole output of artificial fertilizer could, if necessary, be absorbed by the home market. In the case of aluminium production, the determining factor was the availability of electric current, and the potential supply in Austria was more than sufficient.

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In making up their minds with regard to the Nazi legacy, the planners were influenced by all the various considerations that have just been described: the iron and steel works and the nitrogen plant at Linz, the aluminium works at Ranshofen were all in Western Austria and in the American zone; they were large nationalized industries, and their products were in great demand under post-War conditions. In addition, they were modern, they represented a large capital outlay, and they employed between 10,000 and 15,000 men. Closing them down, therefore, in deference to any long-term economic theory, could not seriously be considered. In determining the lines on which they should be developed, however, the future balance of the Austrian economy would have to be borne in mind.

Austria benefited under the European Recovery Programme in three different ways: through 'direct aid', 'indirect aid', and the use of the 'counterpart fund'. Every year the United States Government allocated to Austria a sum of money in dollars to cover the import of essential goods against dollars from the Western hemisphere. This was known as 'direct' or 'unconditional aid'. In special cases, dollars allotted in this way could be used for obtaining goods from countries not taking part in the recovery programme—for example, coal from Poland. Secondly, Austria was granted drawing rights to import goods from other European countries with which she had an unfavourable balance of trade, on the understanding that the country concerned would obtain payment in dollars from the United States. This was known as 'indirect' or 'conditional aid'. Its object was to stimulate trade between the participating countries and enable them to resume commercial contacts with their traditional suppliers and customers. Thirdly, goods brought into Austria with the aid of ERP dollars were paid for by the recipients in Austrian schillings, which were handed over to the Government and paid in to a special 'counterpart' account with the National Bank. The schillings that accumulated in this way could be used for two purposes only: productive investment for the benefit of the Austrian economy

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and measures for the stabilization of the currency. Proposals were put forward by the Austrian Government, but required the approval of the Economic Co-operation Administration, the highest administrative authority controlling the European Recovery Programme, which had its headquarters in Washington.

Under this whole system the greater part of the dollars made available by the United States were used to provide Austria with essential food and raw materials. At the same time a large proportion of the schilling equivalent of the dollars could be devoted to long-term projects that would strengthen the country's economy.

In dealing with the recovery programme in detail, it will be convenient to divide up the Austrian economy under eight main headings and treat each of the following separately: (i) agriculture, (ii) forestry and dependent industries, (iii) heavy industries, (iv) other manufactures, (v) fuel and power, (vi) minerals not covered under (iii) and (v), (vii) communications, (viii) the tourist industry. The division is rough and arbitrary, and the headings imply some overlapping, but it is an over-simplification convenient for dealing with a large and complicated subject in a limited space.

As has been seen, Austrian agriculture was in a lamentable state when Marshall Aid began. If food production could be increased and Austria became less dependent on imports, a considerable contribution would be made to improving her trade balance. Yet for several reasons agriculture was not a branch of economy that could easily be improved by foreign assistance. The great majority of the farms were small. The peasants were conservative and difficult to influence. Two of their main problems were lack of labour and the low level of agricultural prices, and these were problems that had to be solved by the Austrian Government itself.

The target was set, however, of restoring production to the pre-War level by 1953. Seeds, farm machinery, and feeding-stuffs were to be supplied. Above all, a much greater use of artificial fertilizer was to be encouraged. Before the War

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Germany used thirteen times as much per acre as Austria; Holland sixteen times as much. There was great scope, therefore, for increased use. Austria now had her own production plant, and the price of imported fertilizer had scarcely risen half as much as food prices. The programme suggested that by 1953 over four times as much should be used as in 1937, and even then the economic optimum point would nowhere near have been reached.

The significance of Austria's forests is shown by the fact that between the Wars they provided a livelihood, directly or indirectly, for about one-sixth of the population. Lumber exports amounted in value to over 10 per cent of the country's total and, together with the exports of the dependent paper and cellulose industries, just about paid for Austria's most important food imports. After the War the forests were suffering from the excessive felling that had been carried out systematically during the past few years and from the fact that it had taken place in the more accessible areas. This double injury could only be put right by a policy of restraint extending over a number of years: by reducing cutting, and by concentrating on the less accessible, and therefore the less economic areas. In consequence the fundamental cure was, to a great extent, beyond the scope of the recovery programme. But the timber, paper, and cellulose industries had one feature in common: their equipment was very largely out-of-date and inefficient. Judged by modern standards, the methods employed in forestry and the timber industry were still primitive. The sawmills were mostly on a very small scale and could not be compared in efficiency with large up-to-date enterprises in other countries. The consumption of coal in Austrian cellulose factories was about one ton for every ton of cellulose produced, whereas a good Swedish factory used less than a third of the amount. Much of the equipment in the paper-mills was so obsolete that the competitive power of the Austrian paper industry in world markets was being undermined. Here ERP resources could be of great assistance, and funds were allocated for the introduction of modern equipment and modern methods into all three industries.

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Austria's heavy industries included, in addition to the Nazi legacy, the iron and steel works at Donawitz and the important Steyr–Daimler–Puch Company, which produced tractors, automobiles, motor-cycles, cycles, and ball-bearings. Some of the general considerations have already been mentioned that caused the planning authorities to look favourably on the Linz and Ranshofen enterprises.[1] Apart from the fact that Donawitz was not in the American zone and that the Steyr–Daimler–Puch Company was not nationalized, these considerations applied to all the heavy industries. Furthermore, for a number of reasons, each of the industries required the expenditure of a large amount of capital in order that its potentialities might be utilized fully for Austria's benefit.

In the first place, the concerns that had come into existence during the War were still incomplete when the War came to an end. Secondly, heavy industries were amongst the main targets for Allied air attacks, and some of them were very severely damaged. The nitrogen works at Linz were hit by about 800 bombs, and the main Steyr–Daimler–Puch plant at Steyr was almost completely destroyed, the total damage suffered by the Company's installations in the Steyr and Graz areas being estimated at over 220 million marks. After the War the destructive work of bombs was completed by systematic dismantling and confiscation. A large quantity of vital machine-tools was seized, and at Donawitz the steel-rolling plant was taken down and removed by the Russians, before the British occupied Styria. The third reason why capital expenditure was required was the need to transform and develop the various industries so as to comply with the future demands of the Austrian economy. The process of adaptation from war-time to peace-time production itself involved large-scale replacement of equipment. Even more important were the measures required within the heavy industries to restore the health and balance of the country's economic life.

If Austria was to maintain large plants for the production of iron, steel, and aluminium, it was at least desirable that the processing of these metals should be carried sufficiently far to

[1] [Cf. category 116, pp. 102-103 — Analyst]

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provide the country's metal-finishing industries with the sheets, rods, and other forms of metal that they required. In this way the producer-goods industries would contribute to the success of the consumer-goods industries, which would become independent of imports and would give Austria's traditional skill and craftsmanship the opportunities they required. The benefit to the whole economy is indicated by the fact that a given weight of finished aluminium products has on an average five times the value of a similar weight of raw aluminium. An Austrian member of Parliament pointed out in 1947 that no skill would be required in Austria to buy 10,000 wrought-iron candlesticks, but that it might well be difficult to get hold of a handful of nails. Such a state of affairs would in the long run be inexcusable in post-War Austria, and it was one of the duties of the E.R.P. planners to make it impossible.

The Hermann Goering iron and steel works in Linz, which became the Vereinigte Österreichische Eisen- und Stahlwerke (United Austrian Iron and Steel Works) and are usually known as VÖEST, were planned for a total output of a million tons of iron and steel a year. Before the War ended five of the six blast-furnaces were completed, while the annual production of steel only amounted to 250,000 tons. It was important that the output of steel and sheet-metal should be greatly increased. With this end in view a large outlay of capital was planned for the installation of steel production plant and rolling-mills at Linz and for replacing the rolling-mill at Donawitz. The ERP long-term programme aimed at decreasing the value of pig-iron exports from $9 million to $5 million within four years and at simultaneously increasing the value of rolled steel products from $25 million to $34 million. At Ranshofen finishing works were planned that were capable of handling 15,000 tons of aluminium a year, a figure based on the estimated home consumption.

The nitrogen works at Linz were to be developed and adapted so as to produce 40,000 tons of sulphuric acid a year and 100,000 tons of ammonium sulphate. This would give to their products greater variety and competitive power in world

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185 387 markets, ammonium sulphate being more valuable and more suitable as a fertilizer for certain climates than ammonium nitrate.

185 398 The Steyr-Daimler-Puch Company was to be assisted in its programme of concentrating on products of special value to the national economy. The production of motor-cycles, cycles, and ball-bearings was continued, but at its main Steyr works the chief output consisted of diesel trucks, tractors, and omnibuses. An arrangement was made with the Italian Fiat Company by which Fiat passenger cars were to be assembled at Steyr, but no attempt was made to embark on the highly competitive passenger automobile production.

185 457 This comprehensive programme for the heavy industries involved a very large expenditure, and it was not surprising that in 1949 and 1950 nearly half the counterpart funds allotted for industrial purposes were devoted to the iron and steel industries alone.

Compared with the very significant help given under the European Recovery Programme to the heavy industries and the paper industry, Austria's other manufactures, most of which produced consumer goods, were, with the exception of textiles, largely neglected. Before the War about 75 per cent of Austria's industrial workers were employed in concerns in which there were less than 100 employees. Large enterprises played a bigger part in the country's post-War economy, but one of the reasons why the consumer-goods industries were neglected was that they were mostly still on a comparatively small scale. It was therefore difficult to organize assistance for them, and at the same time they lacked effective champions. Another reason was that they had, on the whole, suffered less from war damage. Apart from textiles, the manufactures that came off best were the electrical industries, which had lost a high proportion of their equipment from dismantling and had subsequently been nationalized. The ERP plan for Austria set out to raise the production of heavy industries in four years to 160 per cent of the 1937 level, while the target for consumer-goods industries was only 110 per cent of the 1937

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figure. By the autumn of 1951 the small crafts, which employed nearly as many people as industry, had received only 14 million schillings from the counterpart fund, which was only 0·4 per cent of the total.

There was no branch of the Austrian economy in which the need for capital investment was greater than in fuel and power. Nor was there any branch to which the allocation of available funds would be the subject of less controversy. The Austrian Republic's shortage of coal, which had always been serious, was more acute than ever, owing to the development of the iron and steel industry. And Poland and Czechoslovakia, Austria's traditional suppliers, were now in the Russian orbit, and charged excessive prices for such coal as they were prepared to deliver. At the same time the country had vast potential sources of hydro-electric power, which only required capital for their development. It was most important that the development should take place both to economize consumption of coal and to satisfy the growing demands for electric current of Austrian industry and the Austrian people.

Austria's oil-fields were her main resources in mineral fuel, but, being under Russian control, they did not fall within the scope of the recovery programme. Her coal-mines, which produce 95 per cent lignite, could only satisfy between 25 and 30 per cent of her requirements in 1948 and 1949. As a result of forced production during the War and neglect of new development, the coal was difficult and expensive to work, and the output per miner was only three-quarters of the pre-War level, although the miners' own record had been excellent.

The production of hydro-electric current increased steadily during the War, until in 1944 it had more than doubled. In 1945, owing to the serious disorganization that accompanied the end of hostilities, output fell off considerably, but between 1945 and 1948 it rose from 2·51 billion kilowatt-hours to 4·45 billion. The steam-driven power-plants, so important for the maintenance of winter supplies, had suffered severe damage during the War, especially at Linz, and were not back in full production by 1948. Meanwhile the growing importance of

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433 electricity to the Austrian economy was shown by the fact that
377 domestic consumption per household had increased by 60 per cent between 1938 and 1947. In 1947, also, Austria exported nearly a quarter of its total current production and stood second amongst European countries as an exporter of electric power.

433 Substantial ERP funds were allocated to the coal-mines for new development and modernization of equipment with the
457 object of increasing productivity. Aid was also given in the reconstruction of the damaged steam-driven electric power-stations, and in the building of new stations in the neighbourhood of the lignite fields. But the bulk of assistance in the sphere of fuel and power was naturally devoted to the development of hydro-electric resources.

185 Austria's total potential hydro-electric power production is estimated at not less than 30 million kilowatt-hours a year,
371 more than five times the present output. The possibilities
457 were already realized in some measure before the end of the nineteenth century, and development between the Wars was help up mainly owing to lack of domestic and foreign capital on the large scale required. The European Recovery Programme offered a great opportunity, which was not likely to recur, and at the Paris Conference which considered the Marshall offer in the summer of 1947 the Austrian delegation began at once to consider proposals for electric power development. By the following year a general plan had been drawn up that aimed at doubling production in the ten years starting with 1948.

ERP support was limited to four years, but provided for the generous allocation of counterpart funds both for the completion of plants under construction and for the initiation of new works. The programme covered projects in all of the six provinces under the Western Allies, but was confined to them. The great plant planned at Ybbs-Persenbeug on the Danube in Lower Austria, with a potential output of a billion kilowatt-hours a year, had to be left out, because it was in the Russian zone. Major projects in Western Austria included those on the Ill in the Vorarlberg, on the Drau in Carinthia, and on the Enns, the Inn, and the Danube in Upper Austria. The new

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works begun at Braunau on the Inn and at Jochenstein on the Danube were undertaken in collaboration with Western Germany. Most important of all were the power-stations dependent on water stored in great mountain reservoirs, such as those at Achensee in the Tyrol and at Kaprun in Salzburg. This type had the great advantage of being able to reserve its major output for the winter months, when hydro-electric current was in short supply. If they were developed on a sufficiently large scale, it would be possible to reduce the number of steam-driven plants, and so economize coal.

Of all the hydro-electric projects in process of construction, Kaprun was the most significant for the Austrian economy as a whole. Three great reservoirs were to be created at different levels by the construction of a series of dams, the top two reservoirs being connected by a conduit through the mountains nearly twelve kilometres long. When the work is completed, the annual production of current will be 620 million kilowatt-hours, of which 460 million will be produced in winter.

After iron, oil, and coal, the most valuable of Austria's mineral resources at present being utilized is magnesite. The magnesite industry did not suffer seriously from the War, and after a temporary setback, owing to the coal and power shortage in 1946–7, had regained the pre-War level of production by 1948. The greater part of the magnesite produced was exported, some of it to the United States. As a dollar-earner, therefore it was important that the efficiency of the industry should be maintained and its production increased. The bulk of the capital required for modernization was provided by the industry itself, though an allocation was made from counterpart funds as well.

Austria also has small deposits of copper, lead, zinc, and subsidiary metals. Under normal conditions their development could hardly be justified economically in competition with the world's main sources of supply. But for two reasons a good deal of attention has been paid to them since the War: they provide materials essential for the important electrical industry, and Austria has not had the foreign exchange necessary to

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Austria was clearly not in a position to pay for her essential needs without foreign help, and it was of vital importance that she should not be subjected to economic strain that would threaten her political stability. The United States Government therefore decided to continue its assistance, though on a reduced scale. Direct Aid amounting to $70 million was promised in two instalments for the financial year 1952–3. The release of funds from the counterpart account was made conditional on the Austrian Government taking adequate measures to balance the budget and check inflation.

At the same time a growing body of expert and informed opinion in Austria was becoming convinced that the situation demanded a new outlook and a new policy. Austrians had acquired the habit of looking abroad for their economic salvation and blaming the Allies for the lack of a State Treaty. But the continuance of the occupation, which was the result of the conflict between Russia and the West, was Austria's heavy share of a burden borne by many countries. Against it could at least be set the sustained moral and material support of three of the occupying Powers. In the circumstances the only healthy attitude was to take energetic steps to strengthen Austria's economy and free it from dependence on foreign help that was being progressively reduced and could not last indefinitely. Such a policy would not have been feasible in the early post-War years, but conditions had so much improved after four years of Marshall Aid that there was now no real alternative for a people with pride in its past and faith in its future.

There were three aims about which there was little controversy: to stabilize the currency and prices, to encourage private saving, and to strengthen the competitive power of Austrian consumer goods in world markets.

There had at first been good reasons for the policy of controlled inflation on which the Austrian Government embarked after the War. But the reasons became progressively weaker the longer the policy was pursued, and, as has been seen, the fifth Price-Wage Agreement in 1951 had serious effects on

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65 Austrian exports. The continuous devaluation of the schilling discouraged private saving. It also prevented stabilization of 185 prices, because producers, who had to count on increasing costs of production, were reluctant to part with their goods. To restore faith in the schilling strong measures were required.

454 Private savings must be encouraged owing to the country's need of capital. The investment rate of the Marshall Aid years 185 could certainly not be maintained, but in a highly competitive world Austria's industrial plant would have to be modernized and renewed, and hydro-electric development and the electrification of railways were vital to her future. International loans and foreign investment could be relied on to some extent, if conditions remained stable, but a high proportion of capital needs must be provided by the Austrian people themselves. In addition, the possibility of saving without loss would be an incentive to effort and increased efficiency.

185 Opinions differed as to the extent to which the consumer-goods industries had been neglected since the War, but there was general agreement that they deserved more attention in future. Austria's characteristic industrial asset is the quality, taste, and variety of her craftsmanship and the finished goods it produces. As the world returns to normal, the demand for these specifically Austrian products will grow and foreign countries' requirements of investment goods will be satisfied where they can be most cheaply produced.

Two further aims were subjects of considerable controversy: to economize drastically in State expenditure and to encourage competition in Austrian economic life.

On the one hand, it was maintained by the Right-Wing parties and the majority of professional economists that the budget should be rigidly examined and controlled, the whole administration overhauled, and the number of civil servants reduced. These measures, some held, should be combined with giving greater scope to the competitive elements in industry and reducing the influence of vested interests of all kinds. This last point of view was greatly stimulated by the issue in December 1951 of a Report by Mr. H. W. Johnstone

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of the Economics Division of the American High Commissioner's Office. This document, which was entitled 'The Restraint of Competition in the Austrian Economy', strongly criticized the various forms of restraint, such as cartels, political associations, and organized group interests, and recommended the education of public opinion on the merits of a competitive régime.

On the other hand, the Socialist Party, while accepting the need for economy and self-help, was opposed to any reduction in social services; preferred government, to private, investment; was more conscious of the evils than of the merits of competition, and stressed the dangers of unemployment rather than the dangers of renewed inflation.

In November 1951 Dr. Franz Nemschak, Director of the Austrian Institute for Economic Research, emphasized the significance of Austria's economic problems for the country as a whole, and recommended that in working out a solution the Government should take the advice of experts rather than allow themselves to be influenced by sectional interests. He deplored particularly the tendency for economic policy to be determined by considerations of party politics.

Dr. Nemschak's warnings and recommendation were justified. By giving full consideration to the views of independent experts, it might well have been possible to agree on an economic policy for the country. As has been seen, there was common acceptance of some of the main objectives, and on the controversial points a degree of compromise was possible. To aspire after the ideal expert solution, however, is a tendency characteristic of democracies and one that is almost invariably disappointed. The circumstances in which party considerations finally confused the issue were not free from an element of accident.

Members of the People's Party held the three key Ministries of Finance, Trade, and Agriculture. The second instalment of the Party's reorganization, following its defeat in the presidential election, took the form of replacing the three Ministers in question in January 1952. Dr. Kamitz, the new Finance

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But the Austrian attitude on the subject cannot be attributed to the influence and example of any individual. It lay in the logic of Austria's position as a small and defenceless State that her people should pin their hopes on the support and guarantees provided by a world organization such as the United Nations. As far back as 1922 Monsignor Seipel had accepted the help and financial supervision of the League of Nations. In April 1946 the Austrian Government was invited to send representatives to the last meeting of the League as observers, and the President of the Assembly spoke of Austria as 'one of the most solid pillars of our organization' and referred to the specially active part she had taken in all the League's work. 648

Austria's belief in international co-operation has been revealed in a number of ways: through her support of specific projects with limited aims, her interest in European unity, and her enthusiasm for the United Nations and the work of the Specialized Agencies.

The full utilization of Austria's hydro-electric resources would only be possible on an international basis, as their potentialities greatly exceed her maximum needs, and there would be no point in her investing in projects beyond her own requirements, without international arrangements guaranteeing consumption. In December 1952 a meeting took place at Innsbruck between representatives of Austria, Germany, France, and Italy. It led to the establishment of an International Power Survey Company for co-ordinating hydro-electric developments in Austria with those of the three other countries. 648 185

Another project in which Austria has shown great interest is the plan for a Rhine-Main-Danube Canal, which would link the North Sea with the Black Sea. It involves improving the navigability of the Main and the construction of a canal from Bamberg on the Main to Regensburg on the Danube. The economic and political implications of the plan are considerable, and its immediate advantages for Austria obvious. At present her overseas exports are shipped from Trieste or the 648 185 312

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648 German North Sea ports, and in either case the railway freight
185 charges add substantially to the cost of transport. The opening
312 up of a water-way to the sea would be of the greatest value.

648 Austria's participation in such plans as these is due mainly to her needs and natural endowments as a land-locked Alpine country. To a large extent her interest in all international movements is the result of her size and situation. Yet Austria's internationalism cannot be attributed solely to material factors. The warmth and spontaneity of her people's response reflect their temperament, their humanity, and their political and religious convictions.

The Austrian attitude towards European unity has never been in doubt. In October 1945, before the European movement had been fully launched by Churchill's great speeches at Brussels, The Hague, and Zürich, Leopold Figl, who was not yet Chancellor, wrote of Austria as a 'germ-cell' in the reconstruction of the European community of peoples. In one of his first speeches to the National Assembly the following December he spoke of the vital importance of instilling into the rising generation of Austrians an 'all-European democratic way of thought'. Austria was subsequently represented at the Congress of Europe at the Hague in 1948 and at meetings of the European Parliamentary Union. Members of the Austrian Parliament have also attended meetings of the Consultative Assembly of the Council of Europe as observers since the autumn of 1951, and have taken part in its committee work. The only reason Austria has not become an official member of the Council is that her Government felt it inadvisable to take such a step, so long as the occupation continued.

One indication of the importance attached by Austria to friendly relations with other countries has been the many goodwill visits abroad undertaken by leading statesmen since the end of the War. Dr. Gruber himself has been a tireless traveller. There has also been a rapid development in the Austrian foreign service since the Allied Council permitted the exchange of diplomatic representatives early in 1946. Within a few years the size of the service as a whole and the number of

435 preventing a disastrous decline in the buying power
465 of the broad classes of the population. The unavoid-
652 able adjustment of certain distortions in prices as well as the entire stabilization of wages and prices was undertaken on the basis of the economic, budgetary and credit policy. This applied also to the coordination of prices of specified agrarian products which, in the general development, have to a large extent re-
454 mained below an adequate level. These adjustments were
652 intended chiefly to insure an utmost favorable development of savings deposits and the initiated investment program without intensifying inflation. The promotion of capital accumulation, thereby encouraging the influx of new savings capital to the banks and institutions, and the systematic consolidation of capital reserves of the insurance companies and of the social insurance institutions will, particularly in Austria, gain special importance in the coming years. As a consequence of the elimination of the counterpart funds and of the relative slow reflux of the means invested, resulting in limited possibilities of rediscount with the National Bank, the necessarily long-postponed replacement of the long-term and expensive bank credit to the capital investment market has been initiated. Expressed in other words this means that the reconstruction of the capital basis of economy, by opening the cheaper sources of financing offered by the capital market, should facilitate new short and middle-term credits and consolidate long-term credits which had previously been granted (especially investment and reconstruction credits). It should also contribute to an improved competition of Austrian products on the world markets through an adequate reduction of one of the chief factors of the basic cost price, i.e., credit procurement.

185 All measures of an economic-political nature
652 which are taken, however, are not applied in a purely dogmatic way. They are effected within the ideology of the two big political parties of Austria and thus of the Federal Government, which is sustained by the coalition in power. It might be explained that the economic political measures described in the following survey are approved in principle by both of the leading political parties, though it may be that they differ somewhat as to the means and methods of reaching determined aims of political economy.

185 The problem of increasing economic productive-
433 ness receives particular attention from the Austrian Federal Government and the Austrian Productivity Center. Labor and management are equally represented in this

Center in order to safeguard and coordinate professional interests. The steady increase of economic productiveness is intended to be reached by fostering rationalization of managerial dealing and plants as well as by cutting down the cost of production. This too would promote Austrian export trade with an eye to reaching full compensation of export and import figures and thus ultimately to achieve an active balance of payments. In the matter of this problem it should, however, expressly be emphasized that such balance of payments--inasmuch as it has been achieved by new equipment and modernizing of Austrian industry initiated during the last years--can be reached only by and by. It was at a rather recent time that investments could be made in Austria (1950). Consequently, an efficient and satisfactory result from such investments, especially from the big investments, may not be expected before 1954 or 1955. Austria should be allowed, therefore, a reasonable interval of recuperation to overcome the handicap of its very precarious situation. Nor should it be overlooked that Austria, as a country which is strongly dependent on a wide range of imports, is extremely sensitive to all fluctuations and developments on the world markets. Each change on those markets of necessity and automatically has repercussions on the price level in the Austrian domestic markets.

It is certainly a matter of the highest importance for the further development of Austria that the chief foreign markets should be opened for the sale of Austrian products, and especially those which are the result of intensive development. The Marshall Plan having become obsolete, it will be possible in this way only to realize the adjustment of the balance of payments. A balance of payments would, without strongly hurting the social structure of the country, open the way towards the gradual abolition of trade barriers and restrictions, to the alleviation of foreign exchange impediments, and, thus, to a progressive integration of Austrian economy into that of the Continent and beyond that to the world at large. The extension of the foreign trade volume and the increase of the invisible export, chiefly the foreign tourist and transit traffic, are a means of realizing foreign exchange reserves required for financing Austrian imports and the maintenance of an adequate satisfactory volume of employment. The persevering energy and intrepidity of both of the responsible big parties of Austria have been leading the way towards the political and economic consolidation

652 totaled only 454 million schillings. In accordance
[436] with the original "Release Program" it should have amounted to 800 million schillings to neutralize other money-increasing factors. The minus-difference is based on the fact that the anticipated decrease of the price-gap subsidies was delayed, as a consequence of changes in world markets, in order to avoid t[illegible] sudden changes in the price and wage structures.

[457] To summarize: in spite of and mindful of the world-wide economic fluctuations affecting her economy, Austria is carrying out reconstruction within the scope provided by ERP facilities. Aside from scheduled reductions any decrease in the real value of this assistance makes the accomplishment of her programs more difficult (especially the balancing of her balance of payments).

c) Prices and wages, elimination of subsidies, adjustment of exchange rates, increase of economic productivity.

652 With the progressing consolidation,
[447] resulting from ERP procedures, the Austrian Federal Government faced a number of problems. Aside from the
185 aspect of the stipulated gradual decrease of foreign aid, these problems gained importance when Austria signed the European Payment Union (EPU) agreement in September 1950. She had entered upon obligations which could be met only if her economic policy was directed towards certain external economic goals (expansion of direct and indirect exports). This required certain measures aimed internally (balancing of prices and wages) as well as externally (adjustment of exchange rates).

The measures to be adopted within the framework of economic relationships had the following points in view.

1) Counteract inflationary tendencies according to timely needs;
2) Decrease step by step the system of subsidies for essential commodities, like edibles, coal and agricultural products, in order to achieve, besides a budgetary relief, "genuine" prices;
3) Bring prices gradually in line with world market levels;
4) Establish an equilibrium between prices and wages, in order to guarantee, in relation to prevailing prices of manufactured goods, an equitable

wage level. This goal will be achieved:

a) by means of an appropriate currency policy, primarily through a gradual unification of the exchange rate system (surrender of multiple exchange rates and adaptation of the schilling rate to the international purchasing power parity); 652 185
b) restriction of compensation trades;
c) adjustment of the price structure and adaptation of wages according to agreements of political and economical interest;
d) increase of labor productivity (i.e., the produced quantity of goods per capita or working hour) to achieve a suitable relation between the costs of raw materials, accessories, plants, machineries and manpower, and the proceeds of goods and services.

Following the development of domestic price and wage dynamics the exchange rate of 10 schillings to 1 United States dollar, established by the Allies at the end of the war, became untenable in the early part of 1948. Despite the exceptional exchange rate to gain a larger share of export trade, compensation deals, made mostly at higher rates of exchange, were tolerated. Later, exporters were permitted to sell part of their foreign exchange holdings, which they were allowed for imports of raw materials, at an officially fixed premium. A private super premium was usually added, depending on import productiveness. 457 652

This resulted in a complicated system of exchange rates which varied from deal to deal. In addition, goods imported under ERP terms, insofar as they were not reckoned at domestic price levels, were sold at officially fixed prices. Thus the difference in the exchange relation between commercially imported goods and ERP imported goods became an import subsidy financed with ERP means, favoring partly the consumer and partly the dealer or the processing manufacturer. It delayed the shifting of needed imports to commercial channels and furnished in certain sectors the impression of an export ability which, however, was solely the result of the cheaper purchase price commodities imported through the ERP.

It was clear that this system of differentiating exchange rates had to be replaced by a "uniform" rate of exchange. The international devaluation wave sweeping Europe during September 1949, however,

727 311 In other fields too there were noticeable losses and a decline in real capital. One might observe in agriculture, for example, a deterioration of soil owing to the shortage of fertilizers and cultivation during the war years, a lack of seeds, fodder and agricultural machinery as well as declining yields in forestry due to overcutting of trees, obsolescence and lack of means of transportation from the forests to the mills. The robbing of coal mines, failure to introduce rationalization and the forcing of unrealistic work in other mines (metals) give us a full picture of a declining economy.

652 433 185 454 Reconstruction of a productive national economy could be successful only if the economic forces specifically characteristic of the country were activated and coordinated to secure an optimum of the whole economic productivity. This presupposes a knowledge of possibilities based on an inventory of the internal economy and lining up problems according to their importance (to avoid mistakes in investments or overextension). It also presupposes establishing a time schedule for the financial fulfillment of individual projects with a view to the existing shortage in capital. The reconstruction of primary production, as well as the most important industries, have been carried out according to special plans which were worked out by government authorities in cooperation with interested industrial circles. Planning covered, in particular, production of energy, coal mining, the iron and steel industry, and ore mining and the metal industry.

These plans are not limiting as to quantity or time but are a type of structural plans without time limitations, the realization of which is bound to certain financial or material possibilities. With the maximum supplying of internal requirements of energy, coal, iron, metals, etc., they intended to assure lower prices in the finishing industries. In this way a sufficiently high quota of exports should be obtained for a balance of payments. These plans form the theoretical basis for those investment programs which the Austrian government presents to the ECA in Washington and which are realized step by step with the help of the ERP funds.

Just as with other ERP participants it is Austria's primary aim in its investment policy to make the utmost use of all possibilities offered by the Marshall Plan up to 1952. In addition to the development of primary industry, the greatest effort is being made

to bring the capital goods industry to the highest technical level. The direction of this policy is determined not only by the high demands for reconstruction within the country itself, but also by the rapid tempo of industrialization of European and non-European regions. If Austria is to be able to compete on the world market after the end of the ERP, it must not only close the gaps in its production but also provide for further undisrupted technical developments. It is clear that Austria has to divert annually from its national income a sufficiently high quota for investment (now about 21 per cent with the help of the ERP) in order to keep pace with other developments.

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In view of the time limitations and the gradual reduction of Marshall Plan aid, it will be the principle of the investment policy from 1949-50 on to give primary consideration to those big investments (for example, in energy and iron-ore industries) whose development was pushed by high capital expenditures and to have them achieve an economically and technically sound condition, if possible, within the period of the duration of the ERP. Basically, the counterpart funds are used for those investments from which payments are expected on the shortest terms so that, along with big projects, numerous smaller and medium sized projects which increase exports get under way. In disposing of counterpart funds, however, those enterprises which demand ERP-financing are forced to cover part of their planned investment out of their own funds (profits, private credits and various deductions).

The main items of the investment policy for future years, excluding the arrangements of the so-called "Long-term Program," have been fixed by the Reconstruction Program 1950-52, which was presented to ECA in the summer of 1950 and amended in the late fall of 1950, owing to price alterations. Based on the 1949 price level, the investments for the three year program had been set originally at 24 billion schillings. This figure was revised to 27 billion schillings in accordance with the change in prices and wages which occurred in October 1950. It was the aim of the partly transferred investments to create such conditions as to obtain an increase of production of domestic raw materials, to save foreign currency and to set at the disposal of the domestic economy those raw materials which can be found to a suitable extent in the country itself. As part of this plan, for example, the construction of four more power plants will be started, the output of coal shall be increased to 6 million tons from the present 4 million

652 tons, the production of iron and steel to 1 million
[195] tons annually, the output of rolling mills to ap-
433 proximately 750,000 tons. Further increases in pro-
duction will be provided in: bauxite mining, aluminum
454 production, production of cellulose, paper and pulp. In the same manner the export capacity of nitrogen plants (Sticksstoffwerke in Linz), one of the most important producers of foreign currencies in the Austrian economy, will be increased by 50 per cent. In the chemical industry additional investments will make it possible to start production of sulfuric acid and phosphate fertilizer. The single projects will be discussed in detail in another connection.

b) The renovation and rationalization of the primary industries.

The Austrian government holds to the principle (insofar as none of the theoretical considerations in the preceding chapter interferes) that in building up its program of investments cheap primary products lower the production costs in the finishing industries and this allows them to compete in the sharp competitive battle with other highly industrialized
[655] European countries. Certain focal points of investments have been formed, encompassing especially coal, iron and steel, ore mining, and the smelting industry as well as electrical power. These are mainly nationalized enterprises. For investment purposes in the years 1948 and 1949 they received a total sum of 1,627.4 million schillings out of public funds. Of this amount, 958.5 million schillings were reconstruction credits, 481.6 million schillings were capital payments of the Federal government, 31.2 million schillings were federal loans and 156.1 million schillings were credits guaranteed by the state. In 1950 a sum of 30 million schillings was provided in state capital contributions; in the same year (fall of 1950) the funds released from the ERP for the above-mentioned branches of industry totaled 133 million, 283 million and 418.5 million schillings used essentially as follows.

316 (1) Investments in coal-mining.

During the war the coal mines (predominantly
454 brown coal in Austria) suffered greatly in their development because of overproduction and neglect of needed renovation as well as delay in planned expansion. Within the scope of the Marshall Plan the necessary renovation and rationalization of operation, mining improvements, shaping of daily operations, deep mining,

9: Rothschild EKl Austria EKl

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[For informed speculation on the political and economic factors likely to affect social planning and probable trends in post World War II, Austria, see category 116, pp. 93-104.]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

665 been suspended by the Dollfuss Government and the country
668 was on the verge of civil war. The Government's harsh and ill-considered decision to turn artillery on to the workers' dwellings may have cut short the conflict and suffering, but it was a final betrayal of democracy that no considerations of expediency can excuse.

721 In spite of the serious internal difficulties, it was in the end to external force that the Austrian Republic succumbed. On the 11th of March 1938 Hitler sent an ultimatum to Dr. Schuschnigg, the Chancellor. Within a few hours German troops had occupied the country and the *Anschluss* was a fact. The Austrian political parties have accused each other of preparing the way for this tragedy, but there were deep-lying causes for the growth of National Socialism and Fascism that were beyond their power to prevent. In the diplomatic circumstances of the time, even had Austria been a model democracy, it would have had no more chance of withstanding Hitler than had the courage, patriotism, and democratic example of the Czechs. As the only German country outside the Reich, Austria was the first object of Hitler's ambition. The opening page of *Mein Kampf* contains the sentence: 'German-Austria must return to the great German Mother Country'.

186 In fact, by 1938 the attitude of Austrians towards union with
648 Germany had changed considerably. Inside Austria nearly twenty years of enforced independence had inevitably left their mark: the people were acquiring a sense of pride in their achievement and hope for the future. Recent developments in Germany also had had a decisive effect.

433 Economically Austria had made important progress. In 1918 its position seemed hopeless. But the Austrian Government and people gradually accustomed themselves to the idea that their fate was in their own hands. By 1937 the country was producing three-quarters of its food. Valuable oil-fields had been discovered at Zistersdorf, north-east of Vienna, and oil production had risen from 73 tons in 1932 to 32,849 tons in 1938. The tourist industry had developed rapidly and covered over 80 per cent of the country's trade deficit. When the

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

433 *Anschluss* took place, Austria already had a good chance of becoming a viable State.

657 Politically the main achievement had been in the field of social legislation. Nowhere in Europe did the Socialist ideal find more impressive realization than in the legislative programme initiated by Ferdinand Hanusch, the Austrian Secretary of Social Administration between 1918 and 1920, and in 367 the housing schemes carried out between the Wars by the Vienna municipality under Social Democratic control. These improvements gave the young Republic something to be proud of, something, moreover, which was associated with the difficult present rather than with the glorious past, and which 648 directed attention to the possibilities of the future. Another political event of importance was the appeal for financial help made to the Allies by the Christian Socialist Chancellor, Monsignor Seipel, which led to the appointment of the League of Nations Commissioner. He was accused of being a traitor by his opponents, but his action established an important precedent in international collaboration. It showed that it was possible to combine patriotism with the acceptance of international control, an innovation of great significance for a small State like Austria.

517 In culture and sport the period also brought great success. The triumphs of the Austrian football team, the Vienna State Opera, and the Salzburg Festival stirred the pride and enthusiasm of the harassed Austrian people.

•186 Anton Wildgans' *Rede über Österreich*, which was written in 1929, reflected the development of Austrian patriotism and Austria's sense of identity as a State. This great speech was intended for a foreign audience. But it was also a noble expression of patriotic faith. Its enthusiastic reception in Austria was a clear indication that it summed up ideas that were germinating in many Austrian minds.

648 Austria's growing self-consciousness and sense of independence were stimulated by Hitler's rise to power. Austrian Socialists had been in favour of union with a Germany in which Socialism and democracy were strong, but they had no

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

648 Hitler's phenomenal success and his massive histrionic displays had their effects on an impressionable people. But one year's close acquaintance with National Socialism was sufficient to break the spell.

727 Austria was renamed the *Ostmark*, and its interests were systematically subordinated to those of the *Reich*. The most important Austrian banks and industries were placed under German control. To most Austrians it was intolerable that Vienna should become a provincial city and each of the ancient provinces a *Gau* controlled from Berlin. The difference between Prussian totalitarianism and the Austrian spirit became clear as never before, and one Viennese spoke for many when he said it was only an accident that Germans and Austrians spoke the same tongue.

When the War ended, the disillusionment of the Austrian minority was complete. Six more years of Nazi domination had confirmed the impression of the first twelve months. Failure and disaster had discredited a movement which was built up on practical success.

[186] More important was the transformation of the Austrian people as a whole. The change that started between the Wars was completed during the German occupation. By 1945 the name 'Austria', honoured by Hitler's disapproval, had gained a new significance. The Austrian people had acquired a will for independence. They had also learned much from their political experience and failures.

So when Austria was liberated by the Allied armies and the Second Austrian Republic was formed, the restored State faced the challenge of post-War problems in circumstances quite different from those in which the First Austrian Republic had confronted the problem of its existence after 1918.

Austria's difficulties in 1945 were formidable. Like most European countries, she suffered from War damage and economic dislocation. In her case were added the political and economic effects of seven years' subjection to Germany, during which there had been a complete break in administrative continuity, and industry and agriculture had been subordinated to

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

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XV

Austria and International Co-operation

186 DURING the post-War struggle of the Austrian people there has been a steady growth in their patriotic sentiment and in Austria's consciousness of its identity as a State. The process began between the Wars, and was accentuated by the conflict with National Socialism that preceded the *Anschluss*. It continued during the German occupation, when the concentration camps and the Resistance Movement acted as breeding-grounds for Austrian patriotism. When the War and occupation ended, the exacting tasks that confronted Austrians gave a positive and constructive character to a development that had previously been more of a protest against something objectionable than a live faith in an accepted ideal. No Austrian Foreign Minister in the First Republic would have been likely to say what Dr. Gruber did in 1948, when he summed up the main purpose of Austria's external policy as 'the preservation of our way of life'.

433 To this developing State consciousness the fight for economic recovery made a great contribution. The low level to which the country's industrial production and food supplies had sunk in 1945 spurred on the Austrian people to a common effort to master the situation. The Marshall offer was a challenge as well as a great act of generosity. Just as the two main parties had agreed on the nationalization of certain industries in 1946, so later they worked together in conjunction with the Americans to use to the best advantage the unique opportunity for capital development presented by the European Recovery Programme. Ranshofen, VÖEST, the nitrogen works at Linz, and above all the great hydro-electric power projects were symbols of hope for the future. For the first time since the Republic was founded Austrians could make their economic plans in full confidence that they would be living in a viable

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

State, when once their independence had been restored. If Austria's hopes of solvency were well-founded in 1937, the development of her oil-fields and hydro-electric power since then have placed their realization beyond all doubt, provided she is free to manage her own affairs. 433

Like the Nazi aggression before 1938 and the German occupation that followed, Russia's economic and political obstruction since the War has stimulated Austrian patriotism. Austria's courage and patience under great provocation, her Government's correct attitude towards the Soviet authorities, combined with insistence on its rights, have won general admiration. So her greatest disappointment since the War has, from the long-term point of view, been turned to her advantage, and has played its part in the harsh process by which the Republic has been welded into a unit. 186

Above all, the Coalition Government's record has had a decisive influence. Its problems have been exacting, in some cases insoluble, and it has been a difficult team to manage. Yet on the whole, in face of great difficulties, it can claim to have been one of the most stable and successful governments in post-War Europe. The contrast between political life in the First and Second Austrian Republics could scarcely be more marked. In the one case there was bitter rivalry, mutual intolerance, and frequent changes of government; in the other case co-operation, continuity, and a readiness to compromise for the common good. In eight years Austria has made great progress towards democratic maturity, and the lessons of the inter-War years have been well learned. 642

But their newly developed patriotism and self-confidence have left Austrians under no illusions. They are aware of their limitations, and they realize that political nationalism is out of date. The American journalist who described Dr. Figl as the successor of Don John of Austria, the last knight of Europe, who turned back the Turks in 1571, was read with a smile in Vienna. Austrians think that their main contribution to the world will always be cultural rather than political and will be based on the spirit, the intellect, and the preservation of 648

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Valders.

But if one asks what, in view of its many contradictions, Tyrol really is, one is again confronted by something strange and mysterious. It is a fact that, looked at from outside—for instance from Salzburg or from Vorarlberg, Bavaria or Italy—Tyrol presents the picture of a close-knit unit. Is it the mountains which hold together the Province (which in all documents is referred to as the "Land in the Mountains" because it is entirely dominated by mountains and because from north to south the whole territory consists of mountainous country which never descends to the level of the plains)? Is it a gift conferred by the gods for good or ill fortune; is there some idea of sacred mountains behind the song which tells of the "Holy Province" of Tyrol? ...

The peculiarly pious devotion of the mountain dweller to his homeland and his liberty has done as much to create the feeling of unity as has the great history of Tyrol which people keep alive today in many customs and many forms.

341 THE ARTS. In Tyrol, art belongs to the soil. The supreme period of its architecture is reflected not only in venerable abbeys, stately mansions, churches and the houses of the nobility, but also in many a farm-house and its outbuildings, in wayside crucifixes, chapels and shrines.

Apart from the imposing buildings and monuments which served the interests of the aristocracy and the well-to-do citizens—the most important example of these is the Tomb of Maximilian beneath the lofty vault of the Hofkirche in Innsbruck—the simpler output of native craftsmen is often impressive and singularly moving as, for instance, that gem of art, the little rococo church in the dreamy hamlet of Gschnitz. Built in the spirit of devotion, its existence threatened on all sides—from avalanches and landslides from the mountain above, from the torrential river below in the valley—it seems amid the forces of nature to do honour to God in the Highest, man upon Earth, and to act as a gracious mediator between the two.

Stams; Cistercian Monastery.

532 The artistic sense of the people is most apparent in the national costumes and

production was in a chaotic state and could not absorb the 433
men who came back from the army and from the munition 727
industries. Unemployment, which had been at a level of
about 46,000 in December, 1918, rose quickly to a peak of 727
186,000 (131,500 in Vienna) in May, 1919, at the very 464
time when the Western democracies enjoyed a short-lived
post-war boom. After that, unemployment decreased steadily until it reached its lowest level in November, 1921, when there were 8,709 unemployed on the register.

THE INFLATION

The extent of Austria's economic exhaustion after the 727
last war has been deliberately described at some length so as to indicate the level from which reconstruction had to start. No doubt, it was a tremendous job. But, with the relief credits to help out in the first period of distress, it was surely not beyond the strength of the Austrian people to build up a working economy. The tens of thousands of workers who struck work in January, 1918, in order to finish the war, the soldiers who returned disgusted with the war and the old régime, the peasants who had more than enough of the constant military requisitioning, all combined to turn out the Emperor, practically without any bloodshed; and they now looked confidently to the new Republic to lay the foundations for a new life.

There was much enthusiasm here that could have been 186 •
harnessed to a great crusade for the rebuilding of the
nation's life. But it was the tragedy of the situation that 665
the statesmen of the day, those of the right and those of the left alike, completely lacked the required conception of leadership. Instead of stimulating the patriotic and social aspirations of the masses and guiding them in the difficult tasks of reconstruction, the general attitude of the leading politicians, reared in a 50-million empire, was to profess

1 [Cf. CAT. 116, p. 34 — — ANALYST]

•186 665 complete disbelief in Austria's ability to exist as an independent entity. The mistaken policy towards the national minorities in the past decades (mistakes that were shared by the German-speaking politicians of the right and the left alike) ruled out any close union with the Slav neighbours. The incorporation of Austria into Germany was therefore advocated as the only practicable solution.

"Our task was", wrote Dr. Otto Bauer, the leading figure in the Social Democratic Party and the Foreign Minister of the 1919 coalition government, "to convince the statesmen of the Entente that German Austria, if left to herself, was not capable of existence; that any attempt to form a confederation of the Succession States must be baffled by the opposition of Czechoslovakia and Yugoslavia; that union with Germany was therefore the only possible solution, and the only means of averting the complete economic collapse of German Austria and the violent social disorders and grave dangers of war which must ensue."

But the idea was not really popular.

"At the same time we had to carry on propaganda among our own people. If our appeal to the statesmen of the Entente was not to remain barren we must be able to show them that our struggle for union was based on the united conviction of the whole German Austrian people."

Propaganda of this kind was obviously not designed to rouse the spirits and unleash the energies of an exhausted population. A strong and democratic patriotism, which enabled the neighbouring Czechoslovakia—though admittedly under more favourable conditions—to re-establish her economic life with very little outside help, could hardly flourish in such an atmosphere of defeatism. How could one give allegiance to a country that could not possibly exist? There was much local patriotism—for

1 [CP. CAT. 116, P 34 — ANALYST]

Vienna, for Tyrol, for Salzburg, for instance; but the cohesive force of a national conception was largely missing. Moreover, the provinces feared that an unproductive Vienna would hang like a deadweight on their economy and some of the western provinces tried to break away and to join Germany or Switzerland. In addition, the small but active Pan-German minority [5] tried to use the defeatism of the major political parties to further their own imperialist aims of a Greater Germany.

Perhaps inflation was unavoidable by the time the war ended. After all, inflations swept practically all central and eastern Europe. But the course of inflation in Austria was greatly influenced by the weakness of a government which did not believe in its own and its people's strength. This is clearly shown by the speech made by the Christian Socialist Chancellor Seipel before the Council of the League of Nations in 1922, when he tried to obtain financial help for Austria. The collapse of Austria, he said, would be "a serious blow to the Treaties of Peace, for it would afford a proof that the new Austria which they created is incapable of existence, either now or in the future". [6]

What, then, was the main sequence of the economic events of the period of inflation, and what was its significance for the further development of Austria's economy? [7]

The roots of the post-war inflation went back to the war years. The strong inflationary pressure inherited from the past would have been difficult to restrain whatever the post-war setting. Taking July, 1914, as 1, the circulation of banknotes in the Austrian-Hungarian Monarchy had risen to 13·17 in November, 1918, and the cost-of-living [8] to 16·40 in the same month.

The financial situation did not ease with the ending of hostilities. The delay in the arrival of relief supplies and

[C. CAT 116 p. 34 - ANALYST]

AUSTRIA'S ECONOMIC DEVELOPMENT

648 The suspicions of 1918 against Austria as the centre of Habsburg power has given way to a feeling of common interest after the common experience of German oppression. Fourthly, the destruction of Germany's political and economic power will, for the first time, allow Austria to re-build and develop her economy freely and without the defeatist and destructive interference of German business and its Pan-German friends in Austria. Last but not least, Austria's prospects of recuperation are better than in 1918 because Austrians themselves have changed. The experience of twenty years—not very easy ones, to be sure—of an independent Austria and of the subsequent catastrophe of seven years of German occupation have cured them of such *Anschluss* ideas as they may have had. They are firmly determined to have their own independent country and to maintain its independence. A healthy and constructive Austrian nationalism has developed in place of the defeatism and lack of confidence of the inter-war period. The active part which many Austrians took in the liberation of their country, and the speed with which Austrians of all parties came together and formed a Provisional Government of national unity is a hopeful sign for the future. Austrians have started to learn to take their fate into their own hands and not to rely solely on foreign help for their salvation. This change of outlook, if it can be preserved and fostered, cannot but greatly assist the reconstruction of the country.

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600 In spite of the extreme seriousness of the present position, then, the outlook for the transition period is quite hopeful. In the first stages a certain degree of foreign help for relief and rehabilitation is, of course, absolutely essential. But if it is given speedily, without the delays and political interference which were such an unfavourable feature of the Hoover Mission in 1919, and

7: Marboe U-3 (no date) 1948 EK1 Austria EK1

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The Graben.

proclamations of the Estates and treaties of peace. Anyone wishing to write the history of Europe is bound to have resort to these unique documents.

The number of collections and galleries, museums and archives seems inexhaustible. The Austrian's love and understanding for art and science have created for themselves a permanent monument in these.

At the head of the list of great MUSEUMS stand those of FINE ARTS and of NATURAL HISTORY. Both date back to the old Hapsburg collections, such as the Treasuries with contents which date from the 13th century. Picture Gallery, Tapestry Collection, "Wagenburg", Medal and Coin Museum, Pre-Historic Section—the problem is where to begin.

The ALBERTINA Collection of Graphic Art, with about a million

Further on, past the Crypt of the Capuchins is the Albertina situated on a high bastion—a treasure store for art-lovers. Here is an almost complete collection of the drawings of Albrecht Dürer which once belonged to Prince Eugene. 346

Almost in the shadow of this Albrechtsrampe and backed by the green spaces of the former Kaisergarten is the white statue of that witty divine, Abraham a Sancta Clara. His entertaining and moving pulpit discourses helped his enormous congregation to forget their hunger, thirst and weariness. He was preacher, narrator and satirist in one. His influence, which did not stop short at the Imperial Court was to a great extent due to his perfect command of Viennese dialect. 211 793

Viennese dialect! This is a faithful mirror of the spirit of Vienna, wonderfully soft and 197 192

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expressive, full of slurred and muted vowels, of musical cadences which come from the contact with Italy, of expletives of Bajuvarian origin and noble survivals from the treasure of mediaeval German which have elsewhere long since been discarded. Wit and humour, drastic comparisons, diminutives and tender expressions and traces of all European languages —Italian, Spanish, French and Slavonic—are to be found in it. In the course of centuries, Vienna has come under the influence of many tongues, and each has left its mark on the dialect. The city's power of assimilation has moulded them all into "Wienerisch" and we in Vienna still draw on this rich heritage. To take one instance out of many—there is a Spanish

drawings, contains work from every school of art and every country. It is the most important collection of its kind in existence.

The State KUNSTGEWERBE MUSEUM is a unique display of textiles, pottery, glass, furniture, goldsmiths work, pewter, oriental carpets, East Asiatic stone carvings, table implements and china.

The MUNICIPAL COLLECTIONS and the ARCHIEPISCOPAL MUSEUM OF CATHEDRAL AND DIOCESAN COLLECTIONS add to knowledge of city and ecclesiastic life.

The rest must be left to your own initiative, or—you will soon know more than the Viennese themselves.

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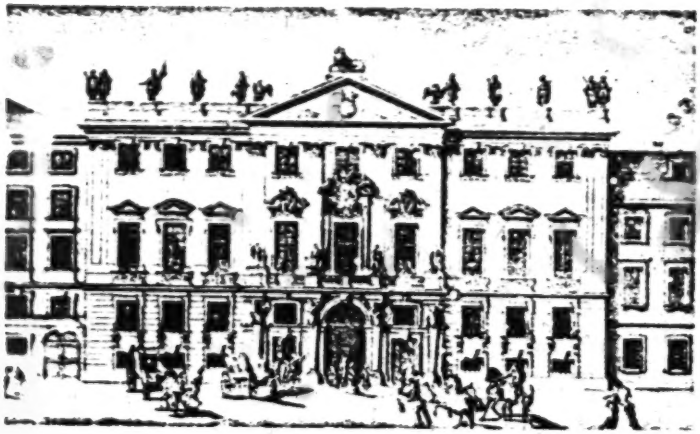

Bohemian Court Chancellery.

192 197 word "prado", meaning "meadow". A foreign word, the Viennese seized on it, made it their own, the stranger soon became a real Viennese, the "Prater". So it has been with many another expression which may have been Greek—or Spanish—to the Viennese at the outset.

363 The elegant Kärntnerstrasse leads straight from the Ring to the Stephansplatz. We can stroll through it and enjoy its fascinating shop windows another time. Now let us cross it to enter the Himmelpfortgasse where the Winter Palace of Prince Eugene of Savoy is situated. Because the narrow street does not afford a clear view, the statues which usually decorate the entrances to such palais are missing, the three 342 gateways being ornamented only with reliefs. The impression made by the grand staircase in the interior is all the greater, Fischer von Erlach and Lukas von Hildebrand united to create a magnificent palace for the great military leader, although the Belvedere Palace on the other side of the Ringstrasse is a monument to Prince Eugene which is even more imposing.

363 Let us wander on through the complex of narrow streets in the old city, through the venerable, twisting Schönlaterngasse with its dormer windows and porticos, 346 its legend-haunted houses, through the Sonnenfelsgasse in which there is not a single modern house and follow the Bäckerstrasse up to the Alte Universitätsplatz, with its view of the early baroque Jesuitenkirche and the venerable Aula.

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Egger-Lienz: Dance of Death.

differ from valley to valley and often from village to village. Strong, blond giants are to be found side by side with dark-haired, slender, agile men. In a few disproportionately-built men and women lives on the race of the giants of legend.

As the peasant, so his cattle. In the valley of the Lower Inn the cattle are heavily built and piebald; in the Upper Inn Valley there is a lightly built, grey type, rich in milk, growing in grace and agility as the pasturage becomes more scanty and difficult of access. In the mountain villages and remote enclaves there still survive many individual specimens of breeds which are otherwise becoming extinct.

342 The inhabitant of the valley of the Upper Inn builds his house of stone, he of
592 Lower of wood. The one keeps house and farm undivided, the other divides up
184 the farm and even the house, so that not only may several families live under one roof, but in the four corners of a large kitchen there are sometimes four ranges, each belonging to a different person who is expected to keep within the imaginary lines which mark out his own share of the floor. The Lower Inn rings with laughter and song and no one is ashamed of an illegitimate child. The inhabitant of the Upper Inn is reserved and sparing of speech; with him, the smouldering of no less violent passions is not easily to be detected.

197 There are many varieties of dialect. The people of the Ötztal call "Ferner"
184 what those of the Zillertal name "Kees" and which are called "Gletscher" —glaciers—only by the town-dwellers. The drawling and slurred vowel sounds, the clipped nasal consonants of the mountain dwellers, recall the speech of Latin races. The accent of the lowlander, in contrast, is graceful and often almost affected. In the broad valleys branching off from the main Inn Valley the inhabitants of the inner and outer valleys have little in common. In the Gschnitztal, for instance, Trins is a Romanish settlement, whereas Gschnitz at the foot of the valley is of German
609 origin. One consequence of all this is that anyone who moves from his own parish, even if only to a neighbouring one, is regarded all his lifetime as an "immigrant".

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363

The Graben.

proclamations of the Estates and treaties of peace. Anyone wishing to write the history of Europe is bound to have resort to these unique documents.

The number of collections and galleries, museums and archives seems inexhaustible. The Austrian's love and understanding for art and science have created for themselves a permanent monument in these.

At the head of the list of great MUSEUMS stand those of FINE ARTS and of NATURAL HISTORY. Both date back to the old Hapsburg collections, such as the Treasuries with contents which date from the 13th century. Picture Gallery, Tapestry Collection, "Wagenburg", Medal and Coin Museum, Pre-Historic Section—the problem is where to begin.

The ALBERTINA Collection of Graphic Art, with about a million

Further on, past the Crypt of the Capuchins is the Albertina situated on a high bastion—a treasure store for art-lovers. Here is an almost complete collection of the drawings of Albrecht Dürer which once belonged to Prince Eugene. 346

Almost in the shadow of this Albrechtsrampe and backed by the green spaces of the former Kaisergarten is the white statue of that witty divine, Abraham a Sancta Clara. His entertaining and moving pulpit discourses helped his enormous congregation to forget their hunger, thirst and weariness. He was preacher, narrator and satirist in one. His influence, which did not stop short at the Imperial Court was to a great extent due to his perfect command of Viennese dialect. 211 793

Viennese dialect! This is a faithful mirror of the spirit of Vienna, wonderfully soft and 197 192

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expressive, full of slurred and muted vowels, of musical cadences which come from the contact with Italy, of expletives of Bajuvarian origin and noble survivals from the treasure of mediaeval German which have elsewhere long since been discarded. Wit and humour, drastic comparisons, diminutives and tender expressions and traces of all European languages —Italian, Spanish, French and Slavonic—are to be found in it. In the course of centuries, Vienna has come under the influence of many tongues, and each has left its mark on the dialect. The city's power of assimilation has moulded them all into "Wienerisch" and we in Vienna still draw on this rich heritage. To take one instance out of many—there is a Spanish

drawings, contains work from every school of art and every country. It is the most important collection of its kind in existence.

The State KUNSTGEWERBE MUSEUM is a unique display of textiles, pottery, glass, furniture, goldsmiths work, pewter, oriental carpets, East Asiatic stone carvings, table implements and china.

The MUNICIPAL COLLECTIONS and the ARCHIEPISCOPAL MUSEUM OF CATHEDRAL AND DIOCESAN COLLECTIONS add to knowledge of city and ecclesiastic life.

The rest must be left to your own initiative, or—you will soon know more than the Viennese themselves.

344

Bohemian Court Chancellery.

192 197 word "prado", meaning "meadow". A foreign word, the Viennese seized on it, made it their own, the stranger soon became a real Viennese, the "Prater". So it has been with many another expression which may have been Greek—or Spanish—to the Viennese at the outset.

363 The elegant Kärntnerstrasse leads straight from the Ring to the Stephansplatz. We can stroll through it and enjoy its fascinating shop windows another time. Now let us cross it to enter the Himmelpfortgasse where the Winter Palace of Prince Eugene of Savoy is situated. Because the narrow street does not afford a clear view, the statues which usually decorate the entrances to such palais are missing, the three 342 gateways being ornamented only with reliefs. The impression made by the grand staircase in the interior is all the greater, Fischer von Erlach and Lukas von Hildebrand united to create a magnificent palace for the great military leader, although the Belvedere Palace on the other side of the Ringstrasse is a monument to Prince Eugene which is even more imposing.

363 346 Let us wander on through the complex of narrow streets in the old city, through the venerable, twisting Schönlaterngasse with its dormer windows and porticos, its legend-haunted houses, through the Sonnenfelsgasse in which there is not a single modern house and follow the Bäckerstrasse up to the Alte Universitätsplatz, with its view of the early baroque Jesuitenkirche and the venerable Aula.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

643 government in the critical spring of 1945. He was sufficiently far to the Left in his opinions to be acceptable to the Russians and yet sufficiently moderate to be respected by all parties. He had been first Chancellor of the First Republic, and therefore had unrivalled knowledge and experience of post-War problems. He had also been President of the Austrian Peace Delegation at St. Germain. Furthermore, he combined strong political convictions with flexibility of method and willingness to compromise, a mixture of qualities which were to prove invaluable during the coming years.

[642] When he arrived in Vienna, Dr. Renner found, to his pleased surprise, that the political parties had already combined in many municipalities, including the capital, to set up provisional administrations. In Vienna General Körner and his deputies were established at the Town Hall. Representatives of the three parties had joined together to found a new newspaper, *Neues Österreich*, the first number of which appeared on the 23rd of April, after the city had been without a newspaper for three weeks. A first meeting of trade unionists had also taken place, which led to the foundation on the 27th of April of an Austrian Federation of Trade Unions on an all-party basis. Dr. Renner altered his plans to suit the unexpectedly favourable conditions. Calls to action were not required so much as leadership, organization, and the definition of objectives.

643 The Russians installed Renner in a house in the suburb, Hietzing, that was large enough to accommodate his family 648 and small staff and allow conferences to be held on the main 642 floor. The day after his arrival, the Russian colonel who was acting as liaison officer arranged for leading personalities from the different political parties to come and visit him. The first to arrive was Leopold Kunschak, to whose attitude Renner attached great importance. He was followed by General Körner and Adolf Schärf; the Communists, Ernst Fischer and Johann Koplenig, and others. Negotiations progressed so rapidly that within two or three days agreement had been reached on the membership and constitution of the Provisional

B. Organizations and Publications in the Field of Economics.

815 Austria boasts of a number of leading societies and institutions which foster theoretical national economics and current economic policies. The "Nationalökonomische Gesellschaft" (National Economic Society), Vienna, established in 1918, covers the field of theoretical national economics. The present chairman is Hans Mayer, already mentioned above. The "Gesellschaft österreichischer Volkswirte" (Society of Austrian Economists) follows an economic-political course. It was founded by the late member of parliament, Dr. Alexander Peez, in the eighties of the last century, and is presently under the chairmanship of Dr. Ernst Mosing, former president of the Oesterreichische Boden-Credit-Anstalt. The "Oesterreichisches Institut für Wirtschaftsforschung" (Austrian Institute of Economic Research), founded under the sponsorship of the Vienna Chamber of Commerce in 1927, gained international repute under qualified leaders (since 1945 F. Nemschak and E. John). The 816 regularly published monthly bulletins Monatsberichte, con- 204 taining numerous statistical data, are not only important for the official economic policy, but also provide private practical economists with valuable material. Chairman of the board of trustees is the former minister Dr. H. C. Eduard Heinl, president of the Creditanstalt-Bankverein, vice-chairmen are the retired secretary-of-state, Karl Mantler, president of the chamber of workers and employees, and Dr. Hans Mayer, professor at the University of Vienna. Besides comprehensive treatises with regard to the development of the Austrian economy (annual reports) and general surveys of prospective trends (monthly reports), studies in various economic sectors are being undertaken and the results published. They provide a clear picture of the development of Austria. Particularly numerous were last year's publications, among which the following questions were analyzed: margins in the price and wage structure; larger seasonal unemployment following an over-dimension of construction programs; the new federal budget (1950); business failures in Austria since the end of the war; current questions about production increases; the situation in international raw material markets; the production and use of milk and milk products in Austria; the fourth price and wage agreement; the raw material markets of the fourth quarter, 1950; development of the working week in industry; the federal budget in 1951; Austria's economy at the end of 1950; Austria's bread consumption.

In addition the Institute had been entrusted with a number of tasks by public institutions or by agencies working for public interests. The Federal Chancellery, Central Office for ERP Affairs, entrusted to the Institute the preparation of reports and the expression of opinions as well as other tasks, while the Central Office itself, in accordance with Article VI, paragraph 2, and Article VII, paragraph 4, of the bilateral agreement between the United States of America and Austria of July 2, 1948, prepared the quarterly economic reports, outlining results achieved with ERP means and the economic measures undertaken. The Austrian Investment Program of 1950-1952 has been designed in collaboration with the Institute. 204 816 [648]

A close cooperation exists between the Institute and the "Oesterreichisches Produktivitätszentrum" (OPZ) (Austrian Productivity Center), Vienna. The Zentrum was created by a ministerial decision of March 6, 1950. Dr. Taucher, Chief of the Federal Chancellery, Central Office for ERP Affairs, serves as president. Dr. Nemschak acts as manager. Within the scope of this cooperation a number of problems were investigated: the scarcity of vocational employment for youth and combating it; the Austrian paper industry; the processing of Austrian foreign trade transactions; the Viennese housing requirements and its future development; opinion studies of managers, engineers, foremen, and employees relative to production increases; possibilities of increased yield from the tourist trade through elimination of seasonal trends; cooperation in the designing of rules permitting the ascertainment of production index numbers of cotton textile mills relative to a coordination of the averages with upper and lower margins. Shortly released will be: structural analysis of the Austrian textile industry; analysis of the employment possibilities and causes of unemployment in the catering trade; preparation of a memorandum about the effects of a prolonged scarcity of imported raw materials upon Austrian production and employment situation; the Austrian railroad-trucking problems; the development of productivity since the end of the war; extension of a wage and earning index in collaboration with the Bundeskammer der gewerblichen Wirtschaft; comparison of the living cost indexes of various countries; development of raw material consumption, investment activity and turnover; improvement of living costs and wage index calculations for which additional statistical investigations are necessary. The Austrian Productivity Center published monthly a pamphlet Der Schüssel (The Key), intended to foster within an extended circle of readers understanding of production step-ups and exchange of technical experiences. [647] [133]

204 177 647 433 Operating within the Austrian Productivity Center there is a sub-section for "Technical Assistance." This provides Austrian experts of various establishments with opportunities to acquaint themselves with the latest developments of their business lines in the United States. The results of these study trips are evaluated in a publication Die Studienreise, in which the impressions and experiences of the technical assistance delegation are brought to the attention of a large circle of interested persons. The first publications are entitled Moderne Holzernte (Modern Lumber Crops) and Gäste aus Amerika (Guests from America). To acquaint the public at large in a comprehensive manner with the productivity problem, a popular pamphlet series Der Ausweg (The Way Out) has been published, its first number being entitled Produktivitätssteigerung--der Ausweg (Greater Productivity - the Way Out).

Particularly valuable for the exchange of ideas, formulas, etc., is the Economic Technical Information Service of the Austrian Productivity Center which developed into a liaison office between domestic and foreign information centers. Collaborating with Technical Assistance, it answers inquiries about American production processes, firms and equipment, and loans small-sized motion picture films and projection apparatus. It further provides, in cooperation with OEEC countries, trade or professional journals and books, furnishes excerpts of the latest American professional literature ("Digest and Abstracts Service") and answers inquiries about American licenses and patents. This service is supplied and supported by a documentation center.

647 816 [204] A special cooperation for the furtherance of statistics exists between the Oesterreichisches statistisches Zentralamt, Wien (Austrian Statistical Central Office, Vienna), and the Institute of Economic Research. The Statistical Central Office publishes monthly, in collaboration with the Committee of Economic Central Offices and Chambers, the official Statistische Nachrichten (Statistical News), the editor-in-chief of which is presently Hofrat Dozent Dr. Arnold Madlé. In this connection the Oesterreichische Statistische Gesellschaft (Austrian Statistical Society) should also be mentioned. It was established March 31, 1951, for the purpose of cultivating statistics in all sections of the social and natural sciences besides furtherance of statistical teaching. Chairmen of the board of trustees are: the president of the Austrian Statistical Central Office,

461 Oesterreichisches Institut für angewandte Arbeits-
466 wissenschaft (Austrian Institute of Applied Science
816 of Work), Vienna, under Dipl. Ing. Otto Korwik. Employing principles of work-psychology, this institute has undertaken research work within large plants on production increases, improvement of quality, of production, working conditions, etc. The magazine Mensch und Arbeit, published by the Arbeitsgemeinschaft für Psychotechnik in Oesterreich (Committee for Psycho-Technics in Austria), Vienna, covers this field. On the board of trustees of this committee are former minister Dr. H. C. Eduard Heinl, member of parliament and president of the Gewerkschaftsbund Johann Böhm, as well as many other prominent individuals.

654 Thanks to a release of ERP-counterpart
313 funds, it will be possible to establish an Austrian Institute for Timber Research. The lumber industry is one of the most important in Austria. This Institute shall furnish the work industry with new theoretical and practical ideas, which in turn should benefit production. The Institute will cooperate closely with the testing laboratories of the technical colleges of Vienna and Graz.

217 Scientific as well as economic endeavors
815 are being supported by large libraries. The Wiener Handelskammer (Chamber of Commerce), for instance, accumulated during the one hundred years of its existence more than 150,000 volumes, becoming thereby not only the largest library of economic science in Austria but probably also in central Europe if one takes into account the losses incurred during the last war. The latest foreign publications are in its collections and it is continuously frequented by economists as well as students of national economics. The library of the Oesterreichische Institut für Wirtschaftsforschung contains 10,000 volumes, mostly about market prospecting and foreign trade, while the library of the Institut für Wirtschaftswissenschaften an der Wiener Universität with its 30,000 volumes comprises works of theoretical economics besides international publications.

204 Austria also has a number of well-edited
815 periodicals for political economy. The oldest one in the economic field in Austria, adhering to a scientific background and serving an extended reader clientele, is Der Oesterreichische Volkswirt (The

Austrian Economist), founded by W. Federn in cooperation with G. Stolpern. An English edition is now being issued. The Vereinigung österreichischer Industrieller, a private society of industrialists, issues a weekly Die Industrie. Direktorium der Oesterreichischen Nationalbank, issued monthly, is top-notch. It contains, in addition to topics about the financial and economic developments in Austria, statistical charts, diagrams, data about the circulation of currency, the processing of reconstruction credits, rates of exchange, ERP counterpart accounts, surveys about the development of credit volume and of deposits, price trends, imports and exports, payment balances, etc. The Creditanstalt-Bankverein, Vienna, issues besides its quarterly economic reports, Wirtschaftsberichte, and monthly Monatsberichte, special publications (e.g., on the Marshall Plan). The Oesterreichische Länderbank A. G. Vienna, also issues a monthly report. The association of banks and bankers, Verband österreichischer Banken und Bankiers (President: Dr. Josef Joham, General-Manager of Creditanstalt-Bankverein; Manager: Dr. E. Karlik) publishes semi-monthly the Bankenkorrespondenz (Editor-in-chief is Dr. Gustav Knoth). It contains news about international developments in banking and finance.

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With regard to ERP aid, there appear besides the quarterly publications of the Federal Chancellery ERP Central Office, a number of compiled publications, among them Oesterreich und der Marshallplan (Gerlach and Widling, Vienna, 1950) and the Oesterreichisches ERP Handbuch (Verlag für Geschichte und Politik, Vienna, 1950). The latter two were published under the sponsorship of the Federal Chancellery ERP Central Office and contain basic documentary material (laws, etc.). In commemoration of its 100th anniversary the Bundeskammer der gewerblichen Wirtschaft published a lavishly detailed work, 100 Jahre österreichischer Wirtschaftsentwicklung 1848-1949 (Springer Verlag, 1949) under the editorship of Professor Hans Mayer. In this extensive volume emphasis is on economic questions not only from a historical but also from a scientific point of view. Of economic periodicals catering to a professional audience mention must be made of Die Wirtschaft and Die internationale Wirtschaft, both published by the Oesterreichischer Wirtschaftsverlag, Vienna. A number of publications emphasizing vocational trends are issued by the Oesterreichisches Gewerbeförderungsinstitut (Austrian Institut for Trade Promotion, Vienna), an institution sponsored by the Bundeskammer der gewerblichen Wirtschaft.

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204 (These publications are printed at the Oesterreich-
816 ischer Gewerbe-Verlag. The economic columns of some newspapers are also well done, especially those of the independent Presse. Literature about scientific and political economics doubtless has achieved a significant level in postwar Austria, despite the difficulties publishers and newspapers have because of limited outlets.

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B. Newspapers and Periodicals that are Continuing Source for the Study of Austrian Economy.

Arbeit und Wirtschaft, Organ der Arbeiterkammern und des Gewerkschaftsbundes, monthly, Vienna.

Arbeiterzeitung, SPÖ (Zentralorgan), daily, Vienna.

Berichte und Informationen, Oesterr. Institut für Wirtschaft und Politik (VdU), weekly, Salzburg.

Die Industrie, Vereinigung österr. Industrieller, weekly, Vienna.

Internationale Wirtschaft (in addition to Eildienst für den Aussenhandel and the Mitteilungen, Bundeskammer der gewerblichen Wirtschaft, weekly, Vienna.

Mitteilungen des Direktoriums der Oesterreichischen Nationalbank, monthly, Vienna.

Monatsberichte des Oesterr. Instituts für Wirtschaftsforschung, monthly and special issues, Vienna.

Neue Wiener Tageszeitung, Zentralorgan der ÖVP, daily, Vienna.

Neue Züricher Zeitung, daily, Zürich.

Oesterreichische Jahrbücher 1946-1949, herausgegeben nach amtlicher Quellen vom Bundespressedienst, Wien. Verlag der Oesterreichischen Staatsdruckerei, Wien.

Oesterreichische Monatshefte, Organ der ÖVP, monthly, Vienna.

Oesterreichs Wirtschaft (Oesterr. Gewerbeverein), monthly, Vienna.

Die Presse (daily and weekly edition, liberal), Vienna

Salzburger Nachrichten, no party affiliation, daily, Salzburg.

Soziale Sicherheit, Organ des Hauptverbandes der Sozialverischerungsträger, monthly, Vienna.

Statistische Nachrichten, Oesterr. Statistisches Zentralamt, monthly, Vienna.

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Süd-Ost Tagespost, ÖVP, daily, Graz.

Volksstimme, Zentralorgan der KPÖ, daily, Vienna.

Volkswirt (Der österreichische), Privatbesitz, weekly, Vienna.

Wiener Börsen-Kurier, Verband der Akiengesellschaften, usw, weekly, Vienna.

Wirtschaftlichkeit (Organ des Oesterr. Kuratoriums für Wirtschaftlichkeit), monthly, Vienna.

Wirtschaftsberichte (quarterly); Monatsberichte, Creditanstalt-Bankverein, monthly, Vienna.

Die Zukunft, Organ der SPÖ, monthly, Vienna.

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727 were later followed by the French. But the Russian authorities still maintain road and rail controls over their zonal boundaries at the present time.

More serious and insidious was the attempt made by the Soviet element to limit the authority of the Allied Control Commission and extend the clause of the Control Agreement which provided that agreements between the Austrian Government and one of the four occupying Powers did not require to be approved by the Allied Council. Had this attempt succeeded, the Austrian Government would have been subject in many matters, not to quadripartite supervision, but to the authority of a single occupying Power. The Soviet representatives cleverly raised the matter in connexion with a law passed by the Austrian Parliament in 1946, to implement a dollar credit agreement between Austria and the United States. The Quadripartite Finance Directorate unanimously recommended that the law should be approved by the Allied Council. But the Russian member of the Council took up the position that the Council could not discuss the question, and that the Austrian Government should be notified that agreements and legislative measures concerning one of the four Powers should not be submitted for consideration by the Allied Council. The three Western representatives fortunately saw the wider implications of this suggestion and insisted on the distinction between an agreement and legislation arising out of an agreement. All Austrian legislative measures, they maintained, had to be submitted to the Allied Council.

727 There were a number of matters in which the Western Allies wished to alleviate the burdens and restrictions resting on the 205 Austrian people and in which the Soviet authorities pursued a policy of complete or partial obstruction. As has been seen, the Russians refused to consider two proposals for reducing the occupying Forces put forward by the Western Powers. Postal communications between Austria and the rest of the world were progressively restored until December 1948, when letters were allowed to be sent to Japan, the last country on the list. But the Russians held up this process by opposition

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on such trifling matters as the categories of mail permitted, and at certain stages in the restoration of postal facilities with Germany and Japan 'printed matter' and registered letters became subjects of discussion between the High Commissioners. All four occupying Powers had broadcasting stations under their control, but the Russians, being in possession of RAVAG, the main Vienna station, could cause most inconvenience to the Austrians. In 1950 the Soviet authorities gave orders that the despatches of the Russian news service, known as TASS, were to be broadcast in full, as part of the Austrian news, without being attributed to their source. After a Communist official had punched the director of the Austrian news bureau on the nose, the Austrians maintained their right to do as they wished with their news broadcasts. During the same year a Western proposal that a Viennese television station should be approved was dropped owing to Soviet insistence on conditions that would have led to its falling under Soviet domination. The Russians also did all that they could to hinder the development of Austrian civil aviation, and a Department of Civil Aviation in the Austrian Government that was established with Western support in 1947 has been able to accomplish very little. On a higher level, the Soviet authorities consistently opposed Austria's applications to join the specialized agencies of the United Nations, and their efforts were only thwarted owing to Austrian determination and world-wide support for her membership.

On the two questions of censorship and the police the Soviet policy of obstruction was particularly stubborn. In the light of Russia's record in its satellite countries, the choice of these subjects for special treatment is a cause of no surprise.

The origin of the Allied censorship in Vienna goes back to the autumn of 1945, when a Quadripartite Signals Committee was formed to supervise such restrictions on civil communications as were necessary for security reasons, until the Austrian Government assumed normal responsibility. A quadripartite censorship was set up in the Schillerplatz in Vienna which controlled all telegrams and telephone calls between Austria

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206 and out of Vienna and the Russian zone. The committee laid
205 down that all communication developments undertaken by the Austrian Post and Telegraph Administration required the unanimous approval of all four occupying Powers, and informed the administration at once that the construction and allocation of communication lines between Vienna and the outside world were subject to the unilateral agreement of the Soviet Command. As these lines would all have to pass through the Russian zone, this was a natural arrangement to make in the days before there was a serious rift between Russia and the West. Since that time the Soviet authorities have consistently refused to give up the powers allotted to them in these circumstances.

The Austrian Government has made numerous requests that the Allied censorship restrictions shall be raised. These have been supported by the Western Powers, who have abolished censorship in their own zones. But the Soviet High Commissioner has refused to alter the existing system, and he even suggested in 1948 that foreign mail for the whole of Austria should be subject to centralized censorship in Vienna. A Western proposal for the censorship of telephone calls near the frontier was turned down. So the absurd system continues by which a 10-kilometre call between Feldkirch in the Vorarlberg and Buchs in Switzerland has to be routed through Vienna over 500 kilometres away. On one occasion the Russians took exception to a short technical telephone line in connexion with a river power-station, on the grounds that one end was in Austria and one in Germany, and maintained that all calls on it should be diverted to Vienna for censorship.

The existing system gives the Soviet authorities a hold over Austrian communications with abroad which they show no sign of relinquishing. The Western Powers only take part in it in order to prevent it coming entirely under Soviet control. In June 1950 it was revealed that the Russians had their own tapping arrangements in the Schillerplatz in addition to the official quadripartite censorship, when a Soviet officer ill-

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advisedly came up from the basement to the switchboard to complain that he could not hear a certain international call that was in progress. During the same year the Russians ordered the disconnection of three transit telephone circuits between adjoining countries which pass through Austrian territory without connecting into the Austrian system. They also arbitrarily disconnected the Yugoslav Government's teleprinting station in Vienna. 727 206 205

In December 1951 the Austrian Government's impatience with these proceedings caused the Chancellor to send a note to the Allied Council announcing the Government's intention to substitute the name 'Allied Censorship Agency', for 'Austrian Censorship Agency'. 'Censorship in Austria', he wrote, 'is exclusively performed according to the instructions of the occupying Powers. In no way does it serve Austrian interests. On the contrary, it runs counter to them.' The Government also announced its decision to dismiss all the 863 employees under contract with the Censorship Agency. Yet, in spite of this protest, the censorship continues. The Austrian Government defrays three-quarters of the cost. The work is still carried out by Austrians, who are mostly Communists chosen for the purpose by the Russians in 1945. And the cumbersome and wasteful procedure gives no satisfaction to anyone except the Soviet authorities and those for whom it provides employment.

In the months immediately following the liberation it was the clear intention of the Russian military leaders to establish control over the Austrian police. As many Communists as possible were introduced both into the ranks of the active police force and into the most responsible administrative positions. The effects of these efforts were still noticeable six years later. But Russian influence was checked when the Western Powers arrived in Vienna, and it ceased to be preponderant after the 1945 elections. From then on the object of Soviet policy was to limit both the numbers and efficiency of the police. 727 625

The Austrian Government repeatedly asked the Allied

f) Investments for the federal railways and the post and telegraph service. 655 [496]

The Austrian federal railways received 210 million schillings in 1950 to carry out planned investments. Especially mentioned should be: the Semmering tunnel financed in 1950 by ERP counterpart funds, the Prebichl tunnel, the Tauern tunnel, the Danube bridges at Tulin and Krems, the Inn bridge in Brixlegg and the Nordwestbahn bridge in Vienna. These high allocations to the federal railway system were necessary to enable the whole transport system, which was heavily damaged by war action and dismantling, to keep pace with the recovery of the national economy. Gradual renovation of the rolling stock, restoration of road beds and tracks, building of bridges, installations for freight, repair of railway shops and track installations (such as signal houses, etc.) were necessary to fulfill the requirements of the economy.

The same consideration holds true for the Austrian post and telegraph administration, which received 60 million schillings from counterpart funds in 1950 and for which another 15 million schillings were reserved by the December grant. The postal system was able to carry out most of its projected plans. In particular, the transfer of the planned coaxial cable was accomplished. Damaged district cables were changed or transferred in the course of installing the automatic telephone system. Various automatic telephone central offices were enlarged and two new trunk exchanges built. [205] [206]

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3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

advisedly came up from the basement to the switchboard to complain that he could not hear a certain international call that was in progress. During the same year the Russians ordered the disconnection of three transit telephone circuits between adjoining countries which pass through Austrian territory without connecting into the Austrian system. They also arbitrarily disconnected the Yugoslav Government's teleprinting station in Vienna.

In December 1951 the Austrian Government's impatience with these proceedings caused the Chancellor to send a note to the Allied Council announcing the Government's intention to substitute the name 'Allied Censorship Agency', for 'Austrian Censorship Agency'. 'Censorship in Austria', he wrote, 'is exclusively performed according to the instructions of the occupying Powers. In no way does it serve Austrian interests. On the contrary, it runs counter to them.' The Government also announced its decision to dismiss all the 863 employees under contract with the Censorship Agency. Yet, in spite of this protest, the censorship continues. The Austrian Government defrays three-quarters of the cost. The work is still carried out by Austrians, who are mostly Communists chosen for the purpose by the Russians in 1945. And the cumbersome and wasteful procedure gives no satisfaction to anyone except the Soviet authorities and those for whom it provides employment.

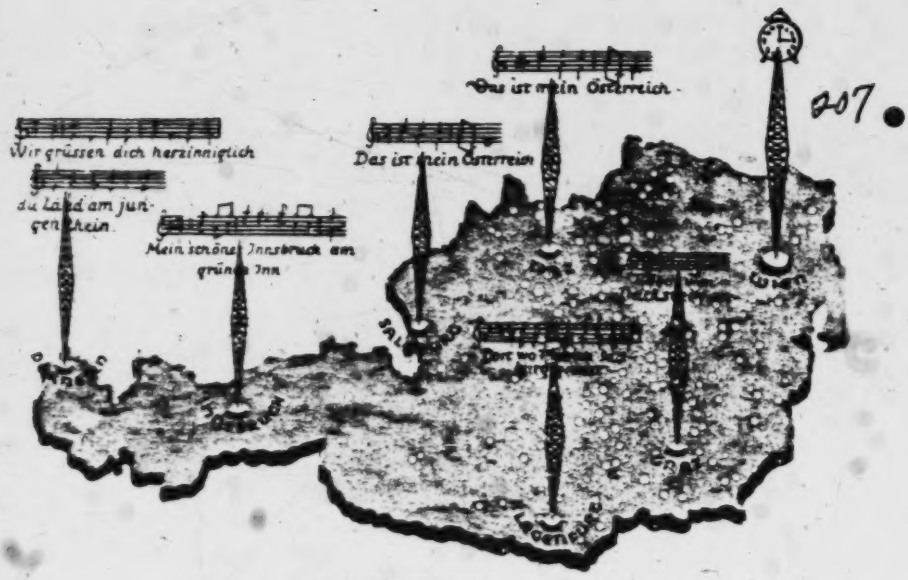
In the months immediately following the liberation it was the clear intention of the Russian military leaders to establish control over the Austrian police. As many Communists as possible were introduced both into the ranks of the active police force and into the most responsible administrative positions. The effects of these efforts were still noticeable six years later. But Russian influence was checked when the Western Powers arrived in Vienna, and it ceased to be preponderant after the 1945 elections. From then on the object of Soviet policy was to limit both the numbers and efficiency of the police.

The Austrian Government repeatedly asked the Allied

f) Investments for the federal railways and the post and telegraph service. 655 [496]

The Austrian federal railways received 210 million schillings in 1950 to carry out planned investments. Especially mentioned should be: the Semmering tunnel financed in 1950 by ERP counterpart funds, the Prebichl tunnel, the Tauern tunnel, the Danube bridges at Tulin and Krems, the Inn bridge in Brixlegg and the Nordwestbahn bridge in Vienna. These high allocations to the federal railway system were necessary to enable the whole transport system, which was heavily damaged by war action and dismantling, to keep pace with the recovery of the national economy. Gradual renovation of the rolling stock, restoration of road beds and tracks, building of bridges, installations for freight, repair of railway shops and track installations (such as signal houses, etc.) were necessary to fulfill the requirements of the economy.

The same consideration holds true for the Austrian post and telegraph administration, which received 60 million schillings from counterpart funds in 1950 and for which another 15 million schillings were reserved by the December grant. The postal system was able to carry out most of its projected plans. In particular, the transfer of the planned coaxial cable was accomplished. Damaged district cables were changed or transferred in the course of installing the automatic telephone system. Various automatic telephone central offices were enlarged and two new trunk exchanges built. [205] [206]



Austrian Broadcasting Centres.

protection of individuals who have lost their work and, of course, contribute the social security of the State.

The annexation of 1938 and the Second World War robbed the Austrian People of its freedom and the fruits of twenty years of painstaking reconstruction.

THE ECONOMIC POSITION AFTER 1945.

Austria's liberation had to be paid for by severe economic sacrifices. Compulsory incorporation into German armament production had been followed by far-reaching changes designed to increase Germany's output of war materials. The necessary investments for renewals and replacements could not be made, while machinery deteriorated more rapidly. Apart from this, Austria had been exposed from 1943 onwards to the effects of bombing, which increased towards the end of the war

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

on such trifling matters as the categories of mail permitted, and at certain stages in the restoration of postal facilities with Germany and Japan 'printed matter' and registered letters became subjects of discussion between the High Commissioners. All four occupying Powers had broadcasting stations under their control, but the Russians, being in possession of RAVAG, the main Vienna station, could cause most inconvenience to the Austrians. In 1950 the Soviet authorities gave orders that the despatches of the Russian news service, known as TASS, were to be broadcast in full, as part of the Austrian news, without being attributed to their source. After a Communist official had punched the director of the Austrian news bureau on the nose, the Austrians maintained their right to do as they wished with their news broadcasts. During the same year a Western proposal that a Viennese television station should be approved was dropped owing to Soviet insistence on conditions that would have led to its falling under Soviet domination. The Russians also did all that they could to hinder the development of Austrian civil aviation, and a Department of Civil Aviation in the Austrian Government that was established with Western support in 1947 has been able to accomplish very little. On a higher level, the Soviet authorities consistently opposed Austria's applications to join the specialized agencies of the United Nations, and their efforts were only thwarted owing to Austrian determination and world-wide support for her membership.

On the two questions of censorship and the police the Soviet policy of obstruction was particularly stubborn. In the light of Russia's record in its satellite countries, the choice of these subjects for special treatment is a cause of no surprise.

The origin of the Allied censorship in Vienna goes back to the autumn of 1945, when a Quadripartite Signals Committee was formed to supervise such restrictions on civil communications as were necessary for security reasons, until the Austrian Government assumed normal responsibility. A quadripartite censorship was set up in the Schillerplatz in Vienna which controlled all telegrams and telephone calls between Austria

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Austrian cultural and intellectual life suffered great damage during the seven years of Hitler's occupation. The Nazi régime in Austria, as in Germany, was accompanied by systematic vandalism. Books were destroyed, teachers regimented, and intellectual effort discouraged amongst students. Certain kinds of art and music were banned, either owing to the race or nationality of the artist or composer, or because the style was classified as decadent. Musicians, authors, artists, and scholars were driven into exile owing to their race or political opinions. And finally the destructive process was completed during the last year of the War by bombs and gunfire. In addition to St. Stephen's Cathedral and the Burgtheater, the Vienna State Opera was almost completely destroyed. Schönbrunn, the Belvedere, the Albertina, the Schwarzenberg Palace, and the Museum of Art History were all damaged in varying degrees. A bomb fell through the dome of Salzburg Cathedral.

Furthermore, so cosmopolitan and receptive a people as the Austrians suffered severely from the intellectual isolation that the occupation and the War brought with them. Engaged in a struggle in which most of them did not believe, for the sake of a creed that most of them despised, the Austrian people were victims of cultural claustrophobia. In spite of the severe penalties for doing so, many of them listened regularly to foreign broadcasts throughout the War, and when the B.B.C. broadcasters in German visited Austria afterwards they were received like popular heroes.

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The Allied occupation helped to bring an end to the isolation in several ways. The presence of foreign troops contributed to this result, as the majority of soldiers from the West soon showed themselves to be friendly disposed towards Austria. The four occupying Powers also maintained efficient Information Services with the dual purpose of counteracting the effects of Nazi indoctrination and providing news and information about themselves and their ways of life. Each Power published a daily German newspaper in Vienna, ran a broadcasting service of its own, and set up libraries and reading-rooms in Vienna and its own zone.

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Innsbruck; Grave of Maximilian.

345

State Opera.

346 such a small-town atmosphere here that it seems as though the biedermeier period lingers on.

These pictures are all to be found here within a comparatively small space. The same number of steps which we had to take from the Cathedral to reach this quiet corner will suffice to take us on to other great gothic churches. The solemn and massive Augustinerkirche stands in a street which is filled with the noise of motor traffic. Its Early Gothic form is still cool and severe, far removed from the decorative exuberance of Late Gothic. The famous Christina Monument created by Canova at the beginning of the 19th century is a remarkable example of the symbolic portrayal of sorrow and mourning.

[211]

interests or at times in the conclusion of strange marital alliances.

The great town mansions near the Ring were in sharp contrast to the houses in other parts of the city, in the outlying districts. In the latter a single pump had to suffice for four, eight or ten families and what was called a "light-shaft" was not worthy of the name. It was a gloomy, narrow tunnel down which the sunlight only penetrated as far as the upper stories in the hottest summer.

To be a Liberal meant to leave things as they were, not to interfere, to leave the peace of the upper classes undisturbed and to remain deaf to the plaints of those below.

Lueger, however, had an ear for the low mutterings of the crowd, for

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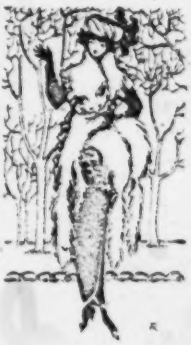
361 *Viennese Girls, 1914.*

Opposite, on the façade facing the Inner City, still within the extensive grounds of the Burg, lies the solemn and dignified Josefsplatz. No successor to Max Reinhardt has arisen who could transplant this impressive scenery on to a stage—the classic façades of the National Library, the Royal Riding School and the enchanting proscenium of the Pallavicini Palace. Behind high windows is the famous domed hall of Fischer von Erlach, a dream in marble, gold and sunlight, which is considered the most magnificent library of the world. The streets leading from it narrow suddenly, as if unwilling to let one leave the square.

And now let us wander through the Inner City without any special goal, to the hidden beauties which are so easily discovered. There stand mysterious courtyards with covered stairways, cage-like balconies, noble weather-beaten porches dreaming of baroque fantasies beneath spider's web little old houses and shops of the dealers in antiques—a garland of beauty hidden in the heart of an active, bustling and teeming metropolis, a fascinating juxtaposition of yesterday and today.

211 The Plague Column on the Graben was erected by the Emperor Leopold to commemorate the end of the epidemic in 1679. This stone allegory, this bold mixture of realistic and religious ideas, the work of Fischer von Erlach as well as other sculptors, has been compared to a splendid opera.
346 Only a few steps behind it, cut off from the
532 lively Graben by a modest little square, is the venerable Peterskirche, full of colour and rich decorations. Rottmayr's frescoes in the interior radiate a golden brilliance which makes an almost
366 carnal appeal to the senses. A little further, on the Tuchlauben, the clothmakers used to offer their wares in old Vienna, and one-and-a-half centuries earlier the Roman military lines stood here. Every walk through Vienna can be made a game of question and answer with time and history.



Viennese Girl, 1913.

363

The Graben.

proclamations of the Estates and treaties of peace. Anyone wishing to write the history of Europe is bound to have resort to these unique documents.

The number of collections and galleries, museums and archives seems inexhaustible. The Austrian's love and understanding for art and science have created for themselves a permanent monument in these.

At the head of the list of great MUSEUMS stand those of FINE ARTS and of NATURAL HISTORY. Both date back to the old Hapsburg collections, such as the Treasuries with contents which date from the 13th century. Picture Gallery, Tapestry Collection, "Wagenburg", Medal and Coin Museum, Pre-Historic Section—the problem is where to begin.

The ALBERTINA Collection of Graphic Art, with about a million

Further on, past the Crypt of the Capuchins is the Albertina situated on a high bastion—a treasure store for art-lovers. Here is an almost complete collection of the drawings of Albrecht Dürer which once belonged to Prince Eugene. 346

Almost in the shadow of this Albrechtsrampe and backed by the green spaces of the former Kaisergarten is the white statue of that witty divine, Abraham a Sancta Clara. His entertaining and moving pulpit discourses helped his enormous congregation to forget their hunger, thirst and weariness. He was preacher, narrator and satirist in one. His influence, which did not stop short at the Imperial Court was to a great extent due to his perfect command of Viennese dialect. 211 793

Viennese dialect! This is a faithful mirror of the spirit of Vienna, wonderfully soft and 197 192

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

tion centres, people's libraries, folk-song and folk-dancing clubs and art societies. The example was soon followed in a number of other provinces. 874

An important part in the adult education movement was played by the so-called people's libraries, from which books could normally be borrowed without charge. Some were run by the villages and municipalities, some by the churches, some by trade unions, and others by political parties or voluntary associations. Their number rose within two years from a low level of 400 in 1945 to 1,257 in 1947.

The lack of books was one of the main cultural problems in post-War Austria. The intellectual isolation and severely restricted literary diet of the Nazi régime were followed by a period of dangerous uncertainty after Hitler's power had collapsed. A great deal would depend on how the mental and spiritual void was filled which had been left by the failure and exposure of the whole Nazi system. 214 727

Austrian journalism rose bravely to the occasion, but in the early days Austria's own contribution to the solution of the problem was limited by economic dislocation, shortage of paper, and absence of the conditions conducive to creative effort. The Allied Information Services did a great deal, and two British organizations took the lead in remedying the lack of books. By an imaginative stroke Mr. Ernest Bevin gave orders for two aeroplane loads of English books to be flown over to Austria early in 1946. This enabled the British Council to hold a highly successful book exhibition in Vienna during March, as a result of which nearly all the 20,000 books were sold within a short time and a large number of additional orders were received by London publishers. The British Foreign Office and Treasury made arrangements by which the Austrians could buy the books with their own currency and the British publishers were paid in sterling. Henceforth the main restriction on the supply of English books in Austria was the limited numbers available in Britain itself, where the paper shortage was still acute. The following year the British Council organized six further book exhibitions in provincial 214 648

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214 648 centres, and thus extended to the whole country the opportunities already given to the capital. The British Information Services also made arrangements to print in Austria special cheap editions of a selected number of English books. As a result of these various efforts Austrians were given access to the Western ideas from which they had been cut off for more than seven years and were able to acquire some of the most modern medical and scientific text-books. The process of restoring normal intellectual contacts was carried one stage farther by gifts from the United States, Britain, and France to Austrian university libraries.

214 As conditions gradually improved, Austria's own book production revived, until in 1952, judged by the number of new works published, she had become one of the world's half-dozen leading book producers. For some years the revival was held back by a ban on the sale of books and periodicals between Austria and Western Germany, which greatly limited the potential market for books written in German, but this obstacle was finally overcome, and in 1952 representatives of the Austrian and West German book trade made arrangements to hold exhibitions in each other's territory.

517 The position of music, the theatre, and the arts in Austria is difficult for anyone to understand who has not lived in a country with a past tradition of lavish royal patronage. For the Austrian Republic has inherited the sense of responsibility towards the arts in the widest sense, which was first shown by the most enlightened and discriminating of the Habsburgs and maintained as part of the Imperial dignity by other members of the family.

545 The origins of the State Opera and the Burgtheater go back to the first half of the seventeenth century, when the earliest music dramas were performed in the Hofburg, and to the year 1776, when the Emperor Joseph II decreed that the theatre next to the Hofburg should become the 'German National Theatre'. During the second half of the nineteenth century the two institutions were given the magnificent new homes on the Ring which are still amongst the most impressive of

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

of course reveals the attitude of the Austrian people towards cultural matters. There are countries that pride themselves on their standards of civilization and enlightenment in which the authorities completely lack the Austrian Government's sure sense of comparative values in relation to different kinds of entertainment.

The museums of Fine Arts in Austria had special need of support from public funds, because the buildings themselves had suffered more than their share of damage. Considerable expense was also involved in bringing back the State art treasures from the salt-mines in the *Salzkammergut*, where they had been concealed during the War, carrying out the repairs that were necessary, and rearranging them, first in temporary, and later in their permanent new quarters.

By great good fortune, the magnificent State Art Collection, apart from one or two minor losses, survived the War intact. With Allied help the works of art that had been removed to Germany by the Nazis were brought back to Vienna. Those that had been sent to the *Salzkammergut* were saved from destruction at the hands of fanatics by the courage and resource of members of the Resistance movement.

The museum authorities were therefore faced with the problem of what to do with an art collection for which there was no adequate accommodation. Decisions had to be made involving both temporary improvisation and well-thought-out plans for permanent reorganization. In these circumstances the Government decided to appoint a General Director of the State Art Collections to co-ordinate the planning. Its choice fell on Hofrat Dr. Alfred Stix, formerly Director of the Albertina and of the Museum of Art History, who had been forced into retirement by the Nazis as politically unreliable at the time of the *Anschluss*.

It was fortunate that Hofrat Stix had the necessary stature for the task that confronted him. For the decisions that he made, in addition to their immediate results, were likely to determine the main lines along which Austrian museums would develop for many years to come.

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217 While still in retirement the new General Director had been considering a comprehensive programme for the future of Austrian museums, and as early as August 1945 he informed the Government of the broad lines of his plan. He set himself three main objectives. First, the reorganization necessitated by the War provided an excellent opportunity to rectify some of the weaknesses in the past arrangement of the State collections. Stix advocated the creation of a special museum for Austrian art, in order to convey a clear impression of its character and quality. He also recommended assembling in one place the various examples of antique sculpture that had previously been scattered. Secondly, realizing that the restoration of the museum buildings would take a number of years, he considered it essential, after seven years of Nazi philistinism, to re-establish contact with the public after the least possible delay. He therefore made a number of concrete proposals for important temporary exhibitions selected from the State collections. Thirdly, he laid down the main principle on which he believed the management of Austrian museums should in future be based. Museum directors should not cater primarily for art historians and specialists, but should so arrange the exhibits as to attract the attention of the general public and help them to appreciate works of art for their own sake. In this connexion a comprehensive programme of lectures and conducted tours should be introduced for schools, factory workers, and casual museum visitors. Only in this way could the museums fulfil their true social function in the twentieth century.

Measures were soon taken to further the first and last of these objectives. It was decided that the Museum of Austrian Art should be housed in the Belvedere, Prince Eugene of Savoy's magnificent baroque palace, and, without waiting for the building repairs to be completed, a director of the new museum was appointed. Courses were organized for training museum guides and lecturers, and, pending the establishment of a special department for public education in the arts, which the General Director advocated, an official was put in charge of the educational activities of the State museums.

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As regards the organization of temporary exhibitions, the programme proposed by Hofrat Stix in August 1945 was received with scepticism by the American and British Monuments and Fine Arts Officers who came to Vienna as members of the Control Commission. They considered it madness to expect a people suffering from acute material want to attend art exhibitions in unheated galleries. But Stix's energy and optimism were justified. A whole series of exhibitions was arranged by the Albertina Gallery from its permanent collection of prints and drawings, the first of which, 'From Ingres to Cézanne', was opened in October 1945 literally amidst the ruins of the heavily damaged building. A lecture in French held during December in connexion with this exhibition was overcrowded, although the hall was entirely unheated. The exhibition was afterwards sent on tour to the provincial capitals. In November 1945 a large number of the State art treasures were brought back to Vienna with American help, and the following month an exhibition, consisting of eighty-nine of the best of them, was opened in the Hofburg by the United States Commander-in-Chief, General Mark Clark. As regards quality, this was one of the finest groups of paintings ever assembled in any country, representing as it did the choicest works of art from one of the world's greatest collections. It attracted large numbers of people to the bleak but stately rooms of the old Imperial Palace. The following year the outstanding exhibition amongst many consisted of Austrian works of art from the Middle Ages to the present, a foretaste of the new museum to be created in the Belvedere.

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During the immediate post-War years, owing to the enterprise and receptiveness of the Austrian museum authorities, a whole series of foreign art exhibitions was held in Vienna and the provinces, the majority of them coming from France and England, due to the efforts of the *Division des Affaires Culturelles* and the British Council. In 1946 the big decision was made to send a large and representative exhibition of Austrian pictures and other art treasures to Switzerland. The next year it went on to Brussels, Amsterdam, and Copenhagen; and finally,

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461 Oesterreichisches Institut für angewandte Arbeits-
466 wissenschaft (Austrian Institute of Applied Science
816 of Work), Vienna, under Dipl. Ing. Otto Korwik. Employing principles of work-psychology, this institute has undertaken research work within large plants on production increases, improvement of quality, of production, working conditions, etc. The magazine Mensch und Arbeit, published by the Arbeitsgemeinschaft für Psychotechnik in Oesterreich (Committee for Psycho-Technics in Austria), Vienna, covers this field. On the board of trustees of this committee are former minister Dr. H. C. Eduard Heinl, member of parliament and president of the Gewerkschaftsbund Johann Böhm, as well as many other prominent individuals.

654 Thanks to a release of ERP-counterpart
313 funds, it will be possible to establish an Austrian Institute for Timber Research. The lumber industry is one of the most important in Austria. This Institute shall furnish the work industry with new theoretical and practical ideas, which in turn should benefit production. The Institute will cooperate closely with the testing laboratories of the technical colleges of Vienna and Graz.

217 Scientific as well as economic endeavors
815 are being supported by large libraries. The Wiener Handelskammer (Chamber of Commerce), for instance, accumulated during the one hundred years of its existence more than 150,000 volumes, becoming thereby not only the largest library of economic science in Austria but probably also in central Europe if one takes into account the losses incurred during the last war. The latest foreign publications are in its collections and it is continuously frequented by economists as well as students of national economics. The library of the Oesterreichische Institut für Wirtschaftsforschung contains 10,000 volumes, mostly about market prospecting and foreign trade, while the library of the Institut für Wirtschaftswissenschaften an der Wiener Universität with its 30,000 volumes comprises works of theoretical economics besides international publications.

204 Austria also has a number of well-edited
815 periodicals for political economy. The oldest one in the economic field in Austria, adhering to a scientific background and serving an extended reader clientele, is Der Oesterreichische Volkswirt (The

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Admont Monastery, Library.

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[217]

Bad Aussee.

and forestry all found a home here. Progress and civilisation were spread through the surrounding virgin forests and through the properties which had been given to the monastery in Sausal and Untersteier. Often threatened by fire, the monastery[1] has succeeded in preserving undamaged its famous treasury, the library with the frescoes of Altomonte and the masterpieces of J. T. Stammel up to the present day. During the heyday of the monastery, the flower of Austria's youth took their vows here, a long line of artists, men of learning and priests being noted in the chronicles of the monks during the course of a whole century. The great world, however, has forgotten most of their names, although historians still speak of Abbot Heinrich II, whose gifts of statesmanship resulted in the dignity of a Governor of Styria being added to his title of Abbot before he was treacherously murdered in 1297.

Better remembered in our own times are the names of the scholars Richard Peinlich and Albert von Muchar, after whom streets have been named by the provincial capital.

After a short, enforced pause, the rule of St. Benedict was re-established in the almost 900 year old cloister, a monastic revival in modern times of a venerable past.

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Towards the north, beyond the little village of Hall, where salt was crystallized out of the waters in the 12th century, and the hidden, solitary mills, the Haller Mauern majestically enclose the Admont Valley. How grand are the names of the Steinberge—Pyhrgas, Hochturm, Hexenturm and Natternriegel! And how grandly their cliffs and peaks glow beneath the summer sky. For nearly half the year through clear and frosty wintry days they are covered with a glittering mantle of snow.

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To the South the jagged Hahnstein rears its head, blocking the view to the higher peaks of Sparafeld and the Reichenstein. On the slopes of the Klosterkogel lies Röthelstein Castle. Lime trees stand in the outer courtyard, which is surrounded by a turreted and loopholed wall. A massive archway leads to the Residence which is known as a fine example of 17th and 18th century architecture.

[1] [i.e. Admont Monastery -- Analyst]

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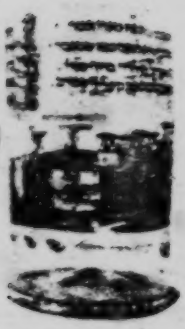

Eisenstadt, Synagogue Death-Glass.

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buildings—the Council Hall, attractive official buildings, the homes of civil servants and villas. Side by side stands the history of old Eisenstadt written in stone—the old royal free town, the Esterházy residence, the Jewish Ghetto in Unterberg and the more recent settlement of Oberberg. The Wolff Collection in the Provincial Museum has some unique monuments of Jewish culture. The Calvary Mount in the Bergkirche gives a glimpse of another world, with its painted, strikingly realistic wooden figures in curious grottos. A first inspection of Eisenstadt may well be rounded off by a visit to the wonder-working picture of the Virgin and to the tomb of Haydn in the Bergkirche.

Other attractions await us. Above Mattersburg appear the slopes of the Rosaliengebirge, covered with the luscious purple of flowering sage. One could wish that here spring might last for ever for us to admire the sea of blossom, cherry tree after cherry tree intermingled with peach and apricot, and the yellow-white blossoms of the plum, with their tangle of intertwined black twigs; great beds of strawberries flourish in the rich and fertile soil.

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Far above the little village of Forchtenstein stands a well-preserved castle of the same name. It was once the seat of the Counts of Mattersdorf, whose forebears, Simon and Bertram, came from Spain in the year 1200 with their sister Tota, of whose beauty it was said that it had no equal throughout the world. A poet might well harbour the fancy that her beauty lives on in the spring splendour of the flowering hedges on the Rosaliengebirge. The student of history may remember that in the year 1374 the Counts of Mattersdorf and Forchtenstein placed this part of the Province under the jurisdiction of the Duke of Austria. Their escutcheon, combined with that of the Güssingers, forms today the coat-of-arms of Burgenland.

Forchtenstein.

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The early Stone Age has left evidence of human progress in the Wulka Plain. The Bronze Age which succeeded it was marked by a consi-

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scorched farms reach far up into the green heights, to the scene of activity of a nomadic race. This exists here today in the heart of Europe, for the peasant of the Bregenz forests has remained a wandering shepherd despite all the developments of civilisation. He spends the winter in close companionship with his neighbours in the village, but as soon as the snow is finally gone from the mountains and the pastures on their slopes are beginning to turn green again, he moves off with family, goods and chattels to the "Maisäss", or "May residence", a solitary farm which is situated halfway between the valley and the Alps. In summer the peasant drives his flocks and herds up the Alps, most of the other members of his family returning to the valley to work in the fields and harvest the hay. If, at the end of summer, pasture at the highest levels becomes too scanty, he and his family return to the Maisäss until here also the approach of cold weather makes the pasturage too meagre. Only then does the family occupy its quarters in the valley. With such a system it is not surprising that even large villages present an almost lifeless appearance at certain times of the year.

The church at Schwarzenberg well repays the art lover for a visit. The village, which has nowadays made a name for itself as a winter-sport and holiday centre was the second home of the well-known painter Angelika Kauffmann. 361

In conclusion, among the notable peculiarities of the Bregenzerwald the so-called "Bezegg Column" must not be forgotten, that symbolic monument which recalls the former council-house of the staunchly independent and democratic peasants and artisans of the Bregenzerwald. This building could only be entered by a ladder which was removed as soon as the councillors had assembled and was not put back until the questions to be discussed had all been cleared up. This steadfast democratic spirit together with the commercial activity of its population is Vorarlberg's most valuable contribution to its great Austrian homeland. 344

526 equally cultivated in Austria. Everything arouses enthusiasm which tends to bring man closer to nature.

HUNTING.

224 Everyone passing through Austria who looks at it with the eye of a hunter will immediately get an idea of the country's hunting possibilities from the variations of nature alone. There are ice-covered mountain peaks with rocky gorges and belts of meadows, dark mountain forests, open stretches covered with undergrowth, reed-surrounded lakes and ponds, fields lined by hedges and the unending ploughed fields of the eastern plains.. From a huntsman's point of view this all affords ideal living conditions for furred and feathered game. This widely varying countryside provides plentiful food supplies for the many kinds of wild creatures who stock it.

The chamois, a species of game which is typical for Austria, can be found anywhere in the Alps. Hunting this mountain antelope, either the red summer chamois or the dark rutting chamois, is considered to be one of the most fascinating experiences. In well-stocked preserves made easily accessible by the narrow mountain paths that are to be found in North Tyrol, it often calls for no special exertion or knowledge of climbing to get the chance of a shot under the expert guidance of a gillie. Hunting on the slopes of the higher mountains where there is rough going among the rocks can be an altogether different business. The hunting tracks often follow difficult ascents with alarmingly steep precipices, the shooting hut may be close to a glacier. The exertion is well repaid on such difficult trips by the excitement of the chase.

A scarcely less thrilling experience—at rutting time it affords even more excitement—is deer-stalking in the mountains. Deer can be hunted in summer in the high alps, but the stalking of the rutting stag is the supreme experience for the sportsman. Anyone who has heard the rutting call of the stag amid the pastures and crags of our mountains, has watched the mating of the noble red deer among the lovely shades of autumn forests and has finally given proof of his hunting prowess by shooting a correctly stalked buck will record such hours in Austria in his golden book of the chase.

HEAD OF GAME SHOT IN 1935

Red Deer	*14,390*
Fallow Deer	*457*
Roebuck	*76,416*
Chamois	*7,279*
Black Game	*157*
Hares	*528,766*
Rabbits	*32,811*
Marmot	*1,543*
Foxes	*11,707*
Martens	*1,265*
Weasels	*7,128*
Polecats	*4,235*
Badgers	*1,076*

224

The stalking of blackcock and grouse is another form of hunting in the mountains. Spring is the time for shooting the cock. When the "Föhn" (south wind) gently caresses the Alps, shaking the snow from the evergreens, and the pastures begin to grow verdant, the capercailye struts and the black cock dances.

In the lower mountains, deer replace the chamois. You will find them everywhere in Austria, above all where forests are interspersed with rocky slopes. Thus the alpine foot-hills to the north and south of the main alpine chain, inclusive of the Wald- and Mühlviertel, are well stocked with this type of game.

Where you find deer, you may well find the heath-cock also. Epicures among sportsmen find themselves well repaid for the trouble of hunting this smallest type of cock. It only frequents the wooded countryside where deciduous trees and bushes mingle with the conifers. Martens, foxes, badgers, wood pigeons, woodcock and fieldfares can be found everywhere in the Austrian forests.

Descending into the valleys we reach the fields and flat-lying meadows, the habitat of the hare. The steppe-like plains and fields are its favourite haunt, although it may often be encountered in forest and mountain country. In ploughed land, however, hares spring everywhere from the furrows and the stubble. The pursuit of the hare, especially if you are aided by a good dog, provides a change and excellent sport.

Shooting waterfowl can be indulged in among the fields bordering the rivers, in the bog and moor districts of the great Alpine valleys and beside Alpine lakes as well as on the pools of the Wald- and Mühlviertel. The Danube, the Mur, the Drau, the Inn, the Salzach, the Enns and other rivers all have backwaters full of waterfowl. The Neusiedlersee with its vast forests of reeds is an eldorado for those who enjoy this sport. Wild-goose shooting is considered to be the most exciting.

Austria's extensive game-stocked countryside provides unusually good shooting. Stags near the Danube, deer, hare, rabbits, pheasants, snipe, quail, wild duck and wild turkey afford sport almost all the year round.

Finally let us mention that boar can be hunted in the preserves of the Wienerwald and the Leithagebirge, and that the uncommonly shy bustard is met with in the plains to the east and south-east

Otters 37

Squirrels 19,026

Musk Rats 3,490

Capercailye and Black Cock 2,859

Grouse 2,210

Heath-Cock 1,410

Woodcock 3,986

Snipe 105

Quail 402

Pheasants 180,314

Partridges 300,894

Bald Coot 218

Ptarmigan 163

Wild Geese 1,038

Wild Duck 11,228

Wood Pigeons 2,995

224 of Vienna. The importance of hunting in Austria and what it offers is shown in the accompanying figures for game killed in the year 1935.

Crested Duck 144

226 The fisherman is just as well served as the hunter, for in the lakes of the Salzkammergut and those of Carinthia he can find pike, shad, lake trout and many varieties of coarse fish. The same is true of the Danube and its great tributaries which even in their upper reaches are rich in all kinds of sporting fish such as Huchen (the land-locked salmon of the Danube), grayling and trout. Trout of course are met with in the smallest streams high up in the Alps. Even in lakes lying at great altitudes there is fly-fishing for black char. Many memorable delightful days can thus be spent in Austria shooting and fishing.

Owls 70

Hawks and Sparrow-hawks 12,343

Crows and Magpies 98,537

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e) Investments for agriculture and forestry.

Damages caused by the war to this important source of supply (through exhausting the soil, lack of fertilizers and pest control, overcutting, etc.) can be restored only gradually. Because of the increased use of tools of production, financed by ERP funds, it was possible to reach a higher gross production value in the years 1948 and 1949. However, it still lagged behind the volume of industrial production which by 1949 had exceeded the prewar level. The higher production in agriculture in 1948 and 1949 made available bigger supplies of foodstuffs for city dwellers and also made it possible to increase the decimated livestock and improve it. Thus, gaps in supplies of milk, meat and fats could be filled in. [241] [362] [231]

These improved results would not have been impossible without the ERP aid. In the first plan-year, Austria had at its disposal a total of 156 million dollars (or 57 per cent of the total amount of the ERP aid) to increase the production in agriculture, small business and industry. A sum of 18.7 million dollars was allotted to agriculture and supplied 139,000 tons of fodder, 189,000 tons of fertilizers, 4,200 tons of seeds, as well as agricultural machinery and veterinary supplies amounting to 1.1 million dollars. In the second year of the plan agriculture and forestry received approximately 25 million dollars for the import of tractors, caterpillars, threshing machines, reapers, motorized plows, disk harrows, replacement parts, milk separators, and machinery for soil treatment (and also to finance means of conveyance and facilities for forestry). [648]

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Egger-Lienz: Dance of Death.

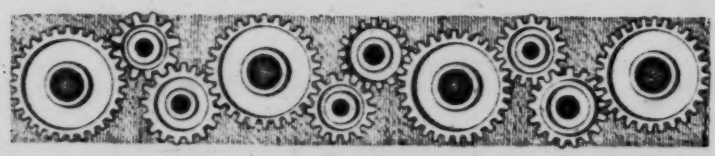
differ from valley to valley and often from village to village. Strong, blond giants are to be found side by side with dark-haired, slender, agile men. In a few disproportionately-built men and women lives on the race of the giants of legend.

231

As the peasant, so his cattle. In the valley of the Lower Inn the cattle are heavily built and piebald; in the Upper Inn Valley there is a lightly built, grey type, rich in milk, growing in grace and agility as the pasturage becomes more scanty and difficult of access. In the mountain villages and remote enclaves there still survive many individual specimens of breeds which are otherwise becoming extinct.

342 The inhabitant of the valley of the Upper Inn builds his house of stone, he of
592 Lower of wood. The one keeps house and farm undivided, the other divides up
184 the farm and even the house, so that not only may several families live under one roof, but in the four corners of a large kitchen there are sometimes four ranges, each belonging to a different person who is expected to keep within the imaginary lines which mark out his own share of the floor. The Lower Inn rings with laughter and song and no one is ashamed of an illegitimate child. The inhabitant of the Upper Inn is reserved and sparing of speech; with him, the smouldering of no less violent passions is not easily to be detected.

197 There are many varieties of dialect. The people of the Ötztal call "Ferner"
184 what those of the Zillertal name "Kees" and which are called "Gletscher" —glaciers—only by the town-dwellers. The drawling and slurred vowel sounds, the clipped nasal consonants of the mountain dwellers, recall the speech of Latin races. The accent of the lowlander, in contrast, is graceful and often almost affected. In the broad valleys branching off from the main Inn Valley the inhabitants of the inner and outer valleys have little in common. In the Gschnitztal, for instance, Trins is a Romanish settlement, whereas Gschnitz at the foot of the valley is of German
609 origin. One consequence of all this is that anyone who moves from his own parish, even if only to a neighbouring one, is regarded all his lifetime as an "immigrant".



439 Trade stagnation lasted until the middle of the 1930s, when the armament
648 programme of the Axis Powers, Germany and Italy, was launched, to be followed gradually by an armaments race between all the world's most important trading countries. Austria was excluded from the development which led to the catastrophe of the Second World War, firstly through her political differences with the Third Reich (which answered by a cruel economic boycott in order to force Austria to her knees) and secondly on account of her economic structure, which was suited to the production of peace-time goods but not to that of armaments.

Austria had to make a tireless and purposeful search for new markets before she succeeded in forming and consolidating foreign trade connections with distant territories—the United States of America, British India, Japan, China and the Argentine. If this development had not been interrupted by the occupation of Austria in 1938, the results of Austria's successful attempts to revive her foreign trade would doubtless have soon been apparent in the growth of typically Austrian exports.

Even though the visible results of this change of direction may seem modest, it must not be overlooked that parallel with the deleterious results for Austria of the protectionist policies pursued abroad, there were serious internal problems of economic reconstruction to be solved. One of these was and still is the structure and the development of agriculture.

241 For many reasons unconnected with economics, but also in order to increase home
439 supplies of the chief articles of food, agricultural development was encouraged. The most important changes in agricultural production were brought about, particularly in the years 1930 and 1931, by radical economic-political measures. The customs tariffs for these years showed a considerable increase of duties on grain, flour, sugar, cattle and meat, the protective tariffs being even further increased in the following years. The resulting rise in prices meant an increase of cultivated areas and the production of the most important kinds of grain.

231 A further far-reaching measure affecting cattle raising was the regulation of imports
439 of cattle and meat through the setting up of tariff barriers against the most important
654 of the neighbouring States. Apart from this, in April 1932 the import of the most widely sold types of cattle and cattle products was forbidden.

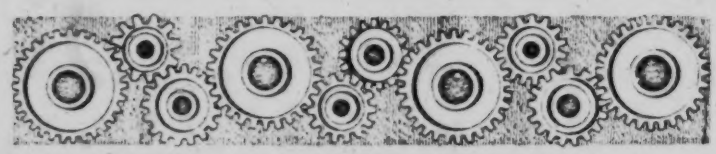
The increase in production resulting from all these measures was bound to increase the difficulties of marketing during the slump. In pig-raising it at last became necessary to resort to curtailment of output (prohibition of pig-raising for the market). An attempt was also made to increase the costs of cattle-rearing and thus limit the supply by raising the so-calledli cence fee for the import of fodder. 231 656

As a stimulant of milk production, a milk-equalisation fund was created to content with sales difficulties, through which the means for the export of dairy products at prices below production costs were raised by the imposition of a tax on fresh milk. 234 654

Thus it came about that in the 1930s Austrian products such as standard butter, high grades of cheese and cream could compete successfully on the markets with the dairy products of such leading countries as Denmark, Switzerland and Holland. The western alpine provinces especially profited by this arrangement, but at the same time a great demand was created for home milk products throughout the whole country. Gradually, in the Danube City which has been known from Roman times for its enjoyment of sweet wines, depôts were established where milk could be drunk in the busy streets and on public squares, giving the City a new attraction. 234 439 275

The doubtless necessary encouragement of dairy farming, just at this time, however, brought with it new problems which were aggravated by the effect of the world economic depression. The situation was made worse by the fact that the prices for agricultural and dairy products had sunk far lower than the prices for technical aids to agriculture. The discrepancy between these two sets of prices became still greater from 1933 to 1937. The comparative fixity of wages and the increase in public debts accompanied by sinking prices were not inconsiderable factors in bringing about general deterioration. 234 458 435

Problems of agrarian policy were bound to have a reaction on industrial-commercial economics. Austrian products had to compete with those of countries which had the advantage of considerably lower agricultural prices and thus of a lower cost of living. For a land such as Austria, which in the main can only secure the goods she needs through the export of her own products, it is essential that wages, an important factor in costs, should not be affected too unfavourably by the high price of grain. 241 439 435



7: Marboe U-3 (no date) 1948 EK1 Austria EK1

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When the Bishop of Trieste no longer felt secure from Turkish raiders—his country house had been burnt down by robber bands—, he sold his estates near the village of Lipizza to the House of Hapsburg. In the year 1580 a stud was started there on the barren rocks of the Karst mountains in the healthy Adriatic air. There the noble strain of the Lipizzas was bred. The finest stallions were always sent to Vienna to be trained there for the *haute école*. 543 232

In 1785, the baroque passion for building gave birth to the wonderful hall of the Spanish Riding School. The Imperial Court commissioned Fischer von Erlach the Younger to design and construct it. It is so large that it gives the impression of a grandiose and vaulted city square rather than of an enclosed interior. 543 345

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scorched farms reach far up into the green heights, to the scene of activity of a nomadic race. This exists here today in the heart of Europe, for the peasant of the Bregenz forests has remained a wandering shepherd despite all the developments of civilisation. He spends the winter in close companionship with his neighbours in the village, but as soon as the snow is finally gone from the mountains and the pastures on their slopes are beginning to turn green again, he moves off with family, goods and chattels to the "Maisäss", or "May residence", a solitary farm which is situated halfway between the valley and the Alps. In summer the peasant drives his flocks and herds up the Alps, most of the other members of his family returning to the valley to work in the fields and harvest the hay. If, at the end of summer, pasture at the highest levels becomes too scanty, he and his family return to the Maisäss until here also the approach of cold weather makes the pasturage too meagre. Only then does the family occupy its quarters in the valley. With such a system it is not surprising that even large villages present an almost lifeless appearance at certain times of the year.

The church at Schwarzenberg well repays the art lover for a visit. The village, which has nowadays made a name for itself as a winter-sport and holiday centre was the second home of the well-known painter Angelika Kauffmann. 361

In conclusion, among the notable peculiarities of the Bregenzerwald the so-called "Bezegg Column" must not be forgotten, that symbolic monument which recalls the former council-house of the staunchly independent and democratic peasants and artisans of the Bregenzerwald. This building could only be entered by a ladder which was removed as soon as the councillors had assembled and was not put back until the questions to be discussed had all been cleared up. This steadfast democratic spirit together with the commercial activity of its population is Vorarlberg's most valuable contribution to its great Austrian homeland. 344

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the table. Potted plants fill the tiny window; alone the electric light with its wiring disturbs the picture.

In the kitchen the covered range has almost completely banished the open fire, but the chimney-place is still often vaulted. It is called the "heaven", although covered with oily, shining soot and black as hell. But this heaven does not "hang full of violins", but full of sides of smoked bacon and sausages. In the dairy the wooden cream dishes have given place to the centrifugal separator and metal utensils. But the butter-tub, in which the butter is made by churning or pounding, still remains.

Except on feast days the peasants' diet is sparingly supplied with meat but rich in fat. *Knödel* (dumplings), small cakes, dough-nuts, stewed fruit and *Schmarrn* (a sort of broken-up pancake), thick soup and potatoes make up the simple, healthy fare. All eat from one dish. Grace is said before and after meals. Occasionally there will be butter and bacon to eat with the black bread which the true peasant bakes himself.

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Much more could be told of the peasantry of Tyrol, of cowsheds, haylofts and threshing floors, of the ricks of hay and corn, of forestry and hunting, of mountain pastures, cow pastures and hay-fields, of sheep-pens and shearing, of fences, gates and stiles. How many townfolk know that a proper fence, like a peasant house built in the old manner, needs no nails and no scrap of iron? What do they know of the customs at weddings and baptisms?

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For the farmer, his "*loden*" cape of coarse, woollen cloth is sufficient even when the weather is coldest. He must be able to move his arms freely, and at work in the open he does not feel the cold. In the house he goes about in shirt-sleeves. When he is abroad he carries an enormous gamp to protect him from the rain.

The farmer's wife wears long dresses almost suggesting a nun's habit, covered on weekdays by a blue working apron. On Sundays she dons her special finery—

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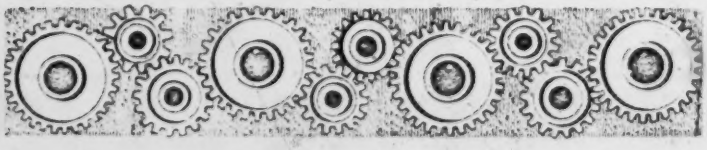

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

464 which had passed the 400,000 mark in 1933, fell gradually to approximately 320,000 in 1937. This was, however, still considerably above the level of 200,000 unemployed in 1929. In fact, the problem of unemployment, particularly in the heavy industries and among commercial and administrative workers, remained virtually unsolved. The policy of the Government lay the foundation for a more solid and independent national economy. But it fell far short of an expansionist policy that would have ensured the full use of the country's human and material resources.

241 433 Of great importance was the conspicuous progress in agriculture which had been continuous ever since 1920. In a world striving for self-sufficiency, where markets for manufactured exports became increasingly closed, it was necessary to reduce the import requirements for foodstuffs. This object was largely achieved. Taking 1923 as the first normal year in Austria's economic life, we obtain the following picture of development.

	Year	Production (in 1,000 quintals)	Per cent of Requirements
Wheat	1923	2,419	33
	1936	3,678	63
Rye	1923	4,023	76
	1936	4,605	81
Barley	1923	1,710	63
	1936	2,531	85
Oats	1923	3,754	82
	1936	4,029	94
Potatoes	1923	14,262	95
	1936	24,994	100
Sugar	1923	473	31
	1934–6	1,919	99

234 439 Even more important were the structural changes in agriculture. In particular, great progress was made in dairy farming; an industry which had been badly neglected

in the past although it was excellently suited to Austria's natural conditions. In spite of increased home consumption an export surplus was now achieved for the first time.

EXCESS OF IMPORTS (−) OR EXCESS OF EXPORTS (+)
(in quintals)

	1923	1936
Milk	− 200,000	+ 114,000
Butter	− 16,000	+ 35,000
Cheese	− 43,000	+ 31,000
Condensed milk	− 80,000	+ 300

In foreign trade, too, considerable advances were made. Foreign trade did not, it is true, recover to the same extent as production. Even in 1937 Austrian imports, amounting to approximately 1,500 million schillings, were only 45 per cent of the 1929 value, while exports in the same year (approximately 1,200 million schillings) were only 55 per cent of the 1929 value. Moreover, the recovery of Austria's foreign trade was less marked than elsewhere, and Austria's share in world trade fell from 1·12 per cent in 1929 to 0·93 per cent in 1937.

The volume of foreign trade, therefore, did not increase as much as was desirable. But the balance of trade became much more favourable than it had ever been. When, after 1933, foreign trade began to revive, exports increased to a greater extent than imports. In spite of the growing volume of trade, the import surplus therefore remained at a low level. For the period 1933–7 it amounted to about 320 million schillings per year, as compared with more than 1,000 million schillings in the years before 1930.

Moreover, the gap of 300 million schillings or so was easily covered by Austria's income from various other sources, and it was now no longer necessary to raise foreign loans on that account. Income from tourist

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

and measures for the stabilization of the currency. Proposals were put forward by the Austrian Government, but required the approval of the Economic Co-operation Administration, the highest administrative authority controlling the European Recovery Programme, which had its headquarters in Washington.

Under this whole system the greater part of the dollars made available by the United States were used to provide Austria with essential food and raw materials. At the same time a large proportion of the schilling equivalent of the dollars could be devoted to long-term projects that would strengthen the country's economy.

In dealing with the recovery programme in detail, it will be convenient to divide up the Austrian economy under eight main headings and treat each of the following separately: (i) agriculture, (ii) forestry and dependent industries, (iii) heavy industries, (iv) other manufactures, (v) fuel and power, (vi) minerals not covered under (iii) and (v), (vii) communications, (viii) the tourist industry. The division is rough and arbitrary, and the headings imply some overlapping, but it is an over-simplification convenient for dealing with a large and complicated subject in a limited space.

As has been seen, Austrian agriculture was in a lamentable state when Marshall Aid began. If food production could be increased and Austria became less dependent on imports, a considerable contribution would be made to improving her trade balance. Yet for several reasons agriculture was not a branch of economy that could easily be improved by foreign assistance. The great majority of the farms were small. The peasants were conservative and difficult to influence. Two of their main problems were lack of labour and the low level of agricultural prices, and these were problems that had to be solved by the Austrian Government itself.

The target was set, however, of restoring production to the pre-War level by 1953. Seeds, farm machinery, and feeding-stuffs were to be supplied. Above all, a much greater use of artificial fertilizer was to be encouraged. Before the War

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

Germany used thirteen times as much per acre as Austria; Holland sixteen times as much. There was great scope, therefore, for increased use. Austria now had her own production plant, and the price of imported fertilizer had scarcely risen half as much as food prices. The programme suggested that by 1953 over four times as much should be used as in 1937, and even then the economic optimum point would nowhere near have been reached. 241 185

The significance of Austria's forests is shown by the fact that between the Wars they provided a livelihood, directly or indirectly, for about one-sixth of the population. Lumber exports amounted in value to over 10 per cent of the country's total and, together with the exports of the dependent paper and cellulose industries, just about paid for Austria's most important food imports. After the War the forests were suffering from the excessive felling that had been carried out systematically during the past few years and from the fact that it had taken place in the more accessible areas. This double injury could only be put right by a policy of restraint extending over a number of years: by reducing cutting, and by concentrating on the less accessible, and therefore the less economic areas. In consequence the fundamental cure was, to a great extent, beyond the scope of the recovery programme. But the timber, paper, and cellulose industries had one feature in common: their equipment was very largely out-of-date and inefficient. Judged by modern standards, the methods employed in forestry and the timber industry were still primitive. The sawmills were mostly on a very small scale and could not be compared in efficiency with large up-to-date enterprises in other countries. The consumption of coal in Austrian cellulose factories was about one ton for every ton of cellulose produced, whereas a good Swedish factory used less than a third of the amount. Much of the equipment in the paper-mills was so obsolete that the competitive power of the Austrian paper industry in world markets was being undermined. Here ERP resources could be of great assistance, and funds were allocated for the introduction of modern equipment and modern methods into all three industries. 313 289 [457]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

433 If the different branches of the Austrian economy are considered separately, the record of agriculture is the most
241 disappointing, although the rise in population and food prices since before the War made it vitally important that agricultural production should at least regain its pre-War level.

The disappearance of the black market and the progressive adjustment of internal food prices since the end of the War had improved the situation from one pont of view. The conservatism of the farmers and the prevalence of small holdings in Austrian agriculture were features that could scarcely be altered. But there were several aspects of the problem that were susceptible to treatment and in which more could have been done both by the Government and by the ERP authorities.

[464] The number of paid agricultural employees, not counting the farmers themselves and members of their families, dropped by nearly a quarter, from 285,600 in 1937 to 217,000 in 1951. In view of the man-power available, more speedy and energetic steps should have been taken by the Government to counteract this tendency. The plan that has been drawn up to deal with it will be considered later. The loss of labour was balanced to some extent by mechanization, carried out largely with Marshall Aid. The number of tractors increased by 850 per cent between 1939 and the end of 1951. But the supply of artificial fertilizer and feeding-stuffs from abroad fell far short of essential needs, and agriculture's share of counterpart funds was less than the allocation to the primary iron and steel industry, which did not employ a tenth of the number of men on the land. It was not until the summer of 1952 that increased imports of feeding-stuffs and an adjustment of prices by the Government made it possible to fix the cost of bread-grains at 25 per cent above that of maize for feeding, and so stimulate farmers to increase their bread-grain production.

433 Austrian forestry and its dependent industries responded well to ERP assistance. During the first three years of Marshall Aid lumber exports increased fivefold, and in 1951 they amounted to 17 per cent of Austria's total exports By 1951 paper industry production had risen to 113 per cent, and cellulose

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407 Up to the end of 1949 approximately 9,000
474 agricultural machines, with a total value of 31.5 million schillings, could be bought out of counterpart funds. Through the formation of agricultural machine cooperatives (about 33) even medium and small-sized farms were able to share in the advantages of techni-
377 cal modernization. The progress of electrification in rural areas supplied light and current to 4,800 farms. Storehouses and freezer lockers have been built in fruit producing areas. In addition, dairies and cheese making plants have been erected from ERP funds.

652 Further investments in the agricultural
241 sphere are being carried out in accord with the investment program of 1950-52. For these purposes 270 million schillings were released from counterpart funds in 1950 (i.e., 43.6 per cent of the 620 million schillings provided in the agricultural priority program, or 34.6 per cent of the total of 780 million schillings provided in the whole program).

439 In forestry (exports), which is of paramount
313 importance to Austria, the approximate prewar level of wood and timber output and supply has been achieved through various rationalizations and especially better means of transport and better roads. In 1948 the timber output was 8.24 million cubic meters (Festmeter); in 1949 already it was 9.24 million cubic meters; in 1950 the output could be increased to slightly over 10 million cubic meters.

The increasing production of timber and the stoppage of exports of undressed timber made it possible to supply sawmills and timber finishing plants with bigger quantities of wood in 1949 and 1950 than prior to the war. In 1949, 2.50 million cubic meters of whole timber were planed. In 1950 the amount was 4.41 million cubic meters as compared to 3.14 million cubic meters in 1937. The paper, cellulose, wood fiber and pulp industries could be provided to an increasing extent with all necessary raw materials (especially wood pulp); thus, covering not only the domestic needs but also enabling Austria to gain a foothold in former export markets.

[652] The forestry and sawmill industry received 90 million schillings in 1950 out of counterpart funds and, in addition, 22.5 million schillings in December 1950 to be carried forward for use in 1951.

restrictions on its imports in order to abolish its accounts at the EPU. There are no restrictions to the imports into Switzerland. France recently has promised to facilitate imports of Austrian goods by abolishing its assets in the trade account. Further potentialities in exports may be found in the Near East. Thus, for instance, Turkey has concluded a "classic trade and shipping agreement" with West Germany as recently as February 16, 1952, under which German participation in the industrialization of Turkey has been secured. 439

3)[1] An intensive and extensive increase of agricultural production (a step by step decrease in the import of bread, grains and sugar to the prewar level). In doing this the fact was taken into account that in 1938 almost 80 per cent of the normal consumption of wheat and rye and 98 per cent of the domestic consumption of sugar had been covered by domestic harvests. This aim can be reached in view of the more advanced techniques of fertilizing and in view of investments for agriculture. (In the Long-Term Program for 1952 provision is made for a cultivation area for bread grains of 576,000 hectare. This could not be attained because of price policy consideration. It may be possible to carry out the necessary extensions of production by the projected shift in subsidizing the proposed prices in agriculture and by stopping migration from rural areas. At present a law is under discussion pertaining to this.) [241] [652]

4) Categorizing the import goods on the basis of their importance to life; in this case the imports of sugar may be restricted and the import of colonial wares may be revised.

5) An increase of the productivity of plants in order to lower production costs and to build up a firm level of real wages.

6) A new calculation of costs as favored by lower prices of raw materials.

There is no doubt that none of these programs can actually be carried out to full extent since the economy is still in a state of flux and outside influences make current adjustments necessary. But it is most important to find a general line as a center of focus for necessary measures. It will be possible, with the continuous consolidation in certain fields, 000

[1] [Normalization of the trade balance in regard to both imports and exports will be achieved through: -- Analyst]

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Aschach-on-the-Danube.

Austrian wine-growing. The green grapes on the sunny walls of many a farmhouse seem to be dreaming of these bygone glories. To-day, the mugs in the "Bauernstuben" ("Peasant Parlours") and the glasses on the inn tables are no longer filled with wine, but with the cider and perry from apples and pears which in late summer lie in great heaps before the old home presses, richly carved and decorated with mottos. The Upper Austrian is a great drinker of cider in pauses between his warm work in the fields, and at "Jause" (tea time), in cool, paved rooms or in the shade of an inn lime-tree in summer.

The wooded charm of the mountains lining the Danube Valley strikes an ever more solitary note. The hills and cliffs twist the ribbon of the river into loops until at Schlögen it makes a great bend around the foot of the mountain on which stand the ruins of Haichenbach. Next come the villages of boat-builders; further upstream we see on high ground the market church of Engelhartszell on the right bank, near the Bavarian frontier.

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IN THE INNVIERTEL.

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Rich harvests are usual in this part of the country. The four-square farms nestle comfortably and with an air of independence in the rich fields. In the stables, side by side with the long row of sturdy cart-horses are fast trotters, which draw the farmer and his wife on cross-country trips, or when they enjoy the hospitality of a wedding feast in some neighbouring village. Baroque church

announced by trumpets from the tower, and hundreds of candles burn in the cemetery.

In the "Rauhnacht", before the Feast of Epiphany, you can watch the "Glöcklerlaufen" *in many parts of the country around Ischl. Young men in groups of up to 30 and more carry transparent head-dresses on their heads in the form of chapels, fish, crosses, ships, etc., which are lighted up from within by candles. They are dressed in white, with dangling bells and run from house to house at a definite steady pace.*

In the spring, at Candlemas, the time for changing servants, there is "Aperschnalzen". *This is a rhythmic cracking of whips which welcomes the first patch to be clear of snow. Later comes the* "Almauftrieb" *(the driving of cattle up to the mountain pastures) to be followed in autumn by their being driven back to the valleys. The procession up to the green pastures is a great event. The cattle are decorated with coloured ribbons and garlands of flowers, the leading bull carrying a bell. The calves often bear crowns of real flowers between their tiny horns.*

On Palm Sunday the palm bush is constructed. Branches of pine, willow and spring flowers are twined together in bunches to which ribbons and apples are attached, and are then fastened to long poles and carried to the church. Afterwards they are placed in the middle of the fields to make them fruitful, and left until the new grain or high grass has grown up all around.

Corpus Christi Day is a religious holiday throughout the Catholic countryside. Everywhere there are processions. At Hallstatt and in Traunkirchen, where there is too little space between lake and mountains, the Corpus Christi "Procession" *is held upon the lake. On the water, verses are read from the four gospels, while guns thunder from the shores or in the mountains.*

towers and the steep span-roofs of the houses look out over golden fields of wheat and barley, over level plains and gently sloping hills of arable land, over orchards heavy with fruit and extensive forests. Like a constantly recurring *leit-motif*, the chain of the Alps thrusts the many-shaped zigzag of its peaks into the sky wherever one glances southwards. Whether it be in the prosperous market-towns on the Inn, in Schärding or Braunau or the land up-country, in Ried or Haag, in old riverside-shipping towns like Obernberg or in the distant villages, everywhere you sense the Innviertler's *joie de vivre*, his passion for dancing and song, his simple enjoyment of marriage and church festivals. Trace this to its source and you will find that it is love of the soil, of the Province, of home—as you will find it interpreted in the dialect verses of Stelzhamer.

Braunau-on-the-Inn.

If you are looking at altars and similar church decorations in this area, you will surely come across the name of Schwanthaler. An artist whose imaginative sketches have been exhibited all over Europe lives here in a romantic castle at Wernstein-on-the-Inn—Alfred Kubin.

IN THE HAUSRUCK. Across the Province of Upper Austria runs a forest-covered range of alps, the Hausruck. Its massive height may well have seemed to popular imagination like the body of a giant resting embedded in the surrounding hills, lost in mysterious dreams.

874 The teachers took good care of you. They let your surroundings speak for themselves. You will never be able to forget the arcaded courtyard of the Schallaburg with its wonderful terra cotta work from the hand of an Italian master. Seitenstetten was rather far off, but you managed to visit it. Quiet and beautiful, yet busy in its own way, it is set in a fertile countryside.

241 Once two of you decided to go off together. Above your heads you bore a flag which was supposed to express the longing of its bearers for the open spaces and all things beautiful. They found their way to Mank, to Amstetten and further afield, discovering that this province possesses as many real farmers as it does great, rounded hills. Like castles on the latter stand the two-storied farms of the landed farmers. Theirs is the world in all its essence—ploughland, meadows, forests. Black-trunked, heavily grown pear trees stand before the farms, in gardens, in hedges. The peasant dialect is soft, easy going, manly and kindly.

000 Later you once stood with a girl up in the mountain-pass village of Annaberg, in the porch of the church. The curious high tower with its covering of metal plates showed clearly against the blue winter sky and in the far distance before you was the snow-topped ridge of the Ötscher. Then you set forth into the boundless glistening world through the dark-green snow-covered forest. There a wonder arose out of the earth, a wonder for you, child of the hills. Through the crystalline crust of the ice broke the faultless bloom of the first christmas rose, born of the silent force of winter. Carefully you picked the blossom, and carefully you gave it to the girl. Pure and white as the rose was this hour, pure as the eternally sparkling snows, young as the potent breath of the woods and as free of dust as the beckoning blue heavens.

133 788 You have not forgotten the sparkling summer waters of the Erlauf and Lunzer lakes. Surrounded by flowers and forests, tranquil, glitteringly blue, they call to you, offering rest to the weary visitor from the cities, and tempting the peasant pilgrims of Lower Austria away from their pious, easy walk of penance to the Virgin Mary at Zell.

000 STUDENTS IN THE WACHAU DISTRICT. Your St. Pölten teachers wanted you to see many and varied things, and so you found yourselves in the wine-gardens of Göttweig Monastery. Oh unforgettable hour! Blue as the night, golden as the moon, milk-white as the surrounding chestnut blossoms. St. Benedict is fond of building on mountains. Before us were the valley and the low country and there beyond, half hidden by fields, the Danube. Above were many hundreds of lights, gables, roofs, towers and mountains. On the morrow you passed through Krems, singing, because you were students, "A wandering apprentice I, knowing no cares . . ."

How it echoed in the narrow streets! The past took you warmly by the hand. If you had found a blue-uniformed sentry standing guard at the Steiner Tor with

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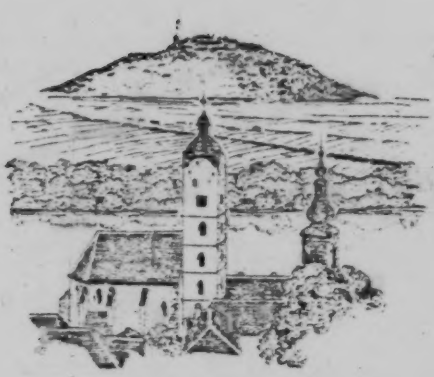

Gottweig Monastery; view from Stein-on-the-Danube.

red top-boots and white leather accoutrements, you would not have been surprised.

When the happy crowd went on to Dürnstein, was it still an excursion? Was not it rather a dipping into the romance of the past? "At the Sign of the Singer Blondel" or "At the Sign of King Richard the Lion Hearted" are names of inns there. And when you lay up above on the remains of a castle wall, the dark water streaming past below and the dark forests gleaming on the slopes of the mountains, you had for the first time the feeling of getting to know the spirit of a countryside and of being close to all the fateful events it had seen.

361 Melk is throned in majesty. From a massive parapet of stone rise Prandtauer's
792 glorious towers. The Monastery is vast and overpowering. It was the birthplace of law and order in the Danube district, as of Austrian culture and literature. The treasures which the magnificent library offers to the mind can hardly be grasped by the eye.

292 Everyone should at least once have seen the colourful silk dresses and shimmering gold bonnets of the women from the Wachau district. How lovely when the evening light falls on them as it did that time in Göttweig, and you hear the moving rhythm of the song: "So home we go in the full moon's light."

133 THE WALDVIERTEL. Eggenburg lies almost on the dividing-line between vineyards and forests,
●241 gently warmed by virtue of the declining and widening slopes. But high above, around the Nebelstein, the wind blows chill and raw. There the oats have to be mown by mitten-covered hands. As the Ottenschlag saying has it:—"Three-quarters of the year winter, one quarter cold." In places there are enormous blocks of stone which have carefully to be avoided by the plough. Vast forests of pine give the countryside a dark and rugged hue, relieved only by

Weissenkirchen.

the austere yet lighter shades of oats and rye. Colour is lent by blue flax, red and white poppies and verdant green fields.

The view is dominated by range upon sweeping range of eternal mountains. White highways curve gracefully up and again down the steep slopes. Everywhere at the highest point stands a dark-green forest of pines. At times the ground stops abruptly, and you can see whence the gigantic stone masses fell—and are falling still today—which formerly towered above field and forest as ancient mountains. A precipice drops steeply away, the debris of fallen stone-masses lying at its foot among the many trees. Past great piles of stones large and small flow the Thaya and the Kamp, sweeping stones with them. They swirl in endless bends around the foot of cliff after cliff. About their sheer walls stand defiant castles and dreamy ruins.

Apricot Gathering in the Wachau District.

Once you were invited to visit the forest district. For a whole day you journeyed through the woods and then you were forced to stop. Before you arose a great baroque tower, below it a forest of gothic pillars reaching towards the heavens, cloisters and a shaded well, the whole complicated gothic blossoming and romanesque fading—the monastery of Zwettl in its [illegible] situation on the banks of the swift-flowing Kamp amidst mighty forests [illegible]ing, you came to the frontier, high above. A piece of secular and chivalric history confronted you like a rock—Heidenreichstein, the most beautiful river-castle of the Province.

Usage and custom are rooted in the soil of the woodlands. On the house gables appear May blossoms in many colours. Young men plant green fir-trees, decorated with waving ribbons, for their girls. Mischievous "May paths" are devised with sawdust or water mixed with lime which are suddenly found leading over streets and byways from a certain door to another, thus making public what the parties concerned had kept a closely-guarded secret.

In many places the winter evenings still see the traditional "Rockreise". Women and girls "visit" friends in order to spin thread. Softly the delicate wheels turn, young men come and sing, and the women and girls tell stories of the robber chief Grasl, of the wicked Waldschrat and of God's vengeance on the inquisitive girl. Here and there an old loom is still standing.

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Rust-on-the-Thaya.

of the Pulkau, in the Danube area—and in China.

BEAUTIFUL IS OUR SUMMER! Millions of vines reaching out towards the setting sun, a low, thick-set endless forest of pale green. Before you the fertile valley in its lovely frame. Ahead, hundreds and thousands of fields, ribands of flame through which one can walk for two hours, golden seas of shimmering grain. And in between, green clover and vegetables, caught in the rays of the setting sun.

In the middle of the valley, along the Pulkau, lie the villages. Large and solid roofs, a strong, bulky tower, and round about a circle of trees characterise the isolated vineyard market-towns and villages. They are large and straggling settlements, virile in character. You should pay them a visit and enter one of the houses. A strong and penetrant smell of home-made bread, bubbling pots, flour-bins, eiderdowns bursting with feathers, the breath of man and beast, warmth of straw and stables will greet you with familiar welcome.

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Where the valley sweeps broadly round are again pale green hills, vineyard upon vineyard. Next comes a wooded mountain, its crest gracefully sloping down and leading the eye on to the great beech and oak forests of Ernstbrunn. Hard is the life of the peasants here—never-ending round of toil. On winter nights when the vines are endangered, they tend the fires whose smoke fights the frosts. When at last they have completed the protection of the vineyards against damp, against drought, against insect pests, they turn, weary and worn, to the fields awaiting the reaper. As black clouds gather they fear for both. Through sleepless nights they aid the beasts in the struggle to bear their young. When they go to haul the trunks of great oaks from the forests, it is midnight before the horses are fed. The population has preserved its ancient manner of speech, as lively and as deeply rich as the ocean. The forces of long past centuries and an ancient home-

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land linger on in word and custom. Marriage splendours, the dance of the vintage, "Weizauslösen" (de-husking the grain) and "Federnschleissen" (stripping the feathers of their down) lend colour to days and nights.

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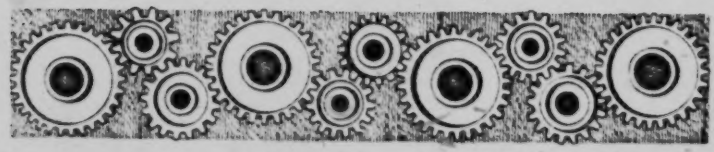
In summer everyone should see a "Kirtag" (church festival). This is more than an annual fair, it is the great festival of the year, two days and two nights of feasting



439 Trade stagnation lasted until the middle of the 1930s, when the armament
648 programme of the Axis Powers, Germany and Italy, was launched, to be followed gradually by an armaments race between all the world's most important trading countries. Austria was excluded from the development which led to the catastrophe of the Second World War, firstly through her political differences with the Third Reich (which answered by a cruel economic boycott in order to force Austria to her knees) and secondly on account of her economic structure, which was suited to the production of peace-time goods but not to that of armaments.

Austria had to make a tireless and purposeful search for new markets before she succeeded in forming and consolidating foreign trade connections with distant territories—the United States of America, British India, Japan, China and the Argentine. If this development had not been interrupted by the occupation of Austria in 1938, the results of Austria's successful attempts to revive her foreign trade would doubtless have soon been apparent in the growth of typically Austrian exports.

Even though the visible results of this change of direction may seem modest, it must not be overlooked that parallel with the deleterious results for Austria of the protectionist policies pursued abroad, there were serious internal problems of economic reconstruction to be solved. One of these was and still is the structure and the development of agriculture.

241 For many reasons unconnected with economics, but also in order to increase home
439 supplies of the chief articles of food, agricultural development was encouraged. The most important changes in agricultural production were brought about, particularly in the years 1930 and 1931, by radical economic-political measures. The customs tariffs for these years showed a considerable increase of duties on grain, flour, sugar, cattle and meat, the protective tariffs being even further increased in the following years. The resulting rise in prices meant an increase of cultivated areas and the production of the most important kinds of grain.

231 A further far-reaching measure affecting cattle raising was the regulation of imports
439 of cattle and meat through the setting up of tariff barriers against the most important
654 of the neighbouring States. Apart from this, in April 1932 the import of the most widely sold types of cattle and cattle products was forbidden.

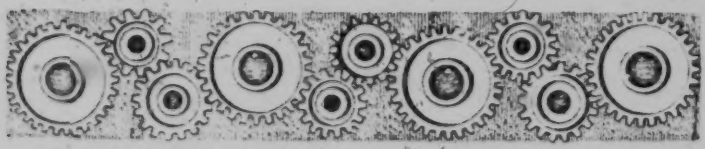
The increase in production resulting from all these measures was bound to increase the difficulties of marketing during the slump. In pig-raising it at last became necessary to resort to curtailment of output (prohibition of pig-raising for the market). An attempt was also made to increase the costs of cattle-rearing and thus limit the supply by raising the so-calledli cence fee for the import of fodder. 231 656

As a stimulant of milk production, a milk-equalisation fund was created in content with sales difficulties, through which the means for the export of dairy products at prices below production costs were raised by the imposition of a tax on fresh milk. 234 654

Thus it came about that in the 1930s Austrian products such as standard butter, high grades of cheese and cream could compete successfully on the markets with the dairy products of such leading countries as Denmark, Switzerland and Holland. The western alpine provinces especially profited by this arrangement, but at the same time a great demand was created for home milk products throughout the whole country. Gradually, in the Danube City which has been known from Roman times for its enjoyment of sweet wines, depôts were established where milk could be drunk in the busy streets and on public squares, giving the City a new attraction. 234 439 275

The doubtless necessary encouragement of dairy farming, just at this time, however, brought with it new problems which were aggravated by the effect of the world economic depression. The situation was made worse by the fact that the prices for agricultural and dairy products had sunk far lower than the prices for technical aids to agriculture. The discrepancy between these two sets of prices became still greater from 1933 to 1937. The comparative fixity of wages and the increase in public debts accompanied by sinking prices were not inconsiderable factors in bringing about general deterioration. 234 458 435

Problems of agrarian policy were bound to have a reaction on industrial-commercial economics. Austrian products had to compete with those of countries which had the advantage of considerably lower agricultural prices and thus of a lower cost of living. For a land such as Austria, which in the main can only secure the goods she needs through the export of her own products, it is essential that wages, an important factor in costs, should not be affected too unfavourably by the high price of grain. 241 439 435



241 439 435 Apart from the necessity for the existence of agriculture, the chief problem is to find a reasonable compromise between the legitimate aims of agriculture and the need of Austrian trade and industry to export at competive prices. This end can only be attained by the pursuit of a suitable economic policy and by an increase of agricultural productive capacity through measures of rationalisation, the discouragement of the drift to the towns and the setting up of a suitable system of administration.

439 The period between the two World Wars was too short to allow of full success on these lines, especially in view of the long duration of the world slump.

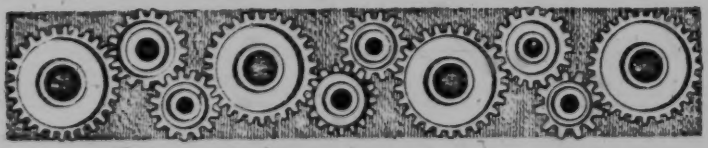
For the same reasons the efforts to develop the industrial-commercial system along new lines could not be brought to full fruition; attempts to maintain the status quo frequently held up progress. In times of international trade shrinkage any change of policy is not only exceptionally difficult but sometimes also a considerable risk.

439 648 In spite of this Austria made repeated attempts in the course of the years to develop plans for economic rapprochement with neighbouring States. These efforts, however, were doomed to failure through the existence of most-favoured nation clauses and political obstacles. Already in May 1931, conferences were being held in Rome concerning the possibility of increasing trade connections between Italy, Austria and Hungary. From this time onward the preference

THE BANKING SYSTEM IN AUSTRIA.

The structure and economic activities of the Austrian banks since their foundation round about the middle of the last century have followed a different course to that of the credit institutes of the West. For while industrial progress in the latter was based on the active participation of a large circle of interested persons and a well-organised capital market, the development of the far-flung territories of the old Austro-Hungarian Monarchy was left almost entirely to the initiative of the Vienna banks, at first in connection with mechanised transport, and later in connection with industry. Thus, in contrast to the Western type of pure deposit banks, they became universal banks with much more comprehensive functions. Apart from receiving deposits, they gave credit of all kinds ranging from discount credit to long term mortgage credit, dealt in shares and put through stock exchange deals as well as carrying on note emission and syndicate business.

The end of the Monarchy in the year 1918 made it necessary to adapt the Austrian banking system to new conditions. How close the connections of the Vienna banking institutions were with the territories of the old Empire which have since separated from Austria is shown by the fact that of the 127 branches of the Vienna banks which existed under the old Monarchy, not even 10 per cent fell to the new Austria and that, for instance, the Creditanstalt had 16, the Anglo-



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to capitalistic mass production methods. Thus at the Vienna Fair one finds a varied profusion of articles and goods. On the stalls and in the various departments in the halls and pavilions are to be found samples of all the industrial, commercial or agricultural goods produced in Austria, from the simplest tools to complicated precision and tool-making machinery, from building materials to the most modern power plant. Commerce, industry and agriculture unite here to present a complete picture of the Austrian economy.

Agriculture plays a big rôle in the Fair, which not only provides farmers with an opportunity of selecting their requirements in tools and machinery but also a choice of advertising methods to aid them in selling their own products. The latest developments in many fields are displayed with pride—stock-raising, grafting, crossing, products of the soil, qualitative and quantitative record achievements of every kind from field, stable, vineyard and forest. [241]

The Vienna Fair, which is for the Austrian producer the most successful sales market and the most effective propaganda organisation at his disposal, is for the foreign producer not merely a place where he can find just Austrian products and customers. So many foreign firms take part that apart from Austrian goods, eastern and south-eastern European wholesale and retail trades are well represented. In Vienna producers, traders and direct consumers meet from the whole of Europe and from the Near East as well as the Balkans, offering many possibilities of transit deals. Here the agrarian East of Europe and the industrial West exchange their wares. 543 439

The Vienna Fair is international and is open for all commodities and to all firms from all countries. There are at least 19 countries to be found regularly represented

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

464 which had passed the 400,000 mark in 1933, fell gradually to approximately 320,000 in 1937. This was, however, still considerably above the level of 200,000 unemployed in 1929. In fact, the problem of unemployment, particularly in the heavy industries and among commercial and administrative workers, remained virtually unsolved. The policy of the Government lay the foundation for a more solid and independent national economy. But it fell far short of an expansionist policy that would have ensured the full use of the country's human and material resources.

• 341 433 Of great importance was the conspicuous progress in agriculture which had been continuous ever since 1920. In a world striving for self-sufficiency, where markets for manufactured exports became increasingly closed, it was necessary to reduce the import requirements for foodstuffs. This object was largely achieved. Taking 1923 as the first normal year in Austria's economic life, we obtain the following picture of development.

	Year	Production (in 1,000 quintals)	Per cent of Requirements
Wheat	1923	2,419	33
	1936	3,678	63
Rye	1923	4,023	76
	1936	4,605	81
Barley	1923	1,710	63
	1936	2,531	85
Oats	1923	3,754	82
	1936	4,029	94
Potatoes	1923	14,262	95
	1936	24,994	100
Sugar	1923	473	31
	1934–6	1,919	99

234 439 Even more important were the structural changes in agriculture. In particular, great progress was made in dairy farming; an industry which had been badly neglected

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

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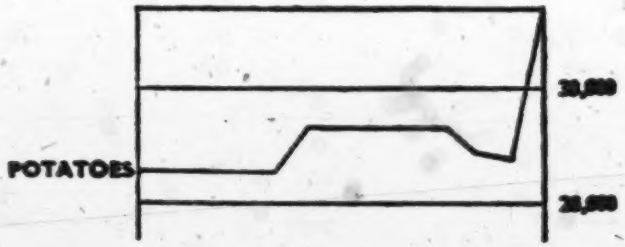
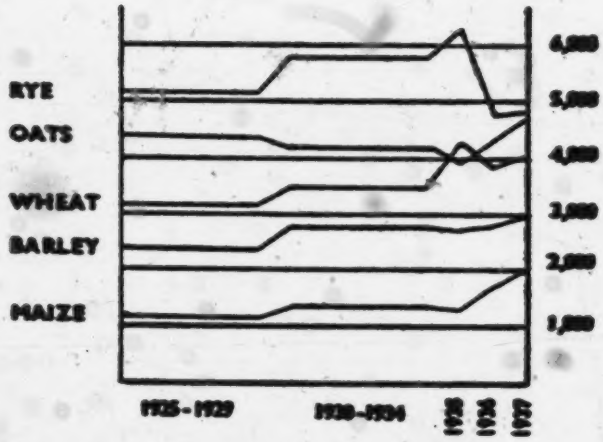
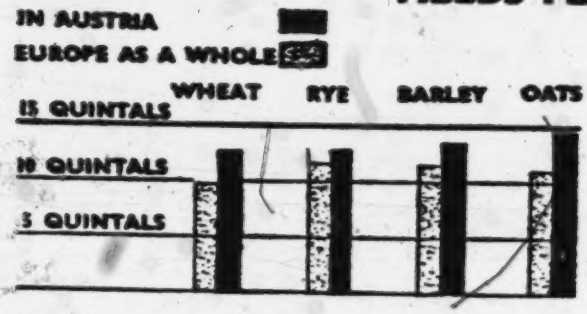
PRODUCTION OF CERTAIN AGRICULTURAL PRODUCTS
IN THOUSAND QUINTALS





COMPARISON BETWEEN AGRICULTURAL YIELDS PER HECTARE



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[496] 133 Within half-an-hour the cabin of the cable-railway swings one up from a height of over 1700 feet to well over 7000 feet, to the Hafelekar, whence one gets a fine view of the mountains of the wild Karwendel range. But one cannot see as far as the heart of the Karwendel, to the mysterious and death-haunted Ahornboden. In one hour the cable railway lands the visitor amid the extensive pine-woods on the Patscherkofel, opposite the Stubaier Ferner (glacier). In half a day one can reach the Stubai Alps and the glaciers of the Ötztal and Zillertal. Three hours by road or rail take one over the Brenner, in the south, to Bozen and Meran. It is from this neighbouring other-world that the Föhn, the heady south wind, streams [243] into the Province of Tyrol. Its burning breath does the maizecobs to a turn even in autumn. The maize stocks are left standing in the harvested fields of the Innsbruck valley until late in the year, while the reddish gold and brown cobs lend the splendours of their colouring to the gable walls beneath the protecting eaves of the peasants' homes.

The immediate surroundings of Innsbruck exhausted, a short train journey of one to three hours will present the traveller with new and attractive beauty-centres: the dark Achen Lake, set amidst steep and gloomily-romantic cliffs, the little fortress of Kufstein with its giant organ whose thunderous pipes are audible from afar and its imposing background of the many-peaked Kaisergebirge, the smiling and sunny surroundings of Kitzbühel with its mountain pastures and ski-ing areas. Or one may go further up the Inn Valley to the glacier world of the Urgebirge Valleys as far as the Paznauntal which ends so impressively below the Trisanna Bridge and Wiesberg Castle, to the sun-bathed townships of Imst and Landeck. Still further [496] on lies the world-famous Arlberg and the Fernpass with its lakes. There is distant Ausserfern with the Plansee and the bizarre chalk mountains of the Lechtal and the Zugspitz mountain with its rack-and-pinion railway.

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from the canton of le Valais, in Switzerland. At the beginning of the 15th century the number of these peasants who came to settle in Graubünden and Vorarlberg was steadily on the increase. These new arrivals seeking employment were readily welcomed by the land-owners, and the uninhabited upper valleys were allotted them to build new homes. In order to persuade them to settle permanently the gift of land was accompanied by various privileges. In this manner the uncultivated part of the Tannberg, in the Upper Bregenserwald, and especially the two Walser valleys which have taken their name from it, developed into the home of a sturdy peasant race which has become a permanent factor of the national and economic structure of the Province.

Anyone who wants to form a picture of the strenuous way in which these descendants of the old inhabitants of the Valais who have retained much of the peculiarities of their former country in their speech, dress and customs gain a bare existence from a grudging nature, needs only to observe how they live in the Grosse Walsertal. Generations of bitter struggle for daily bread have produced a sturdy and weather-beaten folk whose existence is deeply rooted in the soil.

The people of Vorarlberg are not uniform in character, but form rather a mosaic of various sturdy elements welded together by historical developments.

slopes rise gradually, but to the north it falls away steeply. It is well worth the trouble of climbing, for looking down from its heights one has a delightful outlook over the entire Vorarlberg part of the Rhine Valley. In the east the picturesque houses of the market town of Götzis combine their greetings with those of the massive ruins of Neu-Montfort. The chief picture to the north and south is that of innumerable tiny rectangles of grass alternating with arable land, a clue to the agricultural structure of the countryside. An unusual trick of nature affords amusement to visitors to the summit of the Kummenberg: pieces of paper or material which are thrown out over the yawning depths are returned to their owner by the air currents. Even hats which have been tossed over are said to come back of their own accord, but not everyone cares to put this to the test.

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To the south of the Kummenberg a vale branches off from the main Rhine valley which is called the "Garden of Vorarlberg". About a dozen pleasant villages cling to the foot of the mountain or have found themselves a sunny place half way up it, and in blossom-time the whole countryside is one fragrant bridal bouquet. On the sunny slopes flourish delicious grapes; Fraxern, hidden in a hollow between the green hills, is famous for its wonderful black cherries, which attract crowds of visitors who arrive with baskets and carts. Viktorsberg, looking

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Vorarlberg is Austria's estate on the Rhine. Between the eastwards-flowing Danube and the westwards-flowing Rhine, between the one which finds its outlet in the Black Sea and the other which flows into the Atlantic Ocean, lies Austria, the bridge and watershed of Europe. In 1363 the House of Austria acquired its first possession in Vorarlberg in the shape of a small estate near Götzis. This was the start of a long process which led to the unification of a Province. As military leaders under the Emperors Karl V and Philipp II, the Counts of Hohenems embodied large numbers of serfs from their estates in their armed forces. From then onwards, Vorarlbergers have constantly emigrated from the Province, as labourers, stucco-workers and carpenters, selling grind-stones or herbs from Montafon, or in the employment of Bregenzerwald builders of the Baroque. It was not until industrialisation set in that this industrious race had the chance of finding work and a home in its native country.

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It is characteristic of the Vorarlberger to dislike and avoid ostentation and exaggeration. In accordance with this reserve, he is sparing of gesture and words. These characteristics help to a clean-cut political sense and a natural feeling for democracy.

The people of Vorarlberg prefer their four small or medium-sized towns to one large one. They do not mind having to go sometimes to Bregenz and Feldkirch, sometimes to Dornbirn and Bludenz, for these towns after all lie close together. The Province is thus spared many a problem which may arise out of having a single large town in an alpine area.

The "Ländle" ("Little Province") has its characteristic industrial character.

down from the lofty Warte, is one of the oldest recorded settlements of Vorarlberg; even Karl der Dicke (Charles the Fat) is said to have toiled up there on a visit to the pious hermit Eusebius. Röthis, however, the heart of the Vorarlberg vineyards, lures one with many a sparkling drop, golden-yellow and ruby-red, down into the valley.

The chief town of the Vorarlberg Garden is Rankweil, which played a prominent and decisive role in the history of the Province throughout the whole of the Middle Ages and on into modern times. At one time the whole population used to congregate for the trial of criminals there. Today, as one of the greatest pilgrimage centres of this Catholic province, it has again become a meeting place for crowds in holiday mood. Its symbolic building is the double-towered Liebfrauenkirche, built on the remains of a former fortress, which confronts the stately Felsenwarte.

THE STUDIERSTÄDTLEIN (the "Students' Township"). Feldkirch has not always been called the "Studierstädtlein". Like Bregenz, it has had one of the most colourful histories of any place in Vorarlberg. In earlier centuries it was with equal justice called the "Officers' Township", but today both terms are inapplicable. It is noteworthy that in each case its municipal character was emphasized. Even today this is the most noticeable thing about it. Of all towns in Vorarlberg it has best preserved the character of the mediaeval burgher settlement. Like Bregenz, Feldkirch formed part of the Montfort property. Through repeated partitions of the estate among members of the family, which weakened all its powers of resistance, Feldkirch came at an early date into the possession of the Hapsburgs, thereby gaining in comparison with other areas which had remained under the rule

with its steeply sloping fields rising above the rushing mill-streams below. Still valleys sweep in attractive crescent form around and below the peaks of the Stubalpe. Everywhere in these barren farmlands from Radlpass to Lower Gleinalmspeik, the fields and meadows have been conquered from the wilderness of vast forests by means of fire and plough. Everywhere on these islands created by persistent, back-breaking peasant labour, the brown wooden farmhouses beneath their silver-grey roofs of slate defy the gales which come raging from the storm-centres of the mountain fields, and in age-old "Rauchstuben" the life-blood of ancient legends thaws again before the warmth of the open fire. 133 [311]

Beyond the savagery of the mountains, a world of vine-covered hills unrolls like a gay-coloured scarf before the dark girdle of the forest peasants land. On the sun-side of the mountains below the heights, the vineyards on the slopes are staked out with serried rows of vines on supporting poles. This is the picture which begins in a small way at the "Gasselberg", where with care it is possible to produce a Schilcher which has the proper tang alongside many an unassuming vintage. In the Styrian Schilchertal, between Ligist and Eibiswald, the view broadens and opens out. The vineyards there on the Hochstrassen and on the clear-cut, towering mountain ridge of Greisdorf are famous from olden times. The Engelweingarten above Stainz should be saluted with joyful respect, as should all the carefully tended vineyards where the Wildbach grapes ripen. 245

At the foot of this double garland of forest and vineyards is fruitful soil in which Turkish wheat prospers under a burning sun, yet despite all the riches which lie in the soil or come from the bright skies above, bad weather, misfortune and hard times have made the population adopt a grave and sometimes resigned attitude towards life. 181

A friend of the Styrian motherland wandering throughout the strip of country which we call West Styria and observing it with affection, would soon notice that beneath the noise and bustle of the fleeting present there lies hidden the treasure of a rich past. Roman inscriptions on stones and the tombstones of Italian officials and native Norics which are

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Women of Leoben.

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by J. C. Flachhofer, and the library for its treasures of old manuscripts.

Space must be found for a word about the hill country between the Raab and the Mur, the Land of the Seven Valleys, which, separated from one another by forested heights, all guide their dark streams past quiet rural villages and mills hidden behind alder groves, flowing in the same direction towards the Mur. The latter, sweeping eastwards, forms a natural boundary for Styria. In the forests the edible chestnut is common, here and there casting its shade over a tumulus, which bears witness to long-forgotten settlements. Summer warms the air with southern strength, autumn bringing clear skies and the finest views from the footpaths which wind through vineyards and woods to white chapels.

529 The Gleichenberge and the Stradner Kogel are of volcanic origin. The curative properties of their springs are widely known. Bad Gleichenberg enables numerous visitors to combine the healing qualities of forest solitude, with up-to-date medical equipment.

245 The vine, which is cultivated in East Styria with varying results north of Hartberg, steadily improves in quality towards the south, reaching its zenith in the Klöcher Gebirge and around Halbenrain where the fine vintages are stored in the wine-cellars.

361 Mureck is a town of ancient Styrian civic culture, but its crown, the castle of Obermureck, lies on the other side of the Mur in what is today foreign territory, [342] as does Oberradkersburg, the ducal castle which since 1918 has been separated from the most southern town in Austria, the ever-loyal Radkersburg. None of the sufferings of a frontier town has been spared it. The tombstones in the churchyard of the gothic parish church are witness to the origins of its inhabitants. The venerable relics of Styrian civic life of olden times which are preserved in the tower of the Rathaus below the solemn frescoes of Fritz Silberbauer will encourage future generations to emulate the loyalty and watchfulness of their ancestors.

[498] THE STYRIAN ENNSTAL. Where the train leaves the narrow valley of the Palten to enter the broader valley of the Enns, it is greeted by a noisy network of sidings, signals and rails in the big station of Selzthal. The time-table describes it as a junction where many passengers change trains at an important crossing of north-south and west-east routes. Its name is better known in and outside the Province than many another which formerly meant fame and surviving tradition in the Enns Valley. A hundred years ago Selzthal was not much more than the name of a district, of a forest valley in which the charcoal-burners worked for the

All the Provinces of Austria have frontiers with foreign countries, with the exception of Vienna. All the Provinces of Austria have capitals of their own, with the exception of Lower Austria. Vienna is surrounded by Lower Austria, providing it at the same time with a capital. Thus the Province of Lower Austria occupies a unique position in relation to the capital of the entire country, being closest to it in times of sorrow as well as in times of joy.

This Province is fourfold, the Danube dividing it from West to East. To the south of the river one part lies below and the other above the Wienerwald and in the North the third lies before the Manhartsberg and the fourth behind it.

The four quarters may also be regarded from another aspect. On the map, above and to the left is the Waldviertel, sombre and of manly strength. Adjoining it, consisting of broad, low and sunny hills is the fertile Marchfeld. Below to the left one finds charming sub-alpine country and finally the Wienerwald with falling slopes and plains in the east.

A many-rayed star of roadways spreads outwards from Vienna over the countryside. Parallel to the Danube, the Linzer Bundesstrasse follows an old Roman road over the Strengberge to Amstetten and St. Pölten. To the north of it the highways run towards Bohemia, the one heading for Budweis, the second straight for Prague and the third for Brünn. Pressburg (Bratislava), on the other side of the frontier, is passed on the journey to the Carpathians. On the way to Budapest or down to the Balkans one may pause awhile at Bruck-on-the-Leitha. Eisenstadt is on one of the roads, to the vast Hungarian plains, while the serpentines of the Semmering continue to where

THE WINE DISTRICT. Your home lies below the Manhartsberg, its people and landscape familiar to you as a picture book which you have looked through countless times. 133

There above stands the hill you love the most, the Hutberg, just 890 feet high. From it, on clear autumn days, you can see the Schneeberg, Rax, Ötscher and Hochschwab; you can see over the boundaries of Lower Austria into Styria.

SPRING IS LOVELY. Approaching the vineyards, you find a young peach tree. Its delicate branches are full of pale, ethereal flames, daintily burning garlands of roses without origin or connection. You can see no leaves, only blossoms below which grows not the slenderest blade of grass. The vines are still cracked, brown and withered, their shy green shoots still pale and tiny. Innumerable grey sticks seem weather-worn and dead, the yellow earth still lies naked. Thus it is that the wonderful pale pink garlands of peach blossoms seem to have grown straight out of the dry wood and wintery earth. You could walk for hours and find nothing except beckoning bushes of flame above brown vines and endless rows of grey spikes. 245

This picture before you is full of a delicate grace, of a strange beauty of shading. From the lowest vineyards which rise gently before your feet, you meet three delightful colours, old acquaintances and yet uncannily strange. A vineyard hut, washed grey by the rain, without walls and straw-thatched. A cherry tree, heavy with shining white blossom, arising from deep-yellow earth! It is hard to believe that this picture lies on the banks of the Pulkau, not on those of the Yang-tze-kiang. Grey, white and yellow, that is the quiet, dainty wide-spread tricolour of all the flowering clay mountains

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Raab-on-the-Thaya.

of the Pulkau, in the Danube area—and in China.

BEAUTIFUL IS OUR SUMMER! Millions of vines reaching out towards the setting sun, a low, thick-set endless forest of pale green. Before you the fertile valley in its lovely frame. Ahead, hundreds and thousands of fields, ribands of flame through which one can walk for two hours, golden seas of shimmering grain. And in between, green clover and vegetables, caught in the rays of the setting sun.

In the middle of the valley, along the Pulkau, lie the villages. Large and solid roofs, a strong, bulky tower, and round about a circle of trees characterise the isolated vineyard market-towns and villages. They are large and straggling settlements, virile in character. You should pay them a visit and enter one of the houses. A strong and penetrant smell of home-made bread, bubbling pots, flour-bins, eiderdowns bursting with feathers, the breath of man and beast, warmth of straw and stables will greet you with familiar welcome.

245 Where the valley sweeps broadly round are again pale green hills, vineyard upon vineyard. Next comes a wooded mountain, its crest gracefully sloping down and leading the eye on to the great beech and oak forests of Ernstbrunn. Hard is the life of the peasants here—never-ending round of toil. On winter nights when the vines are endangered, they tend the fires whose smoke fights the frosts. When at last they have completed the protection of the vineyards against damp, against drought, against insect pests, they turn, weary and worn, to the fields awaiting the reaper. As black clouds gather they fear for both. Through sleepless nights they aid the beasts in the struggle to bear their young. When they go to haul the trunks of great oaks from the forests, it is midnight before the horses are fed. The population has preserved its ancient manner of speech, as lively and as deeply ~~rich as~~ the ocean. The forces of long past centuries and an ancient home-

521 land linger on in word and custom. Marriage splendours, the dance of the vintage, "Weizauslösen" (de-husking the grain) and "Federnschleissen" (stripping the feathers of their down) lend colour to days and nights.

796 In summer everyone should see a "Kirtag" (church festival). This is more than an annual fair, it is the great festival of the year, two days and two nights of feasting

they fork out into Yugoslavia and Italy.

The roads are on the whole the same which the Roman legions used 2,000 years ago when they traversed the Province, to be followed by the great barbarian hordes, by Attila the Hun, the "Scourge of God", the Avars going in one direction and the Franks and Bavarians taking the other. Swedes, Hussites, Turks and Janissaries, Poles, Pandurens, Napoleon's Guards, the song-loving regiments of the Austro-Hungarian Monarchy—and now the German and the Allied Armies—have succeeded one another.

On the same roads dukes, counts, princes and emperors, kings of Bohemia and Hungary went their ways. Here also passed itinerant monks and flagellants, merchants and preachers, travelling students, scholars, minstrels, troubadours, abbots, cathedral builders, painters, copper-workers, organ builders, the Brothers of the Rose, Father Abraham a Sancta Clara, hurrying couriers and ladies in swaying litters. In later years came Casanova, Augustine of the ballad singers and Mozart on his journey to Prague.

What multitudes have passed along these highways during the last thousand years and in the thousand preceding them. The land is a book of stone—a living book of the people who have walked it. In these parts life has marked faces with the signs of joy and care, of knowledge gained through endurance and wisdom through suffering, until they have become such as we see them today, formed as an old master paints a face on canvas.

Like the unchanging Danube, the vines and the gentle doves, the sons of this province cling to the customs of their forefathers and to their beloved soil.

Let us supplement the quartering of the Province by the mentioning of

at a generously decked table, after the walls have been freshly whitewashed, the doors newly varnished and the windows cleaned and polished.

HOW BEAUTIFUL IS THE VINEYARD COUNTRYSIDE IN AUTUMN! In the vineyards bells are ringing, not as a summons to festivities or to express joy, as the poets like to tell us. The narrow tracks sink into the soft yellow clay to a depth of three or four waggons and in the vineyards stand so many great tubs laden with grapes that the night is often far advanced before the last has been removed. Then it is that the tinkle of bells and the crack of the whip can be heard

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Lilienfeld.

245 from afar, so that approaching farm waggons can draw aside wherever the track widens to let the neighbour's laden cart go past.

274 The wine cellars are spacious. Not every wine-grower has a house for himself and his family, but all have storage room for barrels and utensils. A real wine district numbers more wine-presses than private dwellings. They are to be found in dry and narrow valleys, looking from a distance like compact villages.

The wine-presses are built against the mountain, steps leading up to them through meadows and bushes. Above them sway acacias, lime and chestnut trees and elderberry bushes. Beneath their shade the children find a pleasant spot for play and games.

To the song of the wine-mills the dull gold juice runs off the pressing-board, guided downwards by pipes and wooden conduits. The youngest apprentice drives up the cart with its tubs of grapes and goes back for more. The landlord and his men press them until nearly midnight. It is difficult work, toying with giant forces and needs to be understood. The great, dark press groans in all its joints when the massive stone rises, swaying, and the slender bars, taking the enormous pressure, crack and snap ominously with the noise of rifle shots. Below in the cellar drifts a ghostly mist, whitish or almost invisible. Above in the vineyard stands a curious, squat sort of mill above a manhole. It is the hand-worked pump which draws up the powerful fumes. Despite it, every year one or two men have

places and towns. Dark are the woods around Weitra, Harmanschlag and Karlstift on the Bohemian-Austrian frontier; the countryside lies high with its heavy, dark earth. Zwettl, the town and the venerable monastery, are surrounded by vast forests. Above Ottenschlag and Martinsberg the Waldviertel closes in on the Danube, broken delightfully by the descending valleys of the Isper and the Weitenbach. Those wishing to proceed from Gmünd, the frontier station, or from Allentsteig or Waidhofen to the Danube, prefer the road through Gföhl, passing Senftenberg on the way down to Krems. Above on the Bohemian frontier, and also in the Thaya Valley, stand fortresses and castles: Heidenreichstein, Karlstein, Raabs and Riegersburg.

The ploughed fields gain more and more on the forests, the vines creeping up the sunny slopes. Near Horn the countryside opens out attractively. Here there is a plentiful choice of routes—uphill to Drosendorf and Retz, downhill through the Kamptal to Langenlois and the spacious Tullnerfeld, or straight across country to Eggenburg and Hollabrunn, or by a sharp turn through the Maissauer forest and mountain towards Stockerau and Kornneuburg.

So with a wide detour one arrives at the quarter lying below the Manhartsberg. Corn and wheat gradually replace forest and vineyards, increasingly so towards the March. Laa-on-the-Thaya, Poysdorf and Mistelbach lie on the way to the oil district of Zistersdorf. To the south the fertile corn-growing lands link up—Gänserndorf, Wolkersdorf, Deutsch-Wagram, Gross-Enzersdorf, Marchegg and Orth.

Around the hub of the Danube, the Alpine forelands penetrate deeply into Lower Austrian territory in the

Lilienfeld, Porch of the Monastery.

to be dragged unconscious from the cellar, 274
overcome by the fumes of the wine.

In the vineyards you see men's jackets and 245
hats amidst the vines, appearing and disappearing, for their job calls for bent backs most of the time. The day may be fine and sunny, here and there a grape picker full of fun and the harvest a bumper one—still, there is no romance about their task. All day long they shuffle with bowed shoulders from vine to vine, of which there may be easily a thousand in one vineyard, one vine alone often bearing a dozen bunches of grapes. Even the wine-grower's wife, despite the watchful eye she keeps on yield and profit, may straighten her shoulders with a groan among the tangled masses of heavily-laden vines to look out over the vineyard and exclaim: "God Almighty, will it never end?"

BEAUTIFUL IS WINTER AMONG THE 137
VINEYARDS. One sees a blending of golden earth, immaculate snow and the red thorns of blue-grey acacia trunks.

quarter above the Wienerwald. Waidhofen-on-the-Ybbs, Lunz, Scheibbs and the stretch from Mariazell to St. Pölten are far-famed for their rustic beauty. Further to the north of the Styrian boundary lie Türnitz and Lilienfeld, Hainfeld and Gutenstein near the contrasting shapes of the Mittelgebirge.

Along the road to Greifenstein, on the Danube, through Neulengbach and Altenmarkt, descending to the Höhe Wand, Schneeberg and the Rax, runs the boundary of the "quarter below the Wienerwald". Encircling Vienna in a mighty arch from Klosterneuburg to Heiligenkreuz and Baden, it descends to the plains along a line of thermal springs. On one side of the Südbahn grows a heavy wine; on the other is a chain of industrial centres—Traiskirchen, Sollenau, Laebersdorf, Berndorf, Wiener Neustadt, Neunkirchen, Ternitz and Wimpassing. The factory chimneys do not end until the Semmering district is reached at Gloggnitz and Payerbach. The Pittental leads to the "Buckelige Welt" of Edlitz, Kirchschlag and Aspang, while to the east of Vienna the approaches to Hungary lie in the flat triangle formed by Schwechat, Ebenfurth and Bruck-on-the-Leitha.

ON THE BANKS OF THE RIVER

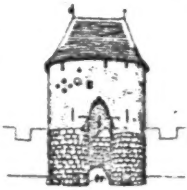
Restless flows the Danube through Lower Austrian territory, until it is reluctantly compelled to submit to control and regulation. At Strudengau it still gives birth to leaping rapids and circling eddies, twists itself at Ybbs to a dangerous bend, narrows to the legend-haunted valley of the Wachau and constantly forces the current to move now towards this bank, now towards the other, until it at last subsides into a broad and placid stream below Tulln. With

Baden, where the healing waters flow close to the roadside, proved a great attraction for you. To drink them you only needed to go down a few steps. On all the bridges over the Schwechat, you could smell the sulphur from the springs which were discovered by the Romans. The modern medicinal baths were in their time the temple of a goddess. In the piping times of peace you found there many people who had come from far off countries. The rich glow of the tulip beds in the Kurpark is a sight which you should not miss. 529

Kornhäusel, an architect of late classicistic style, built for Baden a town hall with Greek temple columns and a flat roof adorned by stone statues. His work, specimens of which can be found throughout the town, is of modest but genuine beauty. You keep finding pillars and rows of columns, Doric and Ionic capitals and caryatids, which, although of unequal value, lend a distinctive air to the town through their variety of form and the attempt to reproduce the beauties of antiquity. 341

Mozart's "Ave verum" and Beethoven's "Missa solemnis" are particularly treasured by Baden. Grillparzer, Schubert and further southwards, Raimund have all enriched this countryside with the breath of their art. 533 536

At the foot of the forests are extensive vineyards. Light, stony soil and a favourable situation give the grape a choice quality which has been further improved by careful tending. Gumpoldskirchner wine was taken around the world on one occasion on a Zeppelin flight. It kept its high quality throughout. 245 274



Hainburg, Wienertor.

Up in the Leithagebirge, near the village of Winden is the Ludlloch, a place where, according to the evidence of human remains discovered there, cave men and cave bears lived in the time of the later Stone Age, i. e. 6,000 or 7,000 years ago. Unfortunately there is no mention of the times extent, and it is therefore uncertain whether the cave men eat the bears or the cave bears the men. But as there are considerably fewer bears than men in the Burgenland today, it may be safely assumed that the bears headed the list of table delicacies.

The Burgenland is not unfamiliar with the question of land reform. Should the great estates be preserved as grain producing property or should homes be found for thousands of people in new villages? There are arguments on both sides.

A farm is a book of wisdom. The Burgenland owes its fertility to the hard working hands of its farmers who never neglect their soil, and who meet all their trials with placid good humour.

Although nine-tenths of the Burgenland is devoted to agriculture and forestry, it has over 200 industrial undertakings. There are saw-mills, wood-carving centres, parquet-flooring

gleaming pools lie generally 133
beneath heavy masses of clouds whose great shadows move constantly over the inhabitants, houses and flowers. St. Andrä near Frauenkirchen is the place which has a climate in summer similar to that of the Egyptian Helwan. Here, as on the eastern 245
shores of the Neusiedler Lake, flourish almond trees and other plants usually only to be found in the South. Between the lake corner and the heath district lies a strip of specially favoured countryside, one of the chief Burgenland wine districts, with its centre at Gols and Weiden.

The tourist may now find it hard to make a decision: what should come first? Here beckons wine. Ochre yellow is the earth which produces it. Blue shadows toy with every shade of green, that of the firmly tied vines and that of the serrated, dull-surfaced leaves. Soon the glasses 273
sparkle with Ruländer and Furmint, Welschriesling and Blaufränkisch and other famous vintages.

Above the water a silver heron sails 136
majestically through the air, reminding us that the shores of the Neusiedler Lake are unusually well-stocked by nature with wildfowl. In the reed belt surrounding the lake live the grandest varieties of herons; here you also find nests of the bustard, willow-wren and bearded titmouse—a colony of birds such as can be seen nowhere else in Austria. When a flight

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[247]

Eisenstadt, Synagogue Death-Glass.

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245

buildings—the Council Hall, attractive official buildings, the homes of civil servants and villas. Side by side stands the history of old Eisenstadt written in stone—the old royal free town, the Esterházy residence, the Jewish Ghetto in Unterberg and the more recent settlement of Oberberg. The Wolff Collection in the Provincial Museum has some unique monuments of Jewish culture. The Calvary Mount in the Bergkirche gives a glimpse of another world, with its painted, strikingly realistic wooden figures in curious grottos. A first inspection of Eisenstadt may well be rounded off by a visit to the wonder-working picture of the Virgin and to the tomb of Haydn in the Bergkirche.

Other attractions await us. Above Mattersburg appear the slopes of the Rosaliengebirge, covered with the luscious purple of flowering sage. One could wish that here spring might last for ever for us to admire the sea of blossom, cherry tree after cherry tree intermingled with peach and apricot, and the yellow-white blossoms of the plum, with their tangle of intertwined black twigs; great beds of strawberries flourish in the rich and fertile soil.

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Far above the little village of Forchtenstein stands a well-preserved castle of the same name. It was once the seat of the Counts of Mattersdorf, whose forebears, Simon and Bertram, came from Spain in the year 1200 with their sister Tota, of whose beauty it was said that it had no equal throughout the world. A poet might well harbour the fancy that her beauty lives on in the spring splendour of the flowering hedges on the Rosaliengebirge. The student of history may remember that in the year 1374 the Counts of Mattersdorf and Forchtenstein placed this part of the Province under the jurisdiction of the Duke of Austria. Their escutcheon, combined with that of the Güssingers, forms today the coat-of-arms of Burgenland.

Forchtenstein.

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The early Stone Age has left evidence of human progress in the Wulka Plain. The Bronze Age which succeeded it was marked by a consi-

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a meal good wine increases the pleasures of the palate, ensuring the thorough digestion of lunch before dinner time comes along. In the 18th century it was the custom for every host to keep a wine list for his guests to choose from. This furthered ambition so that there were houses in Vienna where eighteen to twenty varieties of wine were held in readiness for guests.

YES, THE WINE! Just as the Austrians vary in type according to whether they come from Graz, Linz, Salzburg, Tyrol etc., so does the wine vary. In this Austrian wine scores over most foreign wines. Within the wide choice it affords, every taste can be satisfied. From the light, full-flavoured or the rather sour and thirst-quenching wines to the high-grade *premiers crus*, there is a whole gamut of excellent vintages always ready to satisfy the most exacting demands as to quality and bouquet. As the Viennese combines in himself the qualities of all Austrians, so is Viennese wine typical of the whole country. It embodies the magic of the flowers and the strength of the mountains. Few are privileged to understand and appreciate to the full the multiplicity of often very subtle differences between the various growths. Not to everyone who drinks it does the wine reveal all its soul, all its intimate secrets. It calls for wooing, for a testing; it demands of its devotees love and reverence of tongue and palate.

The vineyards of the country are older than the name of Austria itself. When 245
the transport of wine from Italy for the use of the Roman legionaries on the Danube became difficult, the Emperor Probus lifted the ban on planting vines in the Roman provinces. Then the first vineyards came into being on the sunny hills lining the military road from Aquileja to Carnuntum and on the slopes of the Wienerwald. Subjected like all else to changing history, grape-growing flourished afresh under Charlemagne. The priories and monasteries, the monks of Passau and Salzburg tended the vineyards with loving care. Thanks is still due to them for this today!

Even in the times of the Babenbergs Vienna was surrounded by a ring of green vineyards. In the 14th century, 18,000 candles per year were used in the Seitzerkeller, below the Tuchlauben. A chronicalist records at the beginning of the 15th century that gathering the vintage in Vienna lasted for fully forty days and that 300 carts laden with grapes were driven into

245 the city daily. Even in those times new plantations were forbidden, in order to prevent a fall in prices. In the year 1448 Chancellor Aeneas, later Pope Pius II, wrote: "The wine cellars are so spacious and deep that people say the city has been built as much below ground as above it."

To the Vienna commercial fairs, held twice a year, it was possible to bring every type of commodity under the signed safe-conduct of the reigning prince, with the exception of beer and wine. In the 17th century, traders of Amsterdam and Gent showed a preference for Vienna "Nussberger". Before the irresistible tide of triumphs of the Turks was dammed at Vienna in 1683, they had already been quietly overcome by Vienna wine.

In 1872, peaceful progress in the vineyards was abruptly interrupted by the appearance of the phylloxera. Brought to Europe from overseas, this most dangerous of all vine parasites ruined nearly all the vineyards of the Continent. This meant bitter years for the Austrian wine-growing families, which numbered no less than 60,000, excluding all those whose livelihood depended indirectly on the vines, such as innkeepers, wine-dealers, cask-binders and the like. At last it became possible to revive the Austrian wine trade with the help of American vines, on to which the native high grades were grafted. Building in Vienna gladly and voluntarily halts at the vineyard districts. Well-known and honoured wine-names are here—Nussdorf, Heiligenstadt, Grinzing, Kahlenbergerdorf, Sievering, Neustift-am-Walde and Salmannsdorf. There, too, are to be found the wayside winegardens and taverns, the "Wiener Heurigen".

274 Of all the wine producing districts of Austria, the most important is Lower Austria. Wines of every type are to be found here, from the light and sparkling "Brünnerstrassler" to the heavy "Gumpoldskirchner"; from the noble and aromatic "Wachauer" to the pleasant and sweetish "Muskateller". It would involve a lesson in geography to name and locate all the places where the precious vines are grown and tended, starting with the southern slopes of the Wachau and continuing over the broad Krems vineyard area up to Langenlois, further on to Maissau or down towards the Bisamberg and vine-girdled Klosterneuburg, which is called the "Rinnende Zapfen"—"The Leaking Bung". The extensive vineyards around Retz produce that wine which the Viennese are fond of drinking in "Stehweinhallen" ("Standing Wine Bars") as "Special" or, abbreviated, as "Spezi".

In the south, beginning at Mauer and Perchtoldsdorf, lies the most famous Lower Austrian vineyard district, which includes the villages of Guntramsdorf, Gumpoldskirchen, Baden, Sooss, Vöslau and many others. The "Rotgipfler", the "Zierfandler" and the "Neuburger" are noted for their aromatic bouquet. The fragrant bouquet of Sooss Muscatel wines impresses every connoisseur. The red wines of Vöslau, especially the "Schlumberger Goldeck" have carried the

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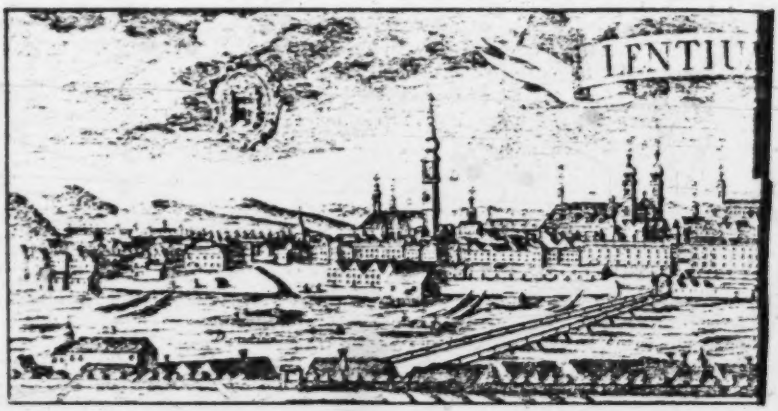

132 by raging storms. Here an early winter may often come to destroy the harvest, the fruit of bitter toil, and sweep away bridges and footpaths so that neighbour is isolated from neighbour.

361 At such times life is easier in the Upper Austrian towns—for instance, in Freistadt, the former frontier fortification north of Kefermarkt. Round the mediaeval town with its wide, turreted square lies a broad moat. On the wall which once defended the citadel whisper ancient lime-trees, casting their shadows over the children who play beneath them.

496 Not far from here runs the line between Linz and Budweis, the first "railway" line constructed on the continent of Europe, which unites the former Crown Lands of Bohemia to Upper Austria. In biedermeier times the citizens of Linz used to make excursions on this railway, travelling far into the country in horse-drawn railway carriages resembling post-coaches. These were in use for 40 years before the horse-drawn was replaced by the steam railway.

133 Up hill, down dale, sometimes in deep valleys, sometimes climbing up to the heights, the Mühlviertel, which has been called, not without reason, the "hunchback"-land, stretches further and further out towards the dim vastness of the Böhmerwald. At the foot of the Dreisesselberg, where Bavaria, Bohemia and Upper Austria meet, rises the broad Mühl from which the district takes its name, its golden-brown waters flowing on to the Prämenstratensian monastery of Schlögl. For many hours one can trace its meanderings through solitary mountain forests, following the sound of the woodsman's axe or the smoke of the charcoal-burners, where the grey wisps 288 float above the lofty crests of the pines. From courtyards and houses come the 248 muffled rhythm of hand-operated spinning wheels. Here flax is grown, spun and bleached,

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the table. Potted plants fill the tiny window; alone the electric light with its wiring disturbs the picture.

In the kitchen the covered range has almost completely banished the open fire, but the chimney-place is still often vaulted. It is called the "heaven", although covered with oily, shining soot and black as hell. But this heaven does not "hang full of violins", but full of sides of smoked bacon and sausages. In the dairy the wooden cream dishes have given place to the centrifugal separator and metal utensils. But the butter-tub, in which the butter is made by churning or pounding, still remains.

Except on feast days the peasants' diet is sparingly supplied with meat but rich in fat. *Knödel* (dumplings), small cakes, dough-nuts, stewed fruit and *Schmarrn* (a sort of broken-up pancake), thick soup and potatoes make up the simple, healthy fare. All eat from one dish. Grace is said before and after meals. Occasionally there will be butter and bacon to eat with the black bread which the true peasant bakes himself.

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Much more could be told of the peasantry of Tyrol, of cowsheds, haylofts and threshing floors, of the ricks of hay and corn, of forestry and hunting, of mountain pastures, cow pastures and hay-fields, of sheep-pens and shearing, of fences, gates and stiles. How many townfolk know that a proper fence, like a peasant house built in the old manner, needs no nails and no scrap of iron? What do they know of the customs at weddings and baptisms?

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For the farmer, his "*loden*" cape of coarse, woollen cloth is sufficient even when the weather is coldest. He must be able to move his arms freely, and at work in the open he does not feel the cold. In the house he goes about in shirt-sleeves. When he is abroad he carries an enormous gamp to protect him from the rain.

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The farmer's wife wears long dresses almost suggesting a nun's habit, covered on weekdays by a blue working apron. On Sundays she dons her special finery—

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with bread which he afterwards ate, such was the general mistrust and fear of poisoning. The talisman was long used at table: it was laid beneath glass or plate. 000

In the 15th century, Vienna cooking was considered to be among the best in Europe, and when the Viennese went to war, he took his best cooks to camp with him. The doughty Capuchin monk Abraham a Santa Clara more than once flew into a passion over Viennese gormandizing. He was not surprised, he said in one of his sermons, that house and farm were so often ruined because of the owner's overeating and that the noble soul was suppressed by the fat paunch.

DAYS OF SPLENDOUR. Splendour and luxury reached their climax in Austria in Leopoldian times, under Karl VI, under Prince Eugene and during the days of the Vienna Congress. Table decoration was a special feature of every official banquet. Fantastic shapes in sugar-icing, arabesques, ornamentation and groups of merry figures were the fashion in the days of great court banquets. The arrangement of the dishes competed with the table decorations; roasted doves and chickens, for instance, would be grouped about a pelican made of baked bread. 264 252

In this decorative period, they went so far as to produce gilded sucking-pigs. Astonishing pastry ships were filled with fruits of marzipan: the latter are still popular today. At other times table fireworks competed with disguised foods and artistic creations such as statues, fountains and castles of edible materials. Many confectioners of the period were trained sculptors.

The most luxurious days for the city were those of the Vienna Congress. Entertainment at the Imperial Court cost 50,000 gulden a day. The wealthy Austrian aristocratic families gave banquets to as many as 700 guests at a time, one day in the week being reserved for such brilliant affairs. 648 574

The so-called table d'hôte was never a success in Vienna. To these "Landlords tables" a certain number of people came at a fixed hour in order to partake of a meal which was served to everyone simultaneously at a fixed price. He who could eat quickest with the smallest regard for others was at an advantage, but as the Viennese dislike haste at mealtimes, the tables d'hôte were little patronised. 265

Apart from the customary eating-houses, there were also what were called the "tracteurs". Here one could eat at any time between eleven a. m. and three p. m., lunch costing up to a gulden according to what was chosen. The customers were drawn from a wide range of social classes. The manager stood in the middle of the room like a major commanding his troops and gave his orders to the waiters. The eaters sat packed together like sardines, gulped down their food and were quickly replaced by others.

In biedermeier times the middle classes lived most of their lives at home in the bosom of the family, where they also entertained guests, and took little interest in appearing in public. For this reason their history is bound up with family tradition. Their way of life and customs inspired an art style which embodied and preserved 565 593

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side by side with clerks. The Viennese goes on his way untroubled and finds his own pleasures. If he feels hot he takes his coat off, if he has an itch in his legs he dances, if he likes the look of a girl, he courts her; if he feels he wants to drink, he drinks. He is always human, always without embarrassment, a quality which he has saved from the wealth of imperial days and preserved for these days of impoverishment."

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252 mended first. Freshly caught trout accompanied by just the right wine provide an excuse for a Sunday excursion to Heiligenkreuz. The best Danube fish can be eaten in Fischamend behind the "Alte Tor". The women have their favourite confectioners to which they find their way to or from shopping as a matter of course.

You can be fond of Vienna cooking and still like the culinary specialities of the Provinces. In mountain farms meals have naturally to consist as far as possible of produce of the farm. In the morning and the evening the farmer usually has a soup made of sour milk and flour, with which black bread is eaten. At midday he has dumplings with cabbage or pickled swedes. Smoked meat or pickled pork is only eaten on Sundays.

The more well-to-do farmer is fond of boiled beef. He also eats many kinds of sweet or salt puddings such as dumplings, maccaroni and so on. On festive occasions there is usually a luxurious spread, dishes baked in lard being a staple food. At such times there are "Krapfen", "Schneeballen", "Polsterzipfe" and so on. At Christmas they often bake "Kletzenbrot", containing many kinds of fruits.

In the Burgenland cabbage strudel is very popular. The "Schöberl" has always been a great favourite. This is a mixture of flour, milk and eggs, poured into an earthenware bowl, which is gradually filled with hot lard in ten or twelve layers each one finger deep poured in at short intervals. 252

The "Baumkuchen" or "Prügelkrapfen" of Lower Austria, the "Schnürkrapfen" and the "Schmerstrudel" are indispensable at such festivals as weddings, dedication of church bells, church festivals generally and christenings.

Upper Austria has won fame in the Austrian cuisine with its "Linzertorte" as well as with its Linz pastry and the "Traunkirchnertorte". The "Reinanken", a fish netted in the Salzkammergut lakes, is well-known. The "Schwarzreiterl", a special type of lake char from the Gosau Lakes were once reserved for the Imperial family and were therefore supposed to be a particular delicacy.

Salzburg was formerly famous for its "Salzburger Zungen". Nowadays every visitor tastes the delicious soufflé called "Salzburger Nockerln" before his departure. "Mozartkugeln" are a special kind of sweet which is attractively packed in Salzburg and makes a charming present.

"Green Styria" excels in the preparation of "Sterz" (rather like the Italian polenta) and of various dishes made from maize. Foreigners prefer Styrian chicken and mutton, which are a speciality in Austria.

In addition to the Tyrolese "Gröstl", which is an everyday dish, there are a number of sweets in Tyrol which are popular delicacies—the "Hupfauf", a fine pudding, the "Schutzauf", a dish of curds, and the "versoffene Kapuziner", made of rolls, wine, almonds and currants.

The "Kärntner Reindling" replaces the "Guglhupf" in Carinthia.

If someone puts aside a rich menu and calls instead for "Kässpätzle" or "Bodenseefelchen" it is sure to be a frugal Vorarlberger.

VIENNA RESTAURANTS. During the Thirty Years' War, manners deteriorated, the inn parlour re-echoed to the jargon of the streets or the brawling of mercenaries. The end of the 17th century saw an attempt made to curb rough manners. France was the first country to establish stiff forms of etiquette, which gradually spread over the frontiers. Inns slowly developed something like comfort, although visitors still whistled for the serving boy through their fingers instead of ringing a bell. 485 576

In the era of pastoral romance, the inns became really popular. Princes used them to give informal costume feasts in the gallant manner; "Wirtschaften" were held where even emperors and empresses appeared as host and hostess, while the rest of the court either acted as servants of the inn, or played the rôle of visitors. Incidentally this obviated disputes about precedence, which made everything more comfortable. In 1698, Peter the Great stayed incognito at the Vienna Court, taking part in a "Wirtschaft" which was arranged in his honour, disguised as a 000

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● 257 the addition of a jam filling. A Krapfen broken in half and given by a girl to the young man with whom she was in love was considered as a token of engagement. In Vienna there was many a well-known Krapfen house, and during the carnival period of 1815 alone, eight to ten million Krapfen were eaten.

Another simpler home-made sweet of which Vienna has made a speciality is the Zwetschkenknödel, or damson dumpling. Once when Prince Metternich sat deep in conversation with the Czar Alexander I and Talleyrand, the Ambassador of Saxony thought they were having a highly political discussion. Softly and quietly he approached, all ears. He was greatly disappointed, for the Austrian Chancellor was explaining to his eager listeners the recipe for the original Vienna "Zwetschkenknödel".

Apart from these damson dumplings, in which the damson is enclosed in a paste made from finally mashed potato or flour, dusted with golden-yellow roasted breadcrumbs, and afterwards served warm and covered with castor sugar, there are many other kinds of Knödel, perhaps the favourite being the juicy apricot Knödel.

A combination of pastry and fruit is a favourite type of sweet served in Vienna households. There are, for instance, the Apfelstrudel of flaky pastry and luscious filling and the Cherry Strudel. The best of all strudels, however, is Cream Strudel with a filling of sweet curds, cream and currants which must surely appeal to every palate.

We are indebted to Metternich for a further speciality, the "Sachertorte". The story goes that at a special banquet, the prince wished to give his guests something absolutely new and of exquisite delicacy for the occasion. This founder of the House of Sacher then created that cake which has since then gone triumphantly round the whole world. The guests of the Prince were as delighted with the cake as are its countless admirers still today. Shipments have been sent by 'plane to England, America, India and even to Japan. The Sachertorte has won premiums as a supreme Vienna achievement at countless international exhibitions of cooking. It is as much at home on the royal table at Buckingham Palace as it is at a ceremonial dinner of the President of the French Republic or in the cunningly-devised menu of an Indian Maharajah. This cake is a well-planned composition and none of the attempts to imitate it have been successful. Form and colour are characteristic. Its flavour is delicate, blended, mild, not too sweet; it is not too soft, not too dry and not too spongy. It melts on the tongue and has the great advantage of

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INDUSTRY

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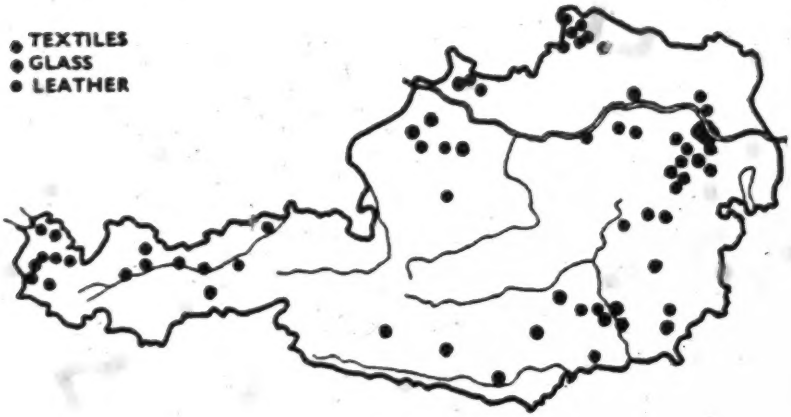
- TEXTILES
- GLASS
- LEATHER



INDUSTRY

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- TOBACCO
- SUGAR
- BEER

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000 Food is not, as ascetics proclaim, just a means of prolonging a puritan existence. Far from it. Feeding—the exquisite pleasure of absorbing nourishment—is a very intimate part of the most important and the most pleasurable experiences of life. Manners and costumes associated with eating often give a faithful picture of a whole epoch, reflecting the various stages of its development whithout artificial gloss or sham. The standard of cooking and table manners reveals human—or all too human—characteristics, both of individuals and of races.

In Austria—as you will already have noticed—everything dates a long way back, the most modern things originating at the latest in the days of Maria Theresia. Very much dates back to Leopold, the saintly Babenberg, and even to the Romans. Gastronomy, the art of the epicure, goes back to prehistoric times, for in Vienna the fact has never been overlooked that taste is the first sense to awaken and the last to fade. Literature expresses its universal importance with the words: Eating is life intensified.

181 The words "Wiener Lebensart"—the Viennese manner of living—implies first of all a cultivated appreciation of all the pleasures of life—something which the non-Viennese may dismiss as self-gratification. The Viennese know how to interpret gratification, and find in it nothing derogatory. On the contrary, delight in pleasures of the senses, a desire to enjoy the good things of life contribute towards creative achievement. These things are the inexhaustible source of the Austrian people's artistic gifts, the primary urge to stretch out one's hand towards violin or palette and brush. From them arise the vagaries of fashion, the inspired variations of applied art and that style of living and being which the ancestors called "the life of the Phaeaces".

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But let us approach the important subject of gastronomy with a respectful obeisance to bygone days:

262 A HERITAGE FROM GODS AND ANCESTORS. One can hardly speak of a culinary art prior to the arrival of the Romans and the Germanic tribes in the country, for the Celts were very primitive eaters. Their food consisted of very little bread but plenty of meat, which was boiled in water or roasted on a spit.

●261 From the Teutons two principles have been handed down unaltered—that nothing should be begun on an empty stomach, and that the famous Teutonic hospitality 574 was a first duty. As Tacitus says in his "Germania": "No other race is so eager

261 to offer unlimited entertainment and hospitality. For these people it is wrong to
574 close one's doors to anyone, no matter whom."

Early Austrian guide books praise Viennese hospitality in the same way. The Viennese, according to many later accounts, were always fond of eating and drinking, especially in public places such as the Prater, Schönbrunn or the Augarten, a fact which earned them among foreigners the reputation of being heavy eaters. It was also their custom always to cook something special for the guest and to feed him lavishly.

261 But to return to the ancients. The Roman way of life had a greater influence on the stomachs of the Viennese than did that of the Teutons. In ancient Rome eating was a science in which delicate tastes were combined with unlimited luxury. Over the city on the Tiber hovered the spirit of culinary art. According to Plutarch, Caesar understood how to plan banquets with as much care and forethought as battles. Horace and Ovid reveal to us great interest in food and drink, refined by poetry. Ovid describes how a young man dipped his fingers in red wine during a feast in order to write a declaration of love on a small table. The feasts of Lucullus are still proverbial today and the gluttonous orgies of the parvenue Trimalchion are known to us through the tales of Petronius. Many a Viennese may have felt a spiritual bond with Cato as he repeated with a sigh his complaint: "How hard a thing it is to try to talk to one's belly, which has no ears to hear."

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Lettuce was sacred to Aphrodite because she once hid the new-born Adonis among lettuces. To the Greek gods salads came third among their favourite foods, following nectar and ambrosia. Viennese cannot have forgotten this, for in the preparation of this olympic dish they employ qualities required by other favourites of the gods, the poets—imagination, perseverance, instinct and the gift of composition.

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000 Food is not, as ascetics proclaim, just a means of prolonging a puritan existence. Far from it. Feeding—the exquisite pleasure of absorbing nourishment—is a very intimate part of the most important and the most pleasurable experiences of life. Manners and costumes associated with eating often give a faithful picture of a whole epoch, reflecting the various stages of its development whithout artificial gloss or sham. The standard of cooking and table manners reveals human—or all too human—characteristics, both of individuals and of races.

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262 Among the many berries in Austria the strawberry is highly prized as a table delicacy and is known to the world as "Schöne Wienerin". The Viennese safeguard themselves against the rash which some people get after eating them by adding *Schlagobers*—whipped cream. A special attraction for eye and palate are the little yellow boats made of pastry topped by whipped cream, thickly sown with wild strawberries.

Soup, supposed to have been the first food of the giants, has always been a favourite dish in Vienna. Such a variety of soups developed from the original soup which was made from bread, that in the year 1300 monks were forbidden to eat more than one kind of soup on a week-day.

The goose, honoured in Roman legend as the saviour of the Capitol, became St. Martin's bird in the Christian era. Roast "Martin's Goose" on November 11th is a special festive dish today in the Burgenland.

A glance at the history of sweetmeats is specially interesting in reviewing the Vienna cuisine, for what would this be without Vienna pastries! According to Pliny the Romans first obtained sugar cane from Arabia. Before that, honey was used for sweetening. The Crusaders rediscovered sugar-cane near Tripoli and brought it to Europe, but cane sugar had a long and expensive journey to make, and was therefore very costly and beyond the reach of most people in the 14th century, twenty pounds costing as must as a Ford car nowadays. Consequently, sugar in the Middle Ages was used almost exclusively in chemists' shops for medicinal purposes. Confectioners did not yet exist. It was the Emperor Maximilian I who brought the first sugar-blower to his Court in 1514.

Salt on the other hand, symbol of hospitality, was found in profusion in Austria.

000 COOKING IN THE MIDDLE AGES. The great gap which we find between the complicated cooking recipes of Apicius, the Roman epicure in the third century, and the first records of the 13th century can only be bridged by isolated references and incomplete accounts. In general, the culinary art deteriorated seriously during the Middle Ages. Stale bread, smoked fish and beef formed the staple food of the knights. The great thing was that enormous quantities should be served. It must have been exhausting work walking about encased in iron on badly paved streets, swinging the two-handed sword of battle and heroically dealing with one horrible adventure after another. The ostentation at wedding feasts contrasted strongly with the simple meals of everyday life. A detailed description of the former is given by the historian Ottocar v. Horneck in his account of the marriage of King Belas of Hungary to the niece of Ottokar of Bohemia in the year 1264. He says: "There was indeed more than enough. The Danube was scarcely able to bear the ships heavily laden with food, and many a container burst under the pressure of its contents." Elsewhere he speaks of bread to the baking of which went a thousand bushels of wheat, and of wine enough for the inhabitants of two countries.

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side by side with clerks. The Viennese goes on his way untroubled and finds his own pleasures. If he feels hot he takes his coat off, if he has an itch in his legs he dances, if he likes the look of a girl, he courts her; if he feels he wants to drink, he drinks. He is always human, always without embarrassment, a quality which he has saved from the wealth of imperial days and preserved for these days of impoverishment."

VIENNA SPECIALITIES: Many foreigners have believed that Austrian cooking is the best, the most nourishing and the most piquant. The English are content with roast beef, the French with roast mutton, ragout or a few pies, the Italians with stracchino and spaghetti. Russia has her nourishing herb soups with meat balls, the Hungarian his paprikagulyas, the Dane his buckwheat and cream. But the Viennese is interested in the multiplicity of the dishes. On great occasions he expects to see every bird from blackcock to pigeon, and every fish from trout to tunny on the festive board. In Viennese cooking the condiments are not emphasized and meat is served more à la nature. The Englishman is fond of Worcester Sauce, the Hungarian of red paprika, the Frenchman favours various spices and mayonnaises, but the Viennese prefers the natural taste of the meat. The Viennese cuisine also knows how to combine the favourite dishes of all these nations in its menu, for Vienna has learnt the art of international cooking.

Among the bakers' specialities the first to be mentioned must be the Vienna roll. These have a history, for the Emperor Friedrich IV had the first rolls of the type called "Semmel" baked in 1487 with his portrait stamped on them, and gave one to each of the children who were called together in the city moat. Since then, the rolls have born the name of "Kaisersemmeln". Two hundred years later the "Kipfel" was baked in the crescent form of the Turkish sabres, being at first called "Mond" and later "Gipfel" (peak) after the spire of the Stephansturm which in those days carried a crescent at the top; the soft letter "G" was later changed to the crisp-sounding letter "K". The Vienna Bretzel also made its appearance about this time and was gradually followed by the salt "Stangerl", the "Giraffeerl", the "Schnecken" and the brioches. 256

Another Vienna speciality is the Vienna "Faschingskrapfen" (a glorified doughnut). This was invented in the year 1615 by a luxurious confectioner named Cäcilie near the Peilertor, where the Naglergasse now runs. In those days it was called "cillikugel" in her honour. Not until thirty years later was it improved through 257

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APRÈS SOUPER: The Austrian has thought out variations and combinations of food and drink and developed his own customs and habits. The first principle of the Vienna cuisine is that only the best ingredients should be used, and never substitutes. Although the rural inhabitants of the Provinces may conservatively adhere to the saying "What the peasant does not know he does not eat", the Viennese always was and still is willing to accept all good things which come from any part of the world, altering and adapting some of them to his own tastes. This chimes with their motto "Live and let live". 262

Even during the hard times of the war, the Viennese woman spent a commendable amount of trouble on the kitchen. Love of cooking and good taste enabled her continually to ring the changes at table, even when raw materials were most sadly lacking. Even though it seemed as though the days of éclairs with whipped cream, the cream fingers, the "baisers" and the cream horns had never been, there was still some kind of sweet on Sundays.

The Viennese housewife decks her board with artistry and good taste. It speaks of light-hearted friendliness and smiling festivity. The menu is free from the sort of vulgarity which rattles the money bags even at mealtimes. New ideas come

262 to enliven the meal, and consideration for each individual guest creates the right atmosphere. Sensitive tact is the maitre d'hotel, and tact is a quality which the Viennese woman enjoys instinctively from birth. A guest in a Viennese house feels himself surrounded by comfort and well-being and there is nothing to make him consider how much trouble work and thought have been employed to produce this apparently effortless result.

The Viennese woman of yesterday, of today and of tomorrow provides the right framework for the popular saying: "Food keeps body and soul together."

000 Dear friends, before you travel to Italy to see Naples and die, come first to Vienna to enjoy life happily and comfortably a little longer.

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In the 15th century, Vienna cooking was considered to be among the best in Europe, and when the Viennese went to war, he took his best cooks to camp with him. The doughty Capuchin monk Abraham a Santa Clara more than once flew into a passion over Viennese gormandizing. He was not surprised, he said in one of his sermons, that house and farm were so often ruined because of the owner's overeating and that the noble soul was suppressed by the fat paunch.

DAYS OF SPLENDOUR. Splendour and luxury reached their climax in Austria in Leopoldian times, under Karl VI, under Prince Eugene and during the days of the Vienna Congress. Table decoration was a special feature of every official banquet. Fantastic shapes in sugar-icing, arabesques, ornamentation and groups of merry figures were the fashion in the days of great court banquets. The arrangement of the dishes competed with the table decorations; roasted doves and chickens, for instance, would be grouped about a pelican made of baked bread.

In this decorative period, they went so far as to produce gilded sucking-pigs. Astonishing pastry ships were filled with fruits of marzipan: the latter are still popular today. At other times table fireworks competed with disguised foods and artistic creations such as statues, fountains and castles of edible materials. Many confectioners of the period were trained sculptors.

The most luxurious days for the city were those of the Vienna Congress. Entertainment at the Imperial Court cost 50,000 gulden a day. The wealthy Austrian aristocratic families gave banquets to as many as 700 guests at a time, one day in the week being reserved for such brilliant affairs.

The so-called table d'hôte was never a success in Vienna. To these "Landlords tables" a certain number of people came at a fixed hour in order to partake of a meal which was served to everyone simultaneously at a fixed price. He who could eat quickest with the smallest regard for others was at an advantage, but as the Viennese dislike haste at mealtimes, the tables d'hôte were little patronised.

Apart from the customary eating-houses, there were also what were called the "tracteurs". Here one could eat at any time between eleven a. m. and three p. m., lunch costing up to a gulden according to what was chosen. The customers were drawn from a wide range of social classes. The manager stood in the middle of the room like a major commanding his troops and gave his orders to the waiters. The eaters sat packed together like sardines, gulped down their food and were quickly replaced by others.

In biedermeier times the middle classes lived most of their lives at home in the bosom of the family, where they also entertained guests, and took little interest in appearing in public. For this reason their history is bound up with family tradition. Their way of life and customs inspired an art style which embodied and preserved

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593 the emancipation of the self-supporting woman later than those of other countries, she early became the unchallenged and particularly respected representative of a well-defined and charming type of culture in the family, the home and in her salon. The average middle-class woman in Vienna has always lavished her imagination, her good taste, her emotions and her love on the home and its cultured atmosphere.
264 The famous Viennese "Gemütlichkeit" (comfort) is eternally to her credit. This was not difficult for her to achieve in the days of plenty, but she has the art of lending the poetic touch to the simplest meal. A snow-white tablecloth, a tasteful vase with flowers, an old china service, the dainty mat for a wine bottle and a touch of greenery as decoration can make the plainest meal attractive. Or the cobwebby teacloth of the Vienna Jause (tea table) with the hand-painted biedermeier cups, the charmingly arranged flowers, the sugary white and crisp "Guglhupf" (a sort of sponge-cake) in the centre and the aromatic coffee combine to bring a welcome break in the daily round.

265 This is also the reason why the restaurants in Vienna are less frequented than in other big cities. The stranger who remains more than a week in Vienna looks for private lodgings. If he is a man of name and position he soon finds acquaintances and free board. It was the custom when making a longer stay for a visitor to rent a room for the month and to eat only in restaurants.

511 In Vienna everything was cheaper than in most other cities. Karl Julius Weber wrote:—"Where is the great city where a philosopher may live so pleasantly for such a small sum of money and a man of the world can enjoy the fashionable world for an expenditure of 3,000 to 4,000 gulden? In any case one can live in Vienna twice as well as elsewhere with half as much money."

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Friesland farmer. The Emperor Leopold served him wine in a costly crystal chalice, begging him to accept the latter as a gift.

In the year 1678, when Prince Johann Georg of Anhalt-Dessau appeared at such a Wirtschaft at the Vienna Imperial Court in the guise of a Dutch sailor, Emperor Leopold toasted him with the words: "Since I believe that nobody knows more about the wind than a Dutch sailor, I drink his health with the wish that the wind may be favourable to the Roman Empire, to my House and to yourself, in accordance with whatever you may desire."

All royal personages, male and female enjoyed taking part in these Wirtschaften. A lot of thought went to devising the menu, and amusing ideas were often introduced into it.

265 The oldest eating house of Vienna is supposed to be the Griechenbeisl on the Fleischmarkt, dating back to the year 1500. If one drank more than two glasses of beer one had to keep the reckoning by laying the appropriate number of matches on the table; some had quite a little pile to show before the evening was over. Even the "liebe Augustin", the forerunner of the public singer who was himself born at Vienna in 1643 as the son of a tavern keeper, played the bagpipes there and sang there his famous tragi-comic song:

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"O, du lieber Augustin, alles ist hin . . ."

It is a far cry from him to the "Schrammelmusik" and beyond to Girardi and his immortal carriage song. The Matschakerhof, which is also mentioned in the 15th century, is about as old as the Griechenbeisl.

During the Vienna Congress the attachés of the various Powers met regularly for lunch at the hotel "Kaiserin von Österreich", which soon received the name of "Diplomatenbörse" (Diplomat's Exchange). The table reserved for them in this hotel was called the "Chronicle of Vienna". Here confidential cabinet questions were discussed during informal conversations and events of the day talked over of which the Press only learned very much later.

"Die drei Hacken", later called the "Römische Kaiser", was adjudged Vienna's most exclusive tavern in Congress times. Unfortunately it no longer exists. On its site stands the building of an insurance company in the Renngasse.

The Hotel Sacher was frequented by members of the Austrian court and aristocracy. In its garden, the old Austrian uniforms struck the dominating note. The hotel's exquisite cuisine was renowned; the owner, Frau Anna Sacher, was a well-known figure in Vienna. Like Danish women, she smoked cigars, not little cigarillos but big, fat cigars. She had the gift of making all her guests feel at home and well understood how to flatter the peculiarities of each one, to satisfy every wish and to remember a guest's favourite dishes. Sachers, because of its distinguished clientèle, became the first hotel in Vienna, and was often the scene of meetings which decided the fate of Europe. The diplomats of the whole world were numbered

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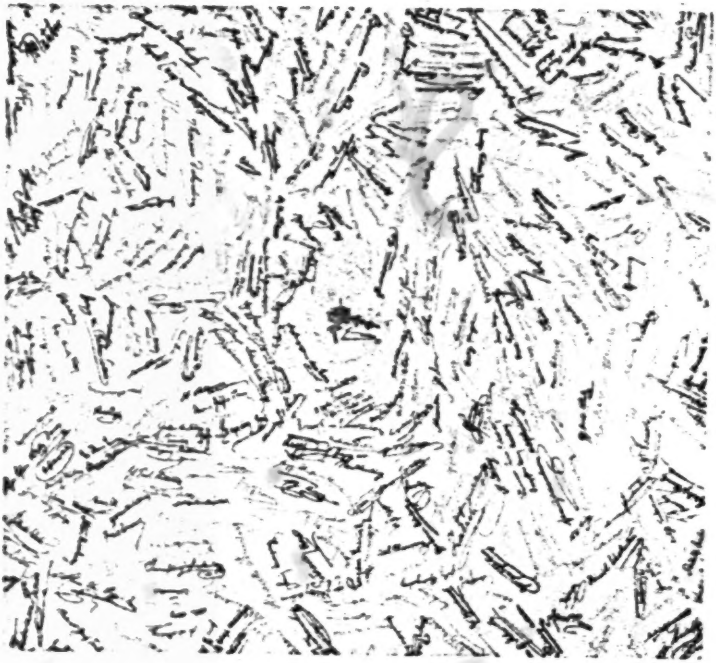

Vienna. Hotel Sacher: the "Signature Table Cloth" with the names of famous personages.

among its guests. They still show the menu there which the unhappy Crown Prince Rudolf wrote out himself for a dinner he ordered there a few days before his death: Oysters, turtle soup, lobster cotelette à l'Americain, blue trout with Venetian sauce, ragout of quails, French poulard, salad, cheese. To drink with it he ordered Chablis, Mouton-Rothschild, Röderer-Crystall and Sherry Superieur. The famous tablecloth which served as a guest-book is a treasure of the House. More than 140 of the most distinguished guests have recorded their signatures here. These autographs on a white damask cloth were embroidered by Anna Sacher herself. 265

Franz Schubert used to frequent the "Ungarische Krone". A circle was formed there which was called the "Canevas Society", because Schubert's constant question

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on entry of a newcomer was: "Kann er was?" ("Can he do anything?") To this circle belonged Schwind, Schnorr, Bauernfeld, Lachner and others.

The Prater restaurants are peculiar to Vienna. Some of them rank as "noble establishments" because of their higher prices. Prosperity first came to them when the "Blumenkorso" was instituted in biedermeier times. When people are happy, they generally behave well; in Vienna the contrast between grinding poverty and great luxury is not so sharply defined as in most other cities. The Vienna Prater offers happiness, recreation and comfort to all classes. An ice-cream at the Eisvogel, a cup of coffee in the Sacher Pavilion or a bite at the Lusthaus was always within the reach of many.

On the left hand side of the main avenue of the Prater, coming from the City, you see one coffee house after another. What the poet Adalbert Stifter wrote of them in 1844 is still true: "From each of them comes the strains of music. Under the trees are many thousands of seats filled with people in their best clothes. There is a laughing, a talking, a clinking of glasses, and before the eyes of the crowds the elegant carriages roll along the avenue, which stretches away with no end as far as the eye can see."

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Vienna is very well off for cafés. It was from Vienna that coffee set forth on its conquest of the world. In 1683, after the city had been liberated from the Turks, large quantities of coffee beans were discovered which the invaders had left behind.

The Pole Kolschitzky, who had done valuable work during the siege, was presented with the strange beans as a reward. In a house which was placed at his disposal for the purpose he opened the first coffee house called "Zur blauen Flasche".

Vienna has always cherished the old Arabic saying to the effect that coffee must be black as night, sweet as love and hot as Hell. Coffee house life sprang quickly and definitely into being. To the question

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Aschach-on-the-Danube.

Austrian wine-growing. The green grapes on the sunny walls of many a farmhouse seem to be dreaming of these bygone glories. To-day, the mugs in the "Bauernstuben" ("Peasant Parlours") and the glasses on the inn tables are no longer filled with wine, but with the cider and perry from apples and pears which in late summer lie in great heaps before the old home presses, richly carved and decorated with mottos. The Upper Austrian is a great drinker of cider in pauses between his warm work in the fields, and at "Jause" (tea time), in cool, paved rooms or in the shade of an inn lime-tree in summer.

The wooded charm of the mountains lining the Danube Valley strikes an ever more solitary note. The hills and cliffs twist the ribbon of the river into loops until at Schlögen it makes a great bend around the foot of the mountain on which stand the ruins of Haichenbach. Next come the villages of boat-builders; further upstream we see on high ground the market church of Engelhartszell on the right bank, near the Bavarian frontier.

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IN THE INNVIERTEL.

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Rich harvests are usual in this part of the country. The four-square farms nestle comfortably and with an air of independence in the rich fields. In the stables, side by side with the long row of sturdy cart-horses are fast trotters, which draw the farmer and his wife on cross-country trips, or when they enjoy the hospitality of a wedding feast in some neighbouring village. Baroque church

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"where?" the Viennese soon had no other answer than "in the coffee house!"

"Where can I speak to you?" "From where can I pick you up by car?" "Where can I play cards—or billiards?" "Where can I dodge a curtain lecture?" "Where is the latest news to be found?" "Where can I start a club?"—The Viennese answer to each is "in the café". In course of time every class and group acquired its own coffee house. There were cafés for young men, artists, pensioners, ladies, bohemians and many others.

In the café lies illusion, and the smallest illusion is capable of making the Viennese happy. Coffee has actually become the favourite drink of the Viennese since 1683. It is a drink which they know how to prepare deliciously at home as well. The Vienna coffee house has developed in so many directions and become so unique that it has become almost an article of export—the Vienna "Stammcafé!"

You are not limited to ordering an ordinary cup of black coffee. Far from it. For the initiated there is a whole catalogue of variants. There is black coffee with or without whipped cream, the "Einspänner", the "Melange", the "Kapuziner" a "cup of gold" or a "cup of nut-brown" coffee. With these a "Kipfel" may be eaten to bring out the flavour. A glass of water is always served at the same time and the glass is refilled gratis innumerable times when the customer has ceased to order anything to be put on the bill. You sit at a small, marble-topped table, surrounded by well-dressed people. In the café as on the street outside, the picture is lively and colourful. If you wish to read there are any amount of newspapers and magazines available, as well as fashion journals and art periodicals. Just by ordering a cup of "Melange" and a "Kipfel" you acquire the right to sit there for hours if you will.

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Franz Schubert, who could not do without coffee, often made it for himself at

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home, humorously naming his small hand coffeegrinder the home of his Holy Spirit. He swore that the best ideas and tones came to him through the monotonous noise of grinding coffee beans, instancing his D-minor-quartette. Beethoven's approved recipe for coffee was sixty beans to a cup.

After a time, chocolate was also served in the coffee houses. When Fernando Cortez landed in Mexico in 1519, he came across the drink of the native inhabitants. This was served ceremoniously in golden cups at the court of Montezuma, the last of the Aztec rulers. The doctors of Europe were of divided opinion concerning the cocoa bean, its oponents being in the minority in Vienna. In 1694 the Vienna Professor Rauch was bold enough to criticise chocolate unfavourably. As a result he lost his position and his book was destroyed. The Viennese stand no nonsense when a culinary addition is called in question.

The lemonade booths were a later development. They were most in demand of course in the summer months and were well supported by women. They were tents set up in public squares where lemonade, "almond milk" and ice-creams were sold. They sprang up on the Graben and Am Hof, on the Bastei, at the Kärntnertor and on the Neuer Markt. In good weather they were sometimes patronised—lover's whispers on summer nights and by bright moonlight—until the dawn.

273 For the men there were wine-cellars and "Heurige". Austrians drink more than some other races because they eat more, but they are no drunkards. At

273 Along the roadside, steep steps below protecting arches amidst trees and overgrown with brambles and bushes lead down into the wine cellars. On a holiday, many old hands return gladly to the place they were once so eager to leave. One hears familiar salutations—"Grüss Gott, Herr Professor"—"Servus, Franz"—"Servus, Schani".

Such greetings empress the brotherhood of those who work amidst the vines, a comradship which seldom dies. However distinguished the position some of them may have attained in the great world beyond, they are glad to return to the comfortable corner seat which was theirs of old—perhaps the more so because it is now unfamiliar. You could do worse than find such a corner yourself one day.

The white candle sputters and drips, held in a black iron spiral, as its gold-tipped flame lightens the surrounding shadows. Glasses hanging from the rough hooks of the black-wood glass-rack, reflect delicate or brilliant hues. The landlord, coming from the barrel with a brimming wine-siphon, takes them down one after the other and lets the thin stream of wine run into them, fragrant with summer, foaming and bubbling. As the traditional toast—"Gesundheit!"—"Good Health!"—goes around, one might think it the password of some secret society.

Day fades unnoticed into night as tongues are loosened and secrets shared. The wine and the earth which nourished it establish their rule over the hearts of men. *In vino veritas*—the inner soul of men, be it good or bad, reveals itself in words while the world beyond is wrapped in silence. Whatever the sounds of the street outside, they fail to penetrate into this roadside cave. Emperors and kings, battles and epochs cease to count. The world is that which lies within the orbit of the flickering candles. Here village school-teachers, priests, professors, doctors, their fathers and their brothers are one!

361 For many, Retz is the fairest town of the wine country. Here, during the dark days of the Thirty Years' War, the first Austrian hymnal was put together; it enshrines the soft and moving lyrics of Mediaeval German. That which Stifter's "Nachsommer" (Indian Summer) expresses in words, is told in stone in the beautiful municipal square of Retz. Below the square and under the houses lies cellar after cellar. In some of them you could drive with a carriage and pair. Above towers and crenellated walls, on the way to the forests higher up, stand two stately windmills, solitary and lovely, with no fellows in all Lower Austria.

133 IN THE MARCHFELD. You once stood day after day as the tireless lark filled the blue heavens with his song, while the great world stirred like a strong man awakening from a sound and refreshing sleep. This world seemed to be one vast wide-stretched field of green and brown, bounded only by the blue-forested Bisamberg and the Carpathians. Between these two were fields of pale, shimmering corn or misty plough-land. Above all arched the mighty dome of the skies.

Up in the Leithagebirge, near the village of Winden is the Ludlloch, a place where, according to the evidence of human remains discovered there, cave men and cave bears lived in the time of the later Stone Age, i. e. 6,000 or 7,000 years ago. Unfortunately there is no menu of the times extant, and it is therefore uncertain whether the cave men eat the bears or the cave bears the men. But as there are considerably fewer bears than men in the Burgenland today, it may be safely assumed that the bears headed the list of table delicacies.

The Burgenland is not unfamiliar with the question of land reform. Should the great estates be preserved as grain producing property or should homes be found for thousands of people in new villages? There are arguments on both sides.

A farm is a book of wisdom. The Burgenland owes its fertility to the hard working hands of its farmers who never neglect their soil, and who meet all their trials with placid good humour.

Although nine-tenths of the Burgenland is devoted to agriculture and forestry, it has over 200 industrial undertakings. There are saw-mills, wood-carving centres, parquet-flooring

gleaming pools lie generally 133
beneath heavy masses of clouds whose great shadows move constantly over the inhabitants, houses and flowers. St. Andrä near Frauenkirchen is the place which has a climate in summer similar to that of the Egyptian Helwan. Here, as on the eastern 245
shores of the Neusiedler Lake, flourish almond trees and other plants usually only to be found in the South. Between the lake corner and the heath district lies a strip of specially favoured countryside, one of the chief Burgenland wine districts, with its centre at Gols and Weiden.

The tourist may now find it hard to make a decision: what should come first? Here beckons wine. Ochre yellow is the earth which produces it. Blue shadows toy with every shade of green, that of the firmly tied vines and that of the serrated, dull-surfaced leaves. Soon the glasses 273
sparkle with Ruländer and Furmint, Welschriesling and Blaufränkisch and other famous vintages.

Above the water a silver heron sails 136
majestically through the air, reminding us that the shores of the Neusiedler Lake are unusually well-stocked by nature with wildfowl. In the reed belt surrounding the lake live the grandest varieties of herons; here you also find nests of the bustard, willow-wren and bearded titmouse—a colony of birds such as can be seen nowhere else in Austria. When a flight

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a meal good wine increases the pleasures of the palate, ensuring the thorough digestion of lunch before dinner time comes along. In the 18th century it was the custom for every host to keep a wine list for his guests to choose from. This furthered ambition so that there were houses in Vienna where eighteen to twenty varieties of wine were held in readiness for guests.

YES, THE WINE! Just as the Austrians vary in type according to whether they come from Graz, Linz, Salzburg, Tyrol etc., so does the wine vary. In this Austrian wine scores over most foreign wines. Within the wide choice it affords, every taste can be satisfied. From the light, full-flavoured or the rather sour and thirst-quenching wines to the high-grade *premiers crus*, there is a whole gamut of excellent vintages always ready to satisfy the most exacting demands as to quality and bouquet. As the Viennese combines in himself the qualities of all Austrians, so is Viennese wine typical of the whole country. It embodies the magic of the flowers and the strength of the mountains. Few are privileged to understand and appreciate to the full the multiplicity of often very subtle differences between the various growths. Not to everyone who drinks it does the wine reveal all its soul, all its intimate secrets. It calls for wooing, for a testing; it demands of its devotees love and reverence of tongue and palate.

The vineyards of the country are older than the name of Austria itself. When the transport of wine from Italy for the use of the Roman legionaries on the Danube became difficult, the Emperor Probus lifted the ban on planting vines in the Roman provinces. Then the first vineyards came into being on the sunny hills lining the military road from Aquileja to Carnuntum and on the slopes of the Wienerwald. Subjected like all else to changing history, grape-growing flourished afresh under Charlemagne. The priories and monasteries, the monks of Passau and Salzburg tended the vineyards with loving care. Thanks is still due to them for this today!

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Even in the times of the Babenbergs Vienna was surrounded by a ring of green vineyards. In the 14th century, 18,000 candles per year were used in the Seitzerkeller, below the Tuchlauben. A chronicaiist records at the beginning of the 15th century that gathering the vintage in Vienna lasted for fully forty days and that 500 carts laden with grapes were driven into

renown of Austrian wines far beyond its frontiers.

The Styrian and South Styrian wines have an entirely different flavour. Here one again meets famous names—Schilcher, Portugieser, Sylvaner, Welschriesling, Weissburgunder, Traminer, Muskatsylvaner and Weissklevner.

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A glass of beer on the way home during the warmer months is still the most popular drink. Any genuine Wiener would sooner risk getting the round paunch of a beer-drinker than deny himself this pleasure.

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Likenfeld.

245 from afar, so that approaching farm waggons can draw aside wherever the track widens to let the neighbour's laden cart go past.

274 The wine cellars are spacious. Not every wine-grower has a house for himself and his family, but all have storage room for barrels and utensils. A real wine district numbers more wine-presses than private dwellings. They are to be found in dry and narrow valleys, looking from a distance like compact villages.

The wine-presses are built against the mountain, steps leading up to them through meadows and bushes. Above them sway acacias, lime and chestnut trees and elderberry bushes. Beneath their shade the children find a pleasant spot for play and games.

To the song of the wine-mills the dull gold juice runs off the pressing-board, guided downwards by pipes and wooden conduits. The youngest apprentice drives up the cart with its tubs of grapes and goes back for more. The landlord and his men press them until nearly midnight. It is difficult work, toying with giant forces and needs to be understood. The great, dark press groans in all its joints when the massive stone rises, swaying, and the slender bars, taking the enormous pressure, crack and snap ominously with the noise of rifle shots. Below in the cellar drifts a ghostly mist, whitish or almost invisible. Above in the vineyard stands a curious, squat sort of mill above a manhole. It is the hand-worked pump which draws up the powerful fumes. Despite it, every year one or two men have

plains and towns. Dark are the woods around Weitra, Harmanschlag and Karlsift on the Bohemian-Austrian frontier; the countryside lies high with its heavy, dark earth. Zwettl, the town and the venerable monastery, are surrounded by vast forests. Above Ottenschlag and Martinsberg the Waldviertel closes in on the Danube, broken delightfully by the descending valleys of the Isper and the Weitenbach. Those wishing to proceed from Gmünd, the frontier station, or from Allentsteig or Waidhofen to the Danube, prefer the road through Gföhl, passing Senftenberg on the way down to Krems. Above on the Bohemian frontier, and also in the Thaya Valley, stand fortresses and castles: Heidenreichstein, Karlstein, Raabs and Riegersburg.

The ploughed fields gain more and more on the forests, the vines creeping up the sunny slopes. Near Horn the countryside opens out attractively. Here there is a plentiful choice of routes—uphill to Drosendorf and Retz, downhill through the Kamptal to Langenlois and the spacious Tullnerfeld, or straight across country to Eggenburg and Hollabrunn, or by a sharp turn through the Maissauer forest and mountain towards Stockerau and Kornneuburg.

So with a wide detour one arrives at the quarter lying below the Manhartsberg. Corn and wheat gradually replace forest and vineyards, increasingly so towards the March. Laa-on-the-Thaya, Poysdorf and Mistelbach lie on the way to the oil district of Zistersdorf. To the south the fertile corn-growing lands link up—Gänserndorf, Wolkersdorf, Deutsch-Wagram, Gross-Enzersdorf, Marchegg and Orth.

Around the hub of the Danube, the Alpine forelands penetrate deeply into Lower Austrian territory in the

Lilienfeld, Porch of the Monastery.

to be dragged unconscious from the cellar, overcome by the fumes of the wine. 274

In the vineyards you see men's jackets and hats amidst the vines, appearing and disappearing, for their job calls for bent backs most of the time. The day may be fine and sunny, here and there a grape picker full of fun and the harvest a bumper one—still, there is no romance about their task. All day long they shuffle with bowed shoulders from vine to vine, of which there may be easily a thousand in one vineyard, one vine alone often bearing a dozen bunches of grapes. Even the wine-grower's wife, despite the watchful eye she keeps on yield and profit, may straighten her shoulders with a groan among the tangled masses of heavily-laden vines to look out over the vineyard and exclaim: "God Almighty, will it never end?" 245

BEAUTIFUL IS WINTER AMONG THE VINEYARDS. One sees a blending of golden earth, immaculate snow and the red thorns of blue-grey acacia trunks. 137

quarter above the Wienerwald. Waidhofen-on-the-Ybbs, Lunz, Scheibbs and the stretch from Mariazell to St. Pölten are far-famed for their rustic beauty. Further to the north of the Styrian boundary lie Türnitz and Lilienfeld, Hainfeld and Gutenstein near the contrasting shapes of the Mittelgebirge.

Along the road to Greifenstein, on the Danube, through Neulengbach and Altenmarkt, descending to the Hohe Wand, Schneeberg and the Rax, runs the boundary of the "quarter below the Wienerwald". Encircling Vienna in a mighty arch from Klosterneuburg to Heiligenkreuz and Baden, it descends to the plains along a line of thermal springs. On one side of the Südbahn grows a heavy wine; on the other is a chain of industrial centres—Traiskirchen, Sollenau, Leobersdorf, Bernsdorf, Wiener Neustadt, Neunkirchen, Ternitz and Wimpassing. The factory chimneys do not end until the Semmering district is reached at Gloggnitz and Payerbach. The Pittental leads to the "Buckligen Welt" of Edlitz, Kirchschlag and Aspang, while to the east of Vienna the approaches to Hungary lie in the flat triangle formed by Schwechat, Ebenfurth and Bruck-on-the-Leitha.

ON THE BANKS OF THE RIVER.

Restless flows the Danube through Lower Austrian territory, until it is reluctantly compelled to submit to control and regulation. At Strudengau it still gives birth to leaping rapids and circling eddies, twists itself at Ybbs to a dangerous bend, narrows to the legend-haunted valley of the Wachau and constantly forces the current to move now towards this bank, now towards the other, until it at last subsides into a broad and placid stream below Tulln. With

Baden, where the healing waters flow close to the roadside, proved a great attraction for you. To drink them you only needed to go down a few steps. On all the bridges over the Schwechat, you could smell the sulphur from the springs which were discovered by the Romans. The modern medicinal baths were in their time the temple of a goddess. In the piping times of peace you found there many people who had come from far off countries. The rich glow of the tulip beds in the Kurpark is a sight which you should not miss. 529

Kornhäusel, an architect of late classicistic style, built for Baden a town hall with Greek temple columns and a flat roof adorned by stone statues. His work, specimens of which can be found throughout the town, is of modest but genuine beauty. You keep finding pillars and rows of columns, Doric and Ionic capitals and caryatids, which, although of unequal value, lend a distinctive air to the town through their variety of form and the attempt to reproduce the beauties of antiquity. 341

Mozart's "Ave verum" and Beethoven's "Missa solemnis" are particularly treasured by Baden. Grillparzer, Schubert and further southwards, Raimund have all enriched this countryside with the breath of their art. 533 536

At the foot of the forests are extensive vineyards. Light, stony soil and a favourable situation give the grape a choice quality which has been further improved by careful tending. Gumpoldskirchner wine was taken around the world on one occasion on a Zeppelin flight. It kept its high quality throughout. 245 274

Hainburg, Wienerwald.

245 the city daily. Even in those times new plantations were forbidden, in order to prevent a fall in prices. In the year 1448 Chancellor Aeneas, later Pope Pius II, wrote: "The wine cellars are so spacious and deep that people say the city has been built as much below ground as above it."

To the Vienna commercial fairs, held twice a year, it was possible to bring every type of commodity under the signed safe-conduct of the reigning prince, with the exception of beer and wine. In the 17th century, traders of Amsterdam and Gent showed a preference for Vienna "Nussberger". Before the irresistible tide of triumphs of the Turks was dammed at Vienna in 1683, they had already been quietly overcome by Vienna wine.

In 1872, peaceful progress in the vineyards was abruptly interrupted by the appearance of the phylloxera. Brought to Europe from overseas, this most dangerous of all vine parasites ruined nearly all the vineyards of the Continent. This meant bitter years for the Austrian wine-growing families, which numbered no less than 60,000, excluding all those whose livelihood depended indirectly on the vines, such as innkeepers, wine-dealers, cask-binders and the like. At last it became possible to revive the Austrian wine trade with the help of American vines, on to which the native high grades were grafted. Building in Vienna gladly and voluntarily halts at the vineyard districts. Well-known and honoured wine-names are here—Nussdorf, Heiligenstadt, Grinzing, Kahlenbergerdorf, Sievering, Neustift-am-Walde and Salmannsdorf. There, too, are to be found the wayside winegardens and taverns, the "Wiener Heurigen".

274 Of all the wine producing districts of Austria, the most important is Lower Austria. Wines of every type are to be found here, from the light and sparkling "Brünnerstrassler" to the heavy "Gumpoldskirchner"; from the noble and aromatic "Wachauer" to the pleasant and sweetish "Muskateller". It would involve a lesson in geography to name and locate all the places where the precious vines are grown and tended, starting with the southern slopes of the Wachau and continuing over the broad Krems vineyard area up to Langenlois, further on to Maissau or down towards the Bisamberg and vine-girdled Klosterneuburg, which is called the "Rinnende Zapfen"—"The Leaking Bung". The extensive vineyards around Retz produce that wine which the Viennese are fond of drinking in "Stehweinhallen" ("Standing Wine Bars") as "Special" or, abbreviated, as "Spezi".

In the south, beginning at Mauer and Perchtoldsdorf, lies the most famous Lower Austrian vineyard district, which includes the villages of Guntramsdorf, Gumpoldskirchen, Baden, Sooss, Vöslau and many others. The "Rotgipfler", the "Zierfandler" and the "Neuburger" are noted for their aromatic bouquet. The fragrant bouquet of Sooss Muscatel wines impresses every connoisseur. The red wines of Vöslau, especially the "Schlumberger Goldeck" have carried the

renown of Austrian wines far beyond its frontiers.

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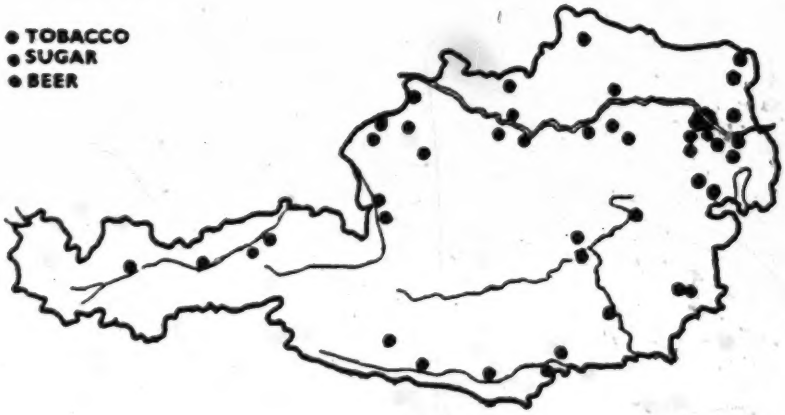
INDUSTRY

288 ● TEXTILES
323 ● GLASS
252 ● LEATHER

INDUSTRY

277 ● TOBACCO
257 ● SUGAR
274 ● BEER



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The Praterstrasse with the Carltheater.

extensive library the art-lover is fascinated by the beautiful illuminated manuscripts and the family tree of the Babenberg rulers. The treasury contains the Austrian Ducal Coronet and rare goldbeaters' work of the Middle Ages. 792 346

The city itself climbs up to the heights of the Hermannskogel and the Kahlenberg, extending as far as Klosterneuburg, Mödling, Schwechat and even beyond the Lobau district. But it is hoped that this virgin zone of woods and fields will prevent the disappearance of many cherished villages, prevent the picturesque biedermeier gardens being swallowed up by tenement houses and ensure that the wonderful boating and bathing centre which Vienna possesses on the Old Danube does not lose even a foot of ground to industry and factories. 361

The historic little country parishes of Nussdorf and Heiligenstadt, Sievering, Grinzing and Liebhartstal, of Hietzing, Mauer and Perchtoldsdorf have grown together in a semi-rural region where nature, modern villas and ancient structures blend pleasingly. The "Heurige" wine-gardens of Kahlenberg, Neustift-am-Wald, Rodaun and Maria Enzersdorf hold within their little flowered courtyards that true Viennese "Gemütlichkeit" (easy-going cordiality) which loves life and the fleeting moment for its own sake. You clink glasses with your neighbour, drinking, in the joy of your heart, to the health of the stranger beside you, who himself feels the same about you. Many an 275

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On the Kahlenberg.

old vineyard tavern which is listed for protection under the Ancient Monuments Act evokes lively pictures of biedermeier days, when the suburbs were holiday resorts and Schubert, the eternally young, wandered the countryside with his friends. Bauernfeld, Beethoven and Grillparzer sought rest and relaxation here among the green fields. Here Waldmüller proved the power of his brush and Ferdinand von Saar, the poet of solitude, wrote his rapturous elegies on Vienna, the city of his dreams.

From the higher parts of the suburb of Döbling one can recognise the peaks of the Lower Carpathians, the Schneeberg and the Ötscher. To realise the whole charm of the surroundings of Vienna, you must see it from the heights of the Kahlenberg. There you will understand how the city has really grown into its natural framework and how its Cathedral and many towers, the river, the mountains, the plain and broad horizons have come to form parts of a single whole. This is a picture which never fades from the memories of those who have once seen it.

If one then approaches Vienna from the north, from the direction of Prague or Brünn, the whole city seems to have been swallowed up by the mountains. Then the Wienerwald looks like a great, green and shady creek past which the silver Danube flows, broad and lazy, downstream. Mountains rise up one behind the other, followed closely by the alps in ever-higher ranges.

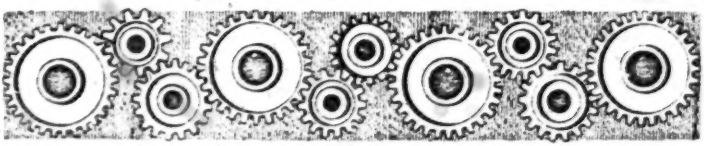
The increase in production resulting from all these measures was bound to increase the difficulties of marketing during the slump. In pig-raising it at last became necessary to resort to curtailment of output (prohibition of pig-raising for the market). An attempt was also made to increase the costs of cattle-rearing and thus limit the supply by raising the so-calledli cence fee for the import of fodder. 231 656

As a stimulant of milk production, a milk-equalisation fund was created to content with sales difficulties, through which the means for the export of dairy products at prices below production costs were raised by the imposition of a tax on fresh milk. 234 654

Thus it came about that in the 1930s Austrian products such as standard butter, high grades of cheese and cream could compete successfully on the markets with the dairy products of such leading countries as Denmark, Switzerland and Holland. The western alpine provinces especially profited by this arrangement, but at the same time a great demand was created for home milk products throughout the whole country. Gradually, in the Danube City which has been known from Roman times for its enjoyment of sweet wines, depôts were established where milk could be drunk in the busy streets and on public squares, giving the City a new attraction. 234 439 275

The doubtless necessary encouragement of dairy farming, just at this time, however, brought with it new problems which were aggravated by the effect of the world economic depression. The situation was made worse by the fact that the prices for agricultural and dairy products had sunk far lower than the prices for technical aids to agriculture. The discrepancy between these two sets of prices became still greater from 1933 to 1937. The comparative fixity of wages and the increase in public debts accompanied by sinking prices were not inconsiderable factors in bringing about general deterioration. 234 458 435

Problems of agrarian policy were bound to have a reaction on industrial-commercial economics. Austrian products had to compete with those of countries which had the advantage of considerably lower agricultural prices and thus of a lower cost of living. For a land such as Austria, which in the main can only secure the goods she needs through the export of her own products, it is essential that wages, an important factor in costs, should not be affected too unfavourably by the high price of grain. 241 439 435



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on entry of a newcomer was: "Kann er was?" ("Can he do anything?") To this circle belonged Schwind, Schnorr, Bauernfeld, Lachner and others.

The Prater restaurants are peculiar to Vienna. Some of them rank as "noble establishments" because of their higher prices. Prosperity first came to them when the "Blumenkorso" was instituted in biedermeier times. When people are happy, they generally behave well; in Vienna the contrast between grinding poverty and great luxury is not so sharply defined as in most other cities. The Vienna Prater offers happiness, recreation and comfort to all classes. An ice-cream at the Eisvogel, a cup of coffee in the Sacher Pavilion or a bite at the Lusthaus was always within the reach of many.

On the left hand side of the main avenue of the Prater, coming from the City, you see one coffee house after another. What the poet Adalbert Stifter wrote of them in 1844 is still true: "From each of them comes the strains of music. Under the trees are many thousands of seats filled with people in their best clothes. There is a laughing, a talking, a clinking of glasses, and before the eyes of the crowds the elegant carriages roll along the avenue, which stretches away with no end as far as the eye can see."

• 275 Vienna is very well off for cafés. It was from Vienna that coffee set forth on its conquest of the world. In 1683, after the city had been liberated from the Turks, large quantities of coffee beans were discovered which the invaders had left behind.

The Pole Kolschitzky, who had done valuable work during the siege, was presented with the strange beans as a reward. In a house which was placed at his disposal for the purpose he opened the first coffee house called "Zur blauen Flasche".

Vienna has always cherished the old Arabic saying to the effect that coffee must be black as night, sweet as love and hot as Hell. Coffee house life sprang quickly and definitely into being. To the question

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"where?" the Viennese soon had no other answer than "in the coffee house!"

"Where can I speak to you?" "From where can I pick you up by car?" "Where can I play cards—or billiards?" "Where can I dodge a curtain lecture?" "Where is the latest news to be found?" "Where can I start a club?"—The Viennese answer to each is "in the café". In course of time every class and group acquired its own coffee house. There were cafés for young men, artists, pensioners, ladies, bohemians and many others.

In the café lies illusion, and the smallest illusion is capable of making the Viennese happy. Coffee has actually become the favourite drink of the Viennese since 1683. It is a drink which they know how to prepare deliciously at home as well. The Vienna coffee house has developed in so many directions and become so unique that it has become almost an article of export—the Vienna "Stammcafé!"

You are not limited to ordering an ordinary cup of black coffee. Far from it. For the initiated there is a whole catalogue of variants. There is black coffee with or without whipped cream, the "Einspänner", the "Melange", the "Kapuziner" a "cup of gold" or a "cup of nut-brown" coffee. With these a "Kipfel" may be eaten to bring out the flavour. A glass of water is always served at the same time and the glass is refilled gratis innumerable times when the customer has ceased to order anything to be put on the bill. You sit at a small, marble-topped table, surrounded by well-dressed people. In the café as on the street outside, the picture is lively and colourful. If you wish to read there are any amount of newspapers and magazines available, as well as fashion journals and art periodicals. Just by ordering a cup of "Melange" and a "Kipfel" you acquire the right to sit there for hours if you will.

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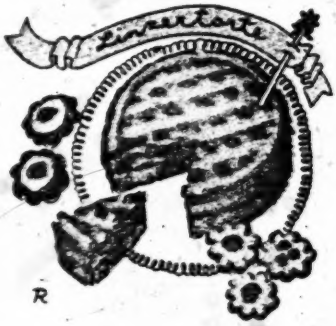

Franz Schubert, who could not do without coffee, often made it for himself at

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home, humorously naming his small hand coffeegrinder the home of his Holy Spirit. He swore that the best ideas and tones came to him through the monotonous noise of grinding coffee beans, instancing his D-minor-quartette. Beethoven's approved recipe for coffee was sixty beans to a cup.

After a time, chocolate was also served in the coffee houses. When Fernando Cortez landed in Mexico in 1519, he came across the drink of the native inhabitants. This was served ceremoniously in golden cups at the court of Montezuma, the last of the Aztec rulers. The doctors of Europe were of divided opinion concerning the cocoa bean, its oponents being in the minority in Vienna. In 1694 the Vienna Professor Rauch was bold enough to criticise chocolate unfavourably. As a result he lost his position and his book was destroyed. The Viennese stand no nonsense when a culinary addition is called in question.

The lemonade booths were a later development. They were most in demand of course in the summer months and were well supported by women. They were tents set up in public squares where lemonade, "almond milk" and ice-creams were sold. They sprang up on the Graben and Am Hof, on the Bastei, at the Kärntnertor and on the Neuer Markt. In good weather they were sometimes patronised—lover's whispers on summer nights and by bright moonlight—until the dawn.

273 For the men there were wine-cellars and "Heurige". Austrians drink more than some other races because they eat more, but they are no drunkards. At

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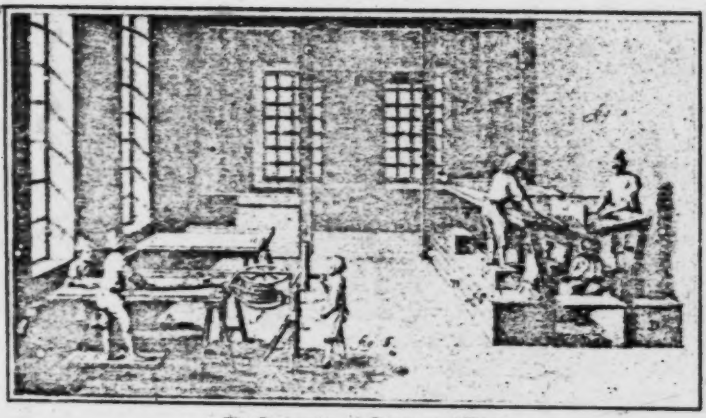

The Preparation of Tobacco in 1783.

655 foreign connections had been severed and both exports and imports had come to a standstill. Such was the difficult position which confronted those called upon to rebuild the monopoly.

Future prospects may be estimated from a comparison of the figures for the sale of cigarettes in former times and today.

276 In the year 1913, 6,349,000,000 cigarettes were sold throughout the entire Monarchy (which had then a population of 56 million), i. e. one cigarette every third day per head of population. In the year 1933, under the First Republic, 5,409,000,000 cigarettes were sold (to a population of 7,000,000), seven times as much per head as in 1913. In the year 1947, when supplies were limited and strictly rationed, 3,233,000,000 cigarettes were sold. Thus this much reduced Austria consumed a quantity of cigarettes which proportionately compares favourably with the figures for the old Empire. This will almost certainly continue to increase, as women are smoking more and more.

655 The Austrian Tabakregie is capable of coping with every increase of demand which may be expected. The elastic organisation of the concern as a modern joint stock company enables it to readjust itself rapidly to meet changing conditions. It is now only a question of obtaining supplies of raw materials, of restoring regular connections with foreign markets and of the provision of a reasonable amount of foreign currency for the Regie to be able to work to full capacity again as before the last war.

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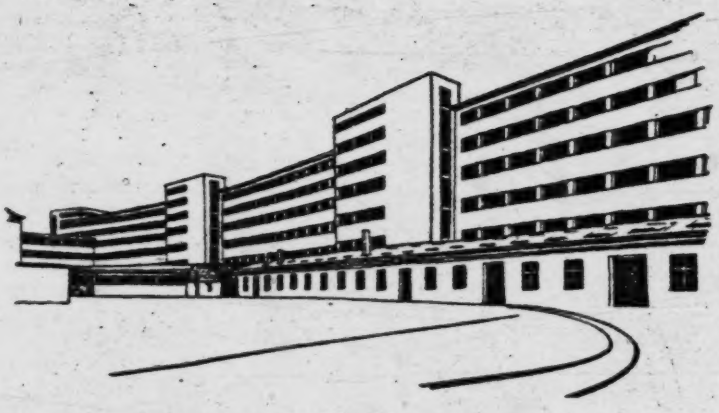

Linz, Tobacco Factory.

655 277 The traditional high quality of Austrian tobacco products is due to the use of high-grade foreign materials, chiefly certain oriental tobaccos. These can never be replaced by inland tobacco, since climate and soil do not permit the growth of similar types here. Nevertheless, the inland cultivation of tobacco is encouraged as much as possible.

655 439 The great importance of oriental tobacco to the Tabakregie is shown by the fact that in the course of modernisation of the concern, the important task of tobacco buying was delegated to a branch organisation, the "Austria Einkaufsgenossenschaft der österreichischen Tabakregie im Orient, G. m. b. H., Wien". Its main task was to restore severed connections with the most important tobacco producers in Bulgaria, Greece and Turkey. Hungary, North and South America and the Dutch colonies also formerly supplied raw tobacco to the Austrian Tabakregie, but here there are still difficulties in the way of a restoration of trade which arise from the foreign exchange situation.

655 277 The Tabakregie is a very important factor in the Austrian economy. Firstly it acts as a big employer of home labour with an inland sales organisation consisting

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of 8 warehouses, 258 tobacco distributors and 13,253 tobacconists' shops, thus providing a large number of Austrians with a secure livelihood. As the Tabakregie is a valued customer in the tobacco-producing countries compensation transactions are made possible for other home industries through its foreign dealings. Even during the first months of reconstruction (April to December, 1945) the Tabakregie contributed in taxes about 10 per cent of the total state revenues. In 1946 it provided about a third of these revenues (corporation taxes about 30 per cent and customs dues over 40 per cent), despite decreased production. A rise in output will certainly mean a considerable increase in these figures. It must also be mentioned that Tabakregie exports brought in over 55 million schillings in the year 1933, and that they should therefore play an important rôle in stabilising finances as soon as foreign markets are reopened.

The staff of the Tabakregie varies according to available supplies of raw materials and depends on the preferences and satisfaction of the smoker. In the year 1937, the concern employed 5421 workers, including 3912 women, and at the end of 1947, 2930 workers, of whom 1581 were women. The dwindling of the number of workers is only in a minor degree due to the effects of the war. The main reason must be sought for in the decrease in cigar consumption which has been in progress for some time. The smoker of today is turning more and more to the cheaper type of cigarette which is quickly consumed. The cigar is one of the victims of our hustling and mechanical age. Cigar production, which depends mostly on manual labour, is on the decline, while the cigarette, which is produced entirely by machinery, is becoming more popular. This explains the reduced number of employees. It may increase one day again, if people find time in more leisured days to blow heavy smoke rings from fat cigars.

At all events, the Austrian Tobacco Monopoly is doing its best to see that the smoker is well supplied at all times with his needs, which are those of so large a section of the community.

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INDUSTRY

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- TEXTILES
- GLASS
- LEATHER

INDUSTRY

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- TOBACCO
- SUGAR
- BEER

[p. 114]

INDUSTRY

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323
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- TEXTILES
- GLASS
- LEATHER

INDUSTRY

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257
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- TOBACCO
- SUGAR
- BEER

[p. 114]

the austere yet lighter shades of oats and rye. Colour is lent by blue flax, red and white poppies and verdant green fields.

The view is dominated by range upon sweeping range of eternal mountains. White highways curve gracefully up and again down the steep slopes. Everywhere at the highest point stands a dark-green forest of pines. At times the ground stops abruptly, and you can see whence the gigantic stone masses fell—and are falling still today—which formerly towered above field and forest as ancient mountains. A precipice drops steeply away, the debris of fallen stone-masses lying at its foot among the many trees. Past great piles of stones large and small flow the Thaya and the Kamp, sweeping stones with them. They swirl in endless bends around the foot of cliff after cliff. About their sheer walls stand defiant castles and dreamy ruins.

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Apricot Gathering in the Wachau District.

Once you were invited to visit the forest district. For a whole day you journeyed through the woods and then you were forced to stop. Before you arose a great baroque tower, below it a forest of gothic pillars reaching towards the heavens, cloisters and a shaded well, the whole complicated gothic blossoming and romanesque fading—the monastery of Zwettl in its lovely situation on the banks of the swift-flowing Kamp amidst mighty forests. Continuing, you came to the frontier, high above. A piece of secular and chivalric history confronted you like a rock—Heidenreichstein, the most beautiful river-castle of the Province.

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Usage and custom are rooted in the soil of the woodlands. On the house gables appear May blossoms in many colours. Young men plant green fir-trees, decorated with waving ribbons, for their girls. Mischievous "May paths" are devised with sawdust or water mixed with lime which are suddenly found leading over streets and byways from a certain door to another, thus making public what the parties concerned had kept a closely-guarded secret.

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In many places the winter evenings still see the traditional "Rockreise". Women and girls "visit" friends in order to spin thread. Softly the delicate wheels turn, young men come and sing, and the women and girls tell stories of the robber chief Grasl, of the wicked Waldschrat and of God's vengeance on the inquisitive girl. Here and there an old loom is still standing.

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First let us visit the basket weavers of the beautiful Rabnitz Valley and the potters of Stoob where the ancient craft of pottery is still carried on by hand. Then let us cross to Raiding. Here the small house is still standing where a great man in the world of music first saw the light of day—Franz Liszt. He was triumphant the world over, from Russia to France and England. Everywhere the smiles of lovely women welcomed him but more and more he was affected by that melancholy which is reflected in the verses of Lenau. The latter had connections with the Burgenland through his mother; his lyrics won as many friends for the land of the *Puszta* as did the Hungarian rhapsodies of Liszt.

Basket-Weaver.

131 Past Ritzing, where the surface belongs to the Burgenland but the coal below it to Hungary, because the tunnels of Brennberg, near Ödenburg, burrow below the frontier, our way leads us to Sieggraben. This is the home of the Semmelweis family, whose most famous son brought salvation from the scourge of puerperal fever to the child-bearing mothers of all times. From here the road climbs to the summit of the Rosaliengebirge, where a view opens towards the east across the Wulka Plain, taking in Ödenburg and the Neusiedler Lake and westwards, the Bucklige Welt, Wiener Neustadt and the Leitha.

On the Leitha also lies the battlefield of 1246. Friedrich the Quarrelsome, last of the Babenbergs, made the territory which had formerly belonged to the Mark of the Carolingians the subject of his first demands.

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The Burgenland was long contested. Not for nothing do the many churches in its pleasant villages stand on commanding heights, surrounded by walls which give them the appearance of fortresses, and not for nothing were the many castles and fortified towers set up.

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The days of the Turkish invasions brought poverty and desolation to the land, but at the same time a new population which was fleeing from the Turks and found a new home in the Burgenland—the Croats. From Kroboteck in the district of Jennersdorf through Stinatz, Punkitz, Podgoria and Kroatisch-Minihof there

Village Drummer.

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Sample of Peasant Weaving from the XVII Century.

361 of "Garden City". The social problem is solved here in noteworthy fashion,
288 for although more than half the population is dependent on industry, it has no proletariat.

133 In grappling with its problems, the town has, of course, been helped by its favourable geographical position. The winter sport resort of Bödele which is easily reached by a picturesque road brings life to Dornbirn as soon as the white carpet covers the ground. In summer its chief attraction is a beautiful and sinister gorge which is reached by a romantic artificial flight of steps—the Rappenlochschlucht. Closed in by walls of rock which tower vertically to a height of several hundred feet, crossed far above by a bridge, the turbulent mountain waters far below foam and roar through the gorge. The spectacle is well calculated to awaken a wholesome respect for the might of those forces which give shape and form to surrounding nature, and through her to our own lives.

133 From the tree-covered summit the hoary keep of Neu-Ems Castle overlooks
712 the valley of the Rhine. The steep crag commanding the town bears the ruins of Alt-Ems, before its destruction in the Appenzeller War one of the greatest castles of the German Reich, equal in size to the famous Wartburg. The palace built by Count Kaspar still stands today at the foot of the Castle Rock. A number of other buildings and historic names lend to Dornbirn that magic of departed grandeur which always lingers around historic walls and ancient monuments.

133 THE GARDEN OF VORARLBERG.

In the midst of the plain through which flows the Rhine rises the Kummenberg, a witness to the activity of the Rhine Valley Glacier in the Ice Age. To the south its tree-covered

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from the canton of le Valais, in Switzerland. At the beginning of the 15th century the number of these peasants who came to settle in Graubünden and Vorarlberg was steadily on the increase. These new arrivals seeking employment were readily welcomed by the land-owners, and the uninhabited upper valleys were allotted them to build new homes. In order to persuade them to settle permanently the gift of land was accompanied by various privileges. In this manner the uncultivated part of the Tannberg, in the Upper Bregenzerwald, and especially the two Walser valleys which have taken their name from it, developed into the home of a sturdy peasant race which has become a permanent factor of the national and economic structure of the Province.

Anyone who wants to form a picture of the strenuous way in which these descendants of the old inhabitants of the Valais who have retained much of the peculiarities of their former country in their speech, dress and customs gain a bare existence from a grudging nature, needs only to observe how they live in the Grosse Walsertal. Generations of bitter struggle for daily bread have produced a sturdy and weather-beaten folk whose existence is deeply rooted in the soil.

The people of Vorarlberg are not uniform in character, but form rather a mosaic of various sturdy elements welded together by historical developments.

slopes rise gradually, but to the north it falls away steeply. It is well worth the trouble of climbing, for looking down from its heights one has a delightful outlook over the entire Vorarlberg part of the Rhine Valley. In the east the picturesque houses of the market town of Götzis combine their greetings with those of the massive ruins of Neu-Montfort. The chief picture to the north and south is that of innumerable tiny rectangles of grass alternating with arable land, a clue to the agricultural structure of the countryside. An unusual trick of nature affords amusement to visitors to the summit of the Kummenberg: pieces of paper or material which are thrown out over the yawning depths are returned to their owner by the air currents. Even hats which have been tossed over are said to come back of their own accord, but not everyone cares to put this to the test.

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To the south of the Kummenberg a vale branches off from the main Rhine valley which is called the "Garden of Vorarlberg". About a dozen pleasant villages cling to the foot of the mountain or have found themselves a sunny place half way up it, and in blossom-time the whole countryside is one fragrant bridal bouquet. On the sunny slopes flourish delicious grapes; Fraxern, hidden in a hollow between the green hills, is famous for its wonderful black cherries, which attract crowds of visitors who arrive with baskets and carts. Viktorsberg, looking

361 245

city. The bronze Guards of Honour who, it was planned, should watch over him in the grave, belong to the many great conceptions which are perhaps most impressive in their unfulfilment.

With Maximilian, whose body actually lies buried in his native town of Wiener Neustadt, the star of Tyrol began to wane. Under Ferdinand I the Province became affected by the religious and social unrest of the Reformation, which was embodied in the person of Michel Gaismair; at the same time, however, the Council of Trent met in the south of the Province.

It was this ruler who divided his provinces into three, and for a hundred years Tyrol had its own regents. The very first one, the Archduke Ferdinand, won the heart of the Tyrolese through his love match with Philippine Welser, of Augsburg, as well as through his encouragement of the arts and sciences, which found lasting expression in the collection of Schloss Ambras, near Innsbruck.

Next it was a princess, Claudia of Medici, whose memory was enshrined in Tyrolese hearts, above all through the courageous rule of her Chancellor, Wilhelm Biener, who lived at Büchenhausen near Innsbruck and who fell a victim to the executioner's sword in the fortress of Rattenberg. It was at this time that the Porta Claudia was set up at Scharnitz as a protection against the Swedes. Tyrol indeed escaped the Thirty Years' War, but

borage and rosemary and the coloured glass balls on sticks are the pride of the farmer's wife. 351

On entering the house it is easy to find one's way round. The living room and kitchen are on the ground floor, the sleeping quarters on the first story. The living room is panelled. In a darker corner away from the window stands the cosy, tiled stove, and in the window-nook the large table. A small bench runs the length or the walls, spreading out to form a comfortable chimney corner behind the stove. The cupboards are built into the walls and the tall grandfather-clock is built into the panelling. A font of holy-water is always to be found at the right hand side of the door, and a crucifix, decorated with a red and a yellow ear of maize, gives its blessing to the daily bread from the window corner overlooking 342 352 353

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Weaving Pattern, XVII Century.

d) Other industrial sectors.

652 Thirty million schillings were allocated
in 1950 to the investment program of the electro
[393] and cable industry. However, only 13 million have been disbursed, while the rest was carried over to 1951. Although the program could not be fully carried out, it was possible to make some necessary improvements and modernizations in this branch.

[387] Of the means provided by counterpart funds (73 million schillings) the chemical industry was allocated 23.1 million schillings as late as December 1950. The major part of investments in this industry was allotted to the nitrogen industry (the nationalized Stickstoffwerke A.G., Linz) which is scheduled to receive a total investment of 45 million schillings. In the last quarter of 1950 a fertilizer bin with a capacity of 50,000 tons was made ready and put into operation. Moreover, an installation for the production of ammoniated-sulphate with a capacity of 95,000 tons annually will be constructed and put into operation in the summer of 1951. The nitrogen industry is one of the most important earners of foreign currency in Austria.

[289] The Austrian pulp and paper industry (one of the oldest and most efficient of Europe) is to receive a total of 490 million schillings for modernization according to the investment program 1950-52. Of this, 220.2 million schillings (70.2 million schillings, however, as late as in December) were allocated out of ERP funds in the year 1950. The counterpart funds and the plants' own funds were used to extend existing boiler rooms and work space and to build new ones. In the same way boilers, bleaching-machines and installation of new paper mill machinery to replace old units were provided. Paper and pulp production has reached the prewar level and can compete in the export market despite sharp competition.

[288] The Austrian textile industry received 90.2 million schillings in 1950 from ERP funds. It was used together with its own funds to provide new machinery.

For the extension of the glass industry a
323 total of 95 million schillings was provided out of
652 counterpart funds. The glass industry received 14.1 million schillings in 1950 and, within the scope of the release for December (which, however, will be effected as late as in 1951), 8.4 million schillings.

thought to pay a visit to their very distant relations in Vorarlberg (who had remained on their patriarchal inheritance) to teach them new and more modern ways of living and, as opportunity offered, to better in their skulls.

These drastic methods of instruction seem to have taught the ancient Vorarlbergers within a remarkably short space of time how to build streets and houses, indeed even regular settlements. They served their apprenticeship in this new art by setting up a fortified castle with its dependent courts and buildings which their distant relatives from the South named "Brigantium", or Bregenz, perhaps in honour of the family of Brigantius which lived there. As at the moment it was the thing to engage in trade, and to give their Vorarlberg connections a concrete example of what trade means—chiefly, taking what one wanted from others and giving them in exchange what one found useless—the Romans founded a Brigantium branch of their world-wide exchange system. As this town on Lake Constance was at the crossroads of some of the most important highways of the time, it soon became well-known to the civilized world.

Thanks to the attentions of their Roman relatives, the people of Vorarlberg and their province soon began to play a part in history.

A trace of special worldly wisdom confronts one on the wall of a house on the outskirts of Montafon:

An honest mind and dealings fair,
Result in naught but wretched care.

A BRAVE PEASANT FOLK

Until the end of the Middle Ages many of the upper valleys of Vorarlberg were very sparsely populated or totally uninhabited. About this time began the exodus of Germanic races

jokingly accuse them of being descended from "gipsies". That is, of course, an exaggeration, but it contains a small grain of truth, for while other parts of Vorarlberg were subject to some feudal lord or other during the Middle Ages, Lustenau was a "freier Reichshof", meaning that anyone might take up residence there without special permission. It was small wonder that all kinds of wandering folk made use of this freedom, though not to the disadvantage of the present day inhabitants! Their vivacity and ready wit have been in part responsible for the prominent part which the people of Lustenau played and still play in Vorarlberg intellectual, more especially musical life and sport.

"HERE STUDIO DORNBIRN!" This call-signal coming over the ether a dozen times a day has made familiar the name of a town in Vorarlberg which until recently, despite the fact that it has the largest population of the province, led something of the existence of a sleeping beauty. Only in textile-trading circles has its name been famous for many years beyond the frontiers. Dornbirn is Vorarlberg's industrial centre. Such a description is usually in itself sufficient to condemn a place, conjuring up as it does a vision of tenements, soot-laden air and a forest of smoking factory chimneys. All who cannot picture an industrial town otherwise are recommended to visit Dornbirn, which has the additional appelation

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Sample of Peasant Weaving from the XVII Century.

361 of "Garden City". The social problem is solved here in noteworthy fashion,
288 for although more than half the population is dependent on industry, it has no proletariat.

133 In grappling with its problems, the town has, of course, been helped by its favourable geographical position. The winter sport resort of Bödele which is easily reached by a picturesque road brings life to Dornbirn as soon as the white carpet covers the ground. In summer its chief attraction is a beautiful and sinister gorge which is reached by a romantic artificial flight of steps—the Rappenlochschlucht. Closed in by walls of rock which tower vertically to a height of several hundred feet, crossed far above by a bridge, the turbulent mountain waters far below foam and roar through the gorge. The spectacle is well calculated to awaken a wholesome respect for the might of those forces which give shape and form to surrounding nature, and through her to our own lives.

133 From the tree-covered summit the hoary keep of Neu-Ems Castle overlooks
712 the valley of the Rhine. The steep crag commanding the town bears the ruins of Alt-Ems, before its destruction in the Appenzeller War one of the greatest castles of the German Reich, equal in size to the famous Wartburg. The palace built by Count Kaspar still stands today at the foot of the Castle Rock. A number of other buildings and historic names lend to Dornbirn that magic of departed grandeur which always lingers around historic walls and ancient monuments.

133 THE GARDEN OF VORARLBERG. In the midst of the plain through which flows the Rhine rises the Kummenberg, a witness to the activity of the Rhine Valley Glacier in the Ice Age. To the south its tree-covered

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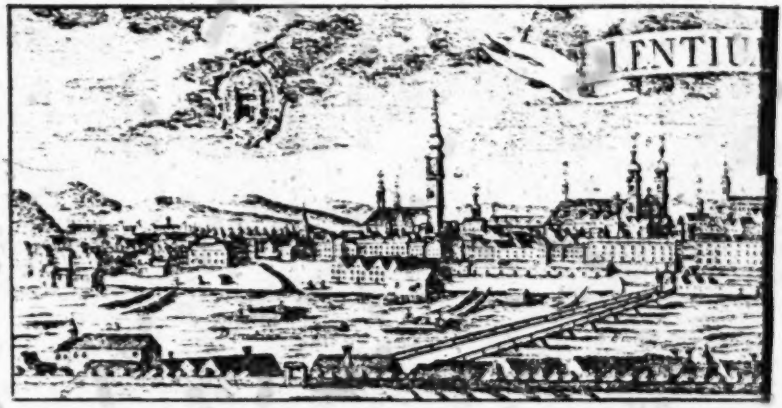

132 by raging storms. Here an early winter may often come to destroy the harvest, the fruit of bitter toil, and sweep away bridges and footpaths so that neighbour is isolated from neighbour.

361 At such times life is easier in the Upper Austrian towns—for instance, in Freistadt, the former frontier fortification north of Kefermarkt. Round the mediaeval town with its wide, turreted square lies a broad moat. On the wall which once defended the citadel whisper ancient lime-trees, casting their shadows over the children who play beneath them.

496 Not far from here runs the line between Linz and Budweis, the first "railway" line constructed on the continent of Europe, which unites the former Crown Lands of Bohemia to Upper Austria. In biedermeier times the citizens of Linz used to make excursions on this railway, travelling far into the country in horse-drawn railway carriages resembling post-coaches. These were in use for 40 years before the horse-drawn was replaced by the steam railway.

133 Up hill, down dale, sometimes in deep valleys, sometimes climbing up to the heights, the Mühlviertel, which has been called, not without reason, the "hunchback"-land, stretches further and further out towards the dim vastness of the Böhmerwald. At the foot of the Dreisesselberg, where Bavaria, Bohemia and Upper Austria meet, rises the broad Mühl from which the district takes its name, its golden-brown waters flowing on to the Prämenstratensian monastery of Schlögl. For many hours one can trace its meanderings through solitary mountain forests, following the sound of the woodsman's axe or the smoke of the charcoal-burners, where the grey wisps 288 float above the lofty crests of the pines. From courtyards and houses come the 248 muffled rhythm of hand-operated spinning wheels. Here flax is grown, spun and

bleached.

INDUSTRY

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- TEXTILES
- GLASS
- LEATHER

INDUSTRY

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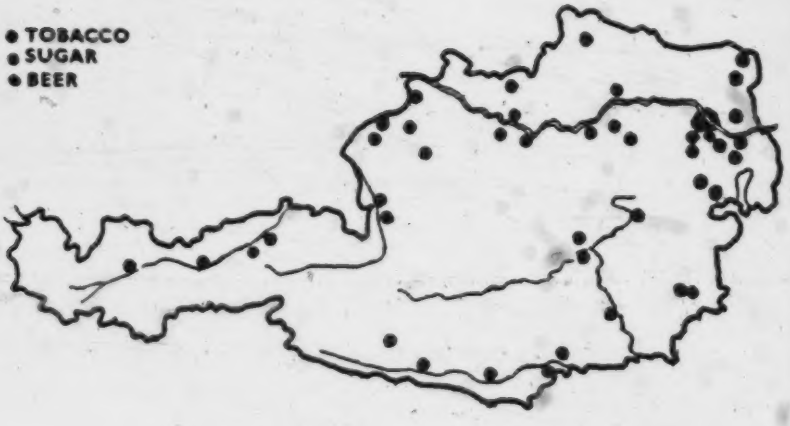
274

- TOBACCO
- SUGAR
- BEER



[p. 114]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

Germany used thirteen times as much per acre as Austria; Holland sixteen times as much. There was great scope, therefore, for increased use. Austria now had her own production plant, and the price of imported fertilizer had scarcely risen half as much as food prices. The programme suggested that by 1953 over four times as much should be used as in 1937, and even then the economic optimum point would nowhere near have been reached. 241 185

The significance of Austria's forests is shown by the fact that between the Wars they provided a livelihood, directly or indirectly, for about one-sixth of the population. Lumber exports amounted in value to over 10 per cent of the country's total and, together with the exports of the dependent paper and cellulose industries, just about paid for Austria's most important food imports. After the War the forests were suffering from the excessive felling that had been carried out systematically during the past few years and from the fact that it had taken place in the more accessible areas. This double injury could only be put right by a policy of restraint extending over a number of years: by reducing cutting, and by concentrating on the less accessible, and therefore the less economic areas. In consequence the fundamental cure was, to a great extent, beyond the scope of the recovery programme. But the timber, paper, and cellulose industries had one feature in common: their equipment was very largely out-of-date and inefficient. Judged by modern standards, the methods employed in forestry and the timber industry were still primitive. The sawmills were mostly on a very small scale and could not be compared in efficiency with large up-to-date enterprises in other countries. The consumption of coal in Austrian cellulose factories was about one ton for every ton of cellulose produced, whereas a good Swedish factory used less than a third of the amount. Much of the equipment in the paper-mills was so obsolete that the competitive power of the Austrian paper industry in world markets was being undermined. Here ERP resources could be of great assistance, and funds were allocated for the introduction of modern equipment and modern methods into all three industries. 313 289 [457]

d) Other industrial sectors.

652 Thirty million schillings were allocated
in 1950 to the investment program of the electro
[393] and cable industry. However, only 13 million have been disbursed, while the rest was carried over to 1951. Although the program could not be fully carried out, it was possible to make some necessary improvements and modernizations in this branch.

[387] Of the means provided by counterpart funds (73 million schillings) the chemical industry was allocated 23.1 million schillings as late as December 1950. The major part of investments in this industry was allotted to the nitrogen industry (the nationalized Stickstoffwerke A.G., Linz) which is scheduled to receive a total investment of 45 million schillings. In the last quarter of 1950 a fertilizer bin with a capacity of 50,000 tons was made ready and put into operation. Moreover, an installation for the production of ammoniated-sulphate with a capacity of 95,000 tons annually will be constructed and put into operation in the summer of 1951. The nitrogen industry is one of the most important earners of foreign currency in Austria.

[289] The Austrian pulp and paper industry (one of the oldest and most efficient of Europe) is to receive a total of 490 million schillings for modernization according to the investment program 1950-52. Of this, 220.2 million schillings (70.2 million schillings, however, as late as in December) were allocated out of ERP funds in the year 1950. The counterpart funds and the plants' own funds were used to extend existing boiler rooms and work space and to build new ones. In the same way boilers, bleaching-machines and installation of new paper mill machinery to replace old units were provided. Paper and pulp production has reached the prewar level and can compete in the export market despite sharp competition.

[288] The Austrian textile industry received 90.2 million schillings in 1950 from ERP funds. It was used together with its own funds to provide new machinery.

For the extension of the glass industry a
323 total of 95 million schillings was provided out of
652 counterpart funds. The glass industry received 14.1 million schillings in 1950 and, within the scope of the release for December (which, however, will be effected as late as in 1951), 8.4 million schillings.

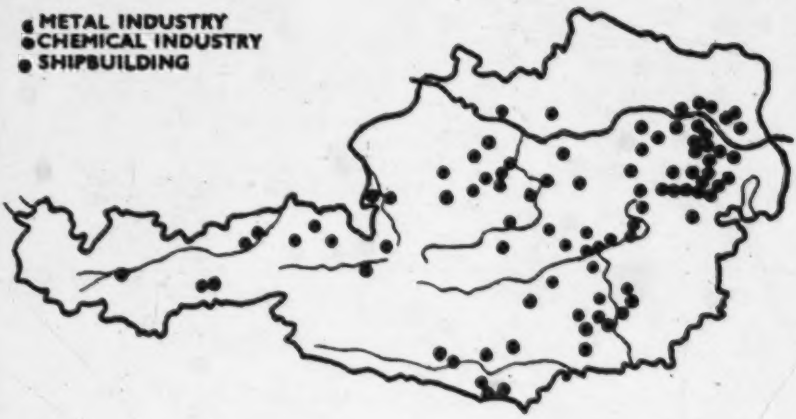
433 raw iron was increased to about 1.04 million tons (as
[327] compared to 883,000 tons in the preceding year) and
the raw steel production to about 1.03 million tons (as
compared to 943,350 tons in the preceding year). This
increase in production was possible through an increase
in mining output, which amounted to approximately 2.37
million tons in 1951, as compared to 1.86 million tons
[398] in 1950. In the car industry, emphasis lay on the pro-
duction of tractors, heavy trucks, busses and motor-
[392] cycles. Agricultural machinery production was 119 per
cent higher in 1950, lathes 110 per cent higher, ball-
bearings 327 per cent, nails and screws 56 per cent
more than in 1937. Although the electrical industry
[393] had suffered most seriously from war damages and dis-
mantling, and although various raw materials, mostly
of foreign origin (such as electric thin-gauge plate,
copper, lead and various special products), could be
obtained only with difficulty, the total production in
1950 was double that of 1937. This favorable development
has continued in 1951 despite the shortage in raw
[387] materials. The chemical industry reached a capacity far
higher than before the war in spite of extensive war
damages. The Linz Stickstoffwerke, for example, not
only cover the domestic demand for nitrogen but export
considerable quantities of nitrate of lime and phos-
phate. Production of the latter amounted to 525 tons
per month in 1938, during the first six months of 1951
it reached an average of 35,000 tons per month. The re-
sults in some finishing and consumer goods industries
lagged behind, but even so substantial increases could
be reached, especially in enterprises which are important
[289] for export (for example, the paper industry). By 1950
three per cent more paper was produced than in 1937.

A remarkable increase was made in domestic
[316] soft coal mining. The production of electric current
[377] rose from 3,050 million kwh, 1946, to 4,911 million kwh,
1950, an increase of 61 per cent. This remarkable in-
crease of capacity in 1950 is almost exclusively due to
water power, the production of which increased to 690
million kwh. In extending and financing electric power
projects differentiation must be made between finishing
started projects (water-power plants, steam plants,
transmission lines and transformers), new construction,
international projects, export, and projects of local
importance (see Wirtschaftsberichte No. 12, October 1951:
"Oesterreichische Wasserkräfte als Beitrag zur Energie-
versorgung Westeuropas," by Erich Heller and Oscar Vas).

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

INDUSTRY

METAL INDUSTRY
CHEMICAL INDUSTRY
SHIPBUILDING



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INDUSTRY

WOOD
PAPER

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[p. 113]

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the table. Potted plants fill the tiny window; alone the electric light with its wiring disturbs the picture.

In the kitchen the covered range has almost completely banished the open fire, but the chimney-place is still often vaulted. It is called the "heaven", although covered with oily, shining soot and black as hell. But this heaven does not "hang full of violins", but full of sides of smoked bacon and sausages. In the dairy the wooden cream dishes have given place to the centrifugal separator and metal utensils. But the butter-tub, in which the butter is made by churning or pounding, still remains.

Except on feast days the peasants' diet is sparingly supplied with meat but rich in fat. *Knödel* (dumplings), small cakes, dough-nuts, stewed fruit and *Schmarrn* (a sort of broken-up pancake), thick soup and potatoes make up the simple, healthy fare. All eat from one dish. Grace is said before and after meals. Occasionally there will be butter and bacon to eat with the black bread which the true peasant bakes himself.

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Much more could be told of the peasantry of Tyrol, of cowsheds, haylofts and threshing floors, of the ricks of hay and corn, of forestry and hunting, of mountain pastures, cow pastures and hay-fields, of sheep-pens and shearing, of fences, gates and stiles. How many townfolk know that a proper fence, like a peasant house built in the old manner, needs no nails and no scrap of iron? What do they know of the customs at weddings and baptisms?

●291

For the farmer, his "*loden*" cape of coarse, woollen cloth is sufficient even when the weather is coldest. He must be able to move his arms freely, and at work in the open he does not feel the cold. In the house he goes about in shirt-sleeves. When he is abroad he carries an enormous gamp to protect him from the rain.

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The farmer's wife wears long dresses almost suggesting a nun's habit, covered on weekdays by a blue working apron. On Sundays she dons her special finery—

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Viennese woman has never been a fashion plate but always a lady of fashion. Dress, hat and accessories are never allowed to extinguish the personal note. The last court of appeal is the general picture reflected by the mirror, not the fashion columns in the newspaper, nor the illustrated fashion periodical—not even what other women are wearing.

If the Viennese woman sees that something dictated by fashion does not suit her, this only fires her ambition. If large hats are absolutely unsuited to her type of face she will oppose them with courage and resource until the small hat which she finally chooses is preferred by everyone, in defiance of the current mode, as unique and charming. And if the fashionable colours are green and purple the Viennese girl who finds that they do not suit her hair or the colour of her skin will never capitulate or surrender with a sigh, but will search until she has found something between turquoise and terra cotta which is exactly the right shade for her.

291

The Italian wedge shoe with its stressing of form has found its way quite automatically to the slender-ankled foot, while it is certain that more firmly developed legs will balance their way through the streets on the narrow surface of graceful Parisian high-heeled shoes. Fashion may show a preference for flat heels; they will be boycotted in individual cases where they

●291 do not give satisfaction. The tall woman is delighted to accept the advice from a high-class dressmaker that she should choose the long-skirted model with narrow waist; the shorter girl would never in Vienna fall to the ambition of imitating her. The latter would, it is true, have her dress as long as she can reasonably carry it, but at the same time she would cleverly distract attention from her lack of inches—perhaps with a belt, a daring lack of symmetry in the cut, or a piece of artistic embroidery, without anyone noticing that she has tried to *corriger la fortune*.

The Vienna blouse is a traditional speciality which all women love to wear. Made of billowing georgette, muslin, lace or real silk, its rich hand embroidery, frills, a Mozart ruff, a biedermeier jabot or intricate pleating makes it a delicate creation of Viennese good taste, yet at the same time the antithesis of the assertion that there is nothing new on earth.

The conception of the "smart Viennese" was born of the "Jersey" (woollen) dress, a product of the twentieth century, a costume for every hour of the day. Plain and severe for business wear, smart and chic for the Derby, quiet and

291 unobtrusive for visits, pleasingly gracious for the five o'clock tea-dance, the Jersey dress is today a treasured and indispensable item in every woman's outfit. The summer companion of the Jersey dress on its recruiting campaign round the world is called "*Mode à la tyrolienne*". This mixture of motives from old national costumes, bright colours, summer comfort and bubbling effervescence is the most alluring dress for every holiday occasion.

One word on the skill of handicraft without which Vienna fashions would be unthinkable. That talent which is at once inborn and acquired is to be found in the smart showrooms, the art ateliers and equally at the simple milliner's or in the cutter

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7: Marboe U-3 (no date) 1948 EK1 Austria EK1

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On Sundays she dons her special finery— 292

the terrible danger with which it threatened them hit deeply into the minds of the people; in such old customs as the "Schwedenritt" the memory of this lives on.

With the extinction of the Tyrolese branch of the ruling house, Tyrol lost its political eminence in 1665.

At the turn of the seventeenth and eighteenth centuries, after nearly a hundred and fifty years of peace, it became one of the battlefields of the War of the Spanish Succession. At first Prince Eugene was successful in the south of the country, but later it was occupied by the Bavarians. The Tyrolese rising, the merciless battle at the Pontlatz Bridge in the depths of the Upper Inn Valley, and the Battle of Lueg below the Brenner Pass, put an end to the "Bavarian Rowdies" and showed for the first time the almost unconquerable strength of a mountain people when it allies itself with the powerful natural defences of its native soil.

Peace returned to the Province and once again a great princess left her mark on the capital. Maria Theresia had come to Innsbruck to celebrate the marriage of her son Leopold; a triumphal arch was to commemorate the event. Five weeks later the beloved husband of the Empress died in the Hofburg at Innsbruck. This is come about that, to remind one of the inconstancy of fate, the arch shows on the side through which the bridal pair entered the city, scenes of joy and of life. On the other, which faces the town, are scenes of mourning illustrating the transitory nature of human fortune. To this day it is called the Arch of Triumph. The triumph of life over death, or of death over life?

The Napoleonic Wars brought to Tyrol its heroic epoch which culminated in the year 1809. Its tragedy was that Tyrol was important enough to be overrun, but not of sufficient importance

a shot-silk apron, and a kerchief over the short laced bodice; from the small, hard hat with gold braid and tassels hang long satin or velvet ribbons down her back; in her hair is a silver pin and she wears an old fashioned necklace of garnets. In winter-time she wears in addition a black shawl with long fringes. The children are movingly solemn duplications of their elders.

Andreas Hofer.

OF MOUNTAINS, TREES, MOUNTAIN PASTURES AND ANIMALS. Eagle and ibex, 136
chamois and marmot, black-cock and capercailzie 137
are all symbolic of the mountains, as are also almrausch and edelweiss, gentian and auricula, nigritella and artemesia. But as is often the case with symbols, the more frequently they are employed in old coats-of-arms and modern posters, praised in word and song, displayed stuffed, pressed and dried in museums, or grown and cultivated in gardens, the more legendary they become.

Many of them have long ceased to be representative. The eagle and the ibex have been forced by the greed of man to flee to sheltering heights, the edelweiss and artemesia to withdraw to inaccessible crags. Other alpine fauna are rarely seen by the tourist, since they avoid the times and places of his choice. Equally invisible are 137
the mountain flowers which cannot flee from man.

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7: Marboe U-3 (no date) 1948 EK1 Austria EK1

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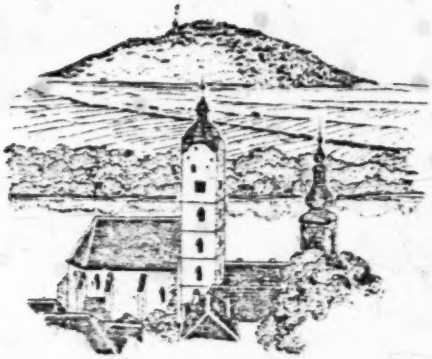

Gottweig Monastery; view from Stein-on-the-Danube.

red top-boots and white leather accoutrements, you would not have been surprised.

When the happy crowd went on to Dürnstein, was it still an excursion? Was not it rather a dipping into the romance of the past? "At the Sign of the Singer Blondel" or "At the Sign of King Richard the Lion Hearted" are names of inns there. And when you lay up above on the remains of a castle wall, the dark water streaming past below and the dark forests gleaming on the slopes of the mountains, you had for the first time the feeling of getting to know the spirit of a countryside and of being close to all the fateful events it had seen.

361 792 Melk is throned in majesty. From a massive parapet of stone rise Prandtauer's glorious towers. The Monastery is vast and overpowering. It was the birthplace of law and order in the Danube district, as of Austrian culture and literature. The treasures which the magnificent library offers to the mind can hardly be grasped by the eye.

292 Everyone should at least once have seen the colourful silk dresses and shimmering gold bonnets of the women from the Wachau district. How lovely when the evening light falls on them as it did that time in Gottweig, and you hear the moving rhythm of the song: "So home we go in the full moon's light."

133 241 THE WALDVIERTEL. Eggenburg lies almost on the dividing-line between vineyards and forests, gently warmed by virtue of the declining and widening slopes. But high above, around the Nebelstein, the wind blows chill and raw. There the oats have to be mown by mitten-covered hands. As the Ottenschlag saying has it:—"Three-quarters of the year winter, one quarter cold." In places there are enormous blocks of stone which have carefully to be avoided by the plough. Vast forests of pine give the countryside a dark and rugged hue, relieved only by

Weissenkirchen.

133 Austrian alpine foothills, to which it by its character belongs. Sandwiched in between, on the upper Pinka, one finds a living witness to Burgenland history in the Magyar enclave of Oberwart.

175 The Magyars came to Pannonia about 896 A.D. In 907 A.D. they destroyed the Bavarian armies near Pressburg, thus putting an end to the Frankish-Bavarian
563 Pannonian Mark. For half a century hordes of Hungarian horsemen overran Europe, spreading out even to France and Italy. The Battle of Lechfeld in 955 A.D. put an end to this, and the Magyars then tried to secure themselves a permanent home in the Danube Basin. Their "Westwall" was the impenetrable forests of southern Burgenland, and, further northwards, the swamps of Rabnitz. The valleys in the forest belt were defended by barricades and troops.

[292]

Oberwart.

In one of these "Warte" or outposts, which is today the Hungarian-speaking village of Oberwart, the Magyar garrison maintained itself for 1000 years. Here the Magyar origin of the population is still evident in their speech and picturesque dress.

133 There are traces of almost every period of Burgenland history in the district of Oberwart. The most valuable heritage is that left by the extinct volcanoes at
529 Tatzmannsdorf, a healing centre for heart complaints and feminine ailments—an Austrian version of Franzensbad.

Geologists will find much to interest them in these parts. The brown-coal
135 mines of Tauchen, the antimony and sulphur-stone deposits at Schlaining, the iron ore which was mined even in Celtic-Illyrian times at Eisenzicken

291 unobtrusive for visits, pleasingly gracious for the five o'clock tea-dance, the Jersey dress is today a treasured and indispensable item in every woman's outfit. The summer companion of the Jersey dress on its recruiting campaign round the world is called "*Mode à la tyrolienne*". This mixture of motives from old national costumes, bright colours, summer comfort and bubbling effervescence is the most alluring dress for every holiday occasion.

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One word on the skill of handicraft without which Vienna fashions would be unthinkable. That talent which is at once inborn and acquired is to be found in the smart showrooms, the art ateliers and equally at the simple milliner's or in the cotter

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of a dressmaking cooperative. What an astonishing combination of eye and dexterity, of measuring and execution, of thoughtful calculation and improvisation; what painstaking art is involved, for instance, in the work of hand-stitching and embroidering.

No material escapes the influence of fashion, but leather seems to have a special interest for the Viennese. Whether for ornamental or luxury purposes or for practical use when travelling, the number of articles which are made from it are legion. With leather goods, fashion—late, but at last—has thought not only of women but also of men. Masculine fashions, alas, are very conservative—or should men console themselves with the fact that they are not so dependent on external assistance as women?

The saying that festivals should always be celebrated as they come round is well accepted

and on the Eisenberg and the pyrite rocks at Redlschlag are instances of the varying types of soil.

Unique in Central Europe, however, is the asbestos of Rechnitz and the Styrian jade from Bernstein. The green, veined stone is really beautiful. It comes to the workers who have inherited their trade from father to son as uninteresting stone splinters. The final products can be seen at the Vienna fair—unbelievably delicate vessels and translucent vases. The finest examples have gone to all parts of the world. The late King Alfonso of Spain even took some of them with him into exile.

The Burgenland is a country of ancient traditions, legends and memories. The story of the good prince Giletus and his wicked wife is supposed to explain the origin of the Neusiedler Lake. Then there is the legend of the "Wasserstoffel", a creature like a human being which lived in the Neusiedler Lake like a fish and, caught and tamed, emptied a whole sack of frogs, snails and water-snakes on to the banqueting table of his adored young mistress at her marriage, because this seemed to him to be a most delicate dish. The wedding gift was anything but well received, and the poor Wasserstoffel, who had meant it well, fled in despair and was never seen again. The Templar knights, who lost the castle of Lockenhaus through treachery, are said still to haunt it. In one of the most beautiful castles there occasionally appears a "White Lady", gentle and gracious.

The son of Wolfers von Güssing and his grandsons were called Henz, and from these proud lords whose family was one of the most powerful in the Burgenland the inhabitants are supposed to have received the name of Heinzen.

Between Güns and the Carolingian Lutzmannsburg lies the monastery of Marienberg. It was founded in 1194 as a branch of the Austrian Cistercians of Heiligenkreuz, who about this time were granted estates on the shores at the Neusiedler Lake, where the name of Mönchhof still recalls their memory.

Frankenau and a number of neighbouring parishes are inhabited by Croats. This race is to be found in many other villages scattered throughout the whole Province. How they got there, we shall see later. First let us visit the basket weavers

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

727 Other injuries from which Austria suffered were the result
433 of deliberate German policy. So long as the Nazi occupation lasted, Austria was treated as an appendage to the German economy, and her interests were subordinated to those of the Reich. She was no longer considered as an economic entity, and no attempt was made to maintain the balance of her economic life.

[133] About 57 per cent of Austria's total area is over 1,000 metres (3,281 feet) high, and 37 per cent is woodland. It is therefore
●[311] hardly surprising that only 21 per cent is cultivated and that before the War, in spite of strenuous efforts, the country could produce only three-quarters of its total food requirements. At the same time it was essential that it should be as self-supporting as possible. To import even a quarter of its provisions imposed a severe strain on the balance of trade. Yet during the Nazi period efforts to increase Austrian agricultural production were relaxed. The self-sufficiency of a mere group of provinces was a matter of no significance to Hitler, and he preferred to depend for his food supplies on the conquered and dependent lands of Central and Eastern Europe. The *Ostmark* could be better used for other purposes.

Austrian farms therefore lost man-power to the army. Their livestock was reduced. Equipment grew old and could not be replaced. Owing to lack of fertilizer the quality of the soil deteriorated. In 1945 domestic food production reached less than half, and in 1946, when conditions were much less disturbed, only about two-thirds of the pre-War level.

[313] Austria's forests are one of her most valuable natural resources. Her timber industry, together with the paper and cellulose industries dependent on it, accounts for about 9 per cent of her national income and for a substantial proportion of her exports. During the War the forests were ruthlessly exploited, and it has been estimated that at least 10 million cubic metres of timber were felled in excess of the economic figure, the fellings mainly taking place in the most accessible areas. This meant that years of strict control would be necessary to restore the timber industry to a healthy condition. At a time when the country was struggling to rebuild its economy, one of its main sources of wealth was in a state of convalescence.

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311 In other fields too there were noticeable losses and a decline in real capital. One might observe in agriculture, for example, a deterioration of soil owing to the shortage of fertilizers and cultivation during the war years, a lack of seeds, fodder and agricultural machinery as well as declining yields in forestry due to overcutting of trees, obsolescence and lack of means of transportation from the forests to the mills. The robbing of coal mines, failure to introduce rationalization and the forcing of unrealistic work in other mines (metals) give us a full picture of a declining economy.

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454 Reconstruction of a productive national economy could be successful only if the economic forces specifically characteristic of the country were activated and coordinated to secure an optimum of the whole economic productivity. This presupposes a knowledge of possibilities based on an inventory of the internal economy and lining up problems according to their importance (to avoid mistakes in investments or overextension). It also presupposes establishing a time schedule for the financial fulfillment of individual projects with a view to the existing shortage in capital. The reconstruction of primary production, as well as the most important industries, have been carried out according to special plans which were worked out by government authorities in cooperation with interested industrial circles. Planning covered, in particular, production of energy, coal mining, the iron and steel industry, and ore mining and the metal industry.

These plans are not limiting as to quantity or time but are a type of structural plans without time limitations, the realization of which is bound to certain financial or material possibilities. With the maximum supplying of internal requirements of energy, coal, iron, metals, etc., they intended to assure lower prices in the finishing industries. In this way a sufficiently high quota of exports should be obtained for a balance of payments. These plans form the theoretical basis for those investment programs which the Austrian government presents to the ECA in Washington and which are realized step by step with the help of the ERP funds.

Just as with other ERP participants it is Austria's primary aim in its investment policy to make the utmost use of all possibilities offered by the Marshall Plan up to 1952. In addition to the development of primary industry, the greatest effort is being made

Industrial Production Index - Comparison of Averages for October (monthly average 1937 = 100) 433

	1951	1950	1949
Total Index of Production	180.3	145.4	122.8
Production Goods	230.7	178.6	151.6
Consumption Goods	138.8	117.3	98.3
Total Index of Productivity	105.7	91.8	82.1

Although agriculture and forestry showed [311] some results production was lagging behind due to many soil-improvement measures which were neglected during the war. It remained behind the prewar level. Further investments are now being made in this field. Considerable increase can be seen in the traffic capacity of the Federal Railways. [497] The extension of electrification, modernization of traffic installations, of rolling stock, and of railway stations are among the projects.

Tourist traffic is of special importance to 457 achieving balance of payments. Tourist traffic was one of the most important foreign currency earners before 1937. In 1948-49, 31.6 per cent of the number of overnight guests for 1937 was reached. This proportion rose to 70.4 per cent in 1949-50 and to 74.3 per cent in the winter season of 1950-51. However, the income from foreign tourist traffic lagged behind that of the prewar period. It amounted to 15.1 million dollars in 1950. With regard to its purchasing power, it reached one-fifth of the 1937 level. In this field also investments for modernization and extension of enterprises are continuing. The aim is to reach a reasonable balance between investments and incomes from foreign currencies. Similarly motivated is the [529] aim of opening areas of the country which might be very important for tourist traffic by building new roads and means of transport, such as cable cars and ski-lifts. In the investment program for 1950-52 net investments of 960 million schillings are provided for this sector alone.

The main vehicle for the balancing of payments is foreign trade.

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from the canton of le Valais, in Switzerland. At the beginning of the 15th century the number of these peasants who came to settle in Graubünden and Vorarlberg was steadily on the increase. These new arrivals seeking employment were readily welcomed by the land-owners, and the uninhabited upper valleys were allotted them to build new homes. In order to persuade them to settle permanently the gift of land was accompanied by various privileges. In this manner the uncultivated part of the Tannberg, in the Upper Bregenzerwald, and especially the two Walser valleys which have taken their name from it, developed into the home of a sturdy peasant race which has become a permanent factor of the national and economic structure of the Province.

Anyone who wants to form a picture of the strenuous way in which these descendants of the old inhabitants of the Valais who have retained much of the peculiarities of their former country in their speech, dress and customs gain a bare existence from a grudging nature, needs only to observe how they live in the Grosse Walserital. Generations of bitter struggle for daily bread have produced a sturdy and weather-beaten folk whose existence is deeply rooted in the soil.

The people of Vorarlberg are not uniform in character, but form rather a mosaic of various sturdy elements welded together by historical developments.

slopes rise gradually, but to the north it falls away 133
steeply. It is well worth the trouble of climbing, for looking down from its heights one has a delightful outlook over the entire Vorarlberg part of the Rhine Valley. In the east the picturesque houses of the market town of Götzis combine their greetings with those of the massive ruins of Neu-Montfort. The chief picture to [311] ●
the north and south is that of innumerable tiny rectangles of grass alternating with arable land, a clue to the agricultural structure of the countryside. An unusual trick of nature affords amusement to visitors to the summit of the Kummenberg: pieces of paper or material which are thrown out over the yawning depths are returned to their owner by the air currents. Even hats which have been tossed over are said to come back of their own accord, but not everyone cares to put this to the test.

To the south of the Kummenberg a vale 361
branches off from the main Rhine valley which is 245
called the "Garden of Vorarlberg". About a dozen pleasant villages cling to the foot of the mountain or have found themselves a sunny place half way up it, and in blossom-time the whole countryside is one fragrant bridal bouquet. On the sunny slopes flourish delicious grapes; Fraxern, hidden in a hollow between the green hills, is famous for its wonderful black cherries, which attract crowds of visitors who arrive with baskets and carts. Viktorsberg, looking

with its steeply sloping fields rising above the rushing mill-streams below. Still 133
valleys sweep in attractive crescent form around and below the peaks of the Stubalpe.
Everywhere in these barren farmlands from Radlpass to Lower Gleinalmspeik, [311]
the fields and meadows have been conquered from the wilderness of vast forests
by means of fire and plough. Everywhere on these islands created by persistent,
back-breaking peasant labour, the brown wooden farmhouses beneath their silver-
grey roofs of slate defy the gales which come raging from the storm-centres of the
mountain fields, and in age-old "Rauchstuben" the life-blood of ancient legends
thaws again before the warmth of the open fire.

Beyond the savagery of the mountains, a world of vine-covered hills unrolls 245
like a gay-coloured scarf before the dark girdle of the forest peasants land. On
the sun-side of the mountains below the heights, the vineyards on the slopes are
staked out with serried rows of vines on supporting poles. This is the picture
which begins in a small way at the "Gasselberg", where with care it is possible
to produce a Schilcher which has the proper tang alongside many an unassuming
vintage. In the Styrian Schilchertal, between Ligist and Eibiswald, the view
broadens and opens out. The vineyards there on the Hochstrassen and on the
clear-cut, towering mountain ridge of Greisdorf are famous from olden times.
The Engelweingarten above Stainz should be saluted with joyful respect, as should
all the carefully tended vineyards where the Wildbach grapes ripen.

At the foot of this double garland of forest and vineyards is fruitful soil in which 181
Turkish wheat prospers under a burning sun, yet despite all the riches which lie
in the soil or come from the bright skies above, bad weather, misfortune and hard times have made the population adopt a grave and sometimes resigned attitude towards life.

A friend of the Styrian motherland wandering throughout the strip of country which we call West Styria and observing it with affection, would soon notice that beneath the noise and bustle of the fleeting present there lies hidden the treasure of a rich past. Roman inscriptions on stones and the tombstones of Italian officials and native Norics which are

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Women of Leoben.

INTRODUCTION

energies will have to be directed to securing by improvisation the bare means of existence and survival. Even after the initial period only a gradual progress in reconstruction is to be expected. This book does not intend to deal with the difficult and manifold problems of the immediate post-war emergency measures. It has a wider aim. It proposes, by a critical study of the inter-war period, to outline more generally how Austria, by harnessing all her resources and adapting herself to their best possible use, is able to attain prosperity and to keep pace with a corresponding process of world economy.

Before turning to the development of the inter-war years, however, a few words should perhaps be said about Austria's natural resources and about her economic development before the last war.

NATURAL RESOURCES

Austria, like Switzerland, is a mountainous country, and so the scope for agriculture is naturally limited. Only 28 per cent of the total area is arable land, while another 30 per cent is taken up by permanent meadow and pasture. This compares with 47 and 18 per cent respectively for Czechoslovakia, 68 and 19 per cent for Hungary (a typical agricultural country), while the percentages for Germany[1] are 46 and 17 and for the United Kingdom[2] 24 and 31 respectively. Accordingly, Austria belongs to the indusrial and food-importing nations of Europe. Even so, her soil and climatic conditions have favoured the growth of certain special branches of agriculture, such as those connected with milk and milk products and fruit growing.[3] In these fields an export surplus had been achieved by the beginning of the thirties.

"Land not under cultivation" takes up as much as 42 per cent of the total. That 42 per cent represents, how-

1 [In 1930, i.e. exclusive of the Saar territory]
2 [Figures for 1937]
3 [Cf. Cat. 116, p. 12 — Analyst]

311 ever, one of the most important natural resources of
137 Austria: her forests. In a Europe greatly deficient in
[313] timber this is a great asset, and wood has, in fact, been one
[439] of the main items on Austria's export list. With an export of 1,236,000 cubic metres of sawn softwood—more than half of the trees are spruce—Austria provided 5·3 per cent of world exports in 1935 and took the sixth place among exporting countries.

135 What of Austria's resources in minerals and energy? Here the picture does not differ greatly from that presented by other industrial countries, not counting the almost self-sufficient continents of the Soviet Union and the United States: considerable deposits of certain important materials are accompanied by a more or less complete absence of others.

135 Take the two basic materials of heavy industry: iron
316 ore and coal. Austria is a country with considerable resources of iron ore, 90 per cent of which comes from the famous Erzberg in Styria, where the ore has an iron content of 40 per cent. Production in 1937 was 1,885,000 tons* which—in metal content—represented 0·7 per cent of the world output; about one-sixth of this was exported. Coal, on the other hand, is only to be found in quite insufficient quantities. In 1937, production amounted to only 230,000 tons while 2,657,000 tons had to be imported. On the other hand, lignite is plentiful: an output of 3,244,000 tons required to be supplemented by only 185,000 tons of imports. Some of the lignite deposits are in close proximity to the iron ore deposits in Styria which has greatly contributed to the growth of the iron and steel industries in that district.

There are also considerable deposits of magnesite, lead, copper, graphite, and salt. In 1935, Austria produced 24

* Unless otherwise stated, "tons" always mean metric tons.

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

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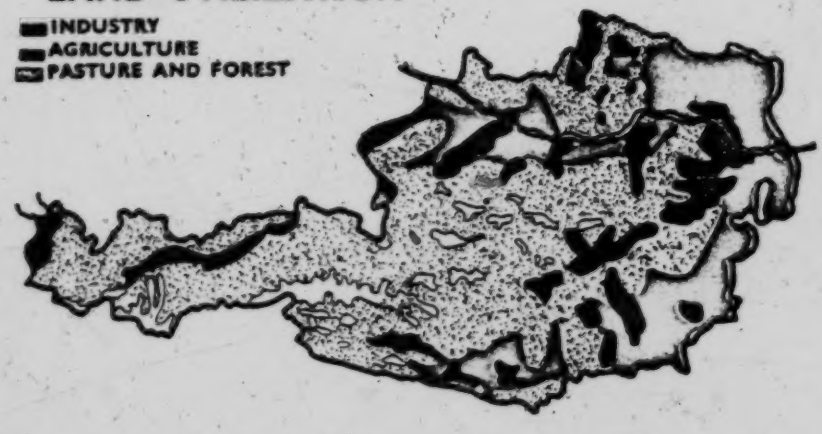
LAND UTILIZATION

INDUSTRY
AGRICULTURE
PASTURE AND FOREST



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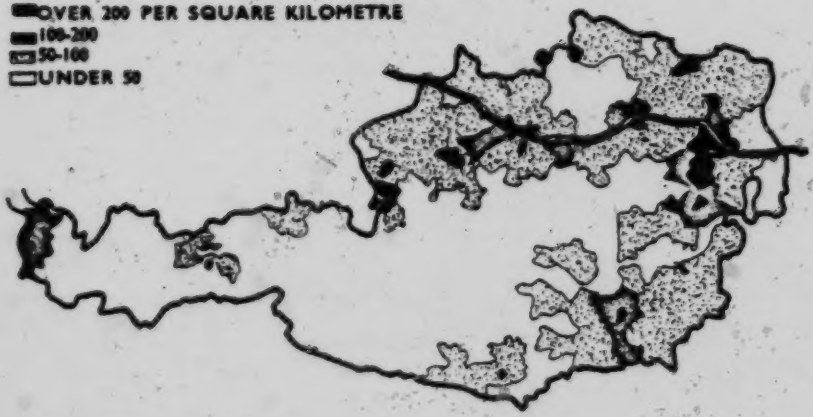
DENSITY OF POPULATION

OVER 200 PER SQUARE KILOMETRE
100-200
50-100
UNDER 50



[p. 111]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

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THE LIMBERG DAM AT KAPRUN

[facing p.122]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

433 In contrast to these impressive results the record of Austria's comparatively neglected consumer-goods industries was much less satisfactory. Of the two industries that received most ERP help, the electrical industry, after at first suffering from high import requirements and excessive production costs, finally responded to treatment by raising the value of its exports by nearly 400 per cent between 1949 and 1950. In 1951 textile production just managed to exceed the 1937 level. But the export of finished goods as a whole in the first half of 1951 was only two-thirds of the 1937 figure, and during the subsequent twelve months showed a tendency to fall.

The high proportion of counterpart funds spent on fuel and power was justified by results. In 1951 Austrian coal production at 5·2 million tons reached a record level and was 48 per cent above the highest pre-War figure. Output per man and shift rose by 27 per cent between 1948 and 1950. The steam-driven power-station at Linz was restored to full productive capacity, and such good progress was made with the power-stations being built in the vicinity of brown-coal deposits that the total current produced by steam-driven power-stations in 1951 amounted to 1·68 billion kilowatt-hours. The production of hydro-electric current rose from 4·45 billion kilowatt hours in 1948 to 5·66 billion in 1951. In September 1951 the Limberg dam, the first and greatest of the Kaprun dams, was officially opened in the presence of the Federal President. This great engineering achievement, which is the largest curved dam in Europe and one of the largest in the world, makes possible the storage of 86 million tons of water and the annual production of 160 million kilowatt hours of winter current.

As regards other minerals, under the stimulus of ERP support magnesite and copper production went rapidly ahead, while the output of lead, in spite of the exhaustion of the more accessible deposits, has nearly regained the pre-War level. By 1951 the production of copper had risen to 308 per cent of the 1937 level, and the production of raw magnesite to 167 per cent. The figures for the main magnesite products varied between 191 per cent and 248 per cent.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

But the Austrian attitude on the subject cannot be attributed to the influence and example of any individual. It lay in the logic of Austria's position as a small and defenceless State that her people should pin their hopes on the support and guarantees provided by a world organization such as the United Nations. As far back as 1922 Monsignor Seipel had accepted the help and financial supervision of the League of Nations. In April 1946 the Austrian Government was invited to send representatives to the last meeting of the League as observers, and the President of the Assembly spoke of Austria as 'one of the most solid pillars of our organization' and referred to the specially active part she had taken in all the League's work. 648

Austria's belief in international co-operation has been revealed in a number of ways: through her support of specific projects with limited aims, her interest in European unity, and her enthusiasm for the United Nations and the work of the Specialized Agencies.

The full utilization of Austria's hydro-electric resources would only be possible on an international basis, as their potentialities greatly exceed her maximum needs, and there would be no point in her investing in projects beyond her own requirements, without international arrangements guaranteeing consumption. In December 1952 a meeting took place at Innsbruck between representatives of Austria, Germany, France, and Italy. It led to the establishment of an International Power Survey Company for co-ordinating hydro-electric developments in Austria with those of the three other countries. 648 185

Another project in which Austria has shown great interest is the plan for a Rhine-Main-Danube Canal, which would link the North Sea with the Black Sea. It involves improving the navigability of the Main and the construction of a canal from Bamberg on the Main to Regensburg on the Danube. The economic and political implications of the plan are considerable, and its immediate advantages for Austria obvious. At present her overseas exports are shipped from Trieste or the 648 185 312

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

648 185 312 648

German North Sea ports, and in either case the railway freight charges add substantially to the cost of transport. The opening up of a water-way to the sea would be of the greatest value.

Austria's participation in such plans as these is due mainly to her needs and natural endowments as a land-locked Alpine country. To a large extent her interest in all international movements is the result of her size and situation. Yet Austria's internationalism cannot be attributed solely to material factors. The warmth and spontaneity of her people's response reflect their temperament, their humanity, and their political and religious convictions.

The Austrian attitude towards European unity has never been in doubt. In October 1945, before the European movement had been fully launched by Churchill's great speeches at Brussels, The Hague, and Zürich, Leopold Figl, who was not yet Chancellor, wrote of Austria as a 'germ-cell' in the reconstruction of the European community of peoples. In one of his first speeches to the National Assembly the following December he spoke of the vital importance of instilling into the rising generation of Austrians an 'all-European democratic way of thought'. Austria was subsequently represented at the Congress of Europe at the Hague in 1948 and at meetings of the European Parliamentary Union. Members of the Austrian Parliament have also attended meetings of the Consultative Assembly of the Council of Europe as observers since the autumn of 1951, and have taken part in its committee work. The only reason Austria has not become an official member of the Council is that her Government felt it inadvisable to take such a step, so long as the occupation continued.

One indication of the importance attached by Austria to friendly relations with other countries has been the many goodwill visits abroad undertaken by leading statesmen since the end of the War. Dr. Gruber himself has been a tireless traveller. There has also been a rapid development in the Austrian foreign service since the Allied Council permitted the exchange of diplomatic representatives early in 1946. Within a few years the size of the service as a whole and the number of

?: Marboe U-3 (no date) 1948 EK1 Austria EK1

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Medicinal Baths in Austria.

HEALTH RESORTS AND SPAS.

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Nature in Austria attracts not only through variety and charm, but also through a healthy climate which is bracing for mind and body. Situated between the oceanic West and the continental East, the graduated heights, the mountain ranges, lakes, rivers and forests provide many variations of climate, capable of satisfying a wide range of demands for a mild or bracing resort, and a variety of choice which enables every individual to select just what he wishes for himself.

There are over 200 health resorts in Austria, 110 of them being medicinal spas. Some of them are world-famous, attracting and retaining an international public. Others are quiet and remote, lying in gently rolling hill country, and others again call one to the invigorating heights of the mountains.

Along the long-known thermal line which skirts the eastern edge of the Alps and runs from the Danube through Lower Austria and the Burgenland down to

529 Styria, is a long succession of spas. Another group benefits by the mountain riches of salts and volcanic springs. There is a succession of healing health resorts extending from Bad Hall in Upper Austria across the Salzkammergut and the magnificent valley of the Gasteiner Ache to Solbad Hall-in-Tyrol.

[312] Chalybeate waters, radio-active springs, mineral-saline waters, sulphur springs containing iodine or bromide, mineral waters of the most varying kinds are all used in a carefully tested therapy for drinking or bathing cures, inhalations or medicinal packs.

Whatever could be done by man to add to the gifts of generous nature has been done in Austria. The health resorts and baths themselves are as diverse and manifold as the healing springs. Baden-bei-Wien lies in a specially favoured corner of the Wienerwald, with its sulphur springs which were valued by the Romans, amidst very lovely scenery. Nestling among forested hills and extensive vineyards, the town with its well-kept avenues, its park, its promenade, theatre and charmingly built villas is like a great hospitable garden. Baden has been a favourite resort for statesmen, men of science and artists from time immemorial when they have sought peace and recuperation to enable them to face new tasks.

Badgastein, situated amidst the impressive panorama of the Salzburg Tauern, has become Austria's most famous medicinal spa. Mountain sun, absence of fog and the purity of the air all help to increase the effect of the radioactive thermal waters. This place, with its varied profusion of pump rooms, fine houses and modern hotel residences towers above and around the rushing, foaming, cascading Gasteiner Ache like an enormous amphitheatre, a picture of elegance and comfort combined with nature in her most overpowering and impressive mood. The shady and well-kept paths hold memorials to many famous personages, to rulers, statesmen, diplomats and artists. An international public from all over the world gathers here in the hope of postponing old age and recovering youth.

One thing is common to all Austrian spas—to Tatzmannsdorf, Schallerbach, Vöslau, Gleichenberg, Warmbad Villach, Aussee and

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

727 Other injuries from which Austria suffered were the result
433 of deliberate German policy. So long as the Nazi occupation lasted, Austria was treated as an appendage to the German economy, and her interests were subordinated to those of the Reich. She was no longer considered as an economic entity, and no attempt was made to maintain the balance of her economic life.

[133] About 57 per cent of Austria's total area is over 1,000 metres (3,281 feet) high, and 37 per cent is woodland. It is therefore
[311] hardly surprising that only 21 per cent is cultivated and that before the War, in spite of strenuous efforts, the country could produce only three-quarters of its total food requirements. At the same time it was essential that it should be as self-supporting as possible. To import even a quarter of its provisions imposed a severe strain on the balance of trade. Yet during the Nazi period efforts to increase Austrian agricultural production were relaxed. The self-sufficiency of a mere group of provinces was a matter of no significance to Hitler, and he preferred to depend for his food supplies on the conquered and dependent lands of Central and Eastern Europe. The *Ostmark* could be better used for other purposes.

Austrian farms therefore lost man-power to the army. Their livestock was reduced. Equipment grew old and could not be replaced. Owing to lack of fertilizer the quality of the soil deteriorated. In 1945 domestic food production reached less than half, and in 1946, when conditions were much less disturbed, only about two-thirds of the pre-War level.

•[313] Austria's forests are one of her most valuable natural resources. Her timber industry, together with the paper and cellulose industries dependent on it, accounts for about 9 per cent of her national income and for a substantial proportion of her exports. During the War the forests were ruthlessly exploited, and it has been estimated that at least 10 million cubic metres of timber were felled in excess of the economic figure, the fellings mainly taking place in the most accessible areas. This meant that years of strict control would be necessary to restore the timber industry to a healthy condition. At a time when the country was struggling to rebuild its economy, one of its main sources of wealth was in a state of convalescence.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

Germany used thirteen times as much per acre as Austria; Holland sixteen times as much. There was great scope, therefore, for increased use. Austria now had her own production plant, and the price of imported fertilizer had scarcely risen half as much as food prices. The programme suggested that by 1953 over four times as much should be used as in 1937, and even then the economic optimum point would nowhere near have been reached.

The significance of Austria's forests is shown by the fact that between the Wars they provided a livelihood, directly or indirectly, for about one-sixth of the population. Lumber exports amounted in value to over 10 per cent of the country's total and, together with the exports of the dependent paper and cellulose industries, just about paid for Austria's most important food imports. After the War the forests were suffering from the excessive felling that had been carried out systematically during the past few years and from the fact that it had taken place in the more accessible areas. This double injury could only be put right by a policy of restraint extending over a number of years: by reducing cutting, and by concentrating on the less accessible, and therefore the less economic areas. In consequence the fundamental cure was, to a great extent, beyond the scope of the recovery programme. But the timber, paper, and cellulose industries had one feature in common: their equipment was very largely out-of-date and inefficient. Judged by modern standards, the methods employed in forestry and the timber industry were still primitive. The sawmills were mostly on a very small scale and could not be compared in efficiency with large up-to-date enterprises in other countries. The consumption of coal in Austrian cellulose factories was about one ton for every ton of cellulose produced, whereas a good Swedish factory used less than a third of the amount. Much of the equipment in the paper-mills was so obsolete that the competitive power of the Austrian paper industry in world markets was being undermined. Here ERP resources could be of great assistance, and funds were allocated for the introduction of modern equipment and modern methods into all three industries.

461 Oesterreichisches Institut für angewandte Arbeits-
446 wissenschaft (Austrian Institute of Applied Science
816 of Work), Vienna, under Dipl. Ing. Otto Korwik. Employing principles of work-psychology, this institute has undertaken research work within large plants on production increases, improvement of quality, of production, working conditions, etc. The magazine Mensch und Arbeit, published by the Arbeitsgemeinschaft für Psychotechnik in Oesterreich (Committee for Psycho-Technics in Austria), Vienna, covers this field. On the board of trustees of this committee are former minister Dr. H. C. Eduard Heinl, member of parliament and president of the Gewerkschaftsbund Johann Böhm, as well as many other prominent individuals.

654 Thanks to a release of ERP-counterpart
313 funds, it will be possible to establish an Austrian Institute for Timber Research. The lumber industry is one of the most important in Austria. This Institute shall furnish the work industry with new theoretical and practical ideas, which in turn should benefit production. The Institute will cooperate closely with the testing laboratories of the technical colleges of Vienna and Graz.

Scientific as well as economic endeavors
217 are being supported by large libraries. The Wiener
815 Handelskammer (Chamber of Commerce), for instance, accumulated during the one hundred years of its existence more than 150,000 volumes, becoming thereby not only the largest library of economic science in Austria but probably also in central Europe if one takes into account the losses incurred during the last war. The latest foreign publications are in its collections and it is continuously frequented by economists as well as students of national economics. The library of the Oesterreichische Institut für Wirtschaftsforschung contains 10,000 volumes, mostly about market prospecting and foreign trade, while the library of the Institut für Wirtschaftswissenschaften an der Wiener Universität with its 30,000 volumes comprises works of theoretical economics besides international publications.

Austria also has a number of well-edited
204 periodicals for political economy. The oldest one
815 in the economic field in Austria, adhering to a scientific background and serving an extended reader clientele, is Der Oesterreichische Volkswirt (The

Up to the end of 1949 approximately 9,000 agricultural machines, with a total value of 31.5 million schillings, could be bought out of counterpart funds. Through the formation of agricultural machine cooperatives (about 33) even medium and small-sized farms were able to share in the advantages of technical modernization. The progress of electrification in rural areas supplied light and current to 4,800 farms. Storehouses and freezer lockers have been built in fruit producing areas. In addition, dairies and cheese making plants have been erected from ERP funds.

Further investments in the agricultural sphere are being carried out in accord with the investment program of 1950-52. For these purposes 270 million schillings were released from counterpart funds in 1950 (i.e., 43.6 per cent of the 620 million schillings provided in the agricultural priority program, or 34.6 per cent of the total of 780 million schillings provided in the whole program).

In forestry (exports), which is of paramount importance to Austria, the approximate prewar level of wood and timber output and supply has been achieved through various rationalizations and especially better means of transport and better roads. In 1948 the timber output was 8.24 million cubic meters (Festmeter); in 1949 already it was 9.24 million cubic meters; in 1950 the output could be increased to slightly over 10 million cubic meters.

The increasing production of timber and the stoppage of exports of undressed timber made it possible to supply sawmills and timber finishing plants with bigger quantities of wood in 1949 and 1950 than prior to the war. In 1949, 2.50 million cubic meters of whole timber were planed. In 1950 the amount was 4.41 million cubic meters as compared to 3.14 million cubic meters in 1937. The paper, cellulose, wood fiber and pulp industries could be provided to an increasing extent with all necessary raw materials (especially wood pulp); thus, covering not only the domestic needs but also enabling Austria to gain a foothold in former export markets.

The forestry and sawmill industry received 90 million schillings in 1950 out of counterpart funds and, in addition, 22.5 million schillings in December 1950 to be carried forward for use in 1951.

ever, one of the most important natural resources of Austria: her forests. In a Europe greatly deficient in timber this is a great asset, and wood has, in fact, been one of the main items on Austria's export list. With an export of 1,236,000 cubic metres of sawn softwood—more than half of the trees are spruce—Austria provided 5·3 per cent of world exports in 1935 and took the sixth place among exporting countries.

What of Austria's resources in minerals and energy? Here the picture does not differ greatly from that presented by other industrial countries, not counting the almost self-sufficient continents of the Soviet Union and the United States: considerable deposits of certain important materials are accompanied by a more or less complete absence of others.

Take the two basic materials of heavy industry: iron ore and coal. Austria is a country with considerable resources of iron ore, 90 per cent of which comes from the famous Erzberg in Styria, where the ore has an iron content of 40 per cent. Production in 1937 was 1,885,000 tons* which—in metal content—represented 0·7 per cent of the world output; about one-sixth of this was exported. Coal, on the other hand, is only to be found in quite insufficient quantities. In 1937, production amounted to only 230,000 tons while 2,657,000 tons had to be imported. On the other hand, lignite is plentiful: an output of 3,244,000 tons required to be supplemented by only 185,000 tons of imports. Some of the lignite deposits are in close proximity to the iron ore deposits in Styria which has greatly contributed to the growth of the iron and steel industries in that district.

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* Unless otherwise stated, "tons" always mean metric tons.

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

INDUSTRY

METAL INDUSTRY
CHEMICAL INDUSTRY
SHIPBUILDING

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INDUSTRY

WOOD
PAPER

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[p. 113]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

727 Hungary could be relied on to supply iron ore or bauxite, and
327 the existing iron and steel works at Donawitz in Styria were
328 better situated than Linz to handle ore from the Iron Mountain.
438 Ranshofen was not well placed in relation to Austrian supplies of electric power. Above all, the Hermann Goering Works were entirely dependent on the supply of hard coal for their coking furnaces, and Austria was already seriously short of this essential commodity. Whereas Hitler had the coal-fields of Poland and Czechoslovakia at his disposal, Austria in pre-War years had already been dependent on imports for two-thirds to three-quarters of her coal supply. The requirements of the Linz works made the position much worse.

727 The new developments implied a fundamental change of
438 emphasis in the whole national economy, and it was by no means certain, or even likely, that the change would be for the better. It would probably have been sounder for Austria to rely on the traditional skill of her workers in the consumer-goods industries than to attempt to compete with the most powerful industrial countries in basic production. The dangers might not be apparent in the immediate post-War years, owing to the inflated demand for iron and steel products, but they were likely to reveal themselves in the course of time. A serious depression in the world's basic industries or a failure to obtain the coal and raw materials on which Austria's basic industries depend might have very serious consequences on the country as a whole. The choice, however, was not Austria's own. The change that occurred was the main positive legacy of the period of Nazi occupation.

727 Two of Austria's chief natural resources are her mineral
315 oil and her hydro-electric power. These were developed by the Germans rapidly during the War, but in each case with little regard to Austrian interests.

Under happier conditions Austria's oil-fields would have raised her from a struggling country to a prosperous one. It is one of the hardest blows that have fallen on the Austrian people that such a gift of Providence should have been exploited successively by two unscrupulous foreign Powers and should

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

never yet have been used for the benefit of the people themselves. Between 1937 and 1944 the annual production was raised from 33,000 tons to 1,200,000, but this result was only achieved by uneconomic and wasteful methods that were damaging to the oil-fields and would not normally have been employed. 727 315

Under German occupation hydro-electric power production was also developed considerably. Between 1937 and 1945 the potential output of current was raised by about 61 per cent. But the extra power made available was not intended primarily for Austria's benefit. The country was split up and incorporated in separate 'power regions' of the Reich, the Vorarlberg being allotted to Baden, the Tyrol to Bavaria, and the eastern provinces joined up with Bohemia and Silesia. There was no direct transmission line between the eastern and western provinces. This arrangement made it impossible for Austria to utilize to the full her hydro-electric current when the War came to an end. 727 377

In spite of the numerous disadvantages, however, the economic effects on Austria of the *Anschluss* and the War were not entirely bad. German energy and efficiency brought direct results that otherwise were unlikely to have been achieved so quickly. Austrian interests were not consciously regarded during the process, but when Austria was restored to life some of the results turned out to be good and some were of potential value.

Although hydro-electric developments in Austria had been considered by the Germans as part of a greater whole, the new plants available on Austrian territory after the War were a valuable national asset. In course of time the grid could be adapted to suit Austrian needs. Furthermore, the fact that the Germans attached so much importance to Austrian current underlined its significance in Austrian eyes as a potential major export. During the post-War years Austrian statesmen and economists have been more conscious than ever before of the value of Austria's vast hydro-electric resources to the country's economy as a whole.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

727 In the same way, against the ruthless and damaging methods
315 by which Austrian oil-fields were developed can be set the amount of capital expended and the value of the results achieved. A great new source of national wealth was opened up with exceptional speed. The exploitation of this wealth by the Russians is the largest debit item in the Austrian-Soviet account. But it was only an indirect, and by no means inevitable result of German action and the War.

727 In the basic industries also there were certain considerations
433 that offset the disadvantages and dangers of the change of emphasis in Austrian industry that the new developments involved. Had the Linz and Ranshofen works[7] been liabilities alone, they could have been dismantled and abandoned after the War. But large sums of money had been invested in them, which Austria on its own would have had the greatest difficulty in raising. The decision to keep them both going, so far as the supplies of raw materials, coal, and electric current allowed, reflected Austrian realization of their value.

[387] One major item in the economic legacy of the *Anschluss* period was an unqualified asset of great worth. A large nitrogen works suitable for the manufacture of artificial fertilizer was erected during the War at Linz. The site was chosen because the main substance required in the manufacturing process was coal-gas, and surplus gas was available in sufficient quantity from the Hermann Goering coking-plant. By November 1950 the works had produced a million tons of ammonium nitrate since the end of the War. Austrian agriculture had benefited considerably, and during the four years from 1947 to 1950 the export of artificial fertilizer had earned more than $25 million worth of foreign exchange. If foreign markets contract, experts consider that the whole production can be used with advantage in Austria. Food production would increase substantially as a result, and the scale of essential imports would be reduced.

433 Three times in a generation Austria has had to adapt her economy to radical territorial and political change. In 1918,

7 [Cf. category 116, pp. 75-76 — Analyst]

471 655 some federal ministries as well as the reorganization of the sphere of action of others), is being taken care of by the federal ministry for traffic and nationalized enterprises, the administration of the nationalized commercial banks falls within the competence of the Federal Ministry of Finance. The nationalization comprises:

[453] 1.) The large banks (Creditanstalt-Bankverein, Oesterreichische Länderbank AG, and Hypotheken- u. Kreditinstitut);

[327] 2.) The most important enterprises of the iron and steel industry (Oesterreichische Alpine Montangesellschaft, Vereinigte Oesterreichische Eisen- und Stahlwerke A. G., Linz, Schoeller-Bleckmann Stahlwerke A. G., Vienna, Gebrüder Böhler u. Co., A. G., Vienna);

[316] 3.) The most important coal mines (Wolfsegg-Traunthaler Kohlenbergwerke A.G., Linz, Steirische Kohlenbergwerke A.G., Vienna, Lankowitzer Kohlen-Compagnie, Vienna, etc.);

[392] 4.) A number of important enterprises of the electric and machine manufacturing industry (AEG-
[393] Union Elektrizitätsgesellschaft, Vienna; Simmering-Graz-Pauker A. G. für Maschinen-, Kessel- und Waggonbau, Vienna, etc.);

5.) The Oesterreichische Stickstoffwerke A. G., Linz;

[316] 6.) The most important non-ferrous mining enterprises (Bleiberger Bergwerks-Union, Klagenfurt; Montanwerke Brixlegg Ges. m.b.H., Brixlegg; Kupferbergbau Mitterberg, Münlbach am Hochkönig; Aluminiumwerk Mattighofen-Ranshofen);

[505] 7.) The Erste Donau Dampfschiffahrtsgesellschaft, Vienna;

[377] 8.) The large enterprises producing electric power; and, finally,

[315] 9.) The enterprises for the exploitation of crude oil.

With the enacted legislation the ownership-rights (re: corporations) or the assets and liabilities of certain enterprises (limited companies, etc.) or plants (branch establishments of enterprises located abroad) became the property of the Republic of Austria. This in turn implied also the transfer of the administration of the nationalized enterprises to the Austrian government, provided that such enterprises were not located within the Russian zone (USIA establishments) and therefore beyond Austrian control. The enforcement of the nationalization, however, is not completed because:

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

per cent of the world's output of magnesite and thus took second place after the Soviet Union. In producing 9 per cent of the world's graphite output, Austria followed close on the Soviet Union, Korea, and Germany.[4] The output of other minerals was less impressive and there were no great export surpluses.

About fifteen years ago, oil was discovered near the little village of Zistersdorf, near Vienna. Production was started in 1932 at the very low level of 100 tons, but it increased quickly until it reached 33,000 tons in 1937, the last year of Austria's independence. Since then the Germans, in their urgent need for oil, greatly increased the output in this district and annual production reached a level of one to two million tons. This quantity greatly exceeds Austria's peace-time requirements of oil.

As against her lack of coal, Austria is in the fortunate position of having a practically unlimited supply of water power. Although this had by no means been fully harnessed, the 1936 production of 2,680 million kW.h.[5] of electricity sufficed to cover more than half the country's energy requirements. A small proportion of this electricity (340 million kW.h.) was exported.

Stretching the meaning of "natural resources" somewhat beyond its usual limits, two further assets, of great importance to Austria's economy, may be mentioned at this juncture. These are the geographic position of Austria in the heart of Europe, and the beauty of the Austrian towns and countryside. With regard to the first, Austria and particularly Vienna have, ever since the days of the Roman traders, been important junctions of the main European traffic routes. The Danube Valley, opening a gap between the Alps and the Carpathians, provide an east-west route, linking the Balkans with central and western Europe. At the same time the Brenner

[CF. p. 12, CAT. 116 — ANALYST]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

731 enough for grain production. The effects of the drought at this time were particularly unfortunate. Agriculture, from which much had been hoped, made no contribution whatever to [433] recovery. Food production in 1947 did not even reach the low level of 1946. Similarly, though hydro-electric current production was potentially over 60 per cent greater than in 1937, the total current produced in 1946 was only 24 per cent higher than in 1937. The following year it rose by about 2 per cent, but this was due entirely to the increased production of steam-driven power-stations. The amount of hydro-electric current actually fell.

316 433 There were several reasons for the coal shortage. Europe as a whole was short of coal. Austrian consumption had risen owing to the new iron and steel works at Linz, the development of steam-driven power-stations, and the needs of the occupying forces. The country had not the foreign exchange to pay for the coal needed from abroad, and the coal provided by the Western Allies from Germany was restricted by lack of transport.

433 For several weeks at the beginning of 1947 Austrian industry practically came to a standstill owing to what were euphemistically described as 'fuel and power holidays'. Finished-goods industries were completely closed down. The paper industry for a time virtually ceased to operate, and even some firms classed as essential had to suspend work. Such a stoppage was a major disaster for an economy struggling against odds to get on to its feet.

The 1947 production figures for some of Austria's key industries give an idea of the position of the Austrian economy when Marshall Aid began. It must, however, be remembered that the situation at the end of the year was better than at the beginning, and that in the case of most industries it continued to improve during the first three months of 1948. The position, therefore, was somewhat better in April 1948 than the figures indicate.

In each case, except for agricultural produce, the production by weight is given as a percentage of the 1937 figure:—

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

figure. By the autumn of 1951 the small crafts, which employed nearly as many people as industry, had received only 14 million schillings from the counterpart fund, which was only 0·4 per cent of the total.

There was no branch of the Austrian economy in which the need for capital investment was greater than in fuel and power. Nor was there any branch to which the allocation of available funds would be the subject of less controversy. The Austrian Republic's shortage of coal, which had always been serious, was more acute than ever, owing to the development of the iron and steel industry. And Poland and Czechoslovakia, Austria's traditional suppliers, were now in the Russian orbit, and charged excessive prices for such coal as they were prepared to deliver. At the same time the country had vast potential sources of hydro-electric power, which only required capital for their development. It was most important that the development should take place both to economize consumption of coal and to satisfy the growing demands for electric current of Austrian industry and the Austrian people.

Austria's oil-fields were her main resources in mineral fuel, but, being under Russian control, they did not fall within the scope of the recovery programme. Her coal-mines, which produce 95 per cent lignite, could only satisfy between 25 and 30 per cent of her requirements in 1948 and 1949. As a result of forced production during the War and neglect of new development, the coal was difficult and expensive to work, and the output per miner was only three-quarters of the pre-War level, although the miners' own record had been excellent.

The production of hydro-electric current increased steadily during the War, until in 1944 it had more than doubled. In 1945, owing to the serious disorganization that accompanied the end of hostilities, output fell off considerably, but between 1945 and 1948 it rose from 2·51 billion kilowatt-hours to 4·45 billion. The steam-driven power-plants, so important for the maintenance of winter supplies, had suffered severe damage during the War, especially at Linz, and were not back in full production by 1948. Meanwhile the growing importance of

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

works begun at Braunau on the Inn and at Jochenstein on the Danube were undertaken in collaboration with Western Germany. Most important of all were the power-stations dependent on water stored in great mountain reservoirs, such as those at Achensee in the Tyrol and at Kaprun in Salzburg. This type had the great advantage of being able to reserve its major output for the winter months, when hydro-electric current was in short supply. If they were developed on a sufficiently large scale, it would be possible to reduce the number of steam-driven plants, and so economize coal.

Of all the hydro-electric projects in process of construction, Kaprun was the most significant for the Austrian economy as a whole. Three great reservoirs were to be created at different levels by the construction of a series of dams, the top two reservoirs being connected by a conduit through the mountains nearly twelve kilometres long. When the work is completed, the annual production of current will be 620 million kilowatt-hours, of which 460 million will be produced in winter.

After iron, oil, and coal, the most valuable of Austria's mineral resources at present being utilized is magnesite. The magnesite industry did not suffer seriously from the War, and after a temporary setback, owing to the coal and power shortage in 1946–7, had regained the pre-War level of production by 1948. The greater part of the magnesite produced was exported, some of it to the United States. As a dollar-earner, therefore it was important that the efficiency of the industry should be maintained and its production increased. The bulk of the capital required for modernization was provided by the industry itself, though an allocation was made from counterpart funds as well.

Austria also has small deposits of copper, lead, zinc, and subsidiary metals. Under normal conditions their development could hardly be justified economically in competition with the world's main sources of supply. But for two reasons a good deal of attention has been paid to them since the War: they provide materials essential for the important electrical industry, and Austria has not had the foreign exchange necessary to

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

316 buy freely in the cheapest market. The main purpose of the
457 counterpart funds allotted to the development and modernization of mines and refineries, therefore, has been to save foreign exchange, with the possibility of increasing the exports of finished products as a secondary incentive.

497 The railways have always played a part of special significance in the Austrian Republic's economy. When the Habsburg Empire fell apart, Vienna remained an important centre of communications linking up Western Europe with the Succession States and the Balkans. Between the Wars the international transit services carried out by the Austrian railways between East and West, and North and South, were an important source of national revenue. After the tourist industry they were the main means on which Austria relied to reduce her trade deficit.

After the Second World War the amount of transit traffic through Austria fell off considerably for two main reasons. In the first place, there was a sharp decline in trade and travel between the Iron Curtain countries and the West. Secondly, war damage, lack of coal, wholesale confiscation of rolling-stock by the Russians, and the failure of Hungary and other satellite countries to return trucks sent across the border seriously reduced the efficiency of the services the Austrian railways could offer. Traffic between Switzerland, on the one hand, and Poland and Czechoslovakia, on the other, was diverted from Austria to Germany.

The Austrian railways have come in for a good deal of criticism since the War, and from a first glance at their annual balance-sheets the criticisms appear to be justified. A series of losses culminated in a deficit of approximately one and a half billion schillings in 1951, which meant that every Austrian would have to pay about 200 schillings to make up the deficiency. Yet a superficial judgement in this case is unfair. The railways unquestionably required to be reorganized and rationalized. But, apart from the losses and damage resulting from the War, they were suffering from a number of adverse circumstances that were not always taken into account.

471 655 some federal ministries as well as the reorganization of the sphere of action of others), is being taken care of by the federal ministry for traffic and nationalized enterprises, the administration of the nationalized commercial banks falls within the competence of the Federal Ministry of Finance. The nationalization comprises:

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[316] 3.) The most important coal mines (Wolfsegg-Traunthaler Kohlenbergwerke A.G., Linz, Steirische Kohlenbergwerke A.G., Vienna, Lankowitzer Kohlen-Compagnie, Vienna, etc.);

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[393] Union Elektrizitätsgesellschaft, Vienna; Simmering-Graz-Pauker A. G. für Maschinen-, Kessel- und Waggonbau, Vienna, etc.);

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With the enacted legislation the ownership-rights (re: corporations) or the assets and liabilities of certain enterprises (limited companies, etc.) or plants (branch establishments of enterprises located abroad) became the property of the Republic of Austria. This in turn implied also the transfer of the administration of the nationalized enterprises to the Austrian government, provided that such enterprises were not located within the Russian zone (USIA establishments) and therefore beyond Austrian control. The enforcement of the nationalization, however, is not completed because:

652 tons, the production of iron and steel to 1 million
185 tons annually, the output of rolling mills to ap-
433 proximately 750,000 tons. Further increases in pro-
454 duction will be provided in: bauxite mining, aluminum production, production of cellulose, paper and pulp. In the same manner the export capacity of nitrogen plants (Stickstoffwerke in Linz), one of the most important producers of foreign currencies in the Austrian economy, will be increased by 50 per cent. In the chemical industry additional investments will make it possible to start production of sulfuric acid and phosphate fertilizer. The single projects will be discussed in detail in another connection.

b) The renovation and rationalization of the primary industries.

The Austrian government holds to the principle (insofar as none of the theoretical considerations in the preceding chapter interferes) that in building up its program of investments cheap primary products lower the production costs in the finishing industries and this allows them to compete in the sharp competitive battle with other highly industrialized
685 European countries. Certain focal points of investments have been formed, encompassing especially coal, iron and steel, ore mining, and the smelting industry as well as electrical power. These are mainly nationalized enterprises. For investment purposes in the years 1948 and 1949 they received a total sum of 1,627.4 million schillings out of public funds. Of this amount, 958.5 million schillings were reconstruction credits, 481.6 million schillings were capital payments of the Federal government, 31.2 million schillings were federal loans and 156.1 million schillings were credits guaranteed by the state. In 1950 a sum of 30 million schillings was provided in state capital contributions; in the same year (fall of 1950) the funds released from the ERP for the above-mentioned branches of industry totaled 133 million, 283 million and 418.5 million schillings used essentially as follows.

316 (1) Investments in coal-mining.

454 During the war the coal mines (predominantly brown coal in Austria) suffered greatly in their development because of overproduction and neglect of needed renovation as well as delay in planned expansion. Within the scope of the Marshall Plan the necessary renovation and rationalization of operation, mining improvements, shaping of daily operations, deep mining,

mechanization and electrification are being carried 316
out. A number of new shafts and research and boring 454
operations are also being pushed. In 1950, 75 million schillings from ERP funds was allotted to mining. The total output of Austrian coal mines, about 92.7 per cent nationalized, was approximately 4 million tons in 1950. The output will be increased to 6 million tons annually according to the reconstruction program for 1950-52.

(2) Iron and steel production.

The structure of the iron and steel industry 327
after the war was essentially different from that of 1938. While the capacity of blast furnaces and steel plants (and to a degree also of steel foundries, forges, gross rolling works, coke ovens and finished steel operations) has increased, ingot operations and medium and fine quality plates (especially rolled metals) have suffered in their capacity and in their functional coherence by removal of equipment (Demontage). In addition to this a large part of the means of extraction and transportation at the Erzberg in Styria, the modern electric gross rolling works at Donawitz, as well as various items of equipment in the iron and steel works (particularly that for the production of rolled metals) has been lost. On the other hand, plants which were only half completed and too big for Austrian industry (such as the six blast furnaces at Linz) had to be taken over so that there was an over capacity of raw iron, steel castings and forging items. The planning for the iron and steel production was worked out by the federal ministries in collaboration with experts of the steel industry after extensive and careful exploratory surveys. They aimed to carry out modernization and completion of the steel works so as to balance future production with the expected sales; utilize the existing works to the highest extent possible and moving of workers from one place to another would be avoided; accomplish the necessary completion of plants for overall production and the closing of production gaps; modernize obsolete plants in order to get more and better economic production. The following considerations were taken into account: solution of the problem of the distribution of production of commercial steel and gross-rolled steel in the two largest Austrian plants (the Oesterreichische Alpine Montan-Gesellschaft in Donawitz and the Vereinigte österreichische Eisen- und Stahlwerke AG in Linz); balancing of production programs of the four large Austrian steel plants (Gebrüder Böhler und Co. A.G., Schoeller-Bleckmann of the Alpine Konzern in Donawitz and in

327 Judenburg, on the other hand.

While the annual production of raw steel amounted to 650,000 tons in prewar years, there must be an increase in this amount to 1 million tons annually by 1952 (that is, after the end of the Marshall Plan). This takes into consideration demands and the total demand of Europe for steel. Accordingly, the investments were balanced as follows:

(a) The increase of iron-ore production to approximately 2.2 million tons a year at the Erzberg (Styria), at the Radmer near Hieflau and at Hüttenberg (Carinthia). (This project is one of the biggest in the investment programs.)

(b) The renovation and modernization of steel works. To secure the full utilization of raw-steel production, gross rolling mills and tin plate works were established or renovated. To mention only some of the big projects: the renovation of the worn-out Block-Trio rolling mill at Donawitz (Alpine Montan-Gesellschaft) by a continual billet-rolling mill; the building of a cold-band rolling mill at Krieglach (Alpine Montan-Gesellschaft); the plate works, the building of a five-sectioned broad band rolling mill, the coal rolling mill at the Vereinigte österreichische Eisen- und Stahlwerke AG at Linz; the refined steel rolling mill at the Schoeller-Blackmann Stahlwerke AG in Hönigsberg near Mürzzuschlag (where also a plant for the production of railway materials will be renovated); the extruding press and wrought-iron press at Turnitz; a plant for the production of deep mine drilling tools and equipment, the new sheet rolling mill and the rod mill at Kapfenberg (Gebrüder Böhler und Co. AG). (The new plant in Donawitz began operations in 1950. It is valued at $7,380,000. For the rest of the [652] iron and steel industry 274.7 million schillings were allotted from ERP funds. This represents 37.8 per cent of the 700 million schillings ear-marked for the investment program for 1950-52.)

(3) Investments in the metal industry, ore mining and smelting.

This branch of industry was partly war-damaged, 32 partly confiscated "German Property" by the occupying 316 powers or dismantled as war industries. Thus a complete 328 renovation was necessary in which not the least concern was the regard for supplying the required raw materials for the industries of finished and final products. Another aim was to defend these industries, which depend so much

upon the world market and upon reactions in periods of crisis, to keep iron mining within reasonable limits and to prevent social and economic dislocations. [327] 316 328

Planned investments have been carried out within the last few years in iron mining, smelting and in the metal industry. In the lead industry (Bleiberger Bergwerksunion) the extension of mining has been taken up again through mechanization of mining operations and the extended supply of electrical current; in smelting the utilization of various by-products (Raffinade) has been extended. As a first step in tin smelting, and to cover the urgent demands for sulphuric acid, the Bleiberger Bergwerksunion has started to build a smelter and in connection with it a plant for production of sulphuric acid. The plants will be ready for production early in 1951. Upon completion of the first stage of this project the plants will produce approximately 15,000 tons of sulphuric acid annually as compared with an annual total demand of 55,000 tons. To utilize the by-product zinc-ore the building of a zinc-smelting plant is projected (with an annual capacity of 10,000 tons of metal). There is a demand for about 12,000 tons of copper annually in Austria. Approximately 2,500 tons of this amount may be reclaimed annually from utilizing scrap metals. Copper mining is concentrated at Mitferberger Kupferbergbau and at the Bergbau in Mühlbach, am Hochkonig; these works alone contain the potentialities of further production. It is intended to push the mines to a depth of 120 meters. Furthermore, the capacity of mining equipment shall be increased, including dressing machinery and other mining tools; thus the production of mining tools of all types will increase from 6,000 to between 11,000 and 12,000 tons a month, corresponding to an annual increase in the amount of copper to approximately 2,750 tons. To smelt the by-product ores of this mine and other minor mining sites the erection of an electric-reduction oven at the Montan Werke at Brixlegg (Tyrol) has been proposed, capable of producing up to 15,000 tons of concentrates, i.e., 4,000 tons of copper. Moreover, the erection of extensive electric installations and high-tension long lines as well as the erection of low-frequency smelting ovens will be undertaken. Also the capacity of electrolysis will be increased from 5,000 to 6,000 tons of cathode copper per year. In a similar way nickel-vitriol will be produced.

328 316 It is thought that in the light-metals sector (production of aluminum) the bauxite mines at Unterlaussa (on the frontier between Styria and Lower Austria) will be extended to obtain at least the necessary raw materials for production. In accordance with the increase in the total European aluminum production required by the OEEC, Paris, Austria will endeavor to increase aluminum production in the smelting plants of the Vereinigte Aluminum Werke Ranshofen and in the plants at Lend of the Salzburger Aluminium Gesellschaft m.b.H. (up to 30 and 10,000 tons a year, respectively).

The production of non-finished metal products shall be extended by the completion of a light-metals plant of the Österreichische Metallwerke A.G., the construction of which is already far advanced and by the project of a heavy-metal plant of the same firm. These plants are designed to overcome the bottle-neck created by the loss of the plants for non-finished metal products (Krupp in Berndorf and the Enzesfelder Metallwerke). For the Metallwerke Plansee Gesellschaft m.b.H., Reutte (Tyrol), the erection of a plant for the production of molten molybdemm has been planned; in addition, the erection of heavy presses, granulating and sharpening machines for the production of heavy metals as well as of special electrolytical methods for the production of hard metal alloys (Diamantmetall-legierungen) is proposed.

[652] In the scope of the investment program 1950-52 investments, 131.3 million schillings have been mobilized from counterpart funds for these industries. Of this amount approximately 40 million schillings (30.5 per cent) already has been allotted.

c) Investments in the electric industry.

377 [127] A large number of machinery units and steam-power plants were destroyed or lost by the war. The Austrian economy, therefore, could recover only very slowly in the years 1945, 1946 and 1947, particularly because the supply of energy was definitely insufficient in the months of water shortage. Since 1948, supported by the Marshall Plan, remarkable progress has been made in supplying energy within the economic planning for electricity. Austria tries to overcome the existing difficulties, which arise out of the rapidly changing demand for current on the part of industry, in two ways: (1) by the extension of storage facilities and of caloric

433 raw iron was increased to about 1.04 million tons (as
[327] compared to 883,000 tons in the preceding year) and the raw steel production to about 1.03 million tons (as compared to 943,350 tons in the preceding year). This increase in production was possible through an increase in mining output, which amounted to approximately 2.37 million tons in 1951, as compared to 1.86 million tons
[378] in 1950. In the car industry, emphasis lay on the production of tractors, heavy trucks, busses and motor-
[392] cycles. Agricultural machinery production was 119 per cent higher in 1950, lathes 110 per cent higher, ball-bearings 327 per cent, nails and screws 56 per cent more than in 1937. Although the electrical industry
[393] had suffered most seriously from war damages and dismantling, and although various raw materials, mostly of foreign origin (such as electric thin-gauge plate, copper, lead and various special products), could be obtained only with difficulty, the total production in 1950 was double that of 1937. This favorable development has continued in 1951 despite the shortage in raw
[392] materials. The chemical industry reached a capacity far higher than before the war in spite of extensive war damages. The Linz Stickstoffwerke, for example, not only cover the domestic demand for nitrogen but export considerable quantities of nitrate of lime and phosphate. Production of the latter amounted to 525 tons per month in 1938, during the first six months of 1951 it reached an average of 35,000 tons per month. The results in some finishing and consumer goods industries lagged behind, but even so substantial increases could be reached, especially in enterprises which are important
[289] for export (for example, the paper industry). By 1950 three per cent more paper was produced than in 1937.

[316] A remarkable increase was made in domestic
[377] soft coal mining. The production of electric current rose from 3,050 million kwh, 1946, to 4,911 million kwh, 1950, an increase of 61 per cent. This remarkable increase of capacity in 1950 is almost exclusively due to water power, the production of which increased to 690 million kwh. In extending and financing electric power projects differentiation must be made between finishing started projects (water-power plants, steam plants, transmission lines and transformers), new construction, international projects, export, and projects of local importance (see Wirtschaftsberichte No. 12, October 1951: "Oesterreichische Wasserkräfte als Beitrag zur Energieversorgung Westeuropas," by Erich Heller and Oscar Vas).

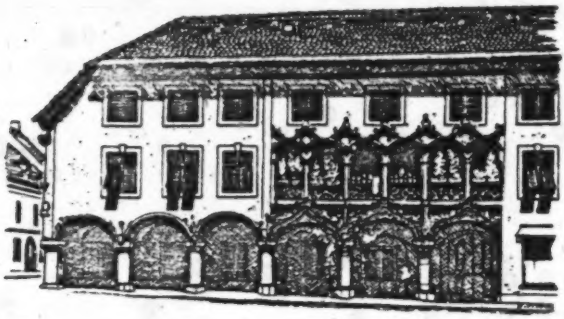
of peasant labour and civic industry, the wine carriers from Hungary and the lowlands bringing greetings from far-off lands. Occasionally great nobles who broke their journeys had brought the exciting atmosphere of the big world. Like shafts of lightning historical moments lit up this forest-hidden land when the Turks came to trouble even the lonely vicarage on the Pack, or later, when the French marched in via Eibiswald and Preding. After the modest deposits of iron ore had been exhausted, the valuable timber caught the eye of the iron-masters. The streams drove the wheels of the hammers in the scythe workshops. The manor house to which one of the largest, the Tunner-hammer, belonged, still stands today amidst the smoke and noise of the colliery. Ever since Archduke Johann drew up with his own hands the plans for the construction of the railway line from Graz to Köflach in the fifties of the last century, and had them put into effect despite obstinate opposition, West Styria has become more aware of the vigorous life of modern times.

EAST STYRIA. Four main roads give access from the chief town to the rich fruit-bearing country of East Styria. Around this territory winds the River Mur, sweeping southwards from the sharp angle it makes at Bruck, and then eastwards to leave Austria at Radkersburg, forming a living barrier along the boundaries of East Styria.

The white ribbon of the first road runs past Maria Trost, climbing the hill within view of the massive Schöckel, descending to Weiz where it forks, one branch leading to the northern hill country, while the main road runs dead north, right into the heart of Peter Rosegger's "Waldheimat" ("Wooded Homeland"). The second highway is that famous

their slaves, the Slavs, before them with their whips. After the year 800 A.D. when Charlemagne had broken the tyranny of the Avars, there came monks from Salzburg to preach Christian doctrines and with them Bavarian peasants. But soon the Magyar invaders swept in to interrupt the peaceful work of these settlers among the natives. Only after the Battle of Lechfeld was it resumed. Then, with the vigour of the adolescent Western world as a spur, a civilisation based on the hard work of a simple peasantry grew throughout the centuries into that unobtrusive, modest culture which has survived all the hard tests of the past. In those early days the villages grew up on river banks and in sheltered corners between hills, overshadowed and protected by the castles of the ruling knights; the Riegersburg, which crowns the steep slopes of the Felsberg, is a fine example of the latter. Protection from the danger which always threatened from the East was afforded by the frontier towns of Friedberg, Hartberg, Fürstenfeld and Radkersburg. The burghers who lived in them and in the market-towns, proud of their social position, yet in close contact with the country-folk, kept the latter in touch with the developments of the age and brought to them profitable trade.

The Raab, the chief river of East Styria, flows broad, sluggish and dark from the districts where the villages melt into fertile fields and the storks nest on roof-tops and chimneys. As it hurries through Passail the river is still an immature mountain stream. From this remote and pleasant market-town Peter Engelbrecht once found his way to the Imperial Court in order to teach Latin grammar to Maximilian, later the first emperor of this name. Further on, below the old Stubenberg castle of Stubegg lies Arzberg, where, as the name suggests, lead ore (with a silver content) was mined.



Bruck-on-the-Mur, Kornmesserhaus.

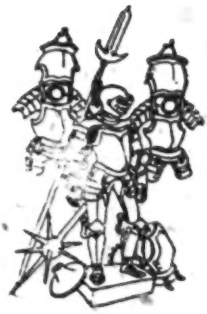
ON THE ERZBERG.

Styria is called "The Iron Province", and if one recalls the Armoury in Graz, that unique storehouse of the militant frontiersmen, one realises how applicable is this name which chroniclers and poets are so fond of giving to the Province. It applies firstly to the mountain which forms the heart and centre of the countryside, the Erzberg. Since the times of the Romans the work of the miners on its slopes has been developed from early primitive methods to those of modern technique; the tall mountains around, and the old houses below the castle of the Ottokirche maintain the warmth and romance of Styria amid more mundane surroundings. The buried treasures of the mountains were welded into useful implements by the mills in Vordernberg and the iron works in the forest-glades until, in the middle of the 19th century, the works were able to make use of the newly-discovered brown coal mines. On this combination were founded the great iron works of Donawitz and Kapfenberg, which have made the name of Styria known throughout the world.

The Erzberg alone is enough to make Styria a rich Province. According to the legend it was in bygone times a mountain just like any other. One day a merman was caught in the Leopoldsteinersee. In return for his freedom he offered mountain treasure as ransom—gold to last one year, silver for ten, or iron to last for ever. The natives chose the last named.

The rust-brown iron mountain rises to a height of 2,600 feet by a series of gigantic steps, at the foot of which lies the market-town of Eisenerz, crowned by the "Schichtturm" and an old fortified church. Here beats the heart of the "Iron Marches" in its metallic depths. Thousands of miners can be seen on the iron-ore terraces, many of them working on the mountain as

12th century, it owes its present form and the insolent splendour of the interior mostly to the "Gallerin", born a Baroness von Wechsler, whose adventurous career is even today the source of many much appreciated stories.



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The Raab, along the banks of whose quiet, swiftly-flowing waters stand the great mills of the district, passes on into Hungary. Its basin has been made prosperous by peasant industry and toil.

The Feistritz starts its romantic course through Styria on the western slopes of the Wechsel, born of springs which arise amidst the wild mountain scenery of the Stuhleck and the Pretul Alps. For a considerable distance it is confined in a narrow valley, past Rettenegg and Ratten where the mining of brown coal has brought strange people and customs to the old forest peasant village, and is followed by the road and railway which serve the farms scattered on the mountain slopes or congregated into villages. [316]

Birkfeld, the old market-town of the Duchy lies well above the river. Anger, on the other hand, lies in the depths of the valley, surrounded by fruit trees, its dreams of the peaceful comfort of older times nowadays disturbed by the asbestos mills and the trucks from the soapstone quarries at Rabenwald. Through the cleft between Rabenwald and the Kulm, which affords a widespread view of the countryside, the Feistritz changes its direction to flow

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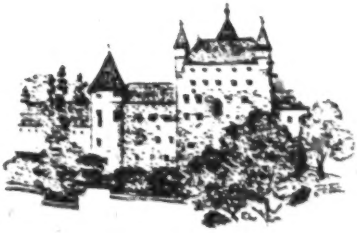

Schwertberg.

Downstream the raftsmen see from afar the massive blocks of the city tower of Enns. Known already to the Romans, Enns has been since olden times an important depot for salt, wood and iron. Goods not discharged there for road transport, stayed on the barges until the Danube Maut (customs house) was reached. The market-town there is still known as Mauthausen, and commands the waterway to Vienna and Hungary.

[316] IN THE MÜHLVIERTEL. In the great quarries carved out of the steep Danube cliffs one glimpses the primitive Mühlviertel scenery, based literally on granite. How many blocks of it have been cut and shipped upstream and downstream from Mauthausen, and used to build railways, roads and bridges, making the name of this picturesque market-town known throughout Europe! On the same bank further downstream before the Danube enters the narrows of the Strudengau is a fertile stretch of land known as the Machland. The chief town is Perg, once famous for its sandstone quarries from which millstones were cut. Close by is Baumgartenberg, which rises abruptly with the massive tower of its entrance gates and its high-roofed church out of the spreading orchards.

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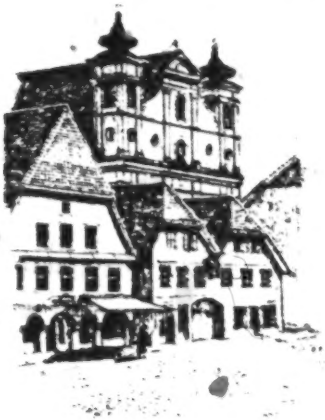

133 *Steyr: the old Dominican Church.*

A secular building of equal interest is the massive Greinburg with its granite arcades built on a cliff jutting out towards the Danube, dominating the town of Grein, framed by the forests and reflected in the waters of the Danube. Ships navigating this part of the Danube have to be on the lookout for rapids and whirlpools. Warnings are exhibited on the banks near danger spots and where necessary, hoisted on flag poles. The tugs toil upstream laboriously hauling heavily-laden barges past the picturesque riverside villages of Sarmingstein and St. Nikola.

Northwards from Perg and Mauthausen the Mühlviertel countryside broadens

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Schärding-on-the-Inn.

133 When this sleeping giant stirs—landslides of the underlying gravel beds, say the geologists—the giant Hausruck often shifts houses from their anchorage. Yet the people love him as a well-meaning giant, especially since he presented them with a treasure which adds to their prosperity. In the time of Emperor Joseph II, fields of brown coal were uncovered here. Since then a mining population has grown up. Wolfsegg, a market-town over which stern battles raged during the Peasant Wars, has given its name to the second greatest coal area in Austria. The fertile slopes of the Hausruck stretch out to the Danube Valley. At its lowest point lies Lambach, the old Benedictine settlement on the Traun. Its splendid baroque porch is worth attention. On leaving the neighbourhood of this monastery, one enters an area of almost irresistible beauty.

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133 THE SALZKAMMERGUT. It is impossible to paint in words a convincing picture of the glories of the Salzkammergut. One can mention its name, together with those of various favorite spots there, to stir up feeling or memories. There is that feeling of elation which is inseparable from this area; everyone is susceptible to it, whether he comes from Upper Austria, Salzburg or Styria. A sense of expectancy masters eye and mind. Impatiently one's gaze wanders from the lovely immediate surroundings to the exciting view ahead, both impossibly lovely. An involuntary cry, a sudden embrace, may afford vent to the emotions—the Austrian will suddenly cry out: "God must have made this world in seven holidays!"

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

311 ever, one of the most important natural resources of
137 Austria: her forests. In a Europe greatly deficient in
313 timber this is a great asset, and wood has, in fact, been one
439 of the main items on Austria's export list. With an export of 1,236,000 cubic metres of sawn softwood—more than half of the trees are spruce—Austria provided 5·3 per cent of world exports in 1935 and took the sixth place among exporting countries.

135 What of Austria's resources in minerals and energy? Here the picture does not differ greatly from that presented by other industrial countries, not counting the almost self-sufficient continents of the Soviet Union and the United States: considerable deposits of certain important materials are accompanied by a more or less complete absence of others.

135 Take the two basic materials of heavy industry: iron
316 ore and coal. Austria is a country with considerable resources of iron ore, 90 per cent of which comes from the famous Erzberg in Styria, where the ore has an iron content of 40 per cent. Production in 1937 was 1,885,000 tons* which—in metal content—represented 0·7 per cent of the world output; about one-sixth of this was exported. Coal, on the other hand, is only to be found in quite insufficient quantities. In 1937, production amounted to only 230,000 tons while 2,657,000 tons had to be imported. On the other hand, lignite is plentiful: an output of 3,244,000 tons required to be supplemented by only 185,000 tons of imports. Some of the lignite deposits are in close proximity to the iron ore deposits in Styria which has greatly contributed to the growth of the iron and steel industries in that district.

There are also considerable deposits of magnesite, lead, copper, graphite, and salt. In 1935, Austria produced 24

* Unless otherwise stated, "tons" always mean metric tons.

INTRODUCTION

per cent of the world's output of magnesite and thus took second place after the Soviet Union. In producing 9 per cent of the world's graphite output, Austria followed close on the Soviet Union, Korea, and Germany.[4] The output of other minerals was less impressive and there were no great export surpluses.

About fifteen years ago, oil was discovered near the little village of Zistersdorf, near Vienna. Production was started in 1932 at the very low level of 100 tons, but it increased quickly until it reached 33,000 tons in 1937, the last year of Austria's independence. Since then the Germans, in their urgent need for oil, greatly increased the output in this district and annual production reached a level of one to two million tons. This quantity greatly exceeds Austria's peace-time requirements of oil.

As against her lack of coal, Austria is in the fortunate position of having a practically unlimited supply of water power. Although this had by no means been fully harnessed, the 1936 production of 2,680 million kW.h.[5] of electricity sufficed to cover more than half the country's energy requirements. A small proportion of this electricity (340 million kW.h.) was exported.

Stretching the meaning of "natural resources" somewhat beyond its usual limits, two further assets, of great importance to Austria's economy, may be mentioned at this juncture. These are the geographic position of Austria in the heart of Europe, and the beauty of the Austrian towns and countryside. With regard to the first, Austria and particularly Vienna have, ever since the days of the Roman traders, been important junctions of the main European traffic routes. The Danube Valley, opening a gap between the Alps and the Carpathians, provide an east-west route, linking the Balkans with central and western Europe. At the same time the Brenner

[CA p. 12, Cat. 116 — ANALYST]

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Bad Aussee.

and forestry all found a home here. Progress and civilisation were spread through the surrounding virgin forests and through the properties which had been given to the monastery in Sausal and Untersteier. Often threatened by fire, the monastery[1] has succeeded in preserving undamaged its famous treasury, the library with the frescoes of Altomonte and the masterpieces of J. T. Stammel up to the present day. During the heyday of the monastery, the flower of Austria's youth took their vows here, a long line of artists, men of learning and priests being noted in the chronicles of the monks during the course of a whole century. The great world, however, has forgotten most of their names, although historians still speak of Abbot Heinrich II, whose gifts of statesmanship resulted in the dignity of a Governor of Styria being added to his title of Abbot before he was treacherously murdered in 1297.

Better remembered in our own times are the names of the scholars Richard Peinlich and Albert von Muchar, after whom streets have been named by the provincial capital.

After a short, enforced pause, the rule of St. Benedict was re-established in the almost 900 year old cloister, a monastic revival in modern times of a venerable past.

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Towards the north, beyond the little village of Hall, where salt was crystallized out of the waters in the 12th century, and the hidden, solitary mills, the Haller Mauern majestically enclose the Admont Valley. How grand are the names of the Steinberge—Pyhrgas, Hochturm, Hexenturm and Natternriegel! And how grandly their cliffs and peaks glow beneath the summer sky. For nearly half the year through clear and frosty wintry days they are covered with a glittering mantle of snow.

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To the South the jagged Hahnstein rears its head, blocking the view to the higher peaks of Sparafeld and the Reichenstein. On the slopes of the Klosterkogel lies Röthelstein Castle. Lime trees stand in the outer courtyard, which is surrounded by a turreted and loopholed wall. A massive archway leads to the Residence which is known as a fine example of 17th and 18th century architecture.

1 [i.e. Admont Monastery -- Analyst]

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Hallein, Salt Freighters.

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THE SALT MOUNTAINS OF AUSTRIA.

Salt-mining in Austria dates back to the prehistoric times of the Celts, was developed by the Romans and is closely connected with the growth of civilisation in the country.

The Austrian salt works in Upper Austria, Salzburg, Styria and Tyrol for a long time led an independent existence until Emperor Maximilian I put an end to it in the year 1490 by uniting all the Austrian Crown Lands under his rule.

His successor, Ferdinand I, set up a model organisation for the control of salt mining in his first edict.

In the year 1835 a salt monopoly was established in Austria as part of the introduction of other monopoly administrations. Technical discoveries made and developed in the course of the 19th century were first applied to the production of salt in the latter half of that period. Pressdrills using hydraulic pressure replaced boring machines worked by hand at Bad Ischl.

Electric power was introduced into the salt mines in the 'nineties, special power stations being set up in the mines themselves. Subsequently many hydraulic boring machines were replaced by power-driven borers.

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Salt Pans in the Lambach Area.

Great advantages were secured at this time by conducting surface water under pressure to the mines to water the underground facings. A passing attempt to introduce an irrigation process in 1908 was discontinued on account of the amount of gravel washed down from the Haselgebirge.

The second half of the 19th century brought great progress in the boiling process through the use of steam heat for preliminary warming of the saline solution. The works which were started at Ebensee for this procedure were subsequently considerably improved.

At Hall-in-Tyrol, a new electric thermo-compression plant is under construction for the production of fine salt.

Austria's salt mountains have been inhabited for hundreds of years by an ancient race of miners. Happy in the beauty of the surrounding countryside and inspired by love of their lovely native Austria, they hold fast to their ancient rights, customs and traditions.

This long-rooted attachment of the miner to his beloved salt mountain proved its value after the most terrible of all wars. The Austrian saline works were among the first concerns to resume work immediately after the collapse of the German

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317 occupation, thus allowing completely destitute Austria to procure a certain quantity of foodstuffs through compensation deals with foreign countries.

[529] Salt, the white treasure of the mountains, serves humanity in a modified form in another manner. Wherever salt is recovered, there have grown up famous spas such as Bad Ischl, Solbad Hall and Bad Aussee, where the same substance helps to heal various disorders.

d) Other industrial sectors.

652 Thirty million schillings were allocated in 1950 to the investment program of the electro [393] and cable industry. However, only 13 million have been disbursed, while the rest was carried over to 1951. Although the program could not be fully carried out, it was possible to make some necessary improvements and modernizations in this branch.

[387] Of the means provided by counterpart funds (73 million schillings) the chemical industry was allocated 23.1 million schillings as late as December 1950. The major part of investments in this industry was allotted to the nitrogen industry (the nationalized Stickstoffwerke A.G., Linz) which is scheduled to receive a total investment of 45 million schillings. In the last quarter of 1950 a fertilizer bin with a capacity of 50,000 tons was made ready and put into operation. Moreover, an installation for the production of ammoniated-sulphate with a capacity of 95,000 tons annually will be constructed and put into operation in the summer of 1951. The nitrogen industry is one of the most important earners of foreign currency in Austria.

The Austrian pulp and paper industry (one [289] of the oldest and most efficient of Europe) is to receive a total of 490 million schillings for modernization according to the investment program 1950-52. Of this, 220.2 million schillings (70.2 million schillings, however, as late as in December) were allocated out of ERP funds in the year 1950. The counterpart funds and the plants' own funds were used to extend existing boiler rooms and work space and to build new ones. In the same way boilers, bleaching-machines and installation of new paper mill machinery to replace old units were provided. Paper and pulp production has reached the prewar level and can compete in the export market despite sharp competition.

The Austrian textile industry received 90.2 [288] million schillings in 1950 from ERP funds. It was used together with its own funds to provide new machinery.

For the extension of the glass industry a 323 total of 95 million schillings was provided out of 652 counterpart funds. The glass industry received 14.1 million schillings in 1950 and, within the scope of the release for December (which, however, will be effected as late as in 1951), 8.4 million schillings.

Part of the proposed projects have been completed and remarkable results obtained already. This industry was bolstered greatly by refugees from Czechoslovakia. 323 652

Within the scope of the investment programs 100 million schillings were allotted in 1950 to the erection of general dwelling units. In addition to a sum of 11 million schillings provided out of public funds, 34 million schillings were allocated for erection of workers' dwelling units. (The proposed amount in the three year period for workers' dwelling units was 85 million schillings.) [362]

e) Investments for agriculture and forestry.

Damages caused by the war to this important source of supply (through exhausting the soil, lack of fertilizers and pest control, overcutting, etc.) can be restored only gradually. Because of the increased use of tools of production, financed by ERP funds, it was possible to reach a higher gross production value in the years 1948 and 1949. However, it still lagged behind the volume of industrial production which by 1949 had exceeded the prewar level. The higher production in agriculture in 1948 and 1949 made available bigger supplies of foodstuffs for city dwellers and also made it possible to increase the decimated livestock and improve it. Thus, gaps in supplies of milk, meat and fats could be filled in. [241] [362] [231]

These improved results would not have been impossible without the ERP aid. In the first plan-year, Austria had at its disposal a total of 156 million dollars (or 57 per cent of the total amount of the ERP aid) to increase the production in agriculture, small business and industry. A sum of 18.7 million dollars was allotted to agriculture and supplied 139,000 tons of fodder, 189,000 tons of fertilizers, 4,200 tons of seeds, as well as agricultural machinery and veterinary supplies amounting to 1.1 million dollars. In the second year of the plan agriculture and forestry received approximately 25 million dollars for the import of tractors, caterpillars, threshing machines, reapers, motorized plows, disk harrows, replacement parts, milk separators, and machinery for soil treatment (and also to finance means of conveyance and facilities for forestry). [648]

285 First let us visit the basket weavers

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Basket-Weaver.

of the beautiful Rabnitz Valley and the potters of Stoob where the ancient craft of pottery is still carried on by hand. Then let us cross to Raiding. Here the small house is still standing where a great man in the world of music first saw the light of day—Franz Liszt. He was triumphant the world over, from Russia to France and England. Everywhere the smiles of lovely women welcomed him but more and more he was affected by that melancholy which is reflected in the verses of Lenau. The latter had connections with the Burgenland through his mother; his lyrics won as many friends for the land of the *Puszta* as did the Hungarian rhapsodies of Liszt.

131 Past Ritzing, where the surface belongs to the Burgenland but the coal below it to Hungary, because the tunnels of Brennberg, near Ödenburg, burrow below the frontier, our way leads us to Sieggraben. This is the home of the Semmelweis family, whose most famous son brought salvation from the scourge of puerperal fever to the child-bearing mothers of all times. From here the road climbs to the summit of the Rosaliengebirge, where a view opens towards the east across the Wulka Plain, taking in Ödenburg and the Neusiedler Lake and westwards, the Bucklige Welt, Wiener Neustadt and the Leitha.

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Village Drummer.

On the Leitha also lies the battlefield of 1246. Friedrich the Quarrelsome, last of the Babenbergs, made the territory which had formerly belonged to the Mark of the Carolingians the subject of his first demands.

The Burgenland was long contested. Not for nothing do the many churches in its pleasant villages stand on commanding heights, surrounded by walls which give them the appearance of fortresses, and not for nothing were the many castles and fortified towers set up.

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The days of the Turkish invasions brought poverty and desolation to the land, but at the same time a new population which was fleeing from the Turks and found a new home in the Burgenland—the Croats. From Kroboteck in the district of Jennersdorf through Stinatz, Punkitz, Podgoria and Kroatisch-Minihof there

543 Grey wooden panelling surrounds the yellowish earth of the rings. Over the
345 massive parterre construction rise the slender columns of the first gallery. Above the cornice of the main building a plain balustrade runs all the way round, while the entrance façade displays an antique and richly ornamented gable.

543 It is in this princely riding school that the *haute école* is ridden, the "school on the ground" first being gone through at the pillars, to be followed by the "school above the ground". After trotting and the "passage", the horse is untied from the posts to perform "circles" and "pirouettes". Then comes the "levade", a movement in which the horse rears its forequarters while keeping its haunches together without shifting from the spot. The horse of the Prince Eugene Monument on the Vienna Heldenplatz is rearing thus. A forward jump in the levade position without the forequarters touching the ground is called "courbetting". "Croupade", "balotade" and the "capriole" form the climax of the display.

To a fanfare of trumpets the imposing figures of the horsemen appear, slowly riding on their wonderful gold-saddled horses. They are equipped with brown or scarlet jackets with white leather breeches, high riding boots, sword and two-cornered hat which in accordance with custom they doff in greeting before the picture of the Emperor. The white horses, their manes and tails plaited with gold, contrast glowingly with the dull grey of the wooden panelling. There is a glint in their great dark eyes, and their pink-edged nostrils quiver. Beneath the gleaming hide the muscles and sinews ripple in incomparable beauty. A picture of perfect discipline, these animals go through their difficult programme. Their performance is a feast for the eye and the senses—the world-famous *haute école*, whose venerable traditions are now practised and kept up only by the accomplished horsemen of the Spanish Riding School.

VIENNA AUGARTEN PORCELAIN.

323 In former times, when Austria saw the triumphant progress of Baroque through
531 town and countryside, when within fortified zones the gothic severity of the Middle Ages was forced to make way for the elaborate façades of the new style, a demand arose for suitable ornaments to decorate the new palaces, for the gala room of the town or country house. It had to be something which would go with the general scheme of interior decoration—artistic ornaments for chimney-piece, shelf and table. It was then, in 1717, that the Dutchman Du Paquier established the Vienna Porcelain Factory, of which the "Porzellangasse" is still a reminder. In the Middle Ages, when the first Chinese porcelain came to Europe, the tables of princes and knights displayed pewter, more rarely silver, but mostly vessels of wood or clay. The manufacture of china, the "White Wonder", a product of the mysterious mingling of the four elements, still remained a secret. Not until the beginning

of the 18th century did Böttger of Meissen succeed in solving the great mystery. 323●
Shortly afterwards, Paquier started his factory in the Porzellangasse. A bare fifteen 531
years later Vienna had developed a technique of its own—the delicate shading of the clay, the glazing, and the gilding. Through "flower and figure painting", old Vienna porcelain soon became world-famous. Flower-painting became so popular that the Chinese attempted to copy Vienna motifs, and wares produced to appeal to Viennese tastes were shipped to Europe through the East India Company. But just as "chinoiserie" is never more than an imitation of Chinese painting, so this Chinese attempt to reproduce Vienna patterns did not come near the originals.

Maria Theresia, who recognised the importance of applied art, took over the [655]
porcelain factory and made it a State undertaking. From this time on the manufacturers adopted the historic coat of arms of the Babenbergs as their trade-mark. The popular designation for it was "Beehive". This was the origin of the subsequently famous name for real Vienna china. The undertaking flourished, and was soon employing decorators of skill, painters in blue, rainbow-shades and gold. Orders poured in from abroad; one worthy of note was an order for 120,000 Turkish drinking vessels from Constantinople.

Motifs for decoration were taken from painting, various allegoric figures, shepherdess scenes in the French style, subjects from mythology and later designs according to rococo taste. Landscapes and the so-called mosaic patterns took the place of leaf and ribbon work. Copperplate patterns made a change in subject and technique. About the middle of the 18th century, porcelain vessels as a whole became lighter and more graceful, relief work was added and the baroque handles gradually gave way to more natural styles. Figure painting was executed with a perfection of detail, based on Watteau scenes, mounted combats, shepherds and shepherdesses, rural and hunting scenes and lovers' meetings. Then the influence of Sèvres made itself felt. This period is recalled to mind by dinner-services with rounded gold-network on a dark blue background and coloured figures on a white background.

Towards the end of the 18th century Director Sorgenthal brought new prosperity to the factory. Vienna vases were produced with pictures on the classicistic model, bowls with grotesque ornamentation and Raphaelite paintings. These designs were inspired by the antique wall paintings which at that time were being discovered in Herculanum and Pompeii, as well as the grotesque paintings by Raphael in the loggias of the Vatican, the engravings of which had made them widely known. This period was responsible for a number of charming old Vienna figurines and vessels which are among the masterpieces of ceramic art. At this time the Viennese also invented the famous "relief gold", an unequalled process for dissolving gold in oils and painting it on china.

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When Napoleon's army invaded Europe and Talleyrand appeared in the Vienna factory in 1806 with his generals, Director Niedermeyer dispatched in good time the most valuable specimens to Budapest. At this epoch the now famous Napoleon Service was made for Schönbrunn Palace, a set remarkable for the wonderful forms and colours of the best Empire period. The Vienna factory survived all the losses and dangers of 1809, the ensuing Vienna Congress bringing a host of art-loving visitors who give new impulse to the factory.

The biedermeier period was devoted heart and soul to porcelain. "Middle-class intimacy" and the development of an affectionate family life created a sincere demand and sentimental longing for the products of the factory, which had meantime secured the services of a popular Vienna painter. In the year 1801 Daffinger, who later became famous as a miniature painter, entered the porcelain factory as an eleven year old apprentice. A coffee cup on which the fourteen-year-old boy painted an idyllic group of a mother with three children in perfect harmony of form and colour became a sample of the best composition of the "Old Vienna School". The plate with the Three Graces (after Rubens) is one of Daffinger's finest pieces of porcelain painting.

The tendency to the idyllic, the closeness to life of the biedermeier period made porcelain the fashion during those years. Interior furnishing took advantage of this in an over-elaborate manner, for there was no cupboard without trinket boxes, no wall without ornamental plates and the festive board as well as the everyday table was enlivened by daintily painted services. Monogrammed chocolate cups became birthday and name-day presents. Jugs, pots, pipe-bowls and box lids were wafted from their mundane atmosphere into a gay world through the designs of Daffinger in which a whole company of Greek gods descended on to a white porcelain field.

The discovery of china clay deposits near Karlsbad with coal seams adjacent and cheap labour created a powerful rival to the Vienna porcelain production. Various private circumstances brought the Vienna factory into a difficult situation and led even to its temporary closing down.

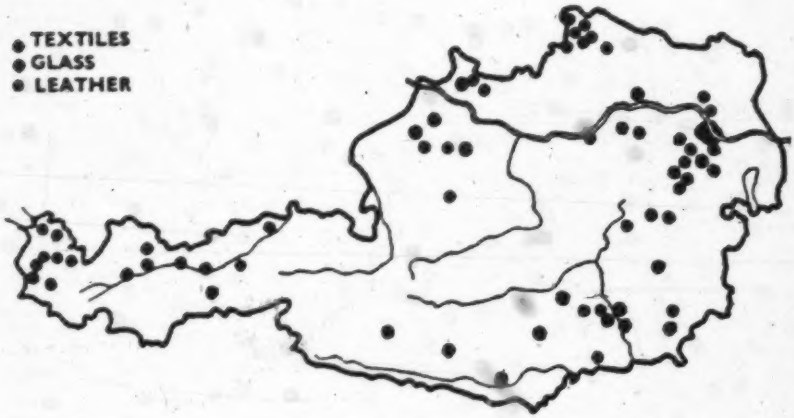
The young Austria of 1918 recalled with pride the great history of Vienna porcelain. The name and the site of the Augarten were added to the old trade mark of the firm. Historic drawings were looked up and re-designed. The Augarten Porcelain Factory soon became a centre for post-war Viennese artists, and although the first years after the re-opening of the factory fell within the inflation period, the stabilisation of Austrian currency soon enabled it to regain its former position on the Continent. Vienna Augarten china is an old and at the same time a new proof of Austrian skill. The people of the biedermeier period made no secret of their love of miniatures painted on porcelain. Many such souvenirs of a past age are still to be found in Vienna drawing-rooms, in homes where time has failed to wipe out all trace of byegone days.

323
532

Augarten Porcelain: the Viennese Girl.

INDUSTRY

288 ● TEXTILES
● GLASS
● LEATHER



INDUSTRY

277 ● TOBACCO
257 ● SUGAR
274 ● BEER

[p. 114]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

a time when the country was struggling to rebuild its economy, one of its main sources of wealth was in a state of convalescence.

Highly skilled workers are one of Austria's chief economic assets, and between the Wars consumer-goods and luxury industries played an important part in her economic life. This side of her economy declined seriously during the German occupation. As part of the deliberate plan to turn the country into an arsenal, workers were diverted from secondary industries and agriculture to the large new war-production centres that were established.

The great Hermann Goering Iron and Steel Works were set up at Linz, with their own coking plant. Sixty miles away at Ranshofen near the River Inn a big aluminium plant was built. There were several reasons for these developments. The fundamental idea was to provide a reserve of vital war industries in a district less vulnerable to enemy attack. Just as the Russians transferred some of their main war industries to Central Asia, so Hitler wanted to have some of his production centres farther away from Allied bomber bases. Secondly, there were certain economic considerations in favour of the two sites. Both were on important waterways. Linz was some sixty miles from the iron ore of the Erzberg, or Iron Mountain, in Styria and not far away from the low-grade ore of Bavaria. Ranshofen was reasonably close to the Hungarian bauxite deposits and conveniently situated in relation to the Third Reich's electricity network, cheap current being the main consideration in the siting of an aluminium works. Further, there were reasons of sentiment and prestige for the choice of location. Hitler was born in Braunau, a few miles from Ranshofen, and went to school in Linz. It seemed fitting that the scenes of the Führer's youth should become centres of war production.

From the purely Austrian point of view, however, such developments were not so satisfactory. Hardly one of the considerations that influenced German leaders would have carried weight with an independent Austria. The strategic and sentimental arguments were both irrelevant. Neither Bavaria nor

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

727 Hungary could be relied on to supply iron ore or bauxite, and
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328 better situated than Linz to handle ore from the Iron Mountain.
438 Ranshofen was not well placed in relation to Austrian supplies of electric power. Above all, the Hermann Goering Works were entirely dependent on the supply of hard coal for their coking furnaces, and Austria was already seriously short of this essential commodity. Whereas Hitler had the coal-fields of Poland and Czechoslovakia at his disposal, Austria in pre-War years had already been dependent on imports for two-thirds to three-quarters of her coal supply. The requirements of the Linz works made the position much worse.

727 The new developments implied a fundamental change of
438 emphasis in the whole national economy, and it was by no means certain, or even likely, that the change would be for the better. It would probably have been sounder for Austria to rely on the traditional skill of her workers in the consumer-goods industries than to attempt to compete with the most powerful industrial countries in basic production. The dangers might not be apparent in the immediate post-War years, owing to the inflated demand for iron and steel products, but they were likely to reveal themselves in the course of time. A serious depression in the world's basic industries or a failure to obtain the coal and raw materials on which Austria's basic industries depend might have very serious consequences on the country as a whole. The choice, however, was not Austria's own. The change that occurred was the main positive legacy of the period of Nazi occupation.

727 Two of Austria's chief natural resources are her mineral
315 oil and her hydro-electric power. These were developed by the Germans rapidly during the War, but in each case with little regard to Austrian interests.

Under happier conditions Austria's oil-fields would have raised her from a struggling country to a prosperous one. It is one of the hardest blows that have fallen on the Austrian people that such a gift of Providence should have been exploited successively by two unscrupulous foreign Powers and should

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

provide the country's metal-finishing industries with the sheets, rods, and other forms of metal that they required. In this way the producer-goods industries would contribute to the success of the consumer-goods industries, which would become independent of imports and would give Austria's traditional skill and craftsmanship the opportunities they required. The benefit to the whole economy is indicated by the fact that a given weight of finished aluminium products has on an average five times the value of a similar weight of raw aluminium. An Austrian member of Parliament pointed out in 1947 that no skill would be required in Austria to buy 10,000 wrought-iron candlesticks, but that it might well be difficult to get hold of a handful of nails. Such a state of affairs would in the long run be inexcusable in post-War Austria, and it was one of the duties of the E.R.P. planners to make it impossible.

The Hermann Goering iron and steel works in Linz, which became the Vereinigte Österreichische Eisen- und Stahlwerke (United Austrian Iron and Steel Works) and are usually known as VÖEST, were planned for a total output of a million tons of iron and steel a year. Before the War ended five of the six blast-furnaces were completed, while the annual production of steel only amounted to 250,000 tons. It was important that the output of steel and sheet-metal should be greatly increased. With this end in view a large outlay of capital was planned for the installation of steel production plant and rolling-mills at Linz and for replacing the rolling-mill at Donawitz. The ERP long-term programme aimed at decreasing the value of pig-iron exports from $9 million to $5 million within four years and at simultaneously increasing the value of rolled steel products from $25 million to $34 million. At Ranshofen finishing works were planned that were capable of handling 15,000 tons of aluminium a year, a figure based on the estimated home consumption.

The nitrogen works at Linz were to be developed and adapted so as to produce 40,000 tons of sulphuric acid a year and 100,000 tons of ammonium sulphate. This would give to their products greater variety and competitive power in world

471 some federal ministries as well as the reorganization
655 of the sphere of action of others), is being taken care of by the federal ministry for traffic and nationalized enterprises, the administration of the nationalized commercial banks falls within the competence of the Federal Ministry of Finance. The nationalization comprises:

[453] 1.) The large banks (Creditanstalt-Bankverein, Oesterreichische Länderbank AG, and Hypotheken- u. Kreditinstitut);

[332] 2.) The most important enterprises of the iron and steel industry (Oesterreichische Alpine Montangesellschaft, Vereinigte Oesterreichische Eisen- und Stahlwerke A. G., Linz, Schoeller-Bleckmann Stahlwerke A. G., Vienna, Gebrüder Böhler u. Co., A. G., Vienna);

[316] 3.) The most important coal mines (Wolfsegg-Traunthaler Kohlenbergwerke A.G., Linz, Steirische Kohlenbergwerke A.G., Vienna, Lankowitzer Kohlen-Compagnie, Vienna, etc.);

[394] 4.) A number of important enterprises of the electric and machine manufacturing industry (AEG-
[393] Union Elektrizitätsgesellschaft, Vienna; Simmering-Graz-Pauker A. G. für Maschinen-, Kessel- und Waggonbau, Vienna, etc.);

5.) The Oesterreichische Stickstoffwerke A. G., Linz;

[316] 6.) The most important non-ferrous mining enterprises (Bleiberger Bergwerks-Union, Klagenfurt; Montanwerke Brixlegg Ges. m.b.H., Brixlegg; Kupferbergbau Mitterberg, Münlbach am Hochkönig; Aluminiumwerk Mattighofen-Ranshofen);

[505] 7.) The Erste Donau Dampfschiffahrtsgesellschaft, Vienna;

[377] 8.) The large enterprises producing electric power; and, finally,

[315] 9.) The enterprises for the exploitation of crude oil.

With the enacted legislation the ownership-rights (re: corporations) or the assets and liabilities of certain enterprises (limited companies, etc.) or plants (branch establishments of enterprises located abroad) became the property of the Republic of Austria. This in turn implied also the transfer of the administration of the nationalized enterprises to the Austrian government, provided that such enterprises were not located within the Russian zone (USIA establishments) and therefore beyond Austrian control. The enforcement of the nationalization, however, is not completed because:

mechanization and electrification are being carried out. A number of new shafts and research and boring operations are also being pushed. In 1950, 75 million schillings from ERP funds was allotted to mining. The total output of Austrian coal mines, about 92.7 per cent nationalized, was approximately 4 million tons in 1950. The output will be increased to 6 million tons annually according to the reconstruction program for 1950-52. 316 454

(2) Iron and steel production.

The structure of the iron and steel industry after the war was essentially different from that of 1938. While the capacity of blast furnaces and steel plants (and to a degree also of steel foundries, forges, gross rolling works, coke ovens and finished steel operations) has increased, ingot operations and medium and fine quality plates (especially rolled metals) have suffered in their capacity and in their functional coherence by removal of equipment (Demontage). In addition to this a large part of the means of extraction and transportation at the Erzberg in Styria, the modern electric gross rolling works at Donawitz, as well as various items of equipment in the iron and steel works (particularly that for the production of rolled metals) has been lost. On the other hand, plants which were only half completed and too big for Austrian industry (such as the six blast furnaces at Linz) had to be taken over so that there was an over capacity of raw iron, steel castings and forging items. The planning for the iron and steel production was worked out by the federal ministries in collaboration with experts of the steel industry after extensive and careful exploratory surveys. They aimed to carry out modernization and completion of the steel works so as to balance future production with the expected sales; utilize the existing works to the highest extent possible and moving of workers from one place to another would be avoided; accomplish the necessary completion of plants for overall production and the closing of production gaps; modernize obsolete plants in order to get more and better economic production. The following considerations were taken into account: solution of the problem of the distribution of production of commercial steel and gross-rolled steel in the two largest Austrian plants (the Oesterreichische Alpine Montan-Gesellschaft in Donawitz and the Vereinigte österreichische Eisen- und Stahlwerke AG in Linz); balancing of production programs of the four large Austrian steel plants (Gebrüder Böhler und Co. A.G., Schoeller-Bleckmann of the Alpine Konzern in Donawitz and in 327

327 Judenburg, on the other hand.

While the annual production of raw steel amounted to 650,000 tons in prewar years, there must be an increase in this amount to 1 million tons annually by 1952 (that is, after the end of the Marshall Plan). This takes into consideration demands and the total demands of Europe for steel. Accordingly, the investments were balanced as follows:

(a) The increase of iron-ore production to approximately 2.2 million tons a year at the Erzberg (Styria), at the Radmer near Hieflau and at Hüttenberg (Carinthia). (This project is one of the biggest in the investment programs.)

(b) The renovation and modernization of steel works. To secure the full utilization of raw-steel production, gross rolling mills and tin plate works were established or renovated. To mention only some of the big projects: the renovation of the worn-out Block-Trio rolling mill at Donawitz (Alpine Montan-Gesellschaft) by a continual billet-rolling mill; the building of a cold-band rolling mill at Krieglach (Alpine Montan-Gesellschaft); the plate works, the building of a five-sectioned broad band rolling mill, the coal rolling mill at the Vereinigte österreichische Eisen- und Stahlwerke AG at Linz; the refined steel rolling mill at the Schoeller-Blackmann Stahlwerke AG in Hönigsberg near Mürzzuschlag (where also a plant for the production of railway materials will be renovated); the extruding press and wrought-iron press at Turnitz; a plant for the production of deep mine drilling tools and equipment, the new sheet rolling mill and the rod mill at Kapfenberg (Gebrüder Böhler und Co. AG). (The new plant in Donawitz began operations in 1950. It is valued at $7,380,000. For the rest of the [652] iron and steel industry 274.7 million schillings were allotted from ERP funds. This represents 37.8 per cent of the 700 million schillings ear-marked for the investment program for 1950-52.)

(3) Investments in the metal industry, ore mining and smelting.

This branch of industry was partly war-damaged, 327 partly confiscated "German Property" by the occupying 316 powers or dismantled as war industries. Thus a complete 328 renovation was necessary in which not the least concern was the regard for supplying the required raw materials for the industries of finished and final products. Another aim was to defend these industries, which depend so much

upon the world market and upon reactions in periods of crisis, to keep iron mining within reasonable limits and to prevent social and economic dislocations. [327] 316 328

Planned investments have been carried out within the last few years in iron mining, smelting and in the metal industry. In the lead industry (Bleiberger Bergwerksunion) the extension of mining has been taken up again through mechanization of mining operations and the extended supply of electrical current; in smelting the utilization of various by-products (Raffinade) has been extended. As a first step in tin smelting, and to cover the urgent demands for sulphuric acid, the Bleiberger Bergwerksunion has started to build a smelter and in connection with it a plant for production of sulphuric acid. The plants will be ready for production early in 1951. Upon completion of the first stage of this project the plants will produce approximately 15,000 tons of sulphuric acid annually as compared with an annual total demand of 55,000 tons. To utilize the by-product zinc-ore the building of a zinc-smelting plant is projected (with an annual capacity of 10,000 tons of metal). There is a demand for about 12,000 tons of copper annually in Austria. Approximately 2,500 tons of this amount may be reclaimed annually from utilizing scrap metals. Copper mining is concentrated at Mitferberger Kupferbergbau and at the Bergbau in Kühlbach, am Hochkonig; these works alone contain the potentialities of further production. It is intended to push the mines to a depth of 120 meters. Furthermore, the capacity of mining equipment shall be increased, including dressing machinery and other mining tools; thus the production of mining tools of all types will increase from 6,000 to between 11,000 and 12,000 tons a month, corresponding to an annual increase in the amount of copper to approximately 2,750 tons. To smelt the by-product ores of this mine and other minor mining sites the erection of an electric-reduction oven at the Montan Werke at Brixlegg (Tyrol) has been proposed, capable of producing up to 15,000 tons of concentrates, i.e., 4,000 tons of copper. Moreover, the erection of extensive electric installations and high-tension long lines as well as the erection of low - frequency smelting ovens will be undertaken. Also the capacity of electrolysis will be increased from 5,000 to 6,000 tons of cathode copper per year. In a similar way nickel-vitriol will be produced.

industries of production goods and consumer goods, will gain top importance. 434 454

During the Marshall Plan period preference was given to short-term investments within the scope of the Austrian Investment Program 1950-52. The aim was to ease the strain on the balance of payments, either by an increase of exports or by a decrease of the import demands, whether by direct or indirect means (for instance, by lower prices for semi-manufactures in industries which depend upon exports). The decisive factor for the selection of investments was the degree of contribution to the balancing of payments within the shortest time possible. This had to be coordinated with the requirements for big projects which had been started or were far advanced. In this way the projects could be completed in a technically and economically sound way. By finishing the started projects, especially in electric energy and in the iron and steel industry, Austria should be enabled to use its rich natural resources (water power, iron ore) as rationally as possible and better than was the case before. In view of the low capacity of the domestic capital market these projects had to be carried out, as far as possible, within the ERP period. In spite of the continuation of big industrial projects, the main tendency of the three-years' program (1950-52) is to give industries and crafts which need export outlets as well as the tourist traffic higher counterpart sums in the last two years than they received in 1948-49. It is self-evident for reasons of export and social policy that the investment plan tries to support, above all, small and medium-sized enterprises of the semi-manufactures category and the crafts. [457] 652 454 457

Development of the most important economic fields is on the average satisfactory. One has to consider, however, that the full results of investment projects, especially the big ones, will not show up until 1954-55. Most impressive has been the development of the iron producing industry. Thus, for instance, in 1950 about 15 times more raw iron and 5 times more raw steel and rolled products were produced than in 1946. The production of the iron producing industry surmounted that of the prewar level in 1945. Compared to 1937, by 1950 the production of raw iron was higher by 128 per cent, that of raw steel by 46 per cent, that of rolled products by 37 per cent, and that of pressed and wrought iron products by as much as 246 per cent. This development continued in 1951. Thus, the production of 433 327

433 raw iron was increased to about 1.04 million tons (as
[387] compared to 883,000 tons in the preceding year) and
the raw steel production to about 1.03 million tons (as
compared to 943,350 tons in the preceding year). This
increase in production was possible through an increase
in mining output, which amounted to approximately 2.37
million tons in 1951, as compared to 1.86 million tons
[398] in 1950. In the car industry, emphasis lay on the pro-
duction of tractors, heavy trucks, busses and motor-
[392] cycles. Agricultural machinery production was 119 per
cent higher in 1950, lathes 110 per cent higher, ball-
bearings 327 per cent, nails and screws 56 per cent
more than in 1937. Although the electrical industry
[393] had suffered most seriously from war damages and dis-
mantling, and although various raw materials, mostly
of foreign origin (such as electric thin-gauge plate,
copper, lead and various special products), could be
obtained only with difficulty, the total production in
1950 was double that of 1937. This favorable development
has continued in 1951 despite the shortage in raw
[387] materials. The chemical industry reached a capacity far
higher than before the war in spite of extensive war
damages. The Linz Stickstoffwerke, for example, not
only cover the domestic demand for nitrogen but export
considerable quantities of nitrate of lime and phos-
phate. Production of the latter amounted to 525 tons
per month in 1938, during the first six months of 1951
it reached an average of 35,000 tons per month. The re-
sults in some finishing and consumer goods industries
lagged behind, but even so substantial increases could
be reached, especially in enterprises which are important
[289] for export (for example, the paper industry). By 1950
three per cent more paper was produced than in 1937.

[316] A remarkable increase was made in domestic
soft coal mining. The production of electric current
[377] rose from 3,050 million kwh, 1946, to 4,911 million kwh,
1950, an increase of 61 per cent. This remarkable in-
crease of capacity in 1950 is almost exclusively due to
water power, the production of which increased to 690
million kwh. In extending and financing electric power
projects differentiation must be made between finishing
started projects (water-power plants, steam plants,
transmission lines and transformers), new construction,
international projects, export, and projects of local
importance (see Wirtschaftsberichte No. 12, October 1951:
"Oesterreichische Wasserkräfte als Beitrag zur Energie-
versorgung Westeuropas," by Erich Heller and Oscar Vas).

On the left bank of the Enns, running eastwards, the road leads past the Grabnerhof, a modern agricultural college, and through the little village of Weng, climbing steeply to Buchau. 874

Through meadows and woods the little road leads out of a realm of solitude past traces of the bygone days of the "Ironmasters" to come gradually into more populated and livelier surroundings. In 1150 this place was called St. Gallus-in-Silva, i. e. St. Gallen-in-the-Wood—and the descriptive name is still applicable. 361

The main road from Admont to the East runs towards the Hohen Buchstein, at the foot of which road, railway and river enter that unique natural phenomenon which the Enns through countless aeons has carved out of the chalk cliffs, the Gesäuse. A sunny, cheerful forest valley, the river tearing its way through the rocks below, and on both sides high forests filled with the rushing wind and the songs of birds in the tree-tops. Now and again a stone avalanche falls from distant heights with the re-echoing crash of falling debris. Where small lateral valleys join the Ennstal they afford above dark forests glimpses of the gorges and heights of the Gesäuseberge. It is an exciting excursion, no matter whether the traveller looks out from the window of a train or the back of a car, or, disregarding the fatigue of going on foot in the old way, enjoys the beauty of the Upper Styrian mountain world in a four-hour walk. 133

Into the Gesäuse runs the Johnsbach Valley, once filled with noisy life by blacksmiths and their apprentices, but now a popular point of entry for mountaineers who whish to climb the heights of the Reichenstein, Ödstein, Planspitze and Hochtor. In Gstatterboden, on the calmer reaches of the river, the mountain giants are again visible in all their majesty.

Where the Erzbach joins the Enns lies Hieflau, long famous for its output of Styrian iron. The nearby Erzberg and the waterway of the Enns enabled Hieflau to establish and develop its furnaces, to turn out iron ingots and to build workers' houses. There are still some remains of the great Enns Dam, a picturesque construction of the hydraulic engineer Hans Gasteiger, who was buried in Kirchlandl in 1577. 361 327

The Enns, now flowing northwards, buries itself deeply between high plateaus on which farmers have long been settled amidst meadows and woods. Hastening past Gross-Reifling with its castle-like houses dating from the times of the iron carriers

133

key industries. German capital was conspicuous in the spheres of banking and insurance, the iron and steel industry, heavy and electrical engineering, the chemical industry, textiles, hydro-electric works, and in the film industry. In many cases, of course, German capital opened up new opportunities, with benefits to all concerned. But more often German control resulted in the complete subordination of the policy of the Austrian firm to the interests of the German parent concern or to the political aims of the German expansionists. 648 471

In the electrical engineering industry, for instance, which was dominated by the German controlled Oesterreichische Siemens Schuckert Werke A.G., Siemens-Halske A.G., and the A.E.G.—Union Elektrizitaets—Gesellschaft, the goodwill which Austrian industry possessed in south-eastern Europe was exploited by using the Austrian establishments for exports to these areas. But the development work was invariably carried out in Germany. Austrian research workers and technicians were sent to the Berlin laboratories, and Austrian shareholders deprived of their dividends in order to strengthen the financial reserves of the parent concern. Accordingly, the Austrian establishments became increasingly dependent on German patents and finance while Austria's social and economic requirements were completely neglected. 648 393 471

Many similar examples could be given from other industries. One case, which deserves special mention is that of the biggest single Austrian combine, the Alpine Montan A.G. The Alpine owned all the important iron mines in Styria and Carinthia, all Austrian blast furnaces, a great number of steel works in southern Austria, lignite and magnesite deposits and railways. It controlled the bulk of Austria's metallurgical resources. 648 471 327

AUSTRIA'S ECONOMIC DEVELOPMENT

648 The Alpine had been the offspring of a merger of many small companies in the days of the Monarchy. After the
327 war the majority of shares was acquired by the Government, but in 1919—during the most critical period—they
471 were sold to a group of Italian financiers. From there, in 1921, they passed into the hands of the notorious German inflation profiteer, Hugo Stinnes. When his meteoric rise came to a sudden end the majority of shares (56 per cent) were acquired, in 1926, by a member of the German Steel Cartel, the Vereinigte Stahlwerke of Duesseldorf, a combine headed by the Nazi promoter Fritz Thyssen.

From then on this most important combine in Austria's heavy industry was run exclusively in the interests of the German Steel Trust. All the important positions and research facilities were reserved for adherents of "Pan-
469 German" convictions. The workers were forced to leave their free trade unions and to join the *Heimwehr*, an armed, anti-democratic body, whose Styrian branch was heavily subsidized by the Alpine Montan. As early as 1931, the Styrian *Heimwehr* organized an unsuccessful *coup d'état* against the Austrian Government. A number of directors of the Alpine Montan were behind this *putsch*. They were again involved, and actually arrested for a short time, when the Nazis made an abortive *putsch* in July, 1934, in the course of which Chancellor Dollfuss was murdered.

648 On the outbreak of the great economic depression the German steel magnates decided to concentrate production
327 in Germany. All Austrian blast furnaces were closed down
457 and the industrial districts of Styria were thus converted into one of the worst-depressed areas in Europe. After Hitler's rise to power, the Alpine was completely harnessed to the German armament programme, regardless of Austria's political or economic needs. In 1937, when

THE SHADOW OF GERMANY

Austria was in great need of "free currency", the Alpine refused orders from England and other countries, and sent its whole output to Germany, in spite of the clearing debts which had accumulated there. Ultimately the behaviour of the directors became so hard to distinguish from high treason that the Austrian Government put a Government Commissioner in charge of the firm. But it was too late. A few weeks later the policy which the directors of the Alpine had backed all along was fulfilled—Austria was occupied by Germany.

Direct ownership and control were not the only means by which the Germans exerted their influence in the economic affairs of Austria. Recent investigations by the American Anti-Trust Division have shown how, over a long period, German combines used international cartels in order to increase Germany's economic war potential.[3] If powerful monopolistic concerns in Britain and the United States could be induced to act against the interests of their own nation it is clear that the Germans had much easier play as far as Austria was concerned.

Cartelization was a widespread feature of Austria's industrial structure. The wide ramifications of industrial investments of the major banks greatly smoothed the way for trade agreements, mergers, etc. Many of these cartels worked in close agreement with their German counterparts. Owing to their much greater financial strength the German firms had the decisive say in directing cartel policy. In their desire for high and safe profits the Austrian cartel members not only damaged consumers through their restrictionist policies; they also betrayed the economic and political interests of their country in favour of Germany.

These direct economic influences were supplemented by other, more subtle, methods. From the day of the

[CR CATEGORY 116, P. 91 — ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

INDUSTRY

- METAL INDUSTRY
- CHEMICAL INDUSTRY
- SHIPBUILDING

327
38
316

INDUSTRY

- WOOD
- PAPER

313
281

[p. 113]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

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From the purely Austrian point of view, however, such developments were not so satisfactory. Hardly one of the considerations that influenced German leaders would have carried weight with an independent Austria. The strategic and sentimental arguments were both irrelevant. Neither Bavaria nor

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438 Ranshofen was not well placed in relation to Austrian supplies of electric power. Above all, the Hermann Goering Works were entirely dependent on the supply of hard coal for their coking furnaces, and Austria was already seriously short of this essential commodity. Whereas Hitler had the coal-fields of Poland and Czechoslovakia at his disposal, Austria in pre-War years had already been dependent on imports for two-thirds to three-quarters of her coal supply. The requirements of the Linz works made the position much worse.

727 The new developments implied a fundamental change of
438 emphasis in the whole national economy, and it was by no means certain, or even likely, that the change would be for the better. It would probably have been sounder for Austria to rely on the traditional skill of her workers in the consumer-goods industries than to attempt to compete with the most powerful industrial countries in basic production. The dangers might not be apparent in the immediate post-War years, owing to the inflated demand for iron and steel products, but they were likely to reveal themselves in the course of time. A serious depression in the world's basic industries or a failure to obtain the coal and raw materials on which Austria's basic industries depend might have very serious consequences on the country as a whole. The choice, however, was not Austria's own. The change that occurred was the main positive legacy of the period of Nazi occupation.

727 Two of Austria's chief natural resources are her mineral
315 oil and her hydro-electric power. These were developed by the Germans rapidly during the War, but in each case with little regard to Austrian interests.

Under happier conditions Austria's oil-fields would have raised her from a struggling country to a prosperous one. It is one of the hardest blows that have fallen on the Austrian people that such a gift of Providence should have been exploited successively by two unscrupulous foreign Powers and should

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

production to 102 per cent of the 1937 figure. These results, however, were achieved by continued excessive felling, which was only partly offset by the introduction of more economic methods, including the use of the remoter areas. Special attention was paid to reforestation with quick-growing kinds of timber, but the fact remains that a period of restraint will be necessary if the Austrian forests are to regain what they have lost. 473

The privileged position given to Austria's heavy industries in the European Recovery Programme is reflected by the fact that in 1951, whereas consumer-goods production was only 128 per cent of the pre-War level, investment-goods production reached 175 per cent. Stimulated by the post-War demand for capital goods and by the installation of such fine new plant as the blooming-mill at Donawitz and the blooming-and-slabbing-mill at Linz, both provided by Marshall Aid, the production of the heavy industries went rapidly ahead. If the emphasis on this branch of the economy had been overdone, it was not to become apparent until a later date.

The production in 1951 of pig-iron, raw steel, and sheet metal amounted to 270 per cent, 158 per cent, and 149 per cent respectively of the 1937 figures. Iron and steel exports in 1951 were valued at $57 million. Aluminium output rose from 13,357 tons in 1948 to 26,380 tons in 1951, and in addition, thanks to the installation of a rolling-mill at Ranshofen, the production of sheet aluminium and half-finished goods started in 1950. By 1951, 27 per cent of Austria's aluminium production was being exported, some of it to the United States, and at the same time internal consumption had risen sharply, so that Austria had become the fourth largest consumer of aluminium per head of population in the world. The following year aluminium output went rapidly ahead owing to the increased availability of electric current. The export of artificial fertilizer from the Linz works rose to 274,152 tons in 1951 and to 188,135 tons in the first six months of 1952. The number of tractors, lorries, and buses produced by the Steyr–Daimler–Puch Company in 1952 amounted to 11,765. [328]

327 Judenburg, on the other hand.

While the annual production of raw steel amounted to 650,000 tons in prewar years, there must be an increase in this amount to 1 million tons annually by 1952 (that is, after the end of the Marshall Plan). This takes into consideration demands and the total demand of Europe for steel. Accordingly, the investments were balanced as follows:

(a) The increase of iron-ore production to approximately 2.2 million tons a year at the Erzberg (Styria), at the Radmer near Hieflau and at Hüttenberg (Carinthia). (This project is one of the biggest in the investment programs.)

(b) The renovation and modernization of steel works. To secure the full utilization of raw-steel production, gross rolling mills and tin plate works were established or renovated. To mention only some of the big projects: the renovation of the worn-out Block-Trio rolling mill at Donawitz (Alpine Montan-Gesellschaft) by a continual billet-rolling mill; the building of a cold-band rolling mill at Krieglach (Alpine Montan-Gesellschaft); the plate works, the building of a five-sectioned broad band rolling mill, the coal rolling mill at the Vereinigte österreichische Eisen- und Stahlwerke AG at Linz; the refined steel rolling mill at the Schoeller-Blackmann Stahlwerke AG in Hönigsberg near Mürzzuschlag (where also a plant for the production of railway materials will be renovated); the extruding press and wrought-iron press at Turnitz; a plant for the production of deep mine drilling tools and equipment, the new sheet rolling mill and the rod mill at Kapfenberg (Gebrüder Böhler und Co. AG). (The new plant in Donawitz began operations in 1950. It is valued at $7,380,000. For the rest of the [652] iron and steel industry 274.7 million schillings were allotted from ERP funds. This represents 37.8 per cent of the 700 million schillings ear-marked for the investment program for 1950-52.)

(3) Investments in the metal industry, ore mining and smelting.

This branch of industry was partly war-damaged, 327 partly confiscated "German Property" by the occupying 316 powers or dismantled as war industries. Thus a complete 328 renovation was necessary in which not the least concern was the regard for supplying the required raw materials for the industries of finished and final products. Another aim was to defend these industries, which depend so much

upon the world market and upon reactions in periods of crisis, to keep iron mining within reasonable limits and to prevent social and economic dislocations. [327] 316 328

Planned investments have been carried out within the last few years in iron mining, smelting and in the metal industry. In the lead industry (Bleiberger Bergwerksunion) the extension of mining has been taken up again through mechanization of mining operations and the extended supply of electrical current; in smelting the utilization of various by-products (Raffinade) has been extended. As a first step in tin smelting, and to cover the urgent demands for sulphuric acid, the Bleiberger Bergwerksunion has started to build a smelter and in connection with it a plant for production of sulphuric acid. The plants will be ready for production early in 1951. Upon completion of the first stage of this project the plants will produce approximately 15,000 tons of sulphuric acid annually as compared with an annual total demand of 55,000 tons. To utilize the by-product zinc-ore the building of a zinc-smelting plant is projected (with an annual capacity of 10,000 tons of metal). There is a demand for about 12,000 tons of copper annually in Austria. Approximately 2,500 tons of this amount may be reclaimed annually from utilizing scrap metals. Copper mining is concentrated at Mitferberger Kupferbergbau and at the Bergbau in Mühlbach, am Hochkönig; these works alone contain the potentialities of further production. It is intended to push the mines to a depth of 120 meters. Furthermore, the capacity of mining equipment shall be increased, including dressing machinery and other mining tools; thus the production of mining tools of all types will increase from 6,000 to between 11,000 and 12,000 tons a month, corresponding to an annual increase in the amount of copper to approximately 2,750 tons. To smelt the by-product ores of this mine and other minor mining sites the erection of an electric-reduction oven at the Montan Werke at Brixlegg (Tyrol) has been proposed, capable of producing up to 15,000 tons of concentrates, i.e., 4,000 tons of copper. Moreover, the erection of extensive electric installations and high-tension long lines as well as the erection of low-frequency smelting ovens will be undertaken. Also the capacity of electrolysis will be increased from 5,000 to 6,000 tons of cathode copper per year. In a similar way nickel-vitriol will be produced.

328 316 It is thought that in the light-metals sector (production of aluminum) the bauxite mines at Unterlaussa (on the frontier between Styria and Lower Austria) will be extended to obtain at least the necessary raw materials for production. In accordance with the increase in the total European aluminum production required by the OEEC, Paris, Austria will endeavor to increase aluminum production in the smelting plants of the Vereinigte Aluminum Werke Ranshofen and in the plants at Lend of the Salzburger Aluminium Gesellschaft m.b.H. (up to 30 and 10,000 tons a year, respectively).

The production of non-finished metal products shall be extended by the completion of a light-metals plant of the Österreichische Metallwerke A.G., the construction of which is already far advanced and by the project of a heavy-metal plant of the same firm. These plants are designed to overcome the bottle-neck created by the loss of the plants for non-finished metal products (Krupp in Berndorf and the Enzesfelder Metallwerke). For the Metallwerke Plansee Gesellschaft m.b.H., Reutte (Tyrol), the erection of a plant for the production of molten molybdenum has been planned; in addition, the erection of heavy presses, granulating and sharpening machines for the production of heavy metals as well as of special electrolytical methods for the production of hard metal alloys (Diamantmetall-legierungen) is proposed.

[652] In the scope of the investment program 1950-52 investments, 131.3 million schillings have been mobilized from counterpart funds for these industries. Of this amount approximately 40 million schillings (30.5 per cent) already has been allotted.

c) Investments in the electric industry.

377 [127] A large number of machinery units and steam-power plants were destroyed or lost by the war. The Austrian economy, therefore, could recover only very slowly in the years 1945, 1946 and 1947, particularly because the supply of energy was definitely insufficient in the months of water shortage. Since 1948, supported by the Marshall Plan, remarkable progress has been made in supplying energy within the economic planning for electricity. Austria tries to overcome the existing difficulties, which arise out of the rapidly changing demand for current on the part of industry, in two ways: (1) by the extension of storage facilities and of caloric

READJUSTMENT AND CONSOLIDATION

Vienna still had an important economic contribution to make to the country and to the world. Its unique geographic position at Europe's crossroads again attracted a large and growing volume of transit trade which helped to keep the commercial life of the city at a high level. Again, the long-standing knowledge which the Viennese financial institutions had acquired of the Balkan markets gave rise to economic activities and payments from foreign countries which helped to improve the balance of payments. Of still greater importance was the increased activity in the consumer goods and export industries to which Vienna, the main centre of the lighter industries, was particularly well suited. The introduction of a biennial fair made Vienna the main centre of the country's export trade and an important factor in Central and east European trade. 366 368

Last, but not least, the economic activities of the Viennese City Council helped considerably to re-establish and stimulate the economic life of the capital.[1] A skilful financial policy had enabled the municipality to avoid a deficit even during the difficult post-war and inflationary years. Now that the position had become easier they embarked on a progressive programme of expenditure on social welfare, educational reform, and—most important from the economic point of view—on an extensive building programme. Building activity had practically come to a standstill during and after the war and the housing shortage was acute. Private building was discouraged by a strict Rent Restriction Act which protected the population from the wild profiteering in rents that would have otherwise occurred. In 1923 the municipality, which had already built 7,259 dwellings between 1919 and 1923, announced that they would build 25,000 new dwellings during the next five years. This was the 633 331 633 362

1 [CA CATEGORY 116, P.58. -- ANALYST]

•331 362 633 beginning of a great housing programme which replaced slums by beautiful modern houses and attracted the attention of experts from all over the world, and which revived the building trades and with it, a great number of related industries in Vienna and the rest of the country.

CONSOLIDATION

433 Once the currency was stabilized and more normal conditions established, the upward trend in industrial and agricultural production became more marked as well as more general. It now seemed as if the earlier economic problems of Austria would soon find their solution and that a sound basis for a new national economy would be formed. And this would have doubtless been true if the process of consolidation of that period had not come to an abrupt end in the world economic depression.

For progress was quite considerable. Industrial production increased quickly and at a rate which compares not unfavourably with development in other countries during the same period.

INDICES OF INDUSTRIAL PRODUCTION

(Average 1925–9 = 100)

	Austria	Germany	Czechoslovakia	United Kingdom
1925	89	87	88	99
1926	89	87	86	76
1927	100	109	100	109
1928	110	108	111	104
1929	113	109	115	112

Two points should, however, be noted in this connection. Firstly, the increase in output was achieved not so much

Village Street.

[103] are many village names of Croat origin. These Croats not only repopulated the devastated areas but also cleared the forests to build new settlements. The 162 "Displaced Persons" of the Turkish Wars have become an indispensable part 361 of the Burgenland population.

They are called "Wasserkroaten". It is uncertain as whether this refers to their 101 having come from the coasts of Dalmatia, or whether "Wosser Kroaten" points to their having come from the province of Wossen, i. e. Bosnia.

●333 The soil of the Burgenland is not capable of feeding all its children, so that thousands of its inhabitants become bricklayers who work for the whole week in other parts of Austria during the season, to return on Saturdays to their native villages. Their busy hands have helped to create the splendid buildings on the Ringstrasse. In the plaster and stucco decorations of these are concealed [346] the reeds of the Neusiedler Lake. The Votivkirche, in Vienna, is built of stone from the quarries of St. Margarethen, between Eisenstadt and the lake. The Italians who were summoned to the Leithagebirge in 1550 as stone masons had barely become Burgenlanders when they were commissioned to work on the imperial "Neugebäude" in Ebersdorf. Thus there is a close connection between Kaiser-Ebersdorf in Vienna and the Burgenland parish of Kaisersteinbruch in the Leithagebirge.

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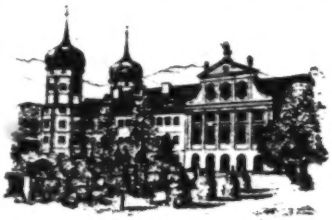
Vadders.

But if one asks what, in view of its many contradictions, Tyrol really is, one is again confronted by something strange and mysterious. It is a fact that, looked at from outside—for instance from Salzburg or from Vorarlberg, Bavaria or Italy—Tyrol presents the picture of a close-knit unit. Is it the mountains which hold together the Province (which in all documents is referred to as the "Land in the Mountains" because it is entirely dominated by mountains and because from north to south the whole territory consists of mountainous country which never descends to the level of the plains)? Is it a gift conferred by the gods for good or ill fortune; is there some idea of sacred mountains behind the song which tells of the "Holy Province" of Tyrol? ...

The peculiarly pious devotion of the mountain dweller to his homeland and his liberty has done as much to create the feeling of unity as has the great history of Tyrol which people keep alive today in many customs and many forms.

341 THE ARTS. In Tyrol, art belongs to the soil. The supreme period of its architecture is reflected not only in venerable abbeys, stately mansions, churches and the houses of the nobility, but also in many a farm-house and its outbuildings, in wayside crucifixes, chapels and shrines.

Apart from the imposing buildings and monuments which served the interests of the aristocracy and the well-to-do citizens—the most important example of these is the Tomb of Maximilian beneath the lofty vault of the Hofkirche in Innsbruck—the simpler output of native craftsmen is often impressive and singularly moving as, for instance, that gem of art, the little rococo church in the dreamy hamlet of Gschnitz. Built in the spirit of devotion, its existence threatened on all sides—from avalanches and landslides from the mountain above, from the torrential river below in the valley—it seems amid the forces of nature to do honour to God in the Highest, man upon Earth, and to act as a gracious mediator between the two.



Stams; Cistercian Monastery.

532 The artistic sense of the people is most apparent in the national costumes and

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to the peasants' determination to resist attacks from the Styrian-Carinthian frontier districts which had often been invaded from the East.

AN ARTISTIC PEOPLE. The plastic arts have been widely influenced by the melody of the landscape and by the individual note which characterises Carinthia. This influence can be seen at work through the centuries. Even the works of foreign artists produced in Carinthia bear the Carinthian stamp.

341 The *Herzogsstuhl* ("Duke's Chair") at Zollfeld and the little church of Krainburg, one of the oldest churches existing in Austria, bridge the gap between the Roman remains which have been unearthed, and the romanesque period. On high points which were carefully selected you will find country churches in which services are still held and massively built charnel-houses. In the decorations of the romanesque monastery churches it is possible to trace the course of history; to see how, for example, the provincial romanesque reliefs yield to the Nordic passion for representations of the Stations of the Cross (for instance those of Millstatt), or how the style of great German buildings spreads into Carinthian territory, influencing the building of the monumental abbey at Gurk. Secret beliefs of the people in the supernatural as well as symbolic representations are revealed in the carvings on the doors and in the many-arched porch of the Abbey.

The religious severity of the choir construction is the first sign of Gothic, which blossomed in the 15th century into many pure gothic churches. Wooden statues of the Virgin Mary vie for recognition with richly carved triptych altars.

The renaissance and baroque styles are afforded little scope in secular monuments. But in the churches we find massive early baroque altars, which were succeeded by daintily carved rococo pulpits and by the famous Pieta of Rafael Donner in Gurk Abbey.

532 Carinthia's architectural and sculptural treasures have to yield place both in respect of quality and numbers to her paintings. There are a great number of romanesque wall paintings, noteworthy for their magnificence of conception and delicate colouring. The painting of Bishop Romanus in the Keep of Friesach is supposed to be the oldest fresco in Austria, dating from 1130, while that of the Apostles in the "Winter Church" of Maria Wörth is nearly as old. Again and again the removal of plastering

brings to light new marvels of colouring from long past ages. The smallest and most humble of churches sometimes becomes famous overnight. Even the frescoes revealed show a rough peasant uncouthness; this is always matched with a brilliant talent for painting. The pastel-coloured frescoes of the "Master Heinrich" in the western nave of Gurk Abbey are perfect in form and conception, and have a European reputation. 532

A well-qualified Carinthian expert in the fine arts has written of the development of Carinthian painting in the 13th century: "At the beginning of the romanesque period every scene was allotted a definite place on the wall, the colours being given merely symbolical value and the whole conception governed by severely inkonographical laws which attached little importance to the portrayal of persons, and disregarded entirely the surrounding scenery or superficially indicated it by symbols. But at the end of this period we find scenes where active beings replace the unreal puppet figures of the earlier epoch. Parallel to this change is the addition to lifeless drapery in the painting of figures of broken, serrated lines hinting at movement. Then came a flowing softness of outline which still refused to suggest the reality of the body beneath the drapery. Finally we see the artist overcoming the shapeless softness of outline, the suggestion of a living body beneath the garment and the soft lines slowly merging into lovely Gothic."

The strong urge towards painting in Carinthia has influenced the local Gothic. Elsewhere you will find that it is an aim of Gothic to curtail wall space in favour of windows. But in Carinthia, Gothic is moderated, the buildings more solidly constructed, in order not to lose any possible space for wall paintings. In small buildings with little wall space, you will find that the mural decorations have been frequently overpainted. The many churches of the Province, especially the wonderful Gurk Abbey, the abbeys of Millstatt and St. Paul, the church of Maria Saal and a host of others, some of which are in remote spots, offer striking examples of this trend in art. In order to provide still more space for special occasions there are the so-called "Fastentücher" ("Lenten Cloths")—stretched canvases something like the "Armenbibel" ("Poor Men's Bible") with painted scenes of the Passion, with which the altar is covered during Lent. One of the largest belongs to the Abbey of Gurk, a pious gift of the Countess Hemma who, canonised, has been made the patron saint of the Province. 341 532

Maxnitz, Charnel House.

quarter above the Wienerwald. Waidhofen-on-the-Ybbs, Lunz, Scheibbs and the stretch from Mariazell to St. Pölten are far-famed for their rustic beauty. Further to the north of the Styrian boundary lie Türnitz and Lilienfeld, Hainfeld and Gutenstein near the contrasting shapes of the Mittelgebirge.

Along the road to Greifenstein, on the Danube, through Neulengbach and Altenmarkt, descending to the Hohe Wand, Schneeberg and the Rax, runs the boundary of the "quarter below the Wienerwald". Encircling Vienna in a mighty arch from Klosterneuburg to Heiligenkreuz and Baden, it descends to the plains along a line of thermal springs. On one side of the Südbahn grows a heavy wine; on the other is a chain of industrial centres—Traiskirchen, Sollenau, Leobersdorf, Berndorf, Wiener Neustadt, Neunkirchen, Ternitz and Wimpassing. The factory chimneys do not end until the Semmering district is reached at Gloggnitz and Payerbach. The Pittental leads to the "Buckligte Welt" of Edlitz, Kirchschlag and Aspang, while to the east of Vienna the approaches to Hungary lie in the flat triangle formed by Schwechat, Ebenfurth and Bruck-on-the-Leitha.

ON THE BANKS OF THE RIVER.

Restless flows the Danube through Lower Austrian territory, until it is reluctantly compelled to submit to control and regulation. At Strudengau it still gives birth to leaping rapids and circling eddies, twists itself at Ybbs to a dangerous bend, narrows to the legend-haunted valley of the Wachau and constantly forces the current to move now towards this bank, now towards the other, until it at last subsides into a broad and placid stream below Tulln. With

Baden, where the healing waters flow close to the roadside, proved a great attraction for you. To drink them you only needed to go down a few steps. On all the bridges over the Schwechat, you could smell the sulphur from the springs which were discovered by the Romans. The modern medicinal baths were in their time the temple of a goddess. In the piping times of peace you found there many people who had come from far off countries. The rich glow of the tulip beds in the Kurpark is a sight which you should not miss.

Kornhäusel, an architect of late classicistic style, built for Baden a town hall with Greek temple columns and a flat roof adorned by stone statues. His work, specimens of which can be found throughout the town, is of modest but genuine beauty. You keep finding pillars and rows of columns, Doric and Ionic capitals and caryatids, which, although of unequal value, lend a distinctive air to the town through their variety of form and the attempt to reproduce the beauties of antiquity.

Mozart's "Ave verum" and Beethoven's "Missa solemnis" are particularly treasured by Baden. Grillparzer, Schubert and further southwards, Raimund have all enriched this countryside with the breath of their art.

At the foot of the forests are extensive vineyards. Light, stony soil and a favourable situation give the grape a choice quality which has been further improved by careful tending. Gumpoldskirchner wine was taken around the world on one occasion on a Zeppelin flight. It kept its high quality throughout.

Hainburg, Wienertor.

From the balcony there is a magnificent view over Vienna, embracing the lower garden palace, the green domes of the Karlskirche and the Salesianerkirche and the silhouette of the great city as it loses itself in the clear-cut, rolling lines of the Wienerwald hills. 342

In front of the south façade of the Upper Belvedere Palace, near the main entrance, is a quiet pond. Its clear surface reflects all the lovely outlines of this loveliest of all the Vienna palaces. In the festive halls the great mirrors along the walls gather the light and prolong their length into infinity. Dream and reality mingle where, as in baroque churches, the ceiling frescoes show the heavens opening with their saints and cherubs, and we can hardly distinguish the architectural features painted on the walls from the plastic actuality of marble. That is the spirit of the Baroque—an illusion which delights is better than a depressing truth—the spirit of an age in which western people found a form of cultural expression which has survived to this day. 341 517

People often speak of the wild extravagance and redundance of the baroque style of building. Princes, noblemen and monasteries did indeed squander great sums in those times in order that art should prosper—the art which went to enrich palaces and cathedrals, parks and marble statues as a triumph of the spiritual over the material. But if we pause to reflect how Vienna has been enriched by the glory and beauty of this art, we shall value and praise this extravagance.

With the name of the Belvedere in Vienna is linked—

SCHÖNBRUNN. The Palace and the Park form one harmonious whole. The first design for the grounds of Schönbrunn came from Fischer von Erlach. The great architect had planned to place here a splendid building right in the midst of the then unspoiled beauties of meadows and forests of the Wienerwald. It was to be a glittering fairy palace, with flower-covered terraces, porticos and fountains, commanding the whole countryside. This plan was over-ambitious and for that reason was never carried out. The Emperor died, the available funds were exhausted and the architects of his daughter Maria Theresia, Pacassi and Hohenberg, were only able to lay out a part of the grounds. 344

There is a trace of Italian palace architecture about this palace; the conception of the great central tract and of the statues along the coping was taken directly from the south. The two galeries on the lines of those in Versailles and the combining of palace and grounds in one harmonious whole exemplify the quieter French style of architecture.

The whole building glows with the warmth of that attractive shade of colour which is described as "Maria-Theresia yellow". Its lines emphasize the horizontal and everywhere seek to strike a note of gaiety and happiness in being alive. The main block is made up of three sections which blend together with the two wings into a wonderfully harmonious piece of architecture. The two outer flights of

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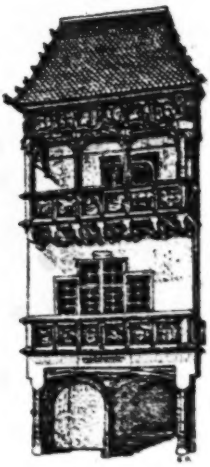

Innsbruck, Goldenes Dachl.

Europe is distinguished from the other continents by its combination of the maximum number of diversities in the minimum space. Austria is similarly singled out among the other European countries. And within Austria, the same distinction applies to Tyrol. The strong feeling of unity found in this province, contrasted with the diversities of its population, landscape and climate make it as strange yet alluring as its own name—Tyrol ....

THE FORMATION OF THE PROVINCE. North Tyrol can be said to be divided into two by the axis of the Brenner line and to be evenly balanced on either side of it. Taking Innsbruck as lying on the axis itself, we have Hall and Zirl, Telfs and Schwaz, Imst and Jenbach, balancing one another. The two great valleys on either side, the Ötztal and the Zillertal, have the Silltal between them. The curve of the Inn near Landeck is counterbalanced by its bend near Wörgl; there its upper branch runs south, as here its lower branch runs north; there the railway leaves the river and climbs to the snowy Arlberg, here it branches off to the ski-ers' paradise on the heights between Kitzbühel and Hochfilzen.

In the Alps the Seefelder Sattel forms a continuation of the north-south axis. On the one side stretch the Mieminger and the Wetterstein, on the other the chain of the Karwendel. The pass and lakes of the Fern lead from the Upper Inn Valley, the lake and pass of Achen from the Lower Inn Valley towards Bavaria.

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Egger-Lienz: Dance of Death.

differ from valley to valley and often from village to village. Strong, blond giants are to be found side by side with dark-haired, slender, agile men. In a few disproportionately-built men and women lives on the race of the giants of legend.

As the peasant, so his cattle. In the valley of the Lower Inn the cattle are heavily built and piebald; in the Upper Inn Valley there is a lightly built, grey type, rich in milk, growing in grace and agility as the pasturage becomes more scanty and difficult of access. In the mountain villages and remote enclaves there still survive many individual specimens of breeds which are otherwise becoming extinct.

342 592 184 The inhabitant of the valley of the Upper Inn builds his house of stone, he of Lower of wood. The one keeps house and farm undivided, the other divides up the farm and even the house, so that not only may several families live under one roof, but in the four corners of a large kitchen there are sometimes four ranges, each belonging to a different person who is expected to keep within the imaginary lines which mark out his own share of the floor. The Lower Inn rings with laughter and song and no one is ashamed of an illegitimate child. The inhabitant of the Upper Inn is reserved and sparing of speech; with him, the smouldering of no less violent passions is not easily to be detected.

197 184 There are many varieties of dialect. The people of the Ötztal call "Ferner" what those of the Zillertal name "Kees" and which are called "Gletscher" —glaciers—only by the town-dwellers. The drawling and slurred vowel sounds, the clipped nasal consonants of the mountain dwellers, recall the speech of Latin races. The accent of the lowlander, in contrast, is graceful and often almost affected. In the broad valleys branching off from the main Inn Valley the inhabitants of the inner and outer valleys have little in common. In the Gschnitztal, for instance, Trins is a Romanish settlement, whereas Gschnitz at the foot of the valley is of German 609 origin. One consequence of all this is that anyone who moves from his own parish, even if only to a neighbouring one, is regarded all his lifetime as an "immigrant".

city. The bronze Guards of Honour who, it was planned, should watch over him in the grave, belong to the many great conceptions which are perhaps most impressive in their unfulfilment.

With Maximilian, whose body actually lies buried in his native town of Wiener Neustadt, the star of Tyrol began to wane. Under Ferdinand I the Province became affected by the religious and social unrest of the Reformation, which was embodied in the person of Michel Gaismair; at the same time, however, the Council of Trent met in the south of the Province.

It was this ruler who divided his provinces into three, and for a hundred years Tyrol had its own regents. The very first one, the Archduke Ferdinand, won the heart of the Tyrolese through his love match with Philippine Welser, of Augsburg, as well as through his encouragement of the arts and sciences, which found lasting expression in the collection of Schloss Ambras, near Innsbruck.

Next it was a princess, Claudia of Medici, whose memory was enshrined in Tyrolese hearts, above all through the courageous rule of her Chancellor, Wilhelm Biener, who lived at Büchsenhausen near Innsbruck and who fell a victim to the executioner's sword in the fortress of Rattenberg. It was at this time that the Porta Claudia was set up at Scharnitz as a protection against the Swedes. Tyrol indeed escaped the Thirty Years' War, but

borage and rosemary and the coloured glass balls on sticks are the pride of the farmer's wife. 351

On entering the house it is easy to find one's way round. The living room and kitchen are on the ground floor, the sleeping quarters on the first story. The living room is panelled. In a darker corner away from the window stands the cosy, tiled stove, and in the window-nook the large table. A small bench runs the length of the walls, spreading out to form a comfortable chimney corner behind the stove. The cupboards are built into the walls and the tall grandfather-clock is built into the panelling. A font of holy-water is always to be found at the right hand side of the door, and a crucifix, decorated with a red and a yellow ear of maize, gives its blessing to the daily bread from the window corner overlooking

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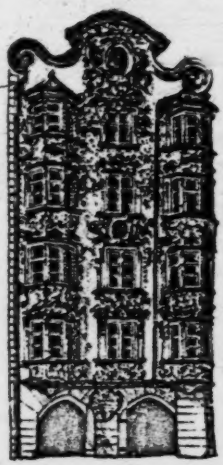
Weaving Pattern, XVII Century.

137 sometimes fantastic in shape. Its needles are double the length of those of the pine tree, of softest blue-green, sometimes black-green, in contrast to the blue-grey of the pine. The cones of the stone pine are the largest of any. If one breaks a twig, a pleasant-scented resin oozes out.

As soft and delicate as is the impression conveyed by the larch, so is that given by the pine dark and sturdy. No fields lie below it, only rocks, the leaves of christmas roses and juniper.

The last of the firs and larches which have thrust their way up into the higher altitudes are of a different type. The larch has become bearded, fissured and gigantic, retaining few of its more delicate charms. The great weight of snow has pressed the branches of the mountain fir close to the trunk and crushed them downwards towards the ground. In winter wild creatures seek refuge from the elements in the warm tents provided by the down-bent branches. What appears in the distance to be the well-formed crown of a single fir-tree is revealed on nearer approach to be the tops of a whole family of trees. Closely grouped around the parent tree, children and children's children have come to maturity in its shadow. They afford mutual protection and shelter and have become to such an extent one single tree-family that when the progenitor in their midst begins to decay, its descendants close the gap until the ancestral tree has recovered itself as the rejuvenated and immortal tree of the species. [342] Only the fir-trees—and of these, only the mountain firs—behave in this way. Larches and pines have no family ties. The lightning which fells one of them, the storm which uproots it, affects that one tree alone.

Anyone who imagines that he is leaving the abundance of the valley for the poverty of the mountain will be surprised when he finds luxuriant virgin forest. But he will lose his astonishment when he discovers that he is treading under foot black, peaty earth more fertile than can be found in any garden. Only where the inimical wind and snow ravage the mountain passes does the realm of the last giants end. Only whatever can live through the winter beneath the snows, and nothing else, can survive here to flourish luxuriantly during the brief summer. Here is the lovely world of alpine flora. One's foot sinks deep into rich carpets. The crocus



Baroque House in Innsbruck.

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Leopoldskron Castle.

133 "The picture would be incomplete if one failed to mention the many spots where the green of the meadows, moors and hills is pierced by rocky, barren stone. Constantly the soft blanket of earth is broken by a chalky dolomite hump, a rocky ridge of the same ancient grey as the massive Hohensalzburg, which rises sharply or in milder contours from the soil. The Gaisberg also displays this almost yellowed grey tone, particularly in places where the new motor highway cuts into it, carrying a suggestion of the skin of a snake, or of the sun-bleached baroque façades which are such a feature of Salzburg. But one would seek in vain for a comparison for the proud, starkly outlined peaks of bare rock, which here and there jut out from the crest of the Untersberg.

"Turning towards the south-east, one cannot fail to be reminded of the sandstone of the Vienna Basin, the so-called Mediterranean Terraces of tertiary rock on which, as Stifter says, "the fiery stream of wine lies slumbering". The Plainer Hills are of a similar rock-formation, rising above the later morraines and the moors of the Salzburg plain. According to dependable reports, there was once a vineyard here which became the basis of the cellars of the good monks of St. Peter's in the valley below."

000 Our traveller, aroused at last from solitary contemplation, found himself alone on the tower of Hohensalzburg. His cheeks changed colour, for the air had undergone as great a change as the walls of the fortress, and the sun suddenly lost its power. To the West lay a leaden pall which within seconds dissolved in rain, sweeping in sheets over the blotted-out plain. The long grass visibly and gratefully revived beneath it, and from the moors rose clouds of mist. But before the ground was really damp, the sun was victorious, building its own triumphal arch across the heavens. Not enough with one, two

their slaves, the Slavs, before them with their whips. After the year 800 A.D. 175
when Charlemagne had broken the tyranny of the Avars, there came monks from Salzburg to preach Christian doctrines and with them Bavarian peasants. But soon the Magyar invaders swept in to interrupt the peaceful work of these settlers among the natives. Only after the Battle of Lechfeld was it resumed. Then, with the vigour of the adolescent Western world as a spur, a civilisation based on the hard work of a simple peasantry grew throughout the centuries into that unobtrusive, modest culture which has survived all the hard tests of the past. In those early days the villages grew up on river banks and in sheltered corners between hills, overshadowed and protected by the castles of the ruling knights; the Riegersburg, which crowns the steep slopes of the Felsberg, is a fine example of the latter. Protection from the danger which always threatened from the East was afforded 369
by the frontier towns of Friedberg, Hartberg, Fürstenfeld and Radkersburg. The burghers who lived in them and in the market-towns, proud of their social position, yet in close contact with the country-folk, kept the latter in touch with the developments of the age and brought to them profitable trade.

The Raab, the chief river of East Styria, flows broad, sluggish and dark from 133
the districts where the villages melt into fertile fields and the storks nest on roof-tops and chimneys. As it hurries through Passail the river is still an immature mountain stream. From this remote and pleasant market-town Peter Engelbrecht once found his way to the Imperial Court in order to teach Latin grammar to Maximilian, later the first emperor of this name. Further on, below the old Stubenberg castle of Stubegg lies Arzberg, where, as the name suggests, lead ore (with a [316]
silver content) was mined.

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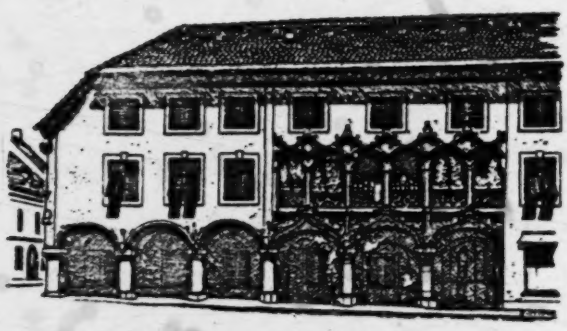

Bruck-on-the-Mur, Kornmesserhaus.

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Erzberg.

Then the walls of the Goller and the Gösser close in on the river at Raabklamm. Through this gorge a series of stone steps, foot-paths and bridges lead above the roaring, turbulent waters.

At the other end of this gorge rises Gutenberg, a fine castle which owes its impressive lines to the Stubenberg family to whom it has belonged since the 13th century.

361 St. Ruprecht-on-the-Raab owes its name to the Archbishopric of Salzburg which owned properties here since the year 860. Once a large parish and the judicial centre of an important district, it is today a notable market town which is sought out by holiday makers who appreciate its mild and health-giving summer climate.

Here the Weizbach joins the main stream; on its upper reaches lies the township of Weiz, a centre of industrial activity whose foundries even in far-off ages disturbed 361 the placidity of the countryside, into which it is constantly spreading out its tentacles. Its landmark is the partly romanesque Taborkirche, records of which date from 1188. [346] The church on the Weizberg is built high above the town. Its exuberant-baroque twin towers afford a commanding view of the countryside in all directions. The cherished "Himmelsbergerin" as pilgrims call the shrine, is the work of Veit Königer, the Styrian baroque sculptor, and the painter Ritter von Mölk. The famous Renaissance Hall of the Joanneum at Graz was removed thence from Radmannsdorf Castle, today the seat of the Prefecture. Gleisdorf, once an old trading centre, was built on the ruins of Celtic civilisation. Many a well-preserved burgher's house bears witness to the prosperity of former times.

133 Just before Feldbach, the old market-town of the old Duchy which was raised
361 to the status of a municipality in 1884, the road turns off which leads past Castle Kornberg with its many towers to the Riegersburg. The little town of the same
342 name lies snugly ensconced on the lower slopes of the steep basalt rocks which are crowned by one of the most famous castles of the Province. Through seven gateways the approach winds into the inner courtyard, where a deep well is covered by a fine superstructure in wrought iron. Although Rutgerespurc Castle dates from the

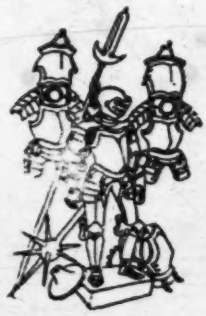
ON THE ERZBERG.

Styria is called "The Iron Province", and if one recalls the Armoury in Graz, that unique storehouse of the militant frontiersmen, one realizes how applicable is this name which chroniclers and poets are so fond of giving to the Province. It applies firstly to the mountain which forms the heart and centre of the countryside, the Erzberg. Since the times of the Romans the work of the miners on its slopes has been developed from early primitive methods to those of modern technique; the tall mountains around, and the old houses below the castle of the Osnaldkirche maintain the warmth and romance of Styria amid more mundane surroundings. The buried treasures of the mountains were welded into useful implements by the mills in Vordernberg and the iron works in the forest-glades until, in the middle of the 19th century, the works were able to make use of the newly-discovered brown coal mines. On this combination were founded the great iron works of Donawitz and Kapfenberg, which have made the name of Styria known throughout the world.

The Erzberg alone is enough to make Styria a rich Province. According to the legend it was in bygone times a mountain just like any other. One day a murman was caught in the Leopoldsteinerseo. In return for his freedom he offered mountain treasure as ransom—gold to last one year, silver for ten, or iron to last for ever. The natives chose the last named.

The rust-brown iron mountain rises to a height of 2,400 feet by a series of gigantic steps, at the foot of which lies the market-town of Eisenerz, crowned by the "Schichtturm" and an old fortified church. Here beats the heart of the "Iron Marches" in its metallic depths. Thousands of miners can be seen on the iron-ore terraces, many of them working on the mountain as

12th century, it owes its present form and the insolent splendour of the interior mostly to the "Gallerin", born a Baroness von Wechsler, whose adventurous career is even today the source of many much appreciated stories.



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The Raab, along the banks of whose quiet, swiftly-flowing waters stand the great mills of the district, passes on into Hungary. Its basin has been made prosperous by peasant industry and toil.

The Feistritz starts its romantic course through Styria on the western slopes of the Wechsel, born of springs which arise amidst the wild mountain scenery of the Stuhleck and the Pretul Alps. For a considerable distance it is confined in a narrow valley, past Rettenegg and Ratten where the mining of brown coal has brought strange people and customs to the old forest peasant village, and is followed by the road and railway which serve the farms scattered on the mountain slopes or congregated into villages. [316]

Birkfeld, the old market-town of the Duchy lies well above the river. Anger, on the other hand, lies in the depths of the valley, surrounded by fruit trees, its dreams of the peaceful comfort of older times nowadays disturbed by the asbestos mills and the trucks from the soapstone quarries at Rabenwald. Through the cleft between Rabenwald and the Kulm, which affords a widespread view of the countryside, the Feistritz changes its direction to flow

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Hartberg.

east, and later southwards. Before it comes out into the open valley it passes below the forest-clad ruins of the ancient fortress of Stubenberg, the family seat of an old Styrian ruling family. Once again the Feistritz is swallowed up by a dark forest gorge, the Herbersteinklamm, at the end of which arises an imposing castle of the same name. Many periods have made their contribution to it—romanesque, gothic, renaissance, baroque. Peasants' straw-thatched farmhouses join the villages on the outskirts of the broad valley. Orchards follow the line of the low forest hills and on either side of the wide river lie fertile fields. Through an avenue of poplars the road leads to the picturesque and harmonious Castle Feistritz, well-hidden by the surrounding forests.

361 Out of the broad plain which was once owned by the Dukes of Styria rises Fürstenfeld, built up by the industry of its inhabitants, which has yet suffered the hardships of a frontier town up to the present day. The knights of Malta, evidence of an unbroken tradition, retain today their claim to a share in the property of the parish church which dates from 1232. A tobacco factory which has been established with its many branch buildings near the old castle soon recalls to lead us to the present.

133 The strip of land between the Feistritz and the Province of Burgenland is cut by the parallel rivers, the Safen and the Lafnitz. The hills which divide the two valleys rise up from the vineyards and forests until at Rabenwald and Massenberg they tower far above the stately Waldberge. Northwards these hills are overshadowed by the forest-clad mountains of the Jogelland which shut in the earlier course of the River Lafnitz.

Riegersburg.

133 342 At the foot of the mountains, between the serried rows of village houses which have often had to be rebuilt in the course of their tragic history, stand the residences

did their grandfathers before them. On holidays they wear the sober Maximilian miner's formal dress as has been the custom for centuries. Work above ground has made the old shafts obsolete, a giant electric crane replaced the old trucks.

These roads once led to Vordernberg, on the other side of the Erzberg. The brown one brought iron ore, the black one coal and the white, flour. Up to the time of Emperor Joseph II this once-wealthy mining and industrial town had the trading monopoly for all iron ore smelted there. Since Donawitz has been able to draw coal from Seegraben, the blast furnaces of Vordernberg have fallen on evil days.

Styria is also called "The Green March", because of the woods which cover the spurs of the alps, as vast forests in the heights and as cool coverts between the vineyards of the lowlands. They are peopled by mountain dwellers of ancient and hardy stock such as the Archduke Johann knew and loved. That princely friend of the people rescued the Province from economic and mental decay, making of it a pleasant garden where the concerns founded and encouraged by him exist today. Johann gave proof of his love for Styria by taking one of its daughters for his wife. The people and the forests have grown together to make up what is implied by the term "forest motherland."

IN THE CAPITAL.

The pleasantest way to reach Graz is to cross the Ries. The road descends in ever-sharper curves until after one steep drop one finds oneself facing the five terraces of the town. At once the eye is caught by the Schlossberg with its corpulent Clock Tower.

A sky of southern blue sets off the grey stones of the main square. Outside the Rathaus the flower and vegetable market is a riot of colour. The character of provincial nobility, originally built for defence 133
and as a refuge for the villagers, which today 342
illustrate modern farming methods or have become seats of responsible national education. Castle Neudau, the old Wasserburg may be named as one example of many.

Close to the edge of the mountains, at the 361
foot of the Ringkogel, over which the Romans built the Säumerstrasse, lies the town of Hartberg amidst country which has been cultivated since the earliest times. Today it is the seat of various administrative authorities, an outpost of northern East Styria. The fine lines of the baroque tower of the local parish church puts it ahead of many other pleasing pieces of architecture in Hartberg.

Pöllau, the market-town between Rabenwald 361
and Massenberg has become famous on account 346
of its old monastery church, a spacious building distinguished by its fine workmanship. The 532
most important interior decoration is the painting by the Master who created the Pöllau frescoes, Matthias von Görz.

The ancient Monastery of the Prebendaries 792
at Vorau stands in solitary grandeur. Founded 346
in the 12th century, razed to the ground by fire and rebuilt, ravaged by wars and consequently fortified like a castle, showing signs of decay yet refurbished in the styles of successive periods with added beauties, it has always been a centre of monastic discipline and learning, and of the religious and educational work carried on by the priests in the mountains and valleys of the district. The church has two German towers. On the walls of its brightly-lit interior the Masters of the early 18th century have put all the joyful triumph of the baroque age into their paintings, colouring and stucco work. The sacristy is known for its "Judgement Day", and "Last Supper",

by J. C. Hackhofer, and the library for its treasures of old manuscript.

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by J. C. Hackhofer, and the library for its treasures of old manuscripts.

Space must be found for a word about the hill country between the Raab and the Mur, the Land of the Seven Valleys which, separated from one another by forested heights, all guide their dark streams past quiet rural villages and mills hidden behind alder groves, flowing in the same direction towards the Mur. The latter, sweeping eastwards, forms a natural boundary for Styria. In the forests the edible chestnut is common, here and there casting its shade over a tumulus, which bears witness to long-forgotten settlements. Summer warms the air with southern strength, autumn bringing clear skies and the finest views from the footpaths which wind through vineyards and woods to white chapels.

529 The Gleichenberge and the Stradner Kogel are of volcanic origin. The curative properties of their springs are widely known. Bad Gleichenberg enables numerous visitors to combine the healing qualities of forest solitude, with up-to-date medical equipment.

245 The vine, which is cultivated in East Styria with varying results north of Hartberg, steadily improves in quality towards the south, reaching its zenith in the Klöcher Gebirge and around Halbenrain where the fine vintages are stored in the wine-cellars.

361 Mureck is a town of ancient Styrian civic culture, but its crown, the castle of Obermureck, lies on the other side of the Mur in what is today foreign territory, [342] as does Oberradkersburg, the ducal castle which since 1918 has been separated from the most southern town in Austria, the ever-loyal Radkersburg. None of the sufferings of a frontier town has been spared it. The tombstones in the churchyard of the gothic parish church are witness to the origins of its inhabitants. The venerable relics of Styrian civic life of olden times which are preserved in the tower of the Rathaus below the solemn frescoes of Fritz Silberbauer will encourage future generations to emulate the loyalty and watchfulness of their ancestors.

[498] THE STYRIAN ENNSTAL. Where the train leaves the narrow valley of the Palten to enter the broader valley of the Enns, it is greeted by a noisy network of sidings, signals and rails in the big station of Selzthal. The time-table describes it as a junction where many passengers change trains at an important crossing of north-south and west-east routes. Its name is better known in and outside the Province than many another which formerly meant fame and surviving tradition in the Enns Valley. A hundred years ago Selzthal was not much more than the name of a district, of a forest valley in which the charcoal-burners worked for the

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Bad Aussee.

and forestry all found a home here. Progress and civilisation were spread through the surrounding virgin forests and through the properties which had been given to the monastery in Sausal and Untersteier. Often threatened by fire, the monastery[1] has succeeded in preserving undamaged its famous treasury, the library with the frescoes of Altomonte and the masterpieces of J. T. Stammel up to the present day. During the heyday of the monastery, the flower of Austria's youth took their vows here, a long line of artists, men of learning and priests being noted in the chronicles of the monks during the course of a whole century. The great world, however, has forgotten most of their names, although historians still speak of Abbot Heinrich II, whose gifts of statesmanship resulted in the dignity of a Governor of Styria being added to his title of Abbot before he was treacherously murdered in 1297.

Better remembered in our own times are the names of the scholars Richard Peinlich and Albert von Muchar, after whom streets have been named by the provincial capital.

After a short, enforced pause, the rule of St. Benedict was re-established in the almost 900 year old cloister, a monastic revival in modern times of a venerable past.

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Towards the north, beyond the little village of Hall, where salt was crystallized out of the waters in the 12th century, and the hidden, solitary mills, the Haller Mauern majestically enclose the Admont Valley. How grand are the names of the Steinberge—Pyhrgas, Hochturm, Hexenturm and Natternriegel! And how grandly their cliffs and peaks glow beneath the summer sky. For nearly half the year through clear and frosty wintry days they are covered with a glittering mantle of snow.

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To the South the jagged Hahnstein rears its head, blocking the view to the higher peaks of Sparafeld and the Reichenstein. On the slopes of the Klosterkogel lies Röthelstein Castle. Lime trees stand in the outer courtyard, which is surrounded by a turreted and loopholed wall. A massive archway leads to the Residence which is known as a fine example of 17th and 18th century architecture.

1 [i.e. Admont Monastery -- Analyst]

133 It is not surprising that in the Middle Ages it was described as the highest mountain in Styria and that the people paid tribute to its majesty in awe-inspired legends.

361 The market-town of Gröbming is worth a visit. Holidaymakers are attracted to it because of its fine situation and wonderful scenery. People from a wide area come to deal with officials who long ago established themselves here because of [346] the central position. Art lovers come again and again on pilgrimages to the beautiful gothic church whose great carved triptych altar of the year 1510 stands out among other art treasures.

Going upstream, we find the Enns flowing through increasingly cultivated and civilised country the nearer it gets to the old mountain town of Schladming. This place has been well planned and beautifully proportioned about a great square. Overshadowed by the towers of the Catholic parish church of the 16th century and the Evangelical church (1862), it presents a picture of dignified calm. In the past it has seen much want, warfare and tumult. It was the scene of peasant and religious wars. Fires and economic collapse ruined many an old family. The civic rights which were lost by Schladming in the year 1525 were restored to it again in 1925 in recognition of the courageous temperament and vigour of its 133 population. The Schladming countryside gets its individual note from two plateaus, the Rohrmoos and the Ramsau. The latter, lying at a height of over 3000 feet at the foot of the Dachstein, has been populated and cultivated for ages. The picturesquely-scattered farm-houses bear many evidences of their occupants' unquenchable love of the homeland. Thanks to its healthy situation in the heights and the approach it offers to the Dachstein via the Austriahütte, Ramsau is one of the most popular holiday centres of the Alps.

342 From Rohrmoos, a little further off, the view of the Dachstein range is if anything grander and more impressive. Here, as on the Ramsau, the farmhouses have in many cases retained the local peculiarity of the flatly inclined purlin roofs (as they are to be found westwards in the adjoining province of Salzburg). Together with the wooden shingle roofs weighted down by stones, they give the countryside its distinguishing note. These comfortable and homely dwellings are fast disappearing. Modern ideas and times call for economy with wooden shingles, pointing to the greater space and other advantages afforded by the steep roof.

133 HOCHSCHWAB AND MARIAZELL. On the borders of Lower Austria rises the broad and mighty complex of the Hochschwab. The range covers a surface of 400 square kilometres and includes over a hundred separate peaks. When the townsman sees these mountains, he has the feeling that Faust's magic

factories, brick kilns, lignite works. There are factories which turn out linen, hemp and jute, blankets and felt, pencils, artists' chalks, asbestos, jade, sugar and methylated spirit. There are canneries for fruit and vegetables, and workshops producing stucco supports from the reeds of the Neusiedler Lake.

BURGENLAND—THE GARDEN OF VIENNA.

Fruit, vegetables, grapes, the first early cherries, fresh lettuce, cauliflower, asparagus, strawberries, apricots, tender french beans—the first, long awaited harvest, doubly welcome after the winter, rolls in the spring towards the Vienna markets in a chain of high-piled lorries.

OGGAUER WINE.

In Oggau there is a Roman cemetery which dates back to the third or fourth century A. D., in the graves of which clay vessels have been found. Archaeologists say that these vessels contained the wine given to the dead to take with them on their journey to the other world. This calls for reflection. In those days every mortal expected that he would be served with nectar and ambrosia at the table of the gods. But the inhabitants of Oggau preferred to take with them their choicest wines rather than have to be dependent on the drinks of the gods.

Gustinus Ambrosi, the deaf sculptor, says of his Burgenland:

"How fortunate that I have travelled through the whole of Europe and have been able to drink in the splendour and magnificence of its many countries, with their thousand types of scenery, peculiarities and variations. Certainly it is nice to stay at home, but I felt the urge to get away and would have gone to the ends of the earth,

disappear. In former times it seems to have 133
behaved even worse, for old documents mention it sometimes as a lake, once as a swamp, once as a river, then as a stream, while others appear not to have known of its existence.

The country lying between Eisenstadt and 361
Ödenburg, Mattersburg and Rust, is the real heart of the Province. The lake parishes of Oggau and Mörbisch and the small "free town" of Rust are far-famed for their wine. On the gabled roofs and the chimney-pots stand pensive storks, in the vaulted cellars lie the massive wine barrels. As far back as the year 1364 the inhabitants received royal [424] permission to mark them with the coat-of-arms of Rust—a trade-mark protected by law nearly 600 years ago!

Leaving the delights of Oggauer and Ruster 361
wines, let us turn to Eisenstadt, the city of 633
Josef Haydn.

One does not need to be especially sensitive to atmosphere to feel the genius of the great master in this little town which is so closely united with the surrounding countryside. The tiny house where he lived is still standing. How

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Esterházy Castle, Eisenstadt.

ones to exotic climes, in order to learn.

If I add up, I find I have spent nearly half my life so far in eight European countries. And yet of all the impressions, of all the wonderful scenery which I shall never forget, which was the most wonderful? I found it in my little home province of Burgenland, which hardly knows of the existence of the great world outside..."

Softly rolling slopes, hedges, distant hills are blended in a mystic harmony. A wonderful green, almost olive grey tint reflects in still majesty the glowing rays of the sun. The landscape is a series of undulating waves in which the farmers tend their fields. In the distance lie the white rows of village houses. In some of the fields the red poppy grows so thickly in spring that the deep red patches spread over the countryside as if God had underlined in this red ink, the poppies waving in the wind, that this is a happy countryside.

At Güttenbach, in the district of Güssing, a buried relic of the Celts was found—a hoard of silver coins which aroused the enthusiasm of numismatists until one day some cold-blooded investigator established that they were only copper coins with a thin silver-plating. Lest we should think too badly of this Celtic official counterfeiting, let us remember that at the same epoch, in distant Asia, the forging of banknotes had long been a flourishing industry.

BURGENLAND—STORK LAND.

If a girl is born, violets are put into the oven so that the child may not get freckles. The first actions of every newborn babe are of the utmost importance. If he stretches out his hand towards money, he will become a thief, if he tries to grasp a whip, he will make a good farmer.

small a space its walls enclose, and how far has the spirit of the human being who lived within them shone out across land and sea and across the changes of time. In Haydn's day the mail-coach still rumbled heavily over bumpy streets, but the simple Burgenländer Haydn, who made his first journey abroad only in old age, could say with quiet pride: "My language is understood everywhere!" 361 533

Haydn's home has been turned into a museum. Yellowed leaves with jottings from his hand are precious reminders of the creator of unfading beauty. Haydn is not alone in this tiny room. He shares it with Liszt, Burgenland's other great son, and with the daughter of his music copyist, the dancer Fanny Elssler—a glittering three-pointed star in the heavens of music.

Near by stands the palace of the Esterházys, strange, arrogant, yet impressive, built on the foundations of a mediaeval castle and renewed in baroque style by Italian architects at the end of the 17th century. The plain façade has inharmonious ornaments in the shape of terra cotta busts which are clumsy representations of former Esterházys and of Hungarian monarchs. But the garden front, in classic style with a view across a fine natural park on the slopes of the Leithagebirge, is impressive. From the terrace in front there is a no less wonderful view of the almost Tuscan landscape, framed by the Rosaliengebirge and the Ödenburger Mountains. 342

Although Eisenstadt is still so small a place, its new dignity as capital of the Province (since 1924) has meant a considerable increase in the number of modern

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Eisenstadt, Synagogue Death-Glass.

buildings—the Council Hall, attractive official buildings, the homes of civil servants and villas. Side by side stands the history of old Eisenstadt written in stone—the old royal free town, the Esterházy residence, the Jewish Ghetto in Unterberg and the more recent settlement of Oberberg. The Wolff Collection in the Provincial Museum has some unique monuments of Jewish culture. The Calvary Mount in the Bergkirche gives a glimpse of another world, with its painted, strikingly realistic wooden figures in curious grottos. A first inspection of Eisenstadt may well be rounded off by a visit to the wonder-working picture of the Virgin and to the tomb of Haydn in the Bergkirche.

Other attractions await us. Above Mattersburg appear the slopes of the Rosaliengebirge, covered with the luscious purple of flowering sage. One could wish that here spring might last for ever for us to admire the sea of blossom, cherry tree after cherry tree intermingled with peach and apricot, and the yellow-white blossoms of the plum, with their tangle of intertwined black twigs; great beds of strawberries flourish in the rich and fertile soil.

342

Far above the little village of Forchtenstein stands a well-preserved castle of the same name. It was once the seat of the Counts of Mattersdorf, whose forebears, Simon and Bertram, came from Spain in the year 1200 with their sister Tota, of whose beauty it was said that it had no equal throughout the world. A poet might well harbour the fancy that her beauty lives on in the spring splendour of the flowering hedges on the Rosaliengebirge. The student of history may remember that in the year 1374 the Counts of Mattersdorf and Forchtenstein placed this part of the Province under the jurisdiction of the Duke of Austria. Their escutcheon, combined with that of the Güssingers, forms today the coat-of-arms of Burgenland.

Forchtenstein.

172

The early Stone Age has left evidence of human progress in the Wulka Plain. The Bronze Age which succeeded it was marked by a consi-

FOLKSONG.

When Croatian girls are singing
To the tamburizza's sound,
You hear ancient lays a-ringing,
Every eye casts smiles around.

For they're singing of Junakos,
Their love's rapture and distress.
Of the king's descendant, Marko,
And his wife, the proud princess.

derable development of traffic and trade. The Bernsteinstrasse, that famous trading highway of prehistoric times along which, about 1000 years before Christ, the honey-coloured amber, tears of the sea, was brought from the coasts of Samland to Italy, passes through the Burgenland. It crossed the Danube at Hainburg, a predecessor of the Roman road which later lead to Italy by way of Carnuntum, Ödenburg, Steinamanger and Laibach. Today Ödenburg (Sopron) belongs to Hungary. What the "Ödenburg Sack", connected to Hungary by a narrow tongue of land only five kilometres wide between the frontier and the Neusiedler Lake is to Hungary, is to Austria the "Ödenburg Spur" which limits the Burgenland to a width of four kilometres and almost cuts the northern and southern parts of the Province off from one another. Seven roads and three railways are thus cut off. The only road which connects the two regions had to be built by the Austrian Government.

"The bloody Hall", Lockenhaus Castle.

Southwards this road leads to the Oberpullendorf district, a hilly country with varied scenery and attractions of its own. Anyone interested in tracing historical developments must hasten through the Province to the spot where a range of mountains forms a barrier dividing Burgenland into two parts. The eastern corner which at the same time marks the Hungarian frontier, is the Geschriebenstein, the tallest mountain of the Province, some 2,700 feet high. Its summit affords a wide view across the plain of Raabau. On its slopes, just on the other side of the frontier at Wöllembach, on the St. Veitsberg, stood one of the best-known foundries in the Bronze Age, a prehistoric industrial centre.

Here the Burgenland reveals itself to the traveller. At the foot of the Geschriebenstein lies the forest-surrounded castle of Lockenhaus, which, with its Gothic Knights' Hall and a keep five stories high, dates back to the year 1200. Almost as old are the ruins of Landsee Castle on the borders of Lower Austria, one of the biggest castles in the country.

But to bore a tourist by dragging him from castle to castle as far as Kobersdorf would be risky, since it would—finally land him on volcanic soil.

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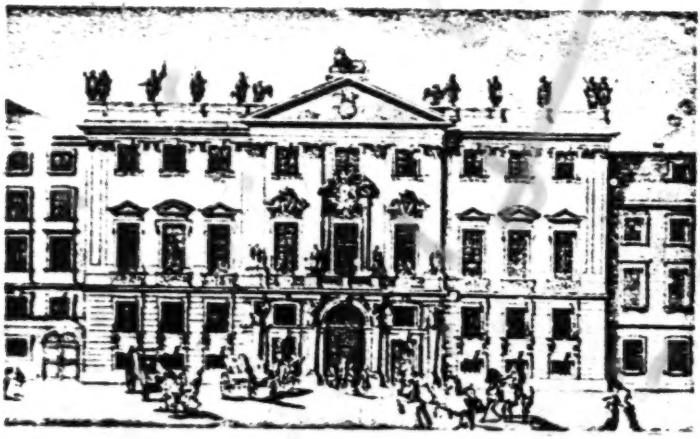

Bohemian Court Chancellery.

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363 Let us wander on through the complex of narrow streets in the old city, through
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The Freyung, with the Schottenkirche and Harrach Palais.

life of St. Charles Borromäus symbolise the triumph of the Counter-Reformation. 346
The junction of the cupola and a Corinthian portico points to the temples of antiquity and the quality of Karl VI as ruler of the Holy Roman Empire. The great architect consciously rejected all colour and heavily decorative scrollwork in planning the magnificent proportions of the lofty interior in order to increase the monumental effect.

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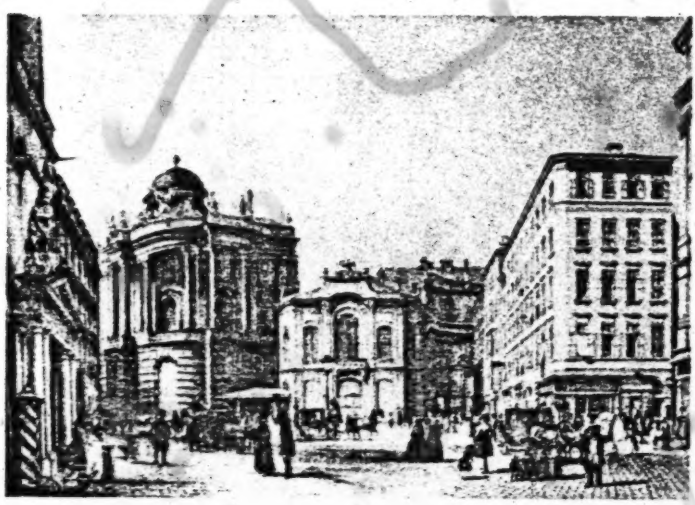

Michaelerplatz

342 and Fanti still glow in their pristine colours, the two-storied Marble Hall still displays magnificent mouldings. Allegorical reliefs depict Eugene, not merely as a tactical genius, but also as a peace-maker and apostle of culture.

The two palaces are harmoniously connected by a terraced park in which it is easy to imagine proud cavaliers with powdered wigs and swords strolling with smiling ladies in elaborate gowns of rustling silk.

At the top of the park is the Upper Belvedere, with its corner pavilions and mansard roofs. In the time of Prince Eugene it was a proud residence which made a fitting background for great feasts and receptions. How clear-cut are the finely ornamented roofs of the two wing towers at the corners against the blue of the sky. We pass into the ceremonial Sala Terrena, the entrance hall with its mighty figures of Atlas supporting the ceiling arches. The splendour of the broad well-lighted staircase which leads to the Marble Hall, and goes on up to the third story, takes one's breath away. Here the full glory of Hildebrandt's interior decoration is revealed in slender pillars, mouldings and cleverly-painted imitations of architectural features. Naturally the brilliance and luxury which filled these halls in baroque days will never return to them.

From the balcony there is a magnificent view over Vienna, embracing the lower garden palace, the green domes of the Karlskirche and the Salesianerkirche and the silhouette of the great city as it loses itself in the clear-cut, rolling lines of the Wienerwald hills. 342

In front of the south façade of the Upper Belvedere Palace, near the main entrance, is a quiet pond. Its clear surface reflects all the lovely outlines of this loveliest of all the Vienna palaces. In the festive halls the great mirrors along the walls gather the light and prolong their length into infinity. Dream and reality mingle where, as in baroque churches, the ceiling frescoes show the heavens opening with their saints and cherubs, and we can hardly distinguish the architectural features painted on the walls from the plastic actuality of marble. That is the spirit of the Baroque—an illusion which delights is better than a depressing truth—the spirit of an age in which western people found a form of cultural expression which has survived to this day. 341 517

People often speak of the wild extravagance and redundance of the baroque style of building. Princes, noblemen and monasteries did indeed squander great sums in those times in order that art should prosper—the art which went to enrich palaces and cathedrals, parks and marble statues as a triumph of the spiritual over the material. But if we pause to reflect how Vienna has been enriched by the glory and beauty of this art, we shall value and praise this extravagance.

With the name of the Belvedere in Vienna is linked—

SCHÖNBRUNN. The Palace and the Park form one harmonious whole. The first design for the grounds of Schönbrunn came from Fischer von Erlach. The great architect had planned to place here a splendid building right in the midst of the then unspoiled beauties of meadows and forests of the Wienerwald. It was to be a glittering fairy palace, with flower-covered terraces, porticos and fountains, commanding the whole countryside. This plan was over-ambitious and for that reason was never carried out. The Emperor died, the available funds were exhausted and the architects of his daughter Maria Theresia, Pacassi and Hohenberg, were only able to lay out a part of the grounds. 344

There is a trace of Italian palace architecture about this palace; the conception of the great central tract and of the statues along the coping was taken directly from the south. The two galeries on the lines of those in Versailles and the combining of palace and grounds in one harmonious whole exemplify the quieter French style of architecture.

The whole building glows with the warmth of that attractive shade of colour which is described as "Maria-Theresia yellow". Its lines emphasize the horizontal and everywhere seek to strike a note of gaiety and happiness in being alive. The main block is made up of three sections which blend together with the two wings into a wonderfully harmonious piece of architecture. The two outer flights of

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scorched farms reach far up into the green heights, to the scene of activity of a nomadic race. This exists here today in the heart of Europe, for the peasant of the Bregenz forests has remained a wandering shepherd despite all the developments of civilisation. He spends the winter in close companionship with his neighbours in the village, but as soon as the snow is finally gone from the mountains and the pastures on their slopes are beginning to turn green again, he moves off with family, goods and chattels to the "Maisäss", or "May residence", a solitary farm which is situated halfway between the valley and the Alps. In summer the peasant drives his flocks and herds up the Alps, most of the other members of his family returning to the valley to work in the fields and harvest the hay. If, at the end of summer, pasture at the highest levels becomes too scanty, he and his family return to the Maisäss until here also the approach of cold weather makes the pasturage too meagre. Only then does the family occupy its quarters in the valley. With such a system it is not surprising that even large villages present an almost lifeless appearance at certain times of the year.

The church at Schwarzenberg well repays the art lover for a visit. The village, which has nowadays made a name for itself as a winter-sport and holiday centre was the second home of the well-known painter Angelika Kauffmann. 361

In conclusion, among the notable peculiarities of the Bregenzerwald the so-called "Bezegg Column" must not be forgotten, that symbolic monument which recalls the former council-house of the staunchly independent and democratic peasants and artisans of the Bregenzerwald. This building could only be entered by a ladder which was removed as soon as the councillors had assembled and was not put back until the questions to be discussed had all been cleared up. This steadfast democratic spirit together with the commercial activity of its population is Vorarlberg's most valuable contribution to its great Austrian homeland. 344

About the year 700 A.D., St. Rupertus built a church in honour of the Apostle Paul and a monastery for the monks of the Benedictine order on the broken and overgrown foundations of Juvavum.

Even under Charlemagne the bishops of Salzburg, Virgil and Arno, showed particular devotion to Christian church music. The surroundings of St. Peter soon rang with the real Gregorian choral chants.

Neidhart von Reuenthal and Tannhäuser are the predecessors of the "Monk of Salzburg", who wrote a great many religious as well as secular compositions in the second half of the fourteenth century at the court of a quarrelsome archbishop.

Within the Bishopric, Leonhard von Keutschach was the first of that line of sharp-profiled, religious princes, concerning whom there has been much conflict of opinion who during the changing periods of gothic, renaissance and baroque styles, placed on the face of Salzburg the stamp and sign of their own self-willed and often secular personalities. Castles are the stone evidence of their activities and their might, above all the unconquered fortress of Hohensalzburg. The turnip in the coat of arms of the bishops calls to mind the architect of Keutschach, as does the "Hornwerk", a musical

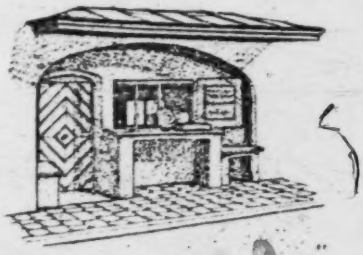
up as far as the fortress which rises sheer and stately high above all buildings of the city and the green of its own woods. 361

The extensive fortifications above house no dusty romances. There are apparently no ghosts in clanking armour with fluttering pennons or mist-enshrouded châtelaines to haunt them. Sober and impressive magnificence is the keynote of this unconquered bulwark of the Bishops of Salzburg. 344

No prince ever ruled here as heir of an inherited kingdom, no heroic knight subdued the surrounding lands by his strong arm. The law and the customs of a court muffled the blast of trumpets. No single family, but a long series of unrelated regents of a spiritual treasure peopled these finely-proportioned rooms. On the throne sat the lord of the Province who was at the same time guardian of his subjects' souls—a strange picture of duality.

The roofs of ancient Hohensalzburg were overshadowed by the call for solemn decisions, by the complexities, the temptations and the responsibilities of rule.

A traveller, one who loved the countryside, thus describes his first glimpse of the City of the Bishops in their stronghold; "Arrived at the terminal station of the lift which takes one from the city to the fortress,



Old Bakery.

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curiosity which still exists. This instrument is a curious musical apparatus consisting of 200 organ pipes—the so-called "Bell of Salzburg".

At the beginning of the sixteenth century the aged musician Paulus Hofhaimer after 29 years spent in the service of the Emperor Maximilian, was appointed Cathedral Organist in Salzburg. Theophilus Paracelsus named him in the same breath as Albrecht Dürer, and one of his contemporaries said of his organ-playing ;—"Master Paulus is so vastly versatile that one can listen to him for years. One does not so much wonder from what source the ocean feeds all the rivers as from where this man derives all his themes".

The great organist tradition of Salzburg was carried on in 1520 through the appointment of the master of song, Heinrich Finck, as Composer to the Cathedral, while Petschin and Glanner, talented pupils of Hofhaimer, developed the art of part singing and classical melodies as well as that of organplaying.

Wolf Dietrich von Raitenau, Prince and Archbishop of Salzburg, can only be understood in the light of the renaissance period. The words of Hamlet concerning his father may well apply to him : "He was a man, take him for all in all, I shall not look upon his like again", and for the Salzburg which was created by him there is the speech of Grillparzer : "See, how she sumptuous lies, adorned with towers and noble lines, by art made fair what God so richly decked".

A glance at those times and at Europe helps to give the picture of the

Rudolf von Alt : Residenzplatz.

344

we left the car and climbed up into the fortress by means of a long flight of steps on the outer wall. The ticket-girl in the moss-covered courtyard assured us, with a patient glance at those who were waiting, that the next tour of inspection would soon begin. Inevitably the vague first remarks which our cicerone drawled out mechanically were concerned with a torture chamber, with terrible racks on which the sinners were stretched until they were so elongated and thin that the sun seemed to shine redly clear through them. I asked myself whether the tiresome imagination of later generations has not been responsible for many an instrument of torture which is shown to us as an authentic reason for our flesh to creep. The room which was shown us here as a torture chamber was anyway not used for the ignoble purpose of tormenting human beings. We were shown "sitting-prisons" which might equally well have been window nooks, and the sightseers were then led past a wonderful stove for which a million dollars is said to have been refused. Via many stairways we reached the beat of the

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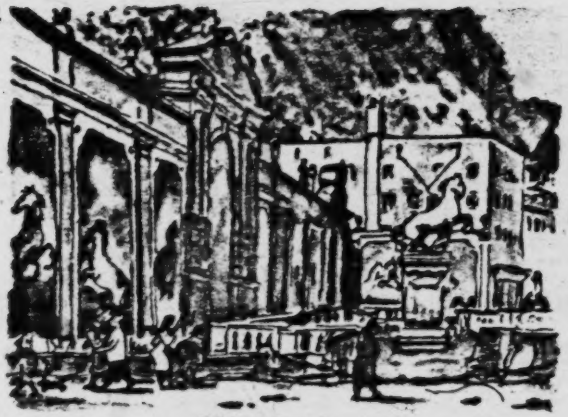


Salzburg, Horse Trough.

castle guards, which seemed to have no end, and finally the great organ which once bellowed out over the city like a bull if an enemy was sighted in the distance. At last we climbed the famous observation tower.

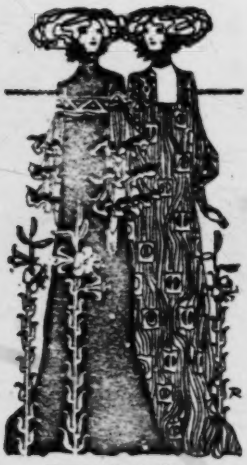
"Outside the confined space of the fortification, we suddenly felt free as the birds as we came out upon the topmost pinnacle, which is higher even than the bastion itself. Our guide described the surrounding beauties in homely terms. 'Over there', he said, 'you may see the Gaisberg, that green hump there, and beside it the rocky Tennengebirge, the Göll and behind them the Übergossene Alm'.

"I quickly turned away in order, solitary as one can be in a crowd, to have the entrancing panorama to myself.

"Clearly outlined, as in a vision, I saw how the Alps extend almost up to the city boundaries, but not further to the north. The magnificent eagle-like ridges of the Untersberg and the Stauffen are the last efforts of the world of rocks to extend its domains. The mountains shut the lovely city into a spacious acute angle, but so respectfully that they do not actually touch it.

"The south-east is marked out by the luscious green of conifers and grass-lands which spread over the guardian Gaisberg. To the South, a little apart from the latter, arise the bare cliffs of the Tennengebirge; further to the West lies the marble mountain of the Untersberg. In the far West, almost on a level with the city, are outlined the sharp ridges of the Stauffen. The acute angle formed by the mountains is occupied by a vividly green and very level plain which seems to have thrust itself through the gap to the South, the Lueg Pass, where the waters of the Salzach have forced their way through the rocky wall.

"From this narrow gorge of the Lueg Pass debouches not only the wide Salzburg plain, but also the silvery Salzach, which winds its way swiftly through



Viennese Girl, 1902.

insistence in the face of general opposition. Thus the great Burgomaster prepared the way for the idea of collective provision for general economic through the municipality. He may be said to have built the bridge which led to the fulfilment of the demand of the mass of citizens for collectivism in a communal-political sense. Ten years after his death this work was continued by new methods in other directions, and once again became an example to the whole world.

WITH BAEDEKER IN HAND.

No matter how easily Vienna reveals itself to you and throws itself open to you, you will not get to know it without an effort. On the contrary, you must take your Baedeker and scan it conscientiously as though you were back

semicircle of the front façade are two monumental groups of statuary symbolising the "Sea Power" and "Land Power" of the former Austria. 361

The sombre façades of various centuries unite in calm dignity to form the impressive square of the Inner Burgplatz. Here the ceremonious changing of the Castle Guard took place. Here the privileged Dampierre Dragoons were allowed to parade before their Highest War-Lord with martial music, and to set up their recruiting table. 344

In the Schweizerhof steps lead up to the Castle Chapel where the Wiener Sängerknaben sing Mass, Sunday for Sunday. Adjoining it is the entrance to the Religious and the Secular Treasuries. Once inside the enormous building of the Hofburg one can walk through wing after wing. There are the rooms where Emperor Francis Joseph once lived and laboured; next to these are the apartments of the beautiful Empress Elisabeth, followed by sumptuous gala halls which lead to the vast wing of the New Burg. How lucky that the plans of many an edifice in Vienna have been only half executed. The view of the Heldenplatz detracts attention from the explanations of the most experienced guide. Original in its unfinished symmetry, it is a square, panorama and a landscape scene at the same time. It forms a square with the two museums, the Royal Stables and the three monuments which decorate it. It becomes a panorama as we see how it connects with the Ballhausplatz, the Burgtheater, Parliament and the Ringstrasse. It is landscape by virtue of the park and adjacent buildings which carry the view on to the Rathaus, the Votivkirche and the hills of the Wienerwald which seem so close. The medley of people strolling backwards and forwards on the paths of the Volksgarten suggests a painting by Brueghel. But in the month of 363 600

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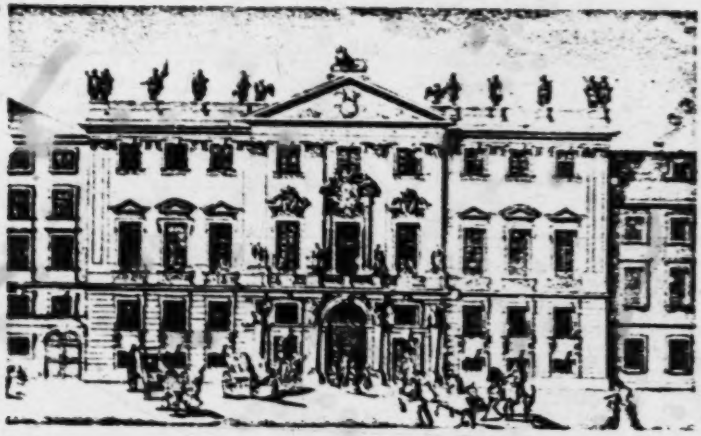

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Am Hof : Armoury.

VIENNA VISITING CARDS.

361 On the other side of the Ringstrasse we must abandon all attempt to proceed systematically. Vienna consists of 26 Districts, and although the First is far more important than any other, there is still so much to be seen that even quartering the ground would lead us nowhere. All that remains is to select a few places at random.

Where the Kärntnerstrasse joins the Ringstrasse, or moving along the Ring from the Wollzeile, the eye is caught by a majestic, green patina dome rising harmoniously against the sky.

346 THE KARLSKIRCHE. This is Fischer von Erlach's masterpiece, a marvel of conception and construction whose charm and gaiety of spirit enshrines the soul of Vienna. A startling blend of fundamental baroque with recollections of antiquity and rich ornamentations combine in a magnificent monument. It is a happy task for that reflective visitor to try to interpret for himself its manifold symbolism.

The two gigantic pillars, copied from the Trajan Column in Rome, were intended to represent the Pillars of Hercules in Spain, for the possession of which Karl VI, who commissioned the construction of the church, fought without success in the Wars of the Spanish Succession. The reliefs portraying scenes from the

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The whole building glows with the warmth of that attractive shade of colour which is described as "Maria-Theresia yellow". Its lines emphasize the horizontal and everywhere seek to strike a note of gaiety and happiness in being alive. The main block is made up of three sections which blend together with the two wings into a wonderfully harmonious piece of architecture. The two outer flights of

344 steps with their great ornamental lanterns and the richly decorated wrought iron gates suggest two arms widespread in welcome, inviting to an inspection of the Palace. This is the façade which faces the front entrance courtyard. On the other, that on the garden side, green balcony doors reach down almost to the ground, suggesting a link between the palace and the extensive grounds behind it, giving the building from this side the appearance of a hospitable country manor.

From a spacious, sunny courtyard one finds oneself on the first floor at once in the heart of the palace, with the gala rooms which are a triumph of the gifted interior decorator Pacassi who designed and completed them. Everywhere one feels the charm of French rococo—in the decorations, in the apportioning of space and in the abundance of graceful ornamentation. But the laughing grace of the flower motifs, the harmony of the colours—red, white and gold—in furniture and tapestry strike a definitely Austrian note. Stucco, always a typically Viennese medium, has here and there grown almost into mouldings in full plastic, framing ceilings and wall paintings with curlicues, rosettes and gilt scroll work which have a naive exuberance of form. Great mirrors, so placed along the walls to secure the maximum effect, create the illusion of unending space.

The crowning glory of the interior is the Great Gallery, a long hall with eleven enormous windows, glorified by the magnificence of the chandeliers of gilded wood. One cannot see enough of the glittering mouldings, the wall candelabras and the bronze chandeliers. The eye wanders to the ceiling and the blue frescoed heaven of the Italian painter Guglielmi; Maria Theresia reigns there above with crown and sceptre; with her, obviously to encourage recruiting, are portrayed officers and soldiers of the Seven Years' War.

During the time of the Vienna Congress, representatives of power, riches and renown used to assemble here in this Great Gallery of Schonbrunn Palace—the emperors, kings, army commanders and diplomats of Europe.

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Mariahilferstrasse about 1780.

344. The intoxicating magnificence of the "Million Room", so called because its construction and decoration is supposed to have cost a million gulden, stands out even among the other richly decorated apartments. There is the Napoleon Room with its priceless tapestries in which the Corsican lived in 1805 and again in 1809. Here, too, died his son, the young Duke of Reichstadt. The great Ceremonial Hall with the representative picture of Maria Theresia painted by Meytens, the two Chinese Circular Rooms which again are decorated with extravagant luxury, the Mirror Room, the "Karussel-Room", thus called after a great wall painting of the Meytens School of Art, the living rooms and reception rooms of Emperor Francis Joseph—all these great rooms impress one as a dream vision of some highly coloured and lovely historical panorama. In sober contrast are the simple sleeping quarters of the Emperor Francis Joseph with the iron camp bed on which he died in the year 1916 amidst the horrors of a world war which he had tried in vain to prevent.

344 545 The little Schönbrunn Palace Theatre strikes a note of intimacy and charm with its red, white and gold colour-scheme. Here young Marie Antoinette, the daughter of Maria Theresia, danced the shepherd-and-shepherdess pastorals of the Poet Laureate, Metastasio; here Mozart conducted his opera "Der Schauspieldirektor"

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and here his "Don Juan" was produced. Nowadays this historic stage is at the disposal of young actors of the Reinhardt School.

Something quite unique for sightseers is the Wagenburg, or carriage park. Its showpiece is the eight-horsed Coronation Coach of the Emperor Karl VI, fashioned in the shape of an enormous gold crown and supposed to be the most beautiful coach in the world. Its interior is decorated with valuable paintings of the Rubens School. This coach was used at seven Hapsburg coronations, the last of them being that of Emperor Karl, crowned in Budapest during the First World War in the year 1916.

351 Wide gravel parks and avenues conduct one to the lovely grounds of the Palace, a compromise between two art trends—born of the enthusiasm for nature of Rococo and the joy in antiquity which characterised Baroque. Figures taken from legend and ancient history, the rich statuary of the park, reflect the living spirit of those times, commemorating many historic events. Tall, formal hedges clipped in the French manner flank the wide flowerbeds, running diagonally towards fountains with their surrounding statues.

In the far distance are the Neptune Fountain, the "Roman Ruins" and the Kaiserbrunn with the "Beautiful Fountain" from which Schönbrunn takes its name. On the other side are the Palm House and the extensive Zoo. Half way to them a zigzag path winds up to the heights of the Gloriette, a light and decorative structure with slender columns and stone roof through the round arches of which the skies look down.

344 From here we get a fine view of the wide-spread city, an attractive

island in a sea of green. Vis-à-vis lies the lovely belt of the Wienerwald. Directly to the 344
rear the low-built biedermeier houses mark out a picturesque pathway to the castle and grounds of Hetzendorf. This again is in the neighbourhood of Laxenburg Castle, with its lake and its game park.

The people of Vienna who visit Schönbrunn realise that reforms come not only from below, but sometimes from above, for Joseph II threw open these exclusive grounds to the public of his own accord—Schönbrunn, the Augarten and the Prater.

IN THE PRATER. The Prater was formerly a game preserve for noblemen 367
of high rank, who were furious with the Emperor for deciding that the public in future should have free run of the place: this meant, the aristocrats grumbled, that they could no longer be among their equals. Joseph answered with biting irony:

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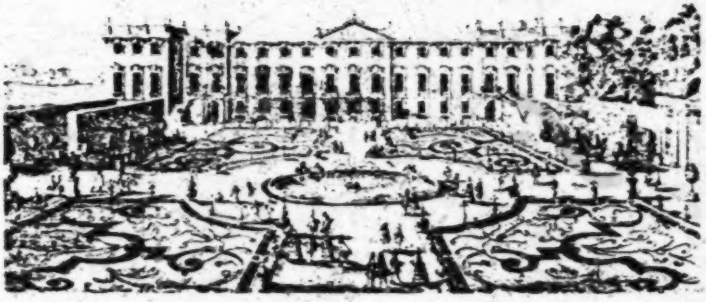

The Trauttsohn Palais.

792 346 The buildings of the monastery lie on a rocky plateau, the western part of which appears as a picturesquely gothic tangle of dark stairways and steeply towering supporting walls, while the east of the plateau, crowned by the two mighty cupolas beneath the German Imperial Crown and the Austrian Ducal Coronet, reveals the entire splendour of the mid-baroque period. The best view of the two domes is to be had from the monastery park. To the South the slender, new-gothic church spires are etched against the blue of the sky.

Climbing a long, steep flight of steps, the Pfisterstiege, one reaches the Leopoldihof with its splendid gothic bay window and its fountain with the renaissance figure of the Babenberger Leopold III. The outward sign of the power with which it was invested at the time of its foundation and which it succeeded in asserting for centuries, is the great monastery church.

[532] The most valuable work of art of the monastery is the Verduner Altar which stands in the Leopoldskapelle—a world-famous work dating from the end of the 12th century.

In the building of the monastery we enter the realm of dreams and magic of true Austrian baroque. Its creator was the Milan architect, Donato Felice d'Allio.

The greatest curiosity of the rich monastery museum is a collection of romanic ivory objects, small boxes, portable altars and Italian bronzes. In its very

Plate XV

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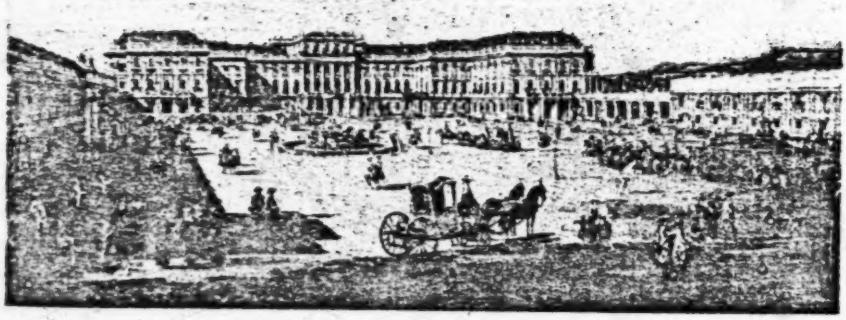

Canaletto; Schönbrunn Palace (section). Vienna, Museum of Fine Arts.

[-400(a)-]

8:van Hoek J-3 (no date) 1954
EK1 Austria EK1

The man who is next door to Russia

●344 I HAD NOT been at the Ballhausplatz in Vienna since the last months of Chancellor Schuschnigg. Bombs have since destroyed the rooms as I knew them. They have been restored in modern Viennese splendor.

344 643 Here, Chancellor Julius Raab received me in the vast room paneled in precious woods. From the high ceiling hang two crystal chandeliers. The Austrian eagle is inlaid on the wall behind the chancellor's desk, gold-embossed on his high-backed leather chair, and woven into the curtains before the three big windows. It looks symbolically like a phoenix risen from the ashes.

Gone are the days when the Ballhausplatz ranked with the Quai d'Orsay or Downing St. Yet, although Austria has ceased to be a great power, her geographical position as a key country kept her statesmen in the world limelight—Seipel, Dollfuss, Schuschnigg.

3: Hiscocks G-4, 5 (1946-1949) 1959 EK1 Austria EK1

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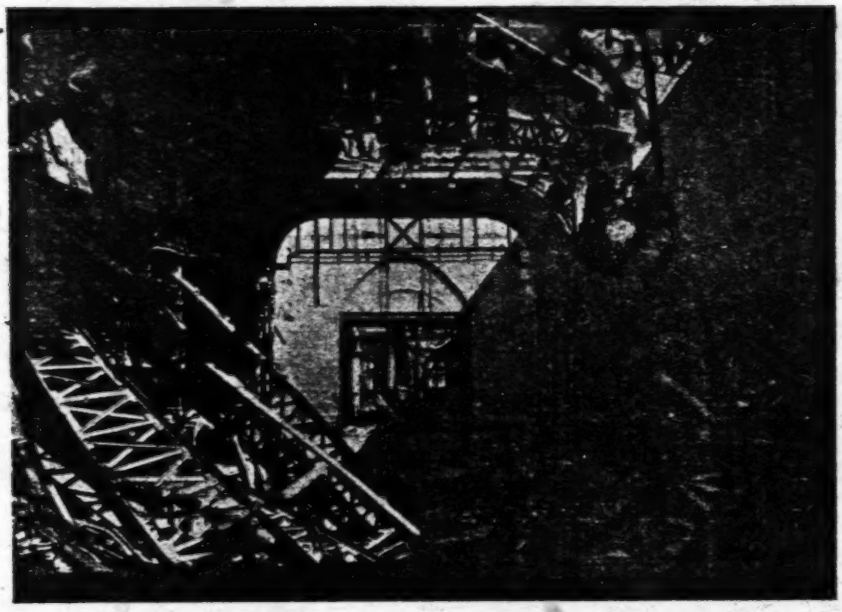
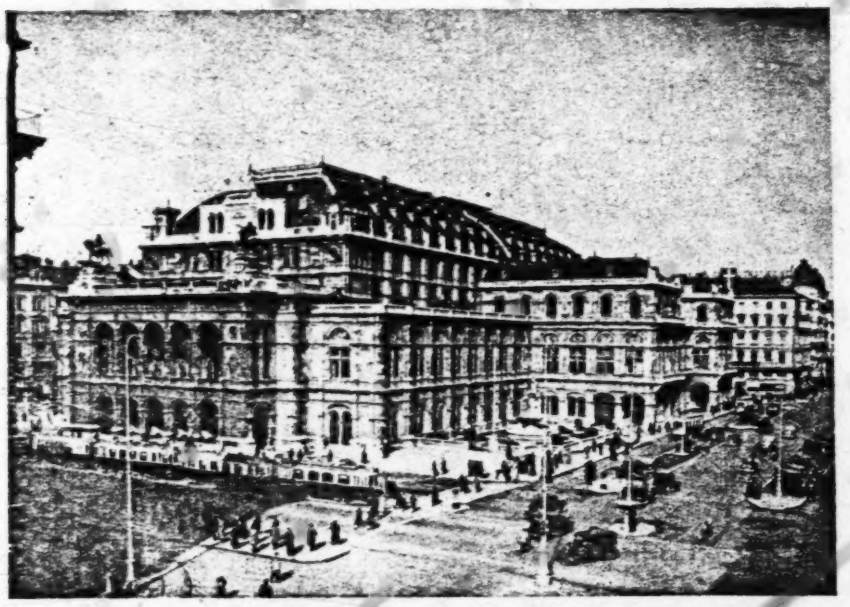


THE VIENNA STATE OPERA IN 1945



THE VIENNA STATE OPERA IN 1952

[facing p 173]

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State Opera.

346 such a small-town atmosphere here that it seems as though the biedermeier period lingers on.

These pictures are all to be found here within a comparatively small space. The same number of steps which we had to take from the Cathedral to reach this quiet corner will suffice to take us on to other great gothic churches. The solemn and massive Augustinerkirche stands in a street which is filled with the noise of motor traffic. Its Early Gothic form is still cool and severe, far removed from the decorative exuberance [211] of Late Gothic. The famous Christina Monument created by Canova at the beginning of the 19th century is a remarkable example of the symbolic portrayal of sorrow and mourning.

interests or at times in the conclusion of strange marital alliances.

The great town mansions near the Ring were in sharp contrast to the houses in other parts of the city, in the outlying districts. In the latter a single pump had to suffice for four, eight or ten families and what was called a "light-shaft" was not worthy of the name. It was a gloomy, narrow tunnel down which the sunlight only penetrated as far as the upper stories in the hottest summer.

To be a Liberal meant to leave things as they were, not to interfere, to leave the peace of the upper classes undisturbed and to remain deaf to the plaints of those below.

Lueger, however, had an ear for the low mutterings of the crowd, for

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The Praterstrasse with the Carltheater.

extensive library the art-lover is fascinated by the beautiful illuminated manuscripts and the family tree of the Babenberg rulers. The treasury contains the Austrian Ducal Coronet and rare goldbeaters' work of the Middle Ages. 792 346

The city itself climbs up to the heights of the Hermannskogel and the Kahlenberg, extending as far as Klosterneuburg, Mödling, Schwechat and even beyond the Lobau district. But it is hoped that this virgin zone of woods and fields will prevent the disappearance of many cherished villages, prevent the picturesque biedermeier gardens being swallowed up by tenement houses and ensure that the wonderful boating and bathing centre which Vienna possesses on the Old Danube does not lose even a foot of ground to industry and factories. 361

The historic little country parishes of Nussdorf and Heiligenstadt, Sievering, Grinzing and Liebhartstal, of Hietzing, Mauer and Perchtoldsdorf have grown together in a semi-rural region where nature, modern villas and ancient structures blend pleasingly. The "Heurige" wine-gardens of Kahlenberg, Neustift-am-Wald, Rodaun and Maria Enzersdorf hold within their little flowered courtyards that true Viennese "Gemütlichkeit" (easy-going cordiality) which loves life and the fleeting moment for its own sake. You clink glasses with your neighbour, drinking, in the joy of your heart, to the health of the stranger beside you, who himself feels the same about you. Many an 275

7: Marboe U-3 (no date) 1948 EK1 Austria EK1

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When the Bishop of Trieste no longer felt secure from Turkish raiders—his country house had been burnt down by robber bands—, he sold his estates near the village of Lipizza to the House of Hapsburg. In the year 1580 a stud was started there on the barren rocks of the Karst mountains in the healthy Adriatic air. There the noble strain of the Lipizzas was bred. The finest stallions were always sent to Vienna to be trained there for the *haute école*. 543 232

In 1785, the baroque passion for building gave birth to the wonderful hall of the Spanish Riding School. The Imperial Court commissioned Fischer von Erlach the Younger to design and construct it. It is so large that it gives the impression of a grandiose and vaulted city square rather than of an enclosed interior. 543 345

543 Grey wooden panelling surrounds the yellowish earth of the rings. Over the
345 massive parterre construction rise the slender columns of the first gallery. Above the cornice of the main building a plain balustrade runs all the way round, while the entrance façade displays an antique and richly ornamented gable.

543 It is in this princely riding school that the *haute école* is ridden, the "school on the ground" first being gone through at the pillars, to be followed by the "school above the ground". After trotting and the "passage", the horse is untied from the posts to perform "circles" and "pirouettes". Then comes the "levade", a movement in which the horse rears its forequarters while keeping its haunches together without shifting from the spot. The horse of the Prince Eugene Monument on the Vienna Heldenplatz is rearing thus. A forward jump in the levade position without the forequarters touching the ground is called "courbetting". "Croupade", "balotade" and the "capriole" form the climax of the display.

To a fanfare of trumpets the imposing figures of the horsemen appear, slowly riding on their wonderful gold-saddled horses. They are equipped with brown or scarlet jackets with white leather breeches, high riding boots, sword and two-cornered hat which in accordance with custom they doff in greeting before the picture of the Emperor. The white horses, their manes and tails plaited with gold, contrast glowingly with the dull grey of the wooden panelling. There is a glint in their great dark eyes, and their pink-edged nostrils quiver. Beneath the gleaming hide the muscles and sinews ripple in incomparable beauty. A picture of perfect discipline, these animals go through their difficult programme. Their performance is a feast for the eye and the senses—the world-famous *haute école*, whose venerable traditions are now practised and kept up only by the accomplished horsemen of the Spanish Riding School.

VIENNA AUGARTEN PORCELAIN.

323 In former times, when Austria saw the triumphant progress of Baroque through
531 town and countryside, when within fortified zones the gothic severity of the Middle Ages was forced to make way for the elaborate façades of the new style, a demand arose for suitable ornaments to decorate the new palaces, for the gala room of the town or country house. It had to be something which would go with the general scheme of interior decoration—artistic ornaments for chimney-piece, shelf and table. It was then, in 1717, that the Dutchman Du Paquier established the Vienna Porcelain Factory, of which the "Porzellangasse" is still a reminder. In the Middle Ages, when the first Chinese porcelain came to Europe, the tables of princes and knights displayed pewter, more rarely silver, but mostly vessels of wood or clay. The manufacture of china, the "White Wonder", a product of the mysterious mingling of the four elements, still remained a secret. Not until the beginning

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

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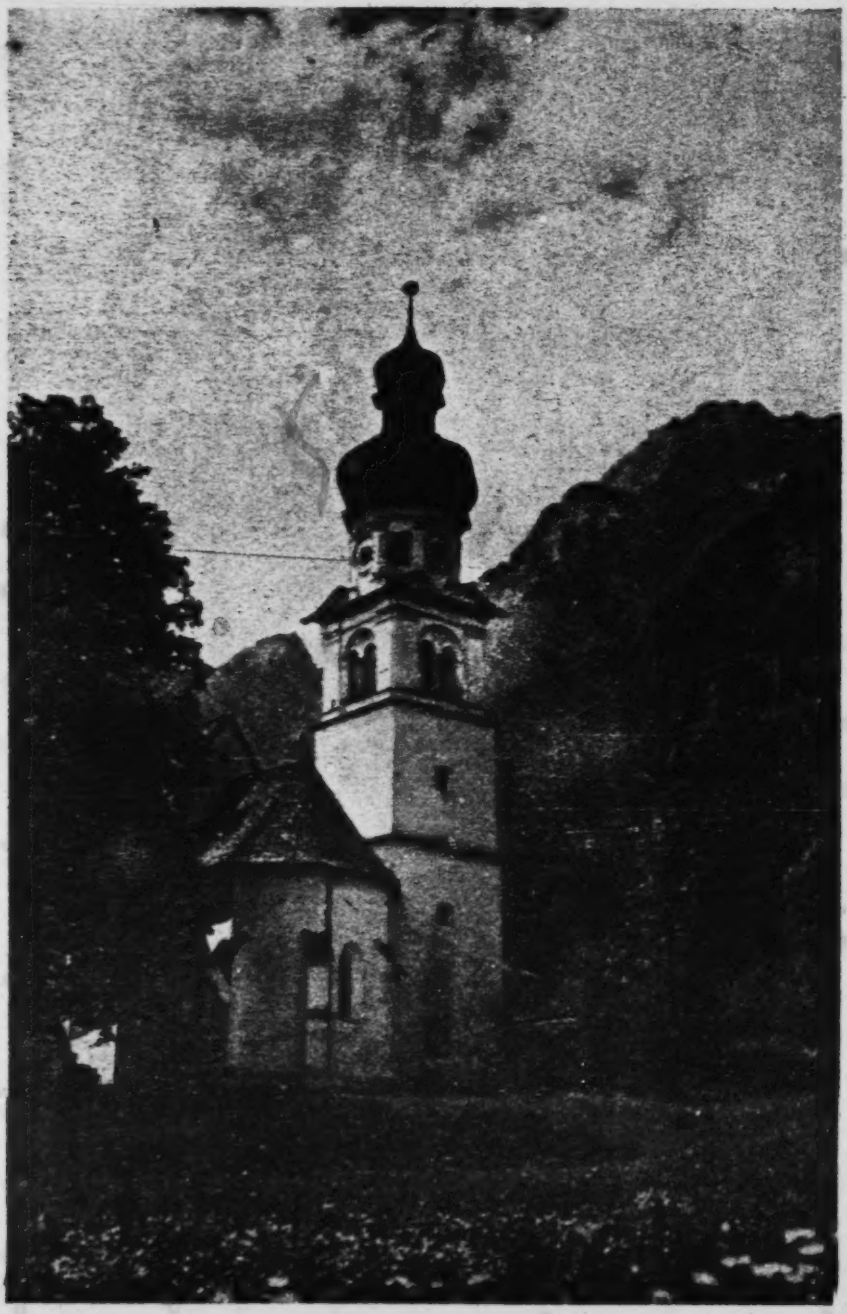

BAROQUE LANDSCAPE

[facing p. 162]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

543 after certain changes had been made in its composition, to England, the United States, and Canada. This was probably the greatest collection of works of art that has ever been sent on tour. Though no accurate assessment of its value can be made, it was estimated in the United States at $80 million. In European countries the impression it left was complementary to that made by the visits of the State Opera and the Philharmonic Orchestra, and it extended to North America the field of Austria's most effective achievements in cultural diplomacy. It is arguable that no avoidable risks should be taken with the world's greatest works of art and that those who wish to see them must travel, but it was a most generous gesture on the part of the Austrian Government to share with other countries some of their finest art treasures during a period when they could not be adequately exhibited in Austria.

658 346 The reconstruction of the actual museum buildings was not the responsibility of the museum authorities, but was carried out as part of the Government's programme for the restoration of public monuments and buildings. Remarkable progress was made with this programme within a comparatively few years. By 1952 the main repairs were either complete or far advanced in the case of Schönbrunn, the Belvedere, the Albertina, the Museum of Art History, and St. Stephen's and Salzburg Cathedrals, the work in some cases being finished a good deal earlier. Considerable progress had also been made in rebuilding the State Opera and the Burgtheater, though the opera was given priority and had the additional advantage of some Russian, as well as substantial ERP support.

It might well be considered that too much effort was put into the restoration of public buildings of a monumental character, in view of the acute housing shortage, and that the resources used should have been devoted to the construction of private dwellings. On the other hand, the labour and materials used for the two purposes were quite different. The vital tourist industry was stimulated by the rebuilding of the great public monuments. And the psychological effect on the

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

Austrian people during a most trying period was of considerable value. 658 346

In any case, these three considerations seem to have determined the policy of the Government. Even the stately but purely ornamental 'Gloriette' in the grounds of Schönbrunn Palace, which had been badly damaged, was rapidly put in order. In 1947 the main dome of the great monastery of Melk on the Danube in Lower Austria was destroyed by fire. The British Element of the Control Commission was unofficially approached for assistance in obtaining the large amount of copper required for its reconstruction. The reply was that part of the British Government's sterling grant had been used for the purchase of copper, that copper was also urgently needed in the manufacture of electric motors for export, and that the Austrian authorities must decide for themselves as to how their supplies should be used. Within a short time the necessary copper had been found somewhere, and the noble building had been beautifully restored by skilled local labour.

Any foreigners who are inclined to criticize these actions should consider their sentiments towards their own national monuments or towards any expensive features in their own countries' public life. In a materialistic age the jealous maintenance of traditional beauty and dignity cannot lightly be condemned as a fault.

Two of the major undertakings in the rebuilding programme were the restoration of St. Stephen's and Salzburg Cathedrals. Both operations were carried out under the same supervision, but with very different results.

The main dome of Salzburg Cathedral is the central architectural feature of the very beautiful city that lies at the foot of the Hohensalzburg, the imposing rock on which the Prince-Archbishops of Salzburg once lived in their great castle. Owing to a serious error of judgement during its reconstruction, the new dome has lost the symmetry and beauty of its lovely Early Baroque predecessor, and the whole architectural effect is thus marred. In terms of needlessly damaged beauty, there can have been few more costly mistakes in the whole history

[Facing p. 186]

1945

ST. STEPHEN'S CATHEDRA

3: Hiscock: G-4, 5 (1946-1949) 1953 EK1 Austria EK1

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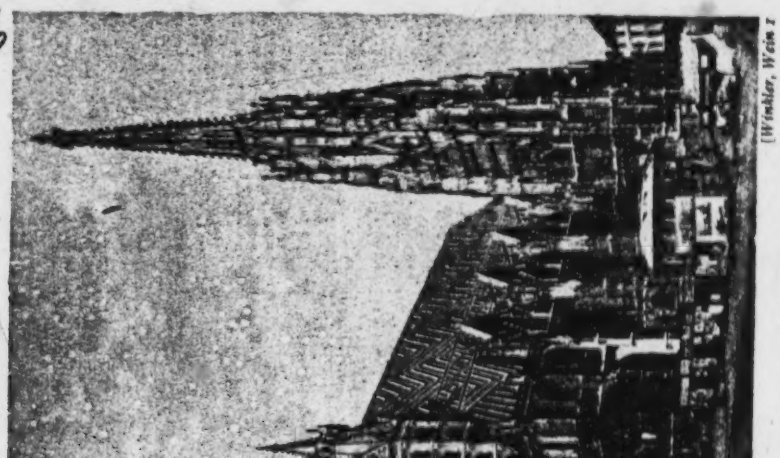

(Winkler, Wein I

1952

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

658 346 of European architecture. Salzburg, indeed, is in urgent need of a strong and discriminating voluntary society to protect the wonderful heritage of natural and architectural beauty that belongs to the world and is too little cared for by the local authorities. For the injury to the cathedral is only one of a series of mistakes made since the War that have detracted from the city's pre-War charm. Only with difficulty has a project been quashed for erecting a large hotel in a position so prominent as to rival the magnificent dominance of the Hohensalzburg.

The restoration of St. Stephen's had happier results, although the work involved was on a much greater scale. The total cost amounted to 30 million schillings, and every province in Austria made itself responsible for some part of the reconstruction. Towards the end of 1948 the nave was reopened for public services, and by the spring of 1952 the choir was also ready for use. Though the aim of the restorers was to rebuild the cathedral, as far as possible as it had been before the fire, so far as the interior was concerned, this result could only be achieved within limits. The lovely old choir-stalls could not be replaced, and the atmosphere of the old St. Stephen's has gone for ever. But the new cathedral has a beauty and freshness of its own, and in its decorative details and general effect reveals the skill and devotion of the craftsmen and architects who were responsible for the restoration. Seen from the outside, St. Stephen's, with its fine old spire and high-pitched roof, remains the familiar centre of old Vienna, differing noticeably from the old building only in the vivid colouring of the new glazed roofing tiles.

346 The replacement of St. Stephen's great bell, known as the 'Pummerin', was the gift of the people of Upper Austria. The new bell was cast at St. Florian, and the 26th of April 1952, the day when it was brought to Vienna and the choir was reconsecrated, turned into a great public festival. Vast numbers of people turned out to see it as it passed slowly along the main road from Linz to the capital. Dr. Gleissner, the Governor of Upper Austria, handed it over to Cardinal Innitzer amidst

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

346 demonstrations of great popular enthusiasm. The 'Pummerin' was dedicated to the Virgin Mary, and the inscription on it in Latin, 'To the Queen of Austria', had a significance for non-Catholics as well as Catholics. It symbolized the strength of spiritual values in a country whose cultural revival would not have been possible under conditions of great material hardship without strong faith in non-material ideals.

346

Vienna. Old University and Jesuit Church.

876 the mistakes of others, to criticise and to correct them. Ambition was made the spur. The best scholars were publicly commended at the end of the school year, were awarded prizes, and amidst the sound of drums and trumpets, their names were announced with great ceremony to the assembled visitors present at the end of term performance. Their names were inscribed on a list of the successful which was distributed to the guests. Rivalry between the aristocracy and middle classes also encouraged the spirit of competition the former believing that their superior rank obliged them to secure a similar superiority in learning, in which endeavour they frequently met with the competition of sons of middle class parents.

793 Vienna was the oldest Jesuit stronghold (after Cologne) in the German-speaking
798 countries. Ten years later, in 1561, a second branch of the Order was established within the frontiers of present-day Austria, the college at Innsbruck, and was soon followed by another, that of Hall-in-Tyrol, in 1569. A year later, in 1570, a branch was established in Graz, in the year 1600 the Jesuits settled in Linz, in 1604 in Klagenfurt, in 1613 in Leoben, 1616 in Krems, 1621 in Judenburg and in 1632 in Steyr. Protestantism at this time was practically unchallenged in the places where these centres were established. In each of them schools were promptly opened and plays were staged in all; the Faith was spread, not only by the ear but also through the receptive medium of the eye.

Many conversions, many changes of outlook must be attributed to the emotional effects of these dramatic representations. Records often refer to the pleasure which Catholics and others found in these performances.

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The Parish Church in Bregenz.

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Erzberg.

Then the walls of the Goller and the Gösser close in on the river at Raabklamm. Through this gorge a series of stone steps, foot-paths and bridges lead above the roaring, turbulent waters.

At the other end of this gorge rises Gutenberg, a fine castle which owes its impressive lines to the Stubenberg family to whom it has belonged since the 13th century.

361 St. Ruprecht-on-the-Raab owes its name to the Archbishopric of Salzburg which owned properties here since the year 860. Once a large parish and the judicial centre of an important district, it is today a notable market town which is sought out by holiday makers who appreciate its mild and health-giving summer climate.

Here the Weizbach joins the main stream; on its upper reaches lies the township of Weiz, a centre of industrial activity whose foundries even in far-off ages disturbed 361 the placidity of the countryside, into which it is constantly spreading out its tentacles. Its landmark is the partly romanesque Taborkirche, records of which date from 1188. [346] The church on the Weizberg is built high above the town. Its exuberant-baroque twin towers afford a commanding view of the countryside in all directions. The cherished "Himmelsbergerin" as pilgrims call the shrine, is the work of Veit Königer, the Styrian baroque sculptor, and the painter Ritter von Mölk. The famous Renaissance Hall of the Joanneum at Graz was removed thence from Radmannsdorf Castle, today the seat of the Prefecture. Gleisdorf, once an old trading centre, was built on the ruins of Celtic civilisation. Many a well-preserved burgher's house bears witness to the prosperity of former times.

133 Just before Feldbach, the old market-town of the old Duchy which was raised to the status of a municipality in 1884, the road turns off which leads past Castle 361 Kornberg with its many towers to the Riegersburg. The little town of the same 342 name lies snugly ensconced on the lower slopes of the steep basalt rocks which are crowned by one of the most famous castles of the Province. Through seven gateways the approach winds into the inner courtyard, where a deep well is covered by a fine superstructure in wrought iron. Although Rutgerespurc Castle dates from the

did their grandfathers before them. On holidays they wear the sober Maximilian miner's formal dress as has been the custom for centuries. Work above ground has made the old shafts obsolete, a giant electric crane replaced the old trucks.

These roads once led to Vordernberg, on the other side of the Erzberg. The brown one brought iron ore, the black one coal and the white, flour. Up to the time of Emperor Joseph II this once-wealthy mining and industrial town had the trading monopoly for all iron ore smelted there. Since Donawitz has been able to draw coal from Seegraben, the blast furnaces of Vordernberg have fallen on evil days.

Styria is also called "The Green March", because of the woods which cover the spurs of the alps, as vast forests in the heights and as cool coverts between the vineyards of the lowlands. They are peopled by mountain dwellers of ancient and hardy stock such as the Archduke Johann knew and loved. That princely friend of the people rescued the Province from economic and mental decay, making of it a pleasant garden where the concerns founded and encouraged by him exist today. Johann gave proof of his love for Styria by taking one of its daughters for his wife. The people and the forests have grown together to make up what is implied by the term "forest motherland."

IN THE CAPITAL.

The pleasantest way to reach Graz is to cross the Ries. The road descends in ever-sharper curves until after one steep drop one finds oneself facing the five terraces of the town. At once the eye is caught by the Schlossberg with its corpulent Clock Tower.

A sky of southern blue sets off the grey stones of the main square. Outside the Rathaus the flower and vegetable market is a riot of colour. The character of provincial nobility, originally built for defence 133
and as a refuge for the villagers, which today
illustrate modern farming methods or have 342
become seats of responsible national education. Castle Neudau, the old Wasserburg may be named as one example of many.

Close to the edge of the mountains, at the 361
foot of the Ringkogel, over which the Romans built the Säumerstrasse, lies the town of Hartberg amidst country which has been cultivated since the earliest times. Today it is the seat of various administrative authorities, an outpost of northern East Styria. The fine lines of the baroque tower of the local parish church puts it ahead of many other pleasing pieces of architecture in Hartberg.

Pöllau, the market-town between Rabenwald 361
and Massenberg has become famous on account 346
of its old monastery church, a spacious building
distinguished by its fine workmanship. The 532
most important interior decoration is the painting by the Master who created the Pöllau frescoes, Matthias von Görz.

The ancient Monastery of the Prebendaries 792
at Vorau stands in solitary grandeur. Founded 346
in the 12th century, razed to the ground by fire and rebuilt, ravaged by wars and consequently fortified like a castle, showing signs of decay yet refurbished in the styles of successive periods with added beauties, it has always been a centre of monastic discipline and learning, and of the religious and educational work carried on by the priests in the mountains and valleys of the district. The church has two German towers. On the walls of its brightly-lit interior the Masters of the early 18th century have put all the joyful triumph of the baroque age into their paintings, colouring and stucco work. The sacristy is known for its "Judgement Day", and "Last Supper",

by J. C. Hackhofer, and the library for its treasures of old manuscript.

7: Marboe U-3 (no date) 1948 EK1 Austria EK1

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Admont Monastery, Library.

133 *musical notes enlivening the warm nights and sun-drenched, dreamy days. The more abundantly the vines have blossomed, the sweeter the ripening grapes, the more wind rattles are set up to protect the cherished fruit. In their thousands they are supposed to scare away the bold thrushes and starlings. Although when they sound loudly a cloud of scared birds rises into the sky, they soon settle again among the sweet grapes. The wind-rattles really contribute more to the atmosphere of this part of the country than to the effective protection of the wine. Visitors as well as natives adore them; you quickly learn to distinguish the notes of one from another. On stormy nights of hail and thunder, it is as if they were calling in alarm to the ruler of the clouds.*

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Styrian attributes:
Dour but galant the Ennstaler,
Charming the Ausseer girl,
Thoughtful and grave the Murbodner.
Solemn, good tree-lover the East Styrian,
Easily roused the Grazer,
Soft of heart the Lower Styrian.
And all tough and courageous in the cause of the Motherland.

up or dug out to form ditches and pits; between them stand the narrow sheds containing slabs of dried peat. The valley extends as a wilderness filled with the humming of a myriad insects busy above the red carpet of wild mustard out of which rise blackberry brambles and the white trunks of young birches. The Kulm, a tree-clad hill on the pale summit of which stands the pilgrimage church of Frauenberg, rises steeply from the banks of the Enns. With two towers and light coloured walls the old shrine reflects the light of the surrounding mountain peaks, which look like a festive garland supporting the blue of the heavens. For half a century the abbots of Admont have cherished this church of Our Gracious Lady with artistic and more than loving generosity. In the "Turkish Year" (1683) the church was invested with its baroque pomp as a worthy framework for the old shrine, to which Johann Thaddäus Stammel later added a glorious wreath in the shape of a delightful choir of angels.

A narrow avenue of chestnut trees leads to a Calvary Mount on the fringe of the mountains. The group around the Cross rises above a weather-beaten wall. It is the work of peasant hands and has an impressive solemnity seen against the background of the distant mountains. In the valley below the Enns emerges, a green and glittering torrent, to flow through meadows and alder bushes to Admont.

The two slender towers of the Abbey which are seen by the tourist from a long way off, were only built after the great fire of 1865, but the surrounding settlement and the foundation of the monastery date back to the earliest history of the Province. Latest research claims to have established that the name Admont is of Illyrian origin, and that the "region of plentiful water" which this name suggests in Illyrian had therefore long been inhabited by human beings—by fishermen, woodsmen and hunters—when monks from St. Peter in Salzburg came, in 1047, to the monastery. It had been built by Archbishop Eberhard with money given by St. Hemma of Gurk, there to found what became one of the most prosperous and best known cultural centres of the Province. Worship and science, art, agriculture

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Bad Aussee.

and forestry all found a home here. Progress and civilisation were spread through the surrounding virgin forests and through the properties which had been given to the monastery in Sausal and Untersteier. Often threatened by fire, the monastery[1] has succeeded in preserving undamaged its famous treasury, the library with the frescoes of Altomonte and the masterpieces of J. T. Stammel up to the present day. During the heyday of the monastery, the flower of Austria's youth took their vows here, a long line of artists, men of learning and priests being noted in the chronicles of the monks during the course of a whole century. The great world, however, has forgotten most of their names, although historians still speak of Abbot Heinrich II, whose gifts of statesmanship resulted in the dignity of a Governor of Styria being added to his title of Abbot before he was treacherously murdered in 1297.

Better remembered in our own times are the names of the scholars Richard Peinlich and Albert von Muchar, after whom streets have been named by the provincial capital.

After a short, enforced pause, the rule of St. Benedict was re-established in the almost 900 year old cloister, a monastic revival in modern times of a venerable past.

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Towards the north, beyond the little village of Hall, where salt was crystallized out of the waters in the 12th century, and the hidden, solitary mills, the Haller Mauern majestically enclose the Admont Valley. How grand are the names of the Steinberge—Pyhrgas, Hochturm, Hexenturm and Natternriegel! And how grandly their cliffs and peaks glow beneath the summer sky. For nearly half the year through clear and frosty wintry days they are covered with a glittering mantle of snow.

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To the South the jagged Hahnstein rears its head, blocking the view to the higher peaks of Sparafeld and the Reichenstein. On the slopes of the Klosterkogel lies Röthelstein Castle. Lime trees stand in the outer courtyard, which is surrounded by a turreted and loopholed wall. A massive archway leads to the Residence which is known as a fine example of 17th and 18th century architecture.

1 [i.e. Admont Monastery -- Analyst]

133 and raftsmen, leaving Altenmarkt behind it, the Enns, today the favourite torrent for adventurous souls in collapsible boats, flows across the frontier into Upper Austria.

[496] From Selzthal the railway runs upstream along the left bank of the Enns to Radstadt and Bischofshofen in the province of Salzburg. All along its course northwards stands a chain of the characteristic peaks of the Kalkalpen in exciting divergency—Hochmölbing, Totes Gebirge, Hochtausing, Grimming, Stoderzinken and the lower flanks of the massive Dachstein. Different again, less wild, but as unique in their own way, are the forested subalpine hills which run off here to the left. Behind them lies the wilderness of the Niedere Tauern with their many lakes.

361 Liezen at the northern edge of the valley, mention of which occurs in documents [438] of 900 years ago, was the most important transport junction before the railway came into being. Trade and barter brought prosperity from the salt carriers and the traders who arrived by way of the Pyhrnstrasse. The growth of the neighbouring town of Selzthal has brought losses to the former roadside settlement, but the persevering inhabitants have found other means of livelihood and today its flourishing industries have raised Liezen to the status of a town.

[529] Wörschach, a pleasant and peaceful spot at the entrance to a gorge, attracts from afar holiday visitors and health seekers year after year to the healing springs of its radio-active sulphur baths. Mountaineers and ski-ers climb from here into the mountain world of Hochmölbing, Warschenegg and Hochtausing, the climber often finding summer conditions on the verdant heights of the Schneehitzalm and the Bärenfeuchten between the numerous herdsmen's huts. The mere pedestrian crosses the Taschnermoos within view of the towering Grimming and goes on to the Puttererseé by way of Aigen.

[346] From Wörschach the road leads westwards to Niederhofen, whose little gothic church deserves the attention of all lovers of art—and of Styria. This building contains curious tempera paintings from about the year 1500 and three carved altars from the 17th century. According to Ferdinand Tremel, the Styrian historian, we have in it one of the oldest churches of the Enns Valley. In Stainach, to which the junction of the Salzkammergut electric railway and the Bischofshofen—Selzthal line have brought new life and trade, we catch sight of the rocky nest of "in der Pürgg" above. The great gothic church there, noteworthy for its antiquity as well as for its unusually artistic architecture, well earns its local name of "Steyrisches Kripperl" (Styrian Crib). Inns and farmhouses surround it, completely filling the gap in the rocky cliffs.

On the other side of the valley lies Irdning, an impressive market-town whose busy life confers many advantages on the wide mountainous hinterland.

From Liezen onwards one is impressed again and again by a mountain which rises above lower wooded heights like a vast, glittering castle of rock—the Grimming.

133 It is not surprising that in the Middle Ages it was described as the highest mountain in Styria and that the people paid tribute to its majesty in awe-inspired legends.

361 The market-town of Gröbming is worth a visit. Holidaymakers are attracted to it because of its fine situation and wonderful scenery. People from a wide area come to deal with officials who long ago established themselves here because of [346] the central position. Art lovers come again and again on pilgrimages to the beautiful gothic church whose great carved triptych altar of the year 1510 stands out among other art treasures.

Going upstream, we find the Enns flowing through increasingly cultivated and civilised country the nearer it gets to the old mountain town of Schladming. This place has been well planned and beautifully proportioned about a great square. Overshadowed by the towers of the Catholic parish church of the 16th century and the Evangelical church (1862), it presents a picture of dignified calm. In the past it has seen much want, warfare and tumult. It was the scene of peasant and religious wars. Fires and economic collapse ruined many an old family. The civic rights which were lost by Schladming in the year 1525 were restored to it again in 1925 in recognition of the courageous temperament and vigour of its 133 population. The Schladming countryside gets its individual note from two plateaus, the Rohrmoos and the Ramsau. The latter, lying at a height of over 3000 feet at the foot of the Dachstein, has been populated and cultivated for ages. The picturesquely-scattered farm-houses bear many evidences of their occupants' unquenchable love of the homeland. Thanks to its healthy situation in the heights and the approach it offers to the Dachstein via the Austriahütte, Ramsau is one of the most popular holiday centres of the Alps.

342 From Rohrmoos, a little further off, the view of the Dachstein range is if anything grander and more impressive. Here, as on the Ramsau, the farmhouses have in many cases retained the local peculiarity of the flatly inclined purlin roofs (as they are to be found westwards in the adjoining province of Salzburg). Together with the wooden shingle roofs weighted down by stones, they give the countryside its distinguishing note. These comfortable and homely dwellings are fast disappearing. Modern ideas and times call for economy with wooden shingles, pointing to the greater space and other advantages afforded by the steep roof.

133 HOCHSCHWAB AND MARIAZELL. On the borders of Lower Austria rises the broad and mighty complex of the Hochschwab. The range covers a surface of 400 square kilometres and includes over a hundred separate peaks. When the townsman sees these mountains, he has the feeling that Faust's magic

cloak has transported him into another world. The magnificent though distant views across the Danube to the high-lying plateau of the Waldviertel, to the West towards the Dachstein and beyond it to the Glockner, to the South as far as the barrier of the Karawanken are not easily forgotten.

Dachstein, Southern Slopes.

No less impressive is the wilderness of surrounding peaks and snowfields. The Hochschwab, that mighty giant, is approached through defiles and valleys where stand old foundries and deserted smithies. One's eyes are continually drawn to the towering walls of this gigantic range.

That is how the monk had seen it who is mentioned in the legend of the founding of Mariazell. In the middle of the 12th century, Otto VII, Abbot of Lambach, sent one of his monks eastwards to spread the teachings of Christ in the wilds of the mountains. He carried with him on his arduous journey an ikon of the Virgin, carved out of the wood of the lime-tree. But before long he found that he could no longer find his way out of the mountains, range upon range rising before him to bar his path. At last he sank down exhausted before a wall of rock, calling on the Virgin for help and rescue. In answer to his prayers the unscaleable barrier of rock parted asunder, granting him a miraculous passage to the valley behind it. There the holy man stayed and decided to build himself a cell in honour of the Virgin.

Now a town, Mariazell is delightful in summer as in winter because of its position and the surrounding scenery. Its central point is the great pilgrimage church, the largest in Styria. Gothic forms and baroque roof are impressively united. To the rear of the middle part of the nave is the chapel of Our Lady and the revered picture of the Virgin Mary and Child which is the object of worship.

The simple "Marien-Zelle" has developed into a place of pilgrimage, its religious influence reaching far beyond Austr into other lands. Processions of pilgrims seek comfort and strength here. Women and girls who wear a picture of the Virgin Mary of Mariazell on a slender chain about their necks, are supposed to be protected by it from sin and distress, and to retain for life a share in that charm and gaiety which enshrines this little jewel of a town in the mountains and spreads over the whole Styrian countryside.

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salt from Hallstatt—still 10,000 to 15,000 tons a year—was rowed over the lake and taken down the Traun in small boats. From this time on a separate industry developed—that of ship-building, for there was a considerable fleet to keep in order. There were six-oared and nine-oared boats; upstream they were drawn by horses. The knowledge of ship-building acquired by the inhabitants of the Salzkammergut proved of good service during the wars against the Turks, for many hundreds of war vessels were built by them, to be used on the lower reaches of the Danube.

At the beginning of the 17th century, as a result of the Plague and the Turkish Wars, the Salzkammergut was involved in grave economic difficulties. In 1714 the Salt Office in Gmunden refused all responsibility for steady salt production "while the salt workers are literally dying of starvation". In 1715, people in Hallstatt were reduced to eating soup made of salt water and bran bread.

In 1717, scurvy broke out in Aussee. In 1770, the want was so great that the miners saved the tallow issued to them for lighting purposes in the mines in order to be able to take it home on Fridays as extra fat.

The time was ripe for social upheavals, and in France the flag of revolution was unfurled. In Austria radical reforms were proclaimed by a progressive monarch, the Emperor Joseph II.

ANCIENT CUSTOMS.

The traditional customs of the Province follow the seasons of the year. Just before Christmas families work with devotion and skill to build up a Manger scene, often several yards long. From moss and roots a Salzkammergut scene is built up in which the Crib is placed with its carved wooden figures, which generally date from the 18th century. Midnight mass is solemnly

Wilhering Monastery.

As one passes through a romantic countryside, villages crop up here and there, crowding their red roofs around lofty church spires. Elsewhere the mighty keep of a mountain castle challenges the skies. The steamer threads its way among sandbanks where herons stand motionless as dream figures until suddenly one of them flaps his wings and writes the cryptic signs of his flight in the morning sky. In the far distance one can see where, to the south, the wall of the Alps blocks out the horizon; at times it seems to draw nearer and at times it seems to be swallowed up in the misty distance.

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The boat steams cautiously past the rocks of the Aschacher Kachlet, giving the passenger time to look at the tower of Eferding Parish Church, in which a certain Johannes Kepler once married the daughter of a simple citizen, Reutlinger. Beyond the ruins of Schaumburg we approach the hills of Aschach. The grapes embodied in the coat-of-arms of this market-town are a reminder of bygone days of Upper

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Corpus Christi Procession on the Traunsee.

133 Further up the Traun lies the Hallstättersee, a tight-lipped storehouse of
361 ancient secrets. The houses of the little market-town are piled one above the other on the narrow rocky terraces leading from the shores of the lake to the slopes of the Salzberg, on whose heights lies a famous ancient burial ground.
765 Lines of Hamlet come back involuntarily as one inspects the charnel-house with its many rows of skulls with religious inscriptions painted across the bony foreheads.

133 Indifferent to man's changing fortunes, the Dachstein, its royal peak towering above the mountain forests, watches eternally in its glacier armour. Below, the Gosau Lakes look up at it with unrevealing eyes of green in whose depths one can read only the reflection of primitive natural forces.

● 946 In the Salzkammergut, beauties of nature and of handicraft are never far apart, and on turning from the one you meet the other. There are carved statues and

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pulpits, sacred images and churches with famous altars—Hallstatt, Mondsee and, at St. Wolfgang, Michael Pacher's wonderful altar triptych. 346

There is the old monastery settlement of Traunkirchen; on a steep hill jutting out into a creek of the lake which the Romans called "The Happy", the monastery lies adjacent to the church and the dreamy courtyard of the now solitary garden, cut off by an arched gateway from the outside world. Next again comes the cemetery, protected by a low wall of rock which runs down to the lake. The graves are huddled together, the mounds and crosses covered by rambler and ivy. Those whose minds incline that way may reflect in this lovely spot on life's reconciliation with death. 361

Turning back to pulsating, exuberant life, the picturesque streets tempt one to travel further, mountain railways wait to carry one up to the summits which afford such unique views of the lake district of the Salzkammergut.

Just as in Rome one drops a coin into the Fontana di Trevi if one wishes one day to return there, so one should linger for a parting glance at the promenade in Gmunden. Built in a series of rising curves, the epithet it seems to call for is "graceful". Country mansions, castles and middle-class homes rub shoulders with one another. Boats rock softly on the water, swans glide elegantly towards the shore and the silver-grey outlines of the lakeside castle are reflected in the waves.

Hallstatt

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FROM KREMSMÜNSTER TO ST. FLORIAN. Swiftly and smoothly the pastel-green waters of the Traun run through forest and field out into the fertile moorland near Wels, a town which has a colourful and distinguished past. The course of the Traun is followed closely by the smaller Krems. This river has given its name to a splendid abbey. Anyone seeing Kremsmünster for the

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Mondsee; Stiftskirche.

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The world which is revealed at St. Florian is vast and majestic in a different sense. Below the heights of the Ennstal the towers of this magnificent building of the venerable Augustine Prebendaries rise into the sky, a brilliant masterpiece of the Austrian Baroque.

Bad Ischl, Pump Room.

One cannot help being deeply impressed by the beauty of this complex of monastic buildings, especially if the approach is made from the highroad up the steep hill and one passes through the main archway on to the outer courtyard. The effect of the delicate lines of the façade is irresistible. In the middle stands the massive gateway, inviting one to pass through and on to the point where stairways appear on either side and, straight ahead, the spacious inner courtyard.

The names of Carlo Antonio Carlone and Jakob Prandtauer appear here once again. Illustrious visitors have stayed here through all the centuries—emperors, popes, artists and great masters, the last of these being Anton Bruckner. The Monastery is indebted to Albrecht Altdorfer for a number of valuable panel paintings which, in their passion of portrayal, in the splendour of their glowing colours, represent all that is best in the Danube School.

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Bridging the centuries, the rainbow of art reaches Bruckner's symphonies in which the spirit of the baroque period and of rustic scenery are expressed by the blending of ardent themes with clear and simple melodies. Grand stairway, "Emperor's Room", Library, gay ceiling frescoes, the carving on the dark choir seats and jubilant, trumpeting angels—all are born of that spirit which pervades the Province of Upper Austria, rooted in the primitive strength of the soil and religious belief.

St. Florian Monastery.

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Variety of scenery, of work and of people, multiplicity of colouring and tone, differences of speech, song, verse and custom, in village and in town—all this goes to make up, all this is given by our bountiful, inexhaustible, motherly homeland of Lower Austria.

Let thy sons tell of thee to friends:

IN THE SEMINARY AT ST. PÖLTEN. It was a long and exciting journey as your mother travelled with you from the northern vineyards across Vienna and the Wienerwald to St. Pölten. As the great cupola of the mighty Abbey tower rose above the horizon you could not suppress a slight quiver of excitement, and as the other towers joined it, spires and then again cupolas, you felt, without being able to express it, that there was something spiritual about this picture. Then it gripped you, the riot of colour and the flowing lines of Baroque. Overcome, you stood in the great abbey square, and then passed through the gates in mute expectancy. Marble columns, gilded capitals, ornate ceilings and the glittering gilt and colouring of the altar pictures impressed you deeply. 346

Rathaus and Trinity Column, Franciscan Church and Carmelite Monastery, bold tracery of gables, blossoming clouds of stone, haloes spreading rays of gold, they all plunged you in a single day deep into the rich treasures of a vanished world. Since that day your acquaintance with the great names of Jakob Prandtauer, Daniel Gran, Altomonte, Mungenast and Kremser Schmidt have meant much to you.

In those times the board of the seminary was a frugal one and outside, overhanging the road to the town, there was a solitary pear, forgotten in the glossy green of the mighty tree-tops, tempting, round and invitingly yellow. For half an hour or more you tried to knock it down. The one who finally hit it was envied, but when he bit into it he made a face. For weeks it had to be kept in a cupboard, and only then did it become chocolate brown on the outside, the inside silver-hued and delightfully sweet. You soon found out that St. Pölten lay near the perry country. 874

the austere yet lighter shades of oats and rye. Colour is lent by blue flax, red and white poppies and verdant green fields.

The view is dominated by range upon sweeping range of eternal mountains. White highways curve gracefully up and again down the steep slopes. Everywhere at the highest point stands a dark-green forest of pines. At times the ground stops abruptly, and you can see whence the gigantic stone masses fell—and are falling still today—which formerly towered above field and forest as ancient mountains. A precipice drops steeply away, the debris of fallen stone-masses lying at its foot among the many trees. Past great piles of stones large and small flow the Thaya and the Kamp, sweeping stones with them. They swirl in endless bends around the foot of cliff after cliff. About their sheer walls stand defiant castles and dreamy ruins.

Apricot Gathering in the Wachau District.

Once you were invited to visit the forest district. For a whole day you journeyed through the woods and then you were forced to stop. Before you arose a great baroque tower, below it a forest of gothic pillars reaching towards the heavens, cloisters and a shaded well, the whole complicated gothic blossoming and romanesque fading—the monastery of Zwettl in its lovely situation on the banks of the swift-flowing Kamp amidst mighty forests. Continuing, you came to the frontier, high above. A piece of secular and chivalric history confronted you like a rock—Heidenreichstein, the most beautiful river-castle of the Province.

Usage and custom are rooted in the soil of the woodlands. On the house gables appear May blossoms in many colours. Young men plant green fir-trees, decorated with waving ribbons, for their girls. Mischievous "May paths" are devised with sawdust or water mixed with lime which are suddenly found leading over streets and byways from a certain door to another, thus making public what the parties concerned had kept a closely-guarded secret.

In many places the winter evenings still see the traditional "Rockreise". Women and girls "visit" friends in order to spin thread. Softly the delicate wheels turn, young men come and sing, and the women and girls tell stories of the robber chief Grasl, of the wicked Waldschrat and of God's vengeance on the inquisitive girl. Here and there an old loom is still standing.

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Baden near Vienna.

it, it carries rubble and sand from the mountains, laying down its burden heavily in autumn when its level is low, only to drag it vigorously forward again on the swelling spring waters. In winter, ice-floes form into a barrage starting from the direction of Hungary, slowly advancing against the current and constantly fed by drifting ice. The ice-floes mount with loud reports one upon the other until, in some years, people are able to cross the river on them as on a bridge.

Flood warnings may be given at any time of the year. People are still caught unawares by the rising

To pay special attention to any one place of the Wachau would be to wrong all the others. There are St. Michael, Vösendorf, Rossatz, Arnsdorf, St. Johann, Aggsbach, Emmersdorf, Groisbach and Loiben. Every where are dreamy corners, arches and arcades, steep stairways and cliffs, ivy-covered walls overlooking the river.

Built on a rock high above the Danube, the monastery of Melk holds undisputed sway over the wide countryside. For 300 years the massed roofs of the village below have marched with the columned façade of the front elevation. It took a whole generation to build this

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Seebenstein.

mighty Benedictine monastery according to Prandtauer's grandiose design, the Prelate's Courtyard with its quiet fountains, the Imperial Wing, the great half-moon of the terrace between the two monumental and at the same time delicately contrasted towers, the high dome of the cupola, the library, the fine reliefs of the archways and the artistic ceiling frescoes. Stand beneath this baroque canopy and look upwards: Virtues, Wisdom and the Arts are seen attempting to lead the human soul to higher things.

Here one is confronted with a part of the spirit of Austria. Side by side with the inescapable reality of everyday life and the material world, thought and emotion have built an unattainable but equally real world

491 of the imagination in baroque style. It is in conformity that the Wachau district does not possess any broad, straight motor roads. Here everyone is forced to linger, to regard quietly his surroundings, perhaps also to ponder a little over himself and the world.

133 Melk stands at the beginning of the Wachau, which now passes Schönbühel to become the most famous part of the Danube Valley. Church and castle stand here on rocky ground near the river, showing a marked individuality of design. You would be well advised to stop at Aggsbach to climb to the ruins of Aggstein. The countryside here opens up like a burst and overripe fruit. Along the horizon roll the green waves of the mountains, hill upon hill. Far below the remaining walls of the once mighty castle gleams the "Rosengärtlein". Scattered around are farms, churches and fertile fields. Down in the valley vineyard follows vineyard. The sharp tang of woodruff rises on the air, and may later be met again floating in a refreshing wine-cup.

361 A culminating point in this feast for the eyes is Dürnstein. It rises up abruptly in complicated lines and its harmonious blending of ochre and white. Sheltering beneath the dominating ruins of the old castle and a baroque monastery tower is the clean little market town where the moving story of Richard the Lion-Hearted and his minstrel Blondel is still honoured today.

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First let us visit the basket weavers

Basket-Weaver.

of the beautiful Rabnitz Valley and the potters of Stoob where the ancient craft of pottery is still carried on by hand. Then let us cross to Raiding. Here the small house is still standing where a great man in the world of music first saw the light of day—Franz Liszt. He was triumphant the world over, from Russia to France and England. Everywhere the smiles of lovely women welcomed him but more and more he was affected by that melancholy which is reflected in the verses of Lenau. The latter had connections with the Burgenland through his mother; his lyrics won as many friends for the land of the *Puszta* as did the Hungarian rhapsodies of Liszt.

131 Past Ritzing, where the surface belongs to the Burgenland but the coal below it to Hungary, because the tunnels of Brennberg, near Ödenburg, burrow below the frontier, our way leads us to Sieggraben. This is the home of the Semmelweis family, whose most famous son brought salvation from the scourge of puerperal fever to the child-bearing mothers of all times. From here the road climbs to the summit of the Rosaliengebirge, where a view opens towards the east across the Wulka Plain, taking in Ödenburg and the Neusiedler Lake and westwards, the Bucklige Welt, Wiener Neustadt and the Leitha.

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712
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Village Drummer.

On the Leitha also lies the battlefield of 1246. Friedrich the Quarrelsome, last of the Babenbergs, made the territory which had formerly belonged to the Mark of the Carolingians the subject of his first demands.

The Burgenland was long contested. Not for nothing do the many churches in its pleasant villages stand on commanding heights, surrounded by walls which give them the appearance of fortresses, and not for nothing were the many castles and fortified towers set up.

The days of the Turkish invasions brought poverty and desolation to the land, but at the same time a new population which was fleeing from the Turks and found a new home in the Burgenland—the Croats. From Kroboteck in the district of Jennersdorf through Stinatz, Punkitz, Podgoria and Kroatisch-Minihof there

Village Street.

[103] are many village names of Croat origin. These Croats not only repopulated the devastated areas but also cleared the forests to build new settlements. The 162 "Displaced Persons" of the Turkish Wars have become an indispensable part 361 of the Burgenland population.

They are called "Wasserkroaten". It is uncertain as whether this refers to their 101 having come from the coasts of Dalmatia, or whether "Wosser Kroaten" points to their having come from the province of Wossen, i. e. Bosnia.

The soil of the Burgenland is not capable of feeding all its children, so that 333 thousands of its inhabitants become bricklayers who work for the whole week in other parts of Austria during the season, to return on Saturdays to their native villages. Their busy hands have helped to create the splendid buildings on the Ringstrasse. In the plaster and stucco decorations of these are concealed [346] the reeds of the Neusiedler Lake. The Votivkirche, in Vienna, is built of stone from the quarries of St. Margarethen, between Eisenstadt and the lake. The Italians who were summoned to the Leithagebirge in 1550 as stone masons had barely become Burgenlanders when they were commissioned to work on the imperial "Neugebäude" in Ebersdorf. Thus there is a close connection between Kaiser-Ebersdorf in Vienna and the Burgenland parish of Kaisersteinbruch in the Leithagebirge.

life which exists for its own ends, for you, for me, and for everyone.

ON FOOT THROUGH THE INNER CITY.

Come now straight to the heart of the city, but forget for a time your occupation and the time of day. There are towns which may be hurried through hastily. Others—and Vienna is one of these—need to be enjoyed in leisurely fashion.

The difficulty of understanding Vienna lies in the contrasts and parallels with which one is everywhere confronted, the baroque fusion of concrete objects and abstract ideas. The pulsing heart of the city, its centre in every sense of the word, is the Stephansdom. Six modern streets, busy and bustling, converge there to pour their teeming crowds and traffic into the Cathedral Square. There is nothing visible to recall the fact that this square was a cemetery until the time of the Emperor Joseph.

Viennese Girl, 1898.

Viennese Girl, 1899.

Let us approach it from the Graben. The kaleidoscope of moving traffic keeps the picture of street life constantly changing. Above a tall house stands a globe as an advertisement for sewing-machines. A few steps further and we face the Cathedral, standing aloof from the workaday world which surrounds it. Before this grey, noble pile, everything round about seems to dissolve into unreality. Never can this picture be forgotten, the tower, at once massive and delicate, its slender height leading up to the window of the fire-watchers, up and up to the blossoming of the spire and to its topmost pinnacle above which there is only the majestic peace of the Vienna skies.

This cathedral in the midst of a bustling world of shops radiates a solemn calm, a hallowed spot amidst competing vanities and material interests. Like some worldspirit rising clear of the life

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of the senses, its tower reaches up to the heights of immortality.

This church is no sermon in stone, but a building which appeals to every sense and thereby multiplies its eloquence. Its speech can only be heard by those who listen with their inmost souls—there are many thousands who hardly catch the faintest whisper as they hasten past. Yet to everyone, surely, the moment comes when he hears and understands this speech.

Do not confuse yourself with details. Listen only with one ear to the explanations offered you, for the general impression is more important than the parts which go to produce it. But one cannot overlook the old romanesque west front. It stands solemn and massive in comparison with the supporting columns which rise upwards to lose themselves in the delicate tracery of arching windows. There in front, near the small porter's lodge begin the seemingly endless steps leading up to the tower. Behind the water-spewing gargoyles hangs the "Pummerin", a mighty bell which was cast from the metal of Turkish cannons.

Before we enter the Cathedral let us take a quick glance at the exterior. There are niches sheltering figures which look down on us—Jesus on the Cross, the Virgin Mary, and, towards the front, an open air rostrum from which Johannes Capistranus preached a crusade against the Turks. The small door at the side leads to the catacombs. It was at this spot that the body of Mozart was consecrated in 1791. The subterranean chambers are extensive and many-storied. In the crowded city of the Middle Ages it was often necessary to bury the dead below the streets of the city itself. From 1735 to 1783, 12,000 bodies were buried here.

[764]

The North Tower of the Stephanadom has never been completed. Need we regret it? Could one nowadays picture this landmark of Vienna with a second companion tower? Over the Adlerturm

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Dominikanerkirche

(Eagle Tower) spreads the twilight of expiring Gothic, but a few paces further on we can admire the luxurious, vigorous Gothic of the porch before the Bishop's Door (leading into the transept). The plain façade across the street is that of the Archbishop's Palace.

Let us now enter through the reverent half-light of the Cathedral. What a vast hall confronts us. The light of the candles which pious hands are for ever placing before the picture of the Madonna give an idea how high is the centre part of the nave. Gradually shapes take form in the gloom—statues, columns, canopies, tombs, memorial tablets, the wonderful stalls of the women's choir, the pulpit, a portrait of the Master Pilgram, the Tirnakapelle where Prince Eugene sleeps, the baroque altars against the pillars and the tomb of Friedrich III.

BURGOMASTER DR. KARL LUEGER.

When the Ringstrasse was nearing completion and Vienna had not yet finished filling in the wide gaps between the districts on the near and on the far side of the Gurtel, when there was a never-ending stream of people moving towards the capital seeking work, happiness and well-being there, when the city's outer suburbs were reaching out further and further towards the horizon—at this moment a man arose from amidst the people who was to complete Vienna's transition to a large city with vision, courage and energy during his few years of office. This was the memorable burgomaster, Dr. Karl Lueger.

He was a true child of the people, his father being curator in a museum and his mother the owner of a tobac-

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The Dorotheerkirche before 1787.

cousin's shop. He himself started as an insignificant and unknown lawyer, but soon became the advocate of the small man. He had an unequalled knowledge of Viennese dialect, which he spoke himself.

This was the beginning of a new era. The industrial development of Austria had reached a peak during the seventies of the bygone century. Finance and industrial capital completely dominated the economic system of the Monarchy, backed politically by the Liberal Party. At the Freudenau races the offspring of great aristocratic families rubbed shoulders with those of the new-rich „gulden millionaires". They raised their grey top hats in salutation to each other, the one with casual good breeding, the other with demonstrative self-assurveness, exchanged bows and greetings from their rubber-tyred carriages in the Hauptallee and soon found themselves in full accord over mutual business

How evil were those men who set fire to this wonderful cathedral as they retreated from Vienna in 1945. This is the most painful wound in the martyred body of the city.

Let us forget such sad memories in the sunny, pleasant streets where we can join the bustle of the Old Town. We may cut through the narrow side streets quickly, seeking the hidden heart of the city. Converging on the noise of the Kärntnerstrasse are deserted corners and the backs of houses where washing is hung out on the balconies and a cat calmly licks its paws in the sunshine. Round-arched double doors stand half open to the inquisitive gaze. Old ladies live there who hobble daily to Mass with enormous prayer books, funny, proud old things with the hearts of children. Pretty, fair-haired children smile confidingly from the windows or laugh as they play in the courtyards. There is

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State Opera.

346 such a small-town atmosphere here that it seems as though the biedermeier period lingers on.

These pictures are all to be found here within a comparatively small space. The same number of steps which we had to take from the Cathedral to reach this quiet corner will suffice to take us on to other great gothic churches. The solemn and massive Augustinerkirche stands in a street which is filled with the noise of motor traffic. Its Early Gothic form is still cool and severe, far removed from the decorative exuberance of Late Gothic. The famous Christina Monument created by Canova at the beginning of the 19th century is a remarkable example of the symbolic portrayal of sorrow and mourning.

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interests or at times in the conclusion of strange marital alliances.

The great town mansions near the Ring were in sharp contrast to the houses in other parts of the city, in the outlying districts. In the latter a single pump had to suffice for four, eight or ten families and what was called a "light-shaft" was not worthy of the name. It was a gloomy, narrow tunnel down which the sunlight only penetrated as far as the upper stories in the hottest summer.

To be a Liberal meant to leave things as they were, not to interfere, to leave the peace of the upper classes undisturbed and to remain deaf to the plaints of those below.

Lueger, however, had an ear for the low mutterings of the crowd, for

he lined next to the small man, to artisans and shopkeepers, simple citizens and factory workers. To replace isolated and ineffective outbursts of discontent, he formulated a radical programme of demands, using language which could be understood by all, shaking the Imperial City until it awoke from the slumbers of Liberalism with his fiery speeches.

While society—baronesses, bankers and officers—continued to waste idle hours in flirtations, while the Prater meadows echoed in the early morning to the sound of shots exchanged by duellists, Lueger was considering how the pressing municipal problems which had arisen through the crowding together of enormous masses of people could be solved in progressive fashion, to the advantage of the community and in the teeth of corruption and vested interests.

The population of Vienna had risen from 680,000 in the year 1875 to 1,727,000 in the year 1900, but the horse-drawn tramway, the steam tramway and the few electric trams were not linked together. They were inadequate to meet the demand for transport, and charged very high fares.

Apart from these concerns a few small gas and electricity works had come into being, all of them privately owned and most of them the property of foreigners, who had built up for themselves a circle of paying customers and now proceeded to make enormous profits.

Lueger recognised with infallible instinct that the supplying of the Vienna population with gas, electric light and modern means of transport must not be made the subject of greedy exploitation by private capital, but that it was the duty of the municipality to retain the monopoly of this branch of the administration in its own hands, thus making these facilities available to the general public on the most favourable terms.

The quiet peaceful Minoriten Church has a solemn, other-wordly air. The fine main entrance in French Gothic is the work of Jakobus of Paris. The façades of baroque palaces, which now house Ministries and the Diet are neighbours in the intimate square.

Hidden away in a corner of the Old Town lies the attractive church of St. Maria-am-Gestade, at the foot of which formerly flowed the Danube, a place of worship venerated by salt-shippers.

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Rudolf von Alt; Stephansplatz (section). Vienna, Municipal Collection.

[Facing p.368]

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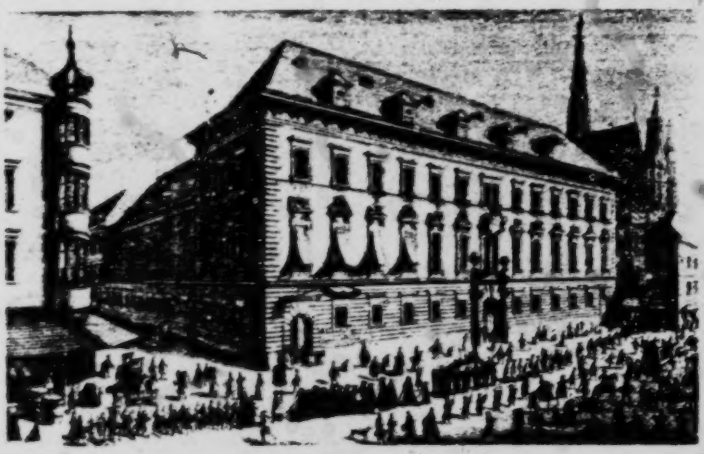

Residence of the Archbishop.

The sevensided tower, the open tracery of the decorative stone cupola, the delightfully hideous gargoyles, the charming covered porch and the richly ornamental network of the arches are a series of glorious surprises.

000 Emerging from this church, it is as if its noble proportions had not yet quite released the visitor from their spell. The narrow surrounding streets through which we approached the church seem to have acquired something of its air of quiet and repose. Vienna is often criticised as being backward. All it amounts to is that the city is too wise rashly to discard what time has tested and found worthy. To do otherwise would be to murder its own soul. Vienna wants to remain always Vienna. In the development of the city, this wish has never been forgotten. You will never be able to understand Vienna until you have grasped one secret. The soul of this

With these basic demands Lueger became the founder of Communal Socialism, gaining with this programme the support of the small man. After nearly 20 years of political struggle, he entered the Vienna Rathaus at the head of the Christian Social Party which he had founded. Austria generally remained under the domination of the Liberal Party, which had four times been successful in securing that the Emperor four times refused to sanction the choice of Lueger as burgomaster. The fifth election in the year 1897 was finally approved by Francis Joseph I.

Capital sought methodically to find a way to block the socialistic tendencies of Lueger in the city council, and he continually met with great difficulties in financing important projects. Finally he founded the Zentralsparkasse der Gemeinde Wien in order to have a bank at his own disposal. He also created

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the Städtische Versicherungsanstalt in order to make cheap and reliable insurance available for the masses.

Vienna's rapid development into a great city which culminated during Lueger's term of office as Burgomaster, forced the municipality to undertake new responsibilities. Lueger recognised the needs of the situation and proved himself competent to satisfy them along modern lines.

If one reviews the extent of his activities as Burgomaster, one has to admire Lueger's administrative genius even more than the oratorical gifts of this man of the people. Within a few years he created the extensive organisations of the Municipal Gas and Electricity Works and established a network of tramways. Gradually schools arose. He met the needs of the city for drinking water by building a second pipe-line system to the springs in the mountains. For the living he built the Krankenhaus der Stadt Wien (the Vienna City Hospital) in Lainz, the Städtische Altersheim (Municipal House for the Aged) and the Heil- und Pflegeanstalt Am Steinhof (Lunatic Asylum). For the dead he established the great garden area of the Zentralfriedhof (Central Cemetery).

The building of the municipal warehouses, the taking over of a brewery as city property and the establishment of the central cattle market in St. Marx enabled the Burgomaster to influence trading developments and to institute a measure of price control.

Lueger's greatest gift to Vienna was the creation and dedication to the city of the belt of forests and meadows, which brought it health together with the beauties of nature.

The progress which marked the year 1900 and subsequent years bears the stamps of Lueger's own personality. The necessary measures were born of his own initiative, and had often to be carried through by his personal

Jesuit Church at Am Hof.

bewildering city lies in the past, rooted in the baroque period, yet holds fast with lively enjoyment to all the beauties of this warm earth.

The centre of Vienna as the "Kaiserstadt" is the Burg. There is an Old and a New Burg, the older part dating from the Babenberg days of the 13th century. Behind a short and deep ditch, once a moat, stands the gateway to the Schweizerhof. Its massive rustic blocks call to mind the magnificent porches of Lombardy. The strong pulleys over which ran the chains of the drawbridge are still plainly recognisable.

The courtyards and wings are extensive. Towards the Michaelerplatz the complex of buildings ends in the "White Tower". In the

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361 *Viennese Girls, 1914.*

Opposite, on the façade facing the Inner City, still within the extensive grounds of the Burg, lies the solemn and dignified Josefsplatz. No successor to Max Reinhardt has arisen who could transplant this impressive scenery on to a stage—the classic façades of the National Library, the Royal Riding School and the enchanting proscenium of the Pallavicini Palace. Behind high windows is the famous domed hall of Fischer von Erlach, a dream in marble, gold and sunlight, which is considered the most magnificent library of the world. The streets leading from it narrow suddenly, as if unwilling to let one leave the square.

And now let us wander through the Inner City without any special goal, to the hidden beauties which are so easily discovered. There stand mysterious courtyards with covered stairways, cage-like balconies, noble weather-beaten porches dreaming of baroque fantasies beneath spider's web little old houses and shops of the dealers in antiques—a garland of beauty hidden in the heart of an active, bustling and teeming metropolis, a fascinating juxtaposition of yesterday and today.

211 The Plague Column on the Graben was erected by the Emperor Leopold to commemorate the end of the epidemic in 1679. This stone allegory, this bold mixture of realistic and religious ideas, the work of Fischer von Erlach as well as other sculptors, has been compared to a splendid opera.
346 Only a few steps behind it, cut off from the
532 lively Graben by a modest little square, is the venerable Peterskirche, full of colour and rich decorations. Rottmayr's frescoes in the interior radiate a golden brilliance which makes an almost
366 carnal appeal to the senses. A little further, on the Tuchlauben, the clothmakers used to offer their wares in old Vienna, and one-and-a-half centuries earlier the Roman military lines stood here. Every walk through Vienna can be made a game of question and answer with time and history.

Viennese Girl, 1913.

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Josefsplatz ; The National Library.

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The Hohe Markt leads into the Wipplingerstrasse, at the beginning of which the former Bohemian Court Chancellery faces the old Rathaus. In the courtyard of the latter is an artistic creation, the Andromeda Well of Rafael Donner. Donner came to the monastery of Heiligenkreuz as a poor choir-boy and gave shape to his dream pictures by moulding secretly at night the grease which had dripped from the church candles. Another late masterpiece of his art, the Donner Fountain on the Neue Markt, is known and loved by all Viennese. It was created at the end of the baroque period to the order of the burghers of Vienna, who wished to rival the aristocratic and religious patrons of art. It shows two male and two female figures grouped around the principal female figure, "Providentia", with her mirror.

collections in the world. Established in the year 1526, it was moved in 1726 to the baroque building designed by Fischer von Erlach Senior. The central oval of the unique Gala Room contains the private library of Prince Eugene of Savoy. In all, the Institute possesses about one and a half million printed works and over 8000 incunabula. Treasures of untold value are included in the various departments of manuscripts, music, maps, theatre, portrait and papyrus collections and in the picture archives.

In the HAUS-, HOF- UND STAATSARCHIV (Archives of the Imperial House, the Court and the State) are documents and treaties of all kinds going back for twelve centuries, valuable manuscripts with the seal of Pope or Emperor attached, state treaties, declarations of state councils,

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The Graben.

proclamations of the Estates and treaties of peace. Anyone wishing to write the history of Europe is bound to have resort to these unique documents.

The number of collections and galleries, museums and archives seems inexhaustible. The Austrian's love and understanding for art and science have created for themselves a permanent monument in these.

At the head of the list of great MUSEUMS stand those of FINE ARTS and of NATURAL HISTORY. Both date back to the old Hapsburg collections, such as the Treasuries with contents which date from the 13th century. Picture Gallery, Tapestry Collection, "Wagenburg", Medal and Coin Museum, Pre-Historic Section—the problem is where to begin.

The ALBERTINA Collection of Graphic Art, with about a million

Further on, past the Crypt of the Capuchins 346 is the Albertina situated on a high bastion—a treasure store for art-lovers. Here is an almost complete collection of the drawings of Albrecht Dürer which once belonged to Prince Eugene.

Almost in the shadow of this Albrechtsrampe 211 and backed by the green spaces of the former 793 Kaisergarten is the white statue of that witty divine, Abraham a Sancta Clara. His entertaining and moving pulpit discourses helped his enormous congregation to forget their hunger, thirst and weariness. He was preacher, narrator and satirist in one. His influence, which did not stop short at the Imperial Court was to a great extent due to his perfect command of Viennese dialect.

Viennese dialect! This is a faithful mirror of 197 the spirit of Vienna, wonderfully soft and 192

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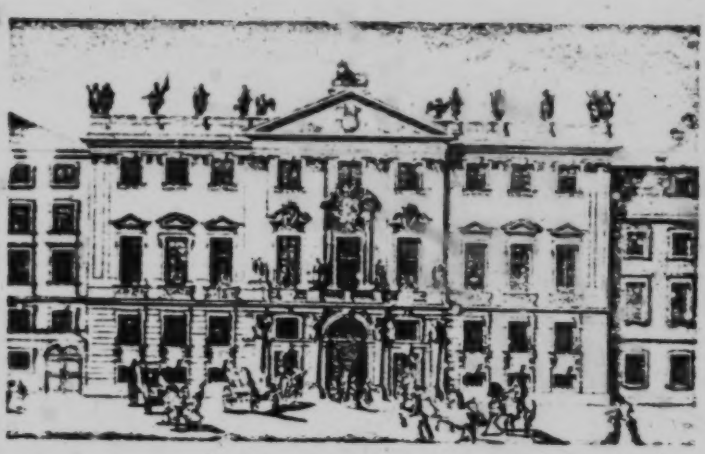

Bohemian Court Chancellery.

192 197 word "prado", meaning "meadow". A foreign word, the Viennese seized on it, made it their own, the stranger soon became a real Viennese, the "Prater". So it has been with many another expression which may have been Greek—or Spanish—to the Viennese at the outset.

363 The elegant Kärntnerstrasse leads straight from the Ring to the Stephansplatz. We can stroll through it and enjoy its fascinating shop windows another time. Now let us cross it to enter the Himmelpfortgasse where the Winter Palace of Prince Eugene of Savoy is situated. Because the narrow street does not afford a clear view, the statues which usually decorate the entrances to such palais are missing, the three 342 gateways being ornamented only with reliefs. The impression made by the grand staircase in the interior is all the greater, Fischer von Erlach and Lukas von Hildebrand united to create a magnificent palace for the great military leader, although the Belvedere Palace on the other side of the Ringstrasse is a monument to Prince Eugene which is even more imposing.

363 Let us wander on through the complex of narrow streets in the old city, through the venerable, twisting Schönlaterngasse with its dormer windows and porticos, 346 its legend-haunted houses, through the Sonnenfelsgasse in which there is not a single modern house and follow the Bäckerstrasse up to the Alte Universitätsplatz, with its view of the early baroque Jesuitenkirche and the venerable Aula.

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The Jesuits have still another place of worship in the Inner City. It stands near by in Am Hof, the church called "Zu den neun Chören der Engel" ("The Nine Choirs of Angels"). Am Hof is picturesque, and its name is ancient. As far back as the 12th century there stood here a country seat of the Babenbergs, which later became their palace. Old records describe the square as a tournament field. Nowadays, at Christmas time, the "Christkindlmarkt" (Christmas Market) is held there, with glittering Christmas trees full of lights, brightly coloured toys on the stalls, rocking-horses and trumpets, bringing a merry sparkle to children's eyes.

Dreamy houses of long-dead burghers frame the great square, in the centre of the whole is a delicate column to the Virgin.

Much of Vienna's history has been written here. From the terrace of the church, in 1782, the Pope gave his benediction to thousands of Viennese. He had arrived unexpectedly to try to persuade the Emperor Joseph II to abandon his plans to reform the Church.

From the same terrace the Emperor Franz II announced the birth of the new Austrian Empire in 1806, after he had laid down the German Imperial Crown under the threats of Napoleon. The revolutionary year, 1848, saw Latour, the Minister of War, hanged here on a lamp-post.

Beyond the hollow of the Tiefer Graben the Freyung leads to the Schottenstift, where the oldest pictures of Vienna are preserved.

Now let us come out on to the Ring, following it down towards the quays of the Danube Canal. Leaving the Canal on our left we may glance on our right at the venerable Ruprechtskirche above a steep flight of steeps.

Following the broad sweep of the Ringstrasse we may catch a glimpse above the roofs of the grey Cathedral and continue past the long façade of the Ministry of War opposite which stands the modern Post Office Savings Bank designed by Otto Wagner.

We glance at the extensive Stadtpark, resist the temptation to linger at the Schwarzenbergplatz and finally come to a halt before the Opera, realising with sorrowful amazement the full beauty of its construction, now alas open to the sky.

Viennese Girl, 1903.

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Am Hof : Armoury.

VIENNA VISITING CARDS.

361 On the other side of the Ringstrasse we must abandon all attempt to proceed systematically. Vienna consists of 26 Districts, and although the First is far more important than any other, there is still so much to be seen that even quartering the ground would lead us nowhere. All that remains is to select a few places at random.

Where the Kärntnerstrasse joins the Ringstrasse, or moving along the Ring from the Wollzeile, the eye is caught by a majestic, green patina dome rising harmoniously against the sky.

346 THE KARLSKIRCHE. This is Fischer von Erlach's masterpiece, a marvel of conception and construction whose charm and gaiety of spirit enshrines the soul of Vienna. A startling blend of fundamental baroque with recollections of antiquity and rich ornamentations combine in a magnificent monument. It is a happy task for that reflective visitor to try to interpret for himself its manifold symbolism.

The two gigantic pillars, copied from the Trajan Column in Rome, were intended to represent the Pillars of Hercules in Spain, for the possession of which Karl VI, who commissioned the construction of the church, fought without success in the Wars of the Spanish Succession. The reliefs portraying scenes from the

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The Freyung, with the Schottenkirche and Harrach Palais.

life of St. Charles Borromäus symbolise the triumph of the Counter-Reformation. 346
The junction of the cupola and a Corinthian portico points to the temples of antiquity and the quality of Karl VI as ruler of the Holy Roman Empire. The great architect consciously rejected all colour and heavily decorative scrollwork in planning the magnificent proportions of the lofty interior in order to increase the monumental effect.

Not far from the Karlskirche is the broad and sunny Schwarzenbergplatz. Let 363
the visitor decide for himself whether there is any other square in Vienna which can compare with the generous expanse and distinguished reserve of this one.

Adjoining the Schwarzenbergplatz is an architectural district with a character of its own.

THE BELVEDERE. From whatever direction you approach the grounds of 342
the Belvedere you feel that you are about to be the guest of a Prince, a true cavalier. If it belongs to the soul of Viennese culture to combine the significant or rather the truly great in art with an element of irresistible charm, then the two Belvederes, Upper and Lower, can be accepted as the most typical examples of Vienna art. The world has to thank Lukas von Hildebrandt for these peerless baroque masterpieces.

The Lower Palace used to be the summer residence of Prince Eugene, although he was only able to visit it at short intervals between military campaigns. After his death, much was changed inside and outside, but the ceiling frescoes of Altomonte

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The Trautsohn Palais.

792 346 The buildings of the monastery lie on a rocky plateau, the western part of which appears as a picturesquely gothic tangle of dark stairways and steeply towering supporting walls, while the east of the plateau, crowned by the two mighty cupolas beneath the German Imperial Crown and the Austrian Ducal Coronet, reveals the entire splendour of the mid-baroque period. The best view of the two domes is to be had from the monastery park. To the South the slender, new-gothic church spires are etched against the blue of the sky.

Climbing a long, steep flight of steps, the Pfisterstiege, one reaches the Leopoldihof with its splendid gothic bay window and its fountain with the renaissance figure of the Babenberger Leopold III. The outward sign of the power with which it was invested at the time of its foundation and which it succeeded in asserting for centuries, is the great monastery church.

[532] The most valuable work of art of the monastery is the Verduner Altar which stands in the Leopoldskapelle—a world-famous work dating from the end of the 12th century.

In the building of the monastery we enter the realm of dreams and magic of true Austrian baroque. Its creator was the Milan architect, Donato Felice d'Allio.

The greatest curiosity of the rich monastery museum is a collection of romanic ivory objects, small boxes, portable altars and Italian bronzes. In its very

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The Praterstrasse with the Carltheater.

extensive library the art-lover is fascinated by the beautiful illuminated manuscripts and the family tree of the Babenberg rulers. The treasury contains the Austrian Ducal Coronet and rare goldbeaters' work of the Middle Ages. 792 346

The city itself climbs up to the heights of the Hermannskogel and the Kahlenberg, extending as far as Klosterneuburg, Mödling, Schwechat and even beyond the Lobau district. But it is hoped that this virgin zone of woods and fields will prevent the disappearance of many cherished villages, prevent the picturesque biedermeier gardens being swallowed up by tenement houses and ensure that the wonderful boating and bathing centre which Vienna possesses on the Old Danube does not lose even a foot of ground to industry and factories. 361

The historic little country parishes of Nussdorf and Heiligenstadt, Sievering, Grinzing and Liebhartstal, of Hietzing, Mauer and Perchtoldsdorf have grown together in a semi-rural region where nature, modern villas and ancient structures blend pleasingly. The "Heurige" wine-gardens of Kahlenberg, Neustift-am-Wald, Rodaun and Maria Enzersdorf hold within their little flowered courtyards that true Viennese "Gemütlichkeit" (easy-going cordiality) which loves life and the fleeting moment for its own sake. You clink glasses with your neighbour, drinking, in the joy of your heart, to the health of the stranger beside you, who himself feels the same about you. Many an 275

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Linz, Tobacco Factory.

655 277 The traditional high quality of Austrian tobacco products is due to the use of high-grade foreign materials, chiefly certain oriental tobaccos. These can never be replaced by inland tobacco, since climate and soil do not permit the growth of similar types here. Nevertheless, the inland cultivation of tobacco is encouraged as much as possible.

655 439 The great importance of oriental tobacco to the Tabakregie is shown by the fact that in the course of modernisation of the concern, the important task of tobacco buying was delegated to a branch organisation, the "Austria Einkaufsgenossenschaft der österreichischen Tabakregie im Orient, G. m. b. H., Wien". Its main task was to restore severed connections with the most important tobacco producers in Bulgaria, Greece and Turkey. Hungary, North and South America and the Dutch colonies also formerly supplied raw tobacco to the Austrian Tabakregie, but here there are still difficulties in the way of a restoration of trade which arise from the foreign exchange situation.

655 277 The Tabakregie is a very important factor in the Austrian economy. Firstly it acts as a big employer of home labour with an inland sales organisation consisting

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361 men, all of them, as the inscriptions on the crosses of iron or wood testify, yet as [764] in life grouped according to rank and precedence.

For the living it is a comfort to have the dead among them; for the dead, to continue to play a part in life. The sound of church bells calling to early mass [788] starts the day; only the goatherd's horn has summoned the herds even earlier. At eleven in the morning the bell calls to dinner, and with the vesper bell the day is ended. The tolling of the bell marks out each working week, and marks out the year according to the festivals of the Church.

Public affairs centre on the church square. There official announcements concerning the parish are posted. Similar information is given out there after the service on Sundays. The cattle drink at the village well, and the men [562] at the village inn. The women take no part in public life.

Every farm, whether it stands apart amidst its 351 own fields, or whether it keeps good neighbourly company with others in the village, has an orchard and a small garden near the house. The garden grows vegetables and spices. Its many-hued flowers, pinks and lilies, asters and phlox, crown-imperial, mignonette, sweet-smelling herbs,

Wooden Mould.

city. The bronze Guards of Honour who, it was planned, should watch over him in the grave, belong to the many great conceptions which are perhaps most impressive in their unfulfilment.

With Maximilian, whose body actually lies buried in his native town of Wiener Neustadt, the star of Tyrol began to wane. Under Ferdinand I the Province became affected by the religious and social unrest of the Reformation, which was embodied in the person of Michel Gaismair; at the same time, however, the Council of Trent met in the south of the Province.

It was this ruler who divided his provinces into three, and for a hundred years Tyrol had its own regents. The very first one, the Archduke Ferdinand, won the heart of the Tyrolese through his love match with Philippine Welser, of Augsburg, as well as through his encouragement of the arts and sciences, which found lasting expression in the collection of Schloss Ambras, near Innsbruck.

Next it was a princess, Claudia of Medici, whose memory was enshrined in Tyrolese hearts, above all through the courageous rule of her Chancellor, Wilhelm Biener, who lived at Bächenhausen near Innsbruck and who fell a victim to the conqueror's sword in the fortress of Rattenberg. It was at this time that the Porta Claudia was set up at Scharnitz as a protection against the Swedes. Tyrol indeed escaped the Thirty Years' War, but

borage and rosemary and the coloured glass balls on sticks are the pride of the farmer's wife. 351

On entering the house it is easy to find one's way round. The living room and kitchen are on the ground floor, the sleeping quarters on the first story. The living room is panelled. In a darker corner away from the window stands the cosy, tiled stove, and in the window-nook the large table. A small bench runs the length of the walls, spreading out to form a comfortable chimney corner behind the stove. The cupboards are built into the walls and the tall grandfather-clock is built into the panelling. A font of holy-water is always to be found at the right hand side of the door, and a crucifix, decorated with a red and a yellow ear of maize, gives its blessing to the daily bread from the window corner overlooking

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Weaving Pattern, XVII Century.

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and here his "Don Juan" was produced. Nowadays this historic stage is at the disposal of young actors of the Reinhardt School.

Something quite unique for sightseers is the Wagenburg, or carriage park. Its showpiece is the eight-horsed Coronation Coach of the Emperor Karl VI, fashioned in the shape of an enormous gold crown and supposed to be the most beautiful coach in the world. Its interior is decorated with valuable paintings of the Rubens School. This coach was used at seven Hapsburg coronations, the last of them being that of Emperor Karl, crowned in Budapest during the First World War in the year 1916.

351 Wide gravel parks and avenues conduct one to the lovely grounds of the Palace, a compromise between two art trends—born of the enthusiasm for nature of Rococo and the joy in antiquity which characterised Baroque. Figures taken from legend and ancient history, the rich statuary of the park, reflect the living spirit of those times, commemorating many historic events. Tall, formal hedges clipped in the French manner flank the wide flowerbeds, running diagonally towards fountains with their surrounding statues.

In the far distance are the Neptune Fountain, the "Roman Ruins" and the Kaiserbrunn with the "Beautiful Fountain" from which Schonbrunn takes its name. On the other side are the Palm House and the extensive Zoo. Half way to them a zigzag path winds up to the heights of the Gloriette, a light and decorative structure with slender columns and stone roof through the round arches of which the skies look down.

344 From here we get a fine view of the wide-spread city, an attractive

city. The bronze Guards of Honour who, it was planned, should watch over him in the grove, belong to the many great conceptions which are perhaps most impressive in their unfulfilment.

With Maximilian, whose body actually lies buried in his native town of Wiener Neustadt, the star of Tyrol began to wane. Under Ferdinand I the Province became affected by the religious and social unrest of the Reformation, which was embodied in the person of Michel Gaismaier; at the same time, however, the Council of Trent met in the south of the Province.

It was this ruler who divided his provinces into three, and for a hundred years Tyrol had its own regents. The very first one, the Archduke Ferdinand, won the heart of the Tyrolese through his love match with Philippine Welser, of Augsburg, as well as through his encouragement of the arts. [illegible] which found lasting [illegible] in the collection of Schloss Ambras near Innsbruck.

Next it was a princess, Claudia of Medici, whose memory was enshrined in Tyrolese hearts, above all through the courageous rule of her Chancellor, Wilhelm Biener, who lived at Büchsenhausen near Innsbruck and who fell a victim to the executioner's sword in the fortress of Rattenberg. It was at this time that the Porta Claudia was set up at Scharnitz as a protection against the Swedes. Tyrol indeed escaped the Thirty Years' War, but

borage and rosemary and the coloured glass balls on sticks are the pride of the farmer's wife. 351

On entering the house it is easy to find one's way round. The living room and kitchen are on the ground floor, the sleeping quarters on the first story. The living room is panelled. In a darker corner away from the window stands the cosy, tiled stove, and in the window-nook the large table. A small bench runs the length of the walls, spreading out to form a comfortable chimney corner behind the stove. The cupboards are built into the walls and the tall grandfather-clock is built into the panelling. A font of holy-water is always to be found at the right hand side of the door, and a crucifix, decorated with a red and a yellow ear of maize, gives its blessing to the daily bread from the window corner overlooking 342 352 353

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Weaving Pattern, XVII Century.

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Weaving Pattern, XVII Century.

the table. Potted plants fill the tiny window; alone the electric light with its wiring disturbs the picture.

In the kitchen the covered range has almost completely banished the open fire, but the chimney-place is still often vaulted. It is called the "heaven", although covered with oily, shining soot and black as hell. But this heaven does not "hang full of violins", but full of sides of smoked bacon and sausages. In the dairy the wooden cream dishes have given place to the centrifugal separator and metal utensils. But the butter-tub, in which the butter is made by churning or pounding, still remains.

Except on feast days the peasants' diet is sparingly supplied with meat but rich in fat. *Knödel* (dumplings), small cakes, dough-nuts, stewed fruit and *Schmarrn* (a sort of broken-up pancake), thick soup and potatoes make up the simple, healthy fare. All eat from one dish. Grace is said before and after meals. Occasionally there will be butter and bacon to eat with the black bread which the true peasant bakes himself.

Much more could be told of the peasantry of Tyrol, of cowsheds, haylofts and threshing floors, of the ricks of hay and corn, of forestry and hunting, of mountain pastures, cow pastures and hay-fields, of sheep-pens and shearing, of fences, gates and stiles. How many townfolk know that a proper fence, like a peasant house built in the old manner, needs no nails and no scrap of iron? What do they know of the customs at weddings and baptisms?

For the farmer, his "*loden*" cape of coarse, woollen cloth is sufficient even when the weather is coldest. He must be able to move his arms freely, and at work in the open he does not feel the cold. In the house he goes about in shirt-sleeves. When he is abroad he carries an enormous gamp to protect him from the rain.

The farmer's wife wears long dresses almost suggesting a nun's habit, covered on weekdays by a blue working apron. On Sundays she dons her special finery—

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Admont Monastery, Library.

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Bregenz in 1799.

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BREGENZ AND LAKE CONSTANCE. Old and venerable Bregenz, Austria's gateway to the West, has maintained its leading position in the life of Vorarlberg throughout the centuries and today it is still the capital. It has been favoured in its situation. On one side it nestles beneath the protecting spurs of the Northern Alps; on the other it stands astride the route which traffic has followed from the earliest times along the banks of the Rhine, one of the natural highways of Europe. These factors have made of it a little town with a charm which is all its own. Its strategic importance was proved again and again during the chaos of barbarian invasion by the Saracens or from the East, during the quarrels of feudal overlords and the inroads of the Appenzell folk and the Thirty Years' War. These have left marks on its countenance which, do it honour and give it a claim on one's respect. These lines are not the wrinkles of age, but an indication that the spirit behind them has learnt how to overcome adversity and to pursue a settled course with courage and consistency.

Modern Bregenz is once again proving by its actions the existence of this driving spirit. It is fully aware of its importance as Austria's open gateway to the West, and from this realisation has come the strength to begin reconstruction, which in view of the Motherland's difficult position after the second destructive world-war is doubly important.

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The cable railway which leads straight from the town to the commanding heights of the Pfänder reveals that the attraction of Bregenz lies not only

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IT ALL BEGAN WITH THE FLOOD

When Noah first set foot from the ark on dry land, he found himself not on Mount Ararat, as is generally believed, but in Vorarlberg, at the summit of the Widderstein. It is true that the venerable mountain mentioned in the Old Testament is not the only one which claims to have been the landing place of the Ark after the flood. But the attempts of other places to steal the glory of having been the second cradle of mankind must be disregarded in view of the claims which Vorarlberg can advance. When the first ascent of the Widderstein was made, remains of the bulwarks of the Ark — or at least of some of them — were still lying on the summit. This discovery, the Vorarlberg people claim, of course put an end for all time to the controversy as to which country Noah first set foot on.

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The second patriarch of the human race was thus the first inhabitant of Vorarlberg.

Alas that efforts to continue the history of Vorarlberg from this point onwards should oblige one to admit that the descendants of the Old Testament here must have remained analphabets through several thousands of years, at least until the birth of Christ, for they have left to posterity no record that they ever existed.

Otherwise, Vorarlberg's first inhabitants seem to have known a very elementary form of civilisation. There are few traces of their activities, other than a few primitive hearths sheltered behind rough walls. Much ingenuity was called for to find even these.

In fact, the first tidings of Vorarlberg come to us from one of the many branches of the family of Noah, those who called themselves Romans. They selected the fifteenth year after the Emperor Augustus ascended the

in its historic importance and cultural activity, but also in its geographical position. This overhead railway is one of the oldest and most popular in Austria. Certainly the view from the Pfänder over Lake Constance and the Swabian Plain which lie below, spread out like a map framed by the Swiss and Vorarlberg mountains, can hardly find its equal. And the lake itself! In its manifold beauty, whether it presents a limpid surface ruffled by tiny sparkling waves which caress the swimmer, or some masterpiece of colouring by nature which takes one's breath away, with the tinted curtains of the sunset changing from minute to minute, or the threat and fury of unleashed elements, lies a magic attraction from which few are immune and which tempt the poet to take up his pen in their praise.

THE AUSTRIAN GEOGRAPHY OF THE RHINE. As the whole world knows, the question of the left bank of the Rhine has been the starting point of many bloody European wars, even of the world wars.

Strange how the most complex questions change their whole character when treated in Austrian fashion. The left bank of the Rhine! Who knows that Austria possesses a left bank of the Rhine, or that the river is crossed by two Austrian bridges? That the Vorarlberg parishes of Höchst, Fussach and Rheinau belong to the left bank? (It may be

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View of the Town of Bregenz.

133 mentioned here that Goethe crossed Lake Constance from Fussach when he returned from Italy in 1811.)

The landscape which extends on either side of the Rhine's artificial channel is a peculiar one. Suddenly transported there, one would not believe oneself to be in a mountain district any longer. Swamps, in part made fertile through drainage, spread out for miles. Looking north, one has the illusion of being in a sunken plain. A colony of many varieties of birds inhabits this stretch of land. Few can withstand the charm of the softly waving reeds. The broad expanse of country, the rustling and whispering of the brittle stalks and slender foliage of the reed-banks seem to liberate the spirit. Unconsciously one breathes more deeply, the eye drinking in greedily the distant blue, the ear attuned to the voice of nature. The heart is soothed by the spirit of the moors in the all-pervading stillness, broken only by the harsh cry and the beat of the wings of some startled bird.

● 361 The largest Rhineside market town in Vorarlberg is Lustenau, celebrated like all Rhine settlements for its rich harvests of carefully tended fruit. As a settlement the big market town presents a singular picture. The houses, scattered over an area which is wide in comparison with the number of its inhabitants, are often hidden behind the dense foliage of fruit trees which entirely conceal them from the road. Lustenau is more or less of an enclave. Both in language and physiology, its inhabitants differ considerably from those of the rest of the Province, who

throne to pay a visit to their very distant relations in Vorarlberg (who had remained on their patriarchal inheritance) to teach them new and more modern ways of living and, as opportunity offered, to batter in their skulls.

These drastic methods of instruction seem to have taught the ancient Vorarlbergers within a remarkably short space of time how to build streets and houses, indeed even regular settlements. They served their apprenticeship in this new art by setting up a fortified castle with its dependent courts and buildings which their distant relations from the South named "Brigantium", or Bregenz, perhaps in honour of the family of Brigantius which lived there. As at the moment it was the thing to engage in trade, and to give their Vorarlberg connections a concrete example of what trade meant—chiefly, taking what one wanted from others and giving them in exchange what one found useless—the Romans founded a Brigantium branch of their world-wide exchange system. As this town on Lake Constance was at the crossroads of some of the most important highways of the time, it soon became well-known to the civilised world.

Thanks to the attentions of their Roman relatives, the people of Vorarlberg and their province soon began to play a part in history.

A trace of special worldly wisdom confronts one on the wall of a house on the outskirts of Montafon:

An honest mind and dealings fair,
Result in nought but wretched care.

A BRAVE PEASANT FOLK

Until the end of the Middle Ages many of the upper valleys of Vorarlberg were very sparsely populated or totally uninhabited. About this time began the exodus of Germanic races

jokingly accuse them of being descended from "gipsies". That is, of course, an exaggeration, but it contains a small grain of truth, for while other parts of Vorarlberg were subject to some feudal lord or other during the Middle Ages, Lustenau was a "freier Reichshof", meaning that anyone might take up residence there without special permission. It was small wonder that all kinds of wandering folk made use of this freedom, though not to the disadvantage of the present-day inhabitants! Their vivacity and ready wit have been in part responsible for the prominent part which the people of Lustenau played and still play in Vorarlberg intellectual, more especially musical life and sport.

"HERE STUDIO DORNBIRN!" This call-signal coming over the ether a dozen times a day has made familiar the name of a town in Vorarlberg which until recently, despite the fact that it has the largest population of the province, led something of the existence of a sleeping beauty. Only in textile-trading circles has its name been famous for many years beyond the frontiers. Dornbirn is Vorarlberg's industrial centre. Such a description is usually in itself sufficient to condemn a place, conjuring up as it does a vision of tenements, soot-laden air and a forest of smoking factory chimneys. All who cannot picture an industrial town otherwise are recommended to visit Dornbirn, which has the additional appelation

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Sample of Peasant Weaving from the XVII Century.

361 of "Garden City". The social problem is solved here in noteworthy fashion,
288 for although more than half the population is dependent on industry, it has no proletariat.

133 In grappling with its problems, the town has, of course, been helped by its favourable geographical position. The winter sport resort of Bödele which is easily reached by a picturesque road brings life to Dornbirn as soon as the white carpet covers the ground. In summer its chief attraction is a beautiful and sinister gorge which is reached by a romantic artificial flight of steps—the Rappenlochschlucht. Closed in by walls of rock which tower vertically to a height of several hundred feet, crossed far above by a bridge, the turbulent mountain waters far below foam and roar through the gorge. The spectacle is well calculated to awaken a wholesome respect for the might of those forces which give shape and form to surrounding nature, and through her to our own lives.

133 From the tree-covered summit the hoary keep of Neu-Ems Castle overlooks
712 the valley of the Rhine. The steep crag commanding the town bears the ruins of Alt-Ems, before its destruction in the Appenzeller War one of the greatest castles of the German Reich, equal in size to the famous Wartburg. The palace built by Count Kaspar still stands today at the foot of the Castle Rock. A number of other buildings and historic names lend to Dornbirn that magic of departed grandeur which always lingers around historic walls and ancient monuments.

133 THE GARDEN OF VORARLBERG.

In the midst of the plain through which flows the Rhine rises the Kummenberg, a witness to the activity of the Rhine Valley Glacier in the Ice Age. To the south its tree-covered

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from the canton of le Valais, in Switzerland. At the beginning of the 15th century the number of these peasants who came to settle in Graubünden and Vorarlberg was steadily on the increase. These new arrivals seeking employment were readily welcomed by the land-owners, and the uninhabited upper valleys were allotted them to build new homes. In order to persuade them to settle permanently the gift of land was accompanied by various privileges. In this manner the uncultivated part of the Taimberg, in the Upper Bregenzerwald, and especially the two Walser valleys which have taken their name from it, developed into the home of a sturdy peasant race which has become a permanent factor of the national and economic structure of the Province.

Anyone who wants to form a picture of the strenuous way in which these descendants of the old inhabitants of the Valais who have retained much of the peculiarities of their former country in their speech, dress and customs gain a bare existence from a grudging nature, needs only to observe how they live in the Grosse Walsertal. Generations of bitter struggle for daily bread have produced a sturdy and weather-beaten folk whose existence is deeply rooted in the soil.

The people of Vorarlberg are not uniform in character, but form rather a mosaic of various sturdy elements welded together by historical developments.

slopes rise gradually, but to the north it falls away 133
steeply. It is well worth the trouble of climbing, for looking down from its heights one has a delightful outlook over the entire Vorarlberg part of the Rhine Valley. In the east the picturesque houses of the market town of Götzis combine their greetings with those of the massive ruins of Neu-Montfort. The chief picture to [311]
the north and south is that of innumerable tiny rectangles of grass alternating with arable land, a clue to the agricultural structure of the countryside. An unusual trick of nature affords amusement to visitors to the summit of the Kummenberg: pieces of paper or material which are thrown out over the yawning depths are returned to their owner by the air currents. Even hats which have been tossed over are said to come back of their own accord, but not everyone cares to put this to the test.

To the south of the Kummenberg a vale 361 ●
branches off from the main Rhine valley which is 245
called the "Garden of Vorarlberg". About a dozen pleasant villages cling to the foot of the mountain or have found themselves a sunny place half way up it, and in blossom-time the whole countryside is one fragrant bridal bouquet. On the sunny slopes flourish delicious grapes; Fraxern, hidden in a hollow between the green hills, is famous for its wonderful black cherries, which attract crowds of visitors who arrive with baskets and carts. Viktorsberg, looking

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Vorarlberg is Austria's estate on the Rhine. Between the eastwards-flowing Danube and the westwards-flowing Rhine, between the one which finds its outlet in the Black Sea and the other which flows into the Atlantic Ocean, lies Austria, the bridge and watershed of Europe. In 1363 the House of Austria acquired its first possession in Vorarlberg in the shape of a small estate near Götzis. This was the start of a long process which led to the unification of a Province. As military leaders under the Emperors Karl V and Philipp II, the Counts of Hohenems embodied large numbers of serfs from their estates in their armed forces. From then onwards, Vorarlbergers have constantly emigrated from the Province, as labourers, stucco-workers and carpenters, selling grind-stones or herbs from Montafon, or in the employment of Bregenzerwald builders of the Baroque. It was not until industrialisation set in that this industrious race had the chance of finding work and a home in its native country.

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It is characteristic of the Vorarlberger to dislike and avoid ostentation and exaggeration. In accordance with this reserve, he is sparing of gesture and words. These characteristics help to a clean-cut political sense and a natural feeling for democracy.

The people of Vorarlberg prefer their four small or medium-sized towns to one large one. They do not mind having to go sometimes to Bregenz and Feldkirch, sometimes to Dornbirn and Bludenz, for these towns after all lie close together. The Province is thus spared many a problem which may arise out of having a single large town in an alpine area.

The "Ländle" ("Little Province") has its characteristic industrial character.

down from the lofty Warte, is one of the oldest recorded settlements of Vorarlberg; even Karl der Dicke (Charles the Fat) is said to have toiled up there on a visit to the pious hermit Eusebius. Röthis, however, the heart of the Vorarlberg vineyards, lures one with many a sparkling drop, golden-yellow and ruby-red, down into the valley.

The chief town of the Vorarlberg Garden is Rankweil, which played a prominent and decisive role in the history of the Province throughout the whole of the Middle Ages and on into modern times. At one time the whole population used to congregate for the trial of criminals there. Today, as one of the greatest pilgrimage centres of this Catholic province, it has again become a meeting place for crowds in holiday mood. Its symbolic building is the double-towered Liebfrauenkirche, built on the remains of a former fortress, which confronts the stately Felsenwarte.

THE STUDIERSTÄDTLEIN (the "Students' Township"). Feldkirch has not always been called the "Studierstädtlein". Like Bregenz, it has had one of the most colourful histories of any place in Vorarlberg. In earlier centuries it was with equal justice called the "Officers' Township", but today both terms are inapplicable. It is noteworthy that in each case its municipal character was emphasized. Even today this is the most noticeable thing about it. Of all towns in Vorarlberg it has best preserved the character of the mediaeval burgher settlement. Like Bregenz, Feldkirch formed part of the Montfort property. Through repeated partitions of the estate among members of the family, which weakened all its powers of resistance, Feldkirch came at an early date into the possession of the Hapsburgs, thereby gaining in comparison with other areas which had remained under the rule

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of local feudal lords, special privileges which ensured it unusual opportunities for development.

The picture of a mediaeval townlet which Feldkirch presents today is furnished mainly by the streets of the inner town, consisting of solid and impressive buildings in which merchants have carried on their affairs for many generations. Such evidence as survives of former defensive constructions like the Churer Tor, the Katzenturm and Schattenburg Castle, which towers over the town, conjure up visions of scenes long past to attract a stranger's attention.

361 871 Feldkirch was called "Studierstädtlein" in bygone days when it was of great importance—one might almost say of unparalleled importance—in educational affairs. It had a grammar school, a college for teachers which attracted students from all over the country, and the famous Jesuit college "Stella Matutina", well-known throughout Europe.

361 635 It could with almost equal justice have been called the "Township of Bureaucrats", although it was never a centre of government. But the majority of the other administrative bodies of the province are established in Feldkirch. The cosmopolitan character of the bureaucracy of the Austro-Hungarian Monarchy has affected the racial composition of the local population.

361 498 Feldkirch, as a junction on the only direct East-West route, is of importance to the Austrian traffic system. It is the main railway station on the frontiers of Austria with Switzerland and Liechtenstein, and thus a connecting-link in the West European transport organization.

133 DO YOU KNOW THE LEGEND OF THE THREE SISTERS? No? Then wander from Feldkirch through the Ill Ravine, the "Felsenau", that deep channel which the river has for centuries been cutting through the imprisoning rocks and which is still so narrow that there is only just room for the railway leading to the Walgau to run beside it. A feat of engineering was called for to carry the road over river and railway on a precarious bridge. Once one emerges from this narrow gorge, the character of the countryside is seen to have completely changed. Even the air is cooler, and the natives say that east of the Felsenau (i. e. in Walgau) it is "a jacket cooler" than in the Rhine Valley. You walk all

With only four factories employing over 500 persons, it is the smaller and medium sized specialized industries which are typical. First comes the textile trade. The Vorarlberg cotton industry, which enjoys an international reputation, produces not only the finest multi-coloured woven cloth in Austria, but also high class printed goods. Woven silk and specialized woollen and knitted goods are also typical of local industry. Vorarlberg's reputation for embroidery and hand-made lace has spread far beyond the confines of Europe. Other Vorarlberg industries concern themselves with refining and specialized finishing processes, for the Province is lacking in almost all raw materials. Cogwheels, gears, pumps and watches, sliding scales and specialized tools are all made here. The factories for the construction of elevators and cable-railways are based on "White Coal", on the natural water-power of the Province, the exploitation of which has been developed to a high degree.

the more easily and vigorously and you are quickly in Frastanz. 133

Here it was that three sisters once lived—at a happy period, no doubt, for, according to an accepted legend, a spring of pure gold flowed at the foot of the Garsellaspitze. One sunny Sunday these three sisters, instead of going to church as custom and piety dictated, started out towards the Garsellaspitze. Who knows whether it was the flowing gold which led them astray or whether they simply wanted to gather berries? In vain did the church bells call them once more to mass. The three sisters, their heads filled with mundane matters, ignored the summons. Soon they found a place where berries grew so thickly that they were able to fill basket after basket in a short time. As a last reminder of neglected religious duties came the faint tinkle of the transubstantiation bell. When they ignored this final warning, they met their fate. Unable to move, their bodies froze and turned to stone. When the faithful left the church after mass they stood and stared, for at the foot of the Garsellaspitze rose up side by side three tall rocks. The three sisters, however, were never seen again. Their baskets full of berries were found there on the following day. So came the three rocks by the name of "The Three Sisters".

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WHERE THE UNICORN HAS ITS HOME. Yes, indeed, the mythical unicorn still exists in Vorarlberg, in the above-mentioned Walgau—in the coat-of-arms of Bludenz, its chief town. Here the landscape is sunny and smiling and the people vivacious and cheerful.

Despite the dominance of the unicorn in the Walgau, or

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Rankweil.

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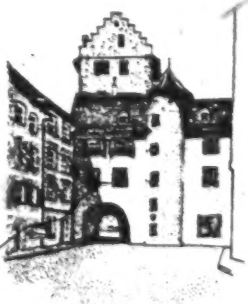
Tisis.

rather in Bludenz, it is not dangerous to live there. On the contrary, this little town on the Ill with its romantic past and its industrious present offers many attractions and opportunities to visitors. To begin with there is the picturesque centre of the town with its narrow streets and mediaeval avenues. The Obere Tor is decorated with a fresco of Friedrich of the Empty Pocket which recalls how the people of Bludenz afforded their liege lord sanctuary and loyalty after he had been outlawed by the Emperor. There is a parish church built on a dominating cliff, and the more massive than beautiful Castle Gaienhofen, which has been put to various uses in the course of the years. As far back as the Celts and the Romans there were settlements on this site. The attractive and charming surroundings of Bludenz have earned it the name of "Gateway of the Alps". For one who wishes to get to know all the passes from the valley level to the snow-capped mountains of the main Alpine range it would be hard to find a more favourable centre than this little town of the Walgau.

133 Arriving at Bludenz by train, every traveller is struck by a snow-capped mountain of bare rock rising sheer out of the green valley. This is the Panüler Schrofen, the western "shoulder" of the Scesaplana, queen of the Rätikons. As the culminating point of a whole chain of mountains this giant is not only an attraction for local tourists, but is one of those peaks which have made history in the opening up of the Eastern Alps. Thanks to its commanding height, it offers an almost unrestricted view of the countryside, including a charming glimpse of Swiss Prätigau in the depths below.

THE VALLEY OF WHITE COAL. The Montafon valley played a part in national transport centuries ago, for it is the gateway to southern Europe, and more immediately to Veltlin. Today it is a power centre for countless industries scattered over a considerable part of Central Europe.

133 361 On the way from Bludenz to Montafon one passes through Vandans, a village which is threatened as no other by the primitive forces of the mountains. Millions of cubic metres of rubble and boulders lie waiting in clefts of the Vandanser Rock Wall, like a wild beast crouched to spring, ready to hurl itself down at a given moment on to the peaceful human community, carrying death and devastation. An attempt has indeed



Feldkirch; Churer Gate.

been made to guard against such an occurrence by the construction of mighty barricades. Whether man will be found to have succeeded in banning such elemental natural violence, the future will show.

Further up the Ill lies Schruns, the chief town of the Montafon, nestling picturesquely in an arm of the valley. Few places in Vorarlberg have been so fitted by climate and surroundings to become a health resort as this pretty market town.

Stuben on the Arlberg.

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It is indisputable that the people of the Montafon are very different from the rest of the population of Vorarlberg, as their customs, temperament and language plainly show. Montafon has withstood germanisation longer than any other part of Vorarlberg, and has thus preserved certain characteristics of its original Romanic population. 563

Opposite Schruns lies Tschagguns, once much visited by pilgrims but nowadays more of a centre for winter-sport. Tschagguns has particularly good ski-ing facilities and is also the starting-point for trips to the Rätikon, the excursion being facilitated by a cable railway to Grabs, 4,800 feet above sea level. In the area accessible from Tschagguns, the exacting mountain climber will find the same satisfaction as the tourist who wants only to discover and meditate on the beauties of nature. The way to the Gauertal, which is widely known for its beautiful scenery, the end of the valley with the Lindau Hut rising from the last scrubby pines in the foreground, backed by the Three Towers in the distance, has been characterised by the most experienced and best-known Alpine climbers as unique and incomparable. 361 529 133

Bregenz Tower.

A few miles beyond Schruns, on the slopes of the mighty Kapelljoch, which is to be made accessible by a cable railway, in a narrow part of the Montafon Valley lies the district of the "Fratte", which divides the valley into Outer and Inner Montafon, or, as the inhabitants say, "Outer and Inner Fratte". The first hamlet of the Inner Fratte is St. Gallenkirch, whence the valley of the Suggadin river stretches away in the south to the mountain health-resort of Gargellen. Surrounded by the most bizarre of mountain scenery, the latter is, perhaps, artistically

361 529 133 considered, the most attractive place in the entire Province. What makes of it a health-resort is the fact that of all places in the Province, it has the record for sunshine, and that it has the same wonderful climate as the Swiss health-resort of Davos, only 18 kilometres distant as the crow flies.

361 133 377 That the Montafon, particularly the Inner Fratte, has lost its original character of a mountain farming area is immediately evident when one comes to Parthenen, last of the valley settlements. At first glance it is recognised as an industrial township. Montafon's name of the "Valley of White Coal" is here justified, for the district in which Parthenen is situated is devoted to the production of electrical power. Cable-railways, elevators, narrow-gauge railways running at a height of over 5,000 and 6,000 feet, extensive plants and tunnels several kilometres in length show at first glance with what energy technical knowledge is striving to render the forces of nature of service to man. The source of these forces is the glaciers of the main range, the "Blue Silvretta", famous as a ski-resort in spring. It is easy to repeat without giving the matter further thought that the beauty and natural charm of the mountains are destroyed when their useful potentialities are exploited by mechanical means. It is far wiser and more just to go oneself (and how much simpler the many inventions of the much abused mechanical developments have made such a trip), to ascertain with one's own eyes that the two enormous artificial lakes at Vermunt and Obervermunt have lent a touch of beauty to the picture which was lacking in the monotonous valley which they have superseded. For the mountain lover there still remain the combs and peaks of the monarch of the Vorarlberg Alps, the 9892 foot high Piz Buin, which he can approach with untroubled heart and a determination to dare its perils, without any risk that his ideal picture will be found marred by the spirit of a profit-seeking age.

529 526 THE LOFTY CASTLE OF THE WHITE ART. It is not so very many years ago that winter was regarded as a visitation of God. More especially was this the attitude of the mountain folk whose means of livelihood were drastically curtailed during the cold months by the many feet of snow. This attitude only underwent a change when human ingenuity succeeded in making use of two strips of wood bound to the feet with one end bent upwards, which brought with them greater freedom of movement even over deep snow. This happened in Austria towards the end of the last century. One of the areas in which this now widespread

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after the avalanche has subsided to the view, the accompanying thunderous roar continues, itself gradually subsiding into a silence which leaves the ear keyed up for the next demonstration.

The Walser villages are interesting, in character easily distinguishable from other places in Vorarlberg. Every farm is built at least a stone's throw away from the next, according to Walser custom, and isolated houses are to be found as high up as the last slopes which it is at all possible to reach by vehicle.

The picture of the Great Walser Valley reminds the observer that it is not always man who rules nature, but that sometimes it is nature who forces man to acknowledge her imperious rule. The impression left by a visit to the Small Walser Valley is a much friendlier one. This district, which economically is an enclave not only within Vorarlberg but also within Austria, has an individual note due to the highly developed tourist trade which is everywhere in evidence. The natural traffic routes of the Small Walser Valley connect it with the adjacent Allgäu, but it has no direct connections with Vorarlberg or Tyrol. This valley, which offers many opportunities for winter sport, but is also attractive in summer on account of its beautiful scenery, has built up a remarkable tourist connection. It can boast of a very large number of comfortable inns and hotels. You will find them all along the only road, which links up the market towns of Riezlern, Hirschegg and Mittel-
511 berg, and on the slopes above. Obviously such developments have an influence on the way of life of the native population. But it is surprising to learn that in the Lesser Walser Valley even simple peasant's farms are furnished with many of the comforts of civilisation. Most of them have central heating, running hot and cold water, mechanical washers and modern kitchen conveniences run by electricity.

[133] MODERN NOMADS. The Upper Bregenzerwald, that is, the country above
361 the Bregenzer Ache from the Bezau onwards, is chiefly mountainous in character, declining to hill country in the Lower Bregenzerwald. Populous settlements are scattered through the vales which branch off from the wide valley; solitary, 'sun-

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scorched farms reach far up into the green heights, to the scene of activity of a nomadic race. This exists here today in the heart of Europe, for the peasant of the Bregenz forests has remained a wandering shepherd despite all the developments of civilisation. He spends the winter in close companionship with his neighbours in the village, but as soon as the snow is finally gone from the mountains and the pastures on their slopes are beginning to turn green again, he moves off with family, goods and chattels to the "Maisäss", or "May residence", a solitary farm which is situated halfway between the valley and the Alps. In summer the peasant drives his flocks and herds up the Alps, most of the other members of his family returning to the valley to work in the fields and harvest the hay. If, at the end of summer, pasture at the highest levels becomes too scanty, he and his family return to the Maisäss until here also the approach of cold weather makes the pasturage too meagre. Only then does the family occupy its quarters in the valley. With such a system it is not surprising that even large villages present an almost lifeless appearance at certain times of the year.

The church at Schwarzenberg well repays the art lover for a visit. The village, which has nowadays made a name for itself as a winter-sport and holiday centre was the second home of the well-known painter Angelika Kauffmann. 361

In conclusion, among the notable peculiarities of the Bregenzerwald the so-called "Bezegg Column" must not be forgotten, that symbolic monument which recalls the former council-house of the staunchly independent and democratic peasants and artisans of the Bregenzerwald. 344

This building could only be entered by a ladder which was removed as soon as the councillors had assembled and was not put back until the questions to be discussed had all been cleared up. This steadfast democratic spirit together with the commercial activity of its population is Vorarlberg's most valuable contribution to its great Austrian homeland.

and peasants were able to appear on a footing of equality with the nobility. Friedl's action conferred on Tyrol a democratic constitution, the like of which was not seen elsewhere on the Continent for many centuries.

With this Duke Friedrich ("Friedl") began Tyrol's period of greatness. The then very important North-South line —from Augsburg and Nürnberg to Venice—and the protection afforded by its mountains, made it the treasure store of the Empire. Bozen Market became famous throughout Europe. On the mines of Schwaz was founded the power of the Fuggers.

Friedrich's son, Sigmund the "Münzreiche" ("the Rich in Coin"), was considered to be the richest prince of his day. The Münzerturm ("Mint Tower") in Hall, the castles of Sigmundshaus near Schwaz and Sigmundsburg near Bozen are memorials both of his name and of his special extravagances.

Tyrol reached its zenith during the reign of Maximilian I. The Emperor loved the Province above all else; he formally gave it the proud description "Heart and Shield of our Empire"—the Empire on which, his forbearer, Karl the Fifth, could boast, the sun never set.

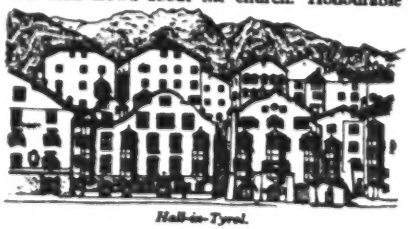
It is not as the last of the knights of Europe that he will always be remembered by the people of Tyrol, but as one of themselves, a bold hunter, mountaineer and courteous gentleman. Tyrolese legend has the Emperor Max rescued from peril in the mountains on the Martinswand by an angel in the guise of a Tyrolese peasant. The cave in the sheer cliff is still shown from which he could have found no way out save for divine assistance.

By the Goldene Dachl which he built—legend attributes it to Friedl of the Empty Pocket—and by his tomb in the Hofkirche, Maximilian has ensured that for all time Innsbruck will be held in honour as his residential

Münzturm in Hall-in-Tyrol.

VILLAGE AND FARM. The Tyrolese mountains are impressive, but Switzerland has these too, still more impressive ones (with the exception of the Dolomites in South Tyrol, which cannot be compared with any other range). Tyrolese towns and villages have a character which is all their own, showing a strong community feeling. Note for example the varied and original treatment of the dormer window. Nothing is more typical and characteristic than the Tyrolese village and the Tyrolese farm. 361

Sometimes huddled together, sometimes loosely scattered, the farmhouses are grouped about the church whose slender tower with gothic spire or baroque dome seems to gather together the surrounding buildings, directing them towards the heavens. Even more closely than the living do the dead crowd about the church. Honourable 361 764



Hall-in-Tyrol.

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361 men, all of them, as the inscriptions on the crosses of iron or wood testify, yet as in life grouped according to rank and precedence.

For the living it is a comfort to have the dead among them; for the dead, to continue to play a part in life. The sound of church bells calling to early mass 788 starts the day; only the goatherd's horn has summoned the herds even earlier. At eleven in the morning the bell calls to dinner, and with the vesper bell the day is ended. The tolling of the bell marks out each working week, and marks out the year according to the festivals of the Church.

Public affairs centre on the church square. There official announcements concerning the parish are posted. Similar information is given out there after the service on Sundays. The cattle drink at the village well, and the men 562 at the village inn. The women take no part in public life.

Every farm, whether it stands apart amidst its 351 own fields, or whether it keeps good neighbourly company with others in the village, has an orchard and a small garden near the house. The garden grows vegetables and spices. Its many-hued flowers, pinks and lilies, asters and phlox, crown-imperial, mignonette, sweet-smelling herbs,

Wooden Mould.

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Salzburg, 15th Century, Woodcut.

133 sank behind them, the all-knowing vultures encircled them. On their slopes the first birds laughed, and in their impenetrable forests the little songsters built their nests.

The charming legend of Franz Solanos tells how this holy man was accorded a rare favour on his deathbed: clouds of birds gathered at his window, flew about his weary head, sat confidingly on the edge of the bed and perched by thousands on the branches around his cell to lend beauty to his last hours with their gladsome song; blackbirds were there, chaffinches, robins, larks, thrushes and yellow-hammers. 000 There was even, the legend tells, a canary to blend its song of triumph with the contrasting notes of an albino blackbird which warbled ecstatically from so far away that it was invisible. The soul of the holy man was raised ever higher amid the heavenly concert until it was finally wafted into eternity.

The end of the prehistoric ages before man appeared on the earth is supposed to have been similarly accompanied by the song of birds. Well may they have chorused, not their pity or grief, but their anticipation as the earth emerged from the receding waters with its promise of nesting places and abundant food.

Salzburg must have been born to the accompaniment of some sweet and impressive melody, a melody that the Province embodies today.

133 Not all the Province of Salzburg arose out of the waters. Going south one meets more

133 and more prehistoric volcanic rocks and lava formations, slate flattened by pressure during millions of years, granite formed of sandstone ground up and re-formed by intense heat, porphyry and mica. The Province is not only old in so far as its history is concerned. Long before history began, what is now Salzburg was steeped in ancient lore—a lore which indefinably conveys its message to man, slowing down the steps of those who tread its soil and enriching their minds.

Seen as a whole, the contours of Salzburg Province may be compared to one of those mid-summer cloud edifices, the cumuli, which, bathed in the rosy light of evening, pile curve upon curve in baroque extravagance, rising to a slender spire. [792] At this narrow extremity, close to Bavaria, lies the formerly famous but nowadays little known Benedictine monastery of Michlbeuern with its romanesque church and the statue of the venerable Meinrad Guggenbichler, whose carved church doors with the moving figures of Mary and Elisabeth in Irrsdorf, to the south-east, are all too little prized.

This northern part of Salzburg, characterised by pleasant hills, the lakes of Mattsee and Wallersee lying amidst green meadows and sub-alpine vegetation which often merges into moors with their reeds and heather, is crowned by the chief city of the Province.

361 When first approaching the city from the station, the visitor has no inkling of Salzburg's venerable beauty. The broad street is flanked on the left by the embankment of the main line to Bavaria, a pebbled walk beneath chestnut trees, placards, a kiosk. Later come grocery stores, inns, paper shops, hotels and souvenir shops, as in many another provincial town. The unusual, the characteristic note of Salzburg is struck quite suddenly by the Mirabell Palace, in the Rainerstrasse. Now rises curtain after curtain to disclose the Salzburg of legend and romance. The Dreifaltigkeitsgasse leads past the Seminary to the first church of Fischer von Erlach. Thence beneath the Sautter Archway one reaches the Linzerstrasse which from time immemorial has borne the traffic through Salzburg. The Romans themselves passed along this delightful highway, coming from the direction of Radstadt to cross the Tauern Mountains.

Tower after tower crowned by the glittering symbol of Christianity pierces the blue morning sky above the ancient heart of the city on the left bank, the church spires seeming almost to reach

About the year 700 A.D., St. Rupertus built a church in honour of the Apostle Paul and a monastery for the monks of the Benedictine order on the ruinen and overgrown foundations of Juvavum.

Even under Charlemagne the Bishops of Salzburg, Vergil and Arno, showed particular devotion to Christian church music. The surroundings of St. Peter soon rang with the real Gregorian choral chants.

Neidhart von Reuenthal and Tannhäuser are the predecessors of the "Monk of Salzburg", who wrote a great many religious as well as secular compositions in the second half of the fourteenth century at the court of a quarrelsome archbishop.

Within the Bishopric, Leonhard von Keutschach was the first of that line of sharp-profiled, religious princes, concerning whom there has been much conflict of opinion who during the changing periods of gothic, renaissance and baroque styles, placed on the face of Salzburg the stamp and sign of their own self-willed and often secular personalities. Castles are the stone evidence of their activities and their might, above all the unconquered fortress of Hohensalzburg. The turnip in the coat of arms of the bishops calls to mind the architect of Keutschach, as does the "Hornwerk", a musical

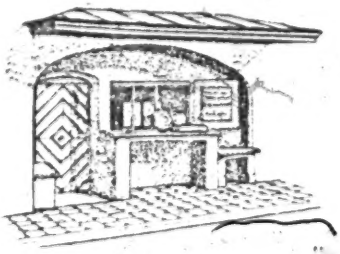
up as far as the fortress which rises sheer and stately high above all buildings of the city and the green of its own woods. 361

The extensive fortifications above house no dusty romances. There are apparently no ghosts in clanking armour with fluttering pennons or mist-enshrouded châtelaines to haunt them. Sober and impressive magnificence is the keynote of this unconquered bulwark of the Bishops of Salzburg. 344

No prince ever ruled here as heir of an inherited kingdom, no heroic knight subdued the surrounding lands by his strong arm. The law and the customs of a court muffled the blast of trumpets. No single family, but a long series of unrelated regents of a spiritual treasure peopled these finely-proportioned rooms. On the throne sat the lord of the Province who was at the same time guardian of his subjects' souls—a strange picture of duality.

The roofs of ancient Hohensalzburg were overshadowed by the call for solemn decisions, by the complexities, the temptations and the responsibilities of rule.

A traveller, one who loved the countryside, thus describes his first glimpse of the City of the Bishops in their stronghold; "Arrived at the terminal station of the lift which takes one from the city to the fortress,



Old Bakery.

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prehension of all things in which time no longer plays a part. The motor road climbs to a height of almost 7800 feet, ending at the foot of the ascent to the highest peak (12,000 feet).

The Glocknerstrasse. View of the Edelweiss Peak.

The Glocknerstrasse takes its start in the pretty little valley town of Bruck-Fusch, near the Zeller Lake, on which the railways and motor roads leading to the Saalach Valley also converge. Zell-am-See, in winter a happy training area for skiers, becomes in summer a gaily-coloured and picturesque holiday resort.

Valley after valley winds through the giants of the Tauern world until the Grossvenediger is reached, and finally one of Salzburg's two frontiers, that with Italy, which is dominated by the Dreiherrenspitze.

Let us return gradually to the eastern end of the Province where the Niedern Tauern sink by degrees to lay themselves at the foot of man, so to speak, in the Tauern Pass. It must not be imagined that they make it any too easy for him; even this pass, swept by snowstorm and avalanches, is 5400 feet high. On this high plateau lies a blue-white alpine paradise, which makes way for the road to the Lungau, a region consisting mainly of high plains characterised by their clear, sparkling air filled with the faint scent and whispering music of the otherwise rarely-seen larches. Mauterndorf, Maria Pfarr, Moosham (a casket of treasures from a mediaeval museum) and finally Tamsweg, well-known as the coldest place in Austria, and also for its beauty. Spread out in generous profusion are a number of strong, well-built settlements, solid in construction, with beautiful old churches and a horizon of mountain silhouettes. Further away, beyond the confines of the province of Salzburg, towers the mighty Dachstein.

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Behind the nobly formed Bischofsmütze and the remote stretches of the Gamsfeld the Schafberg lifts its beaky nose over the dark waters of the Wolfgangsee, the bizarrely picturesque mountains grouped about it like stage scenery.

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Spittal, Castle Porcia.

to the Neumarkter Sattel and Styria arose the proud town of Friesach. From Virunum a road led eastwards. On this route lie the larger towns of Southern Carinthia, such as Völkermarkt and Bleiburg.

This natural network of roads is as much used as ever today. This has maintained the prosperity of the settlements along its path. The fulcrum may have varied its position slightly as the area developed, but it has always lain within the triangle Villach—Klagenfurt—St. Veit. The advent of the locomotive, of the automobile, even of the airplane have brought little change in this respect. These routes follow the historic, natural highways. At most, where in olden times an obstacle was circumvented, it is today surmounted by an artificial construction, or bored through by a mountain tunnel as the Tauern railway does at Mallnitz and the Karawanken railway at Rosenbach. Even the airplane flying high above follows the old Pontebba route in order to avoid dangerous storms.

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THE TOWNS OF CARINTHIA. The Carinthian settlements have earned their right to be called towns more through their historic past than for any other reason. They are small in size and their economic importance varies greatly. Nowhere do they crush nature like a stone fist, forcefully suppressing it. It is nature which encircles and penetrates them, surrounding them with a framework of lovely scenery, predestinated and naturally developed as centres of a district. This may be the reason why for a long time none of them was given the absolute dominance of a capital. An additional reason may be that the three most important places all lie in the centre part of the Province close together, having originated in different feudal territories of which they formed the centre.

The old ducal town of St.-Veit-on-the-Glan, where Walther von der Vogelweide sang, as well as his less talented colleague, the Carinthian Zachäus von Himmelberg, was pre-eminently a fashionable court centre, which later came into competition with the picturesque little mountain town of Althofen, an iron trading centre. Today it is a typical provincial town,

Klagenfurt, the Dragon.

a soft flour paste with the edges folded over, and filled with "Topfen" (curds), herbs, poppy seeds or dried pears. For festive occasions there are the "Leinöl-krapfen" (a sort of doughnut) and the "Reindling", a cake filled with cinnamon, sultanas or currants. The chief dish is "Stern", made of buckwheat or maize. Normally meat is only eaten smoked except on feast days. Peasants engaged on exhausting work may eat bacon at tea time or it may be eaten with potatoes, cabbage or pickled turnips at the mid-day meal. For drinks there are cider and Schnaps, home-made spirits from the fruit growing on the farm.

Although the mountainous nature of Carinthia does not afford its inhabitants a very luxurious existence—in comparison to that of the peasants in the plains it may almost be called poverty-stricken—it provides in its variety rich food for the spirit. The special temperament and mentality of the people find joyous expression in the magnificent songs of Carinthia, which have been spread, through Kotchat, far beyond the native frontiers. Sung in jolly company by three, four or five voices, women's and men's blend harmoniously with that of the "over-singer" who remains an octave higher. It makes no difference whether the language of the song is German or whether, as in places near the southern frontier, it is sung in the Carinthian-Slovenian dialect. Sometimes, in fact, the two are mingled, with amusing effect. In the field of religious melodies there are many shepherd's songs which express in direct countryman's fashion the story of the finding of the infant Jesus in language which is sometimes moving, sometimes amusing. The most revered song, however, is and always will be, for Carinthians, the "Kärntner Heimatlied", written by J. Ritter von Gallenstein in 1817. Its verses describe the beauty of the Motherland Province in moving terms of deep affection.

Maria Wörth.

a shopping place for the needs of the surrounding countryside. Numerous castles and fortress-ruins are all that remain to remind of its proud past. 361

Villach has always been an excellent centre of communications. Belonging to Bamberg until the middle of the 18th century, it early received valuable privileges which together with a highly developed trade and the rich mineral yield of the mountains made it a very prosperous centre of culture. It likes to be called the "Town of Paracelsus", who lived there with his father for fourteen years. Its particular attraction is provided by the mountain which looks down into the streets and highroads from all sides. People say jokingly that this is the only town in the world where it is possible to hunt the chamois in the streets. This is, of course, not strictly accurate, for the forests of the Dobratsch mountain merely touch its outskirts. As a health [529] resort it would be hard to beat, for mountains and lakes present the most varied attractions, while the warm springs of the medicinal baths offer a cure for many painful illnesses. A faint flavour of life in Italy, whose frontiers are not far

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off, lends a certain piquanterie to Villach. It has developed industrially along lines which have done nothing to diminish its attractions.

Klagenfurt, the administrative centre of Carinthia, is the only town which is a municipal city according to accepted ideas. Even Klagenfurt is a natural picture framed by the most delightful scenery, and so near to the Wörthersee that it can be considered as belonging to the latter. The life of the town benefits by the crowds of holiday makers who visit it every year and by their demands save it from provincial stagnation. One should not be put off by the name, for it has nothing to do with "Klagen" (moaning) as the legend of the Dragon claims, but is simply a distorted version of "Glanfurt". The Dragon is to be found in the municipal coat-of-arms, and, in stone, guarding the fountain in the main square of the town, which bears evidence of its distinguished past in its old patrician houses. Emperor Maximilian I presented them to the provincial noblemen who had converted the small village of those times into a strong fort protected by stout walls against Turkish and Hungarian invasions, and probably against unruly neighbours as well. The prosperity of Klagenfurt really dates from the time when the development of Triest caused the road over the Loibl Pass to be built up as the shortest means of communication. Old farms with shady walks, dreamy inns where southern wine sparkles in the glasses,

Lasach Valley Costume.

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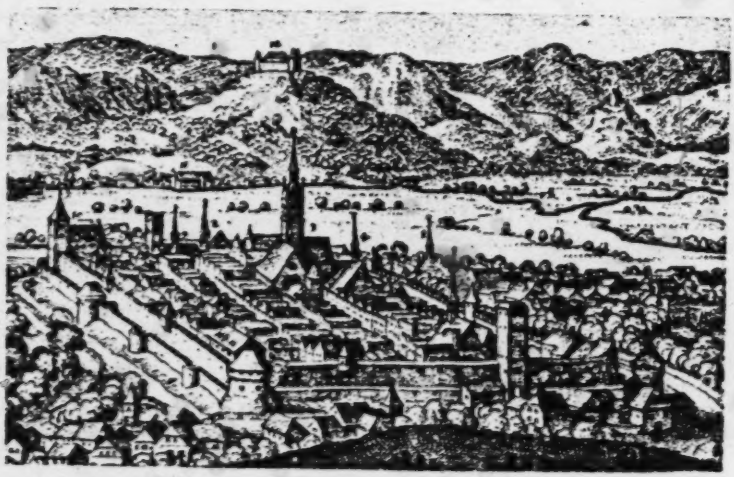

St. Veit-on-the-Glan.

well-kept gardens on the remains of the city wall, and wide avenues produce an atmosphere of peace and ease. The Government buildings, museums filled with treasures of prehistoric times, the proud Diet Hall with its "Wappensaal" of the Carinthian noble families, grammar schools and theatres, bear witness to the cultural level of life in Klagenfurt. On market day it is transformed into a little provincial town, where natural produce is exchanged for manufactured articles and the industrial products of many local factories, thereby maintaining a satisfactory balance between town and country.

And Carinthia's many other small towns? It would be tiresome to name them all and recount their merits. They are all witnesses to the industry of citizens, tradesmen and labourers, the forebears of some of whom have been settled in the district for generations. All of them are in close touch with the peasantry and fit well in with the wonderful natural surroundings of Carinthia, which invite the traveller everywhere to linger awhile. Some towns, such as Friesach, are almost overloaded with the beautiful and valuable monuments of a proud past. Churches and chapels richly decorated with reliefs and paintings, strangely formed charnel houses and beautiful wayside shrines ("Lichtsäulen") bear witness to pious gratitude. That this sentiment did nothing to weaken the powers of resistance and the realisation of the value of freedom is proved by the existence of fortified churches and the remains of the *Fliehburgen*. These fortified places of refuge owe their construction

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to the peasants' determination to resist attacks from the Styrian-Carinthian frontier districts which had often been invaded from the East.

AN ARTISTIC PEOPLE. The plastic arts have been widely influenced by the melody of the landscape and by the individual note which characterises Carinthia. This influence can be seen at work through the centuries. Even the works of foreign artists produced in Carinthia bear the Carinthian stamp.

341 The *Herzogsstuhl* ("Duke's Chair") at Zollfeld and the little church of Krainburg, one of the oldest churches existing in Austria, bridge the gap between the Roman remains which have been unearthed, and the romanesque period. On high points which were carefully selected you will find country churches in which services are still held and massively built charnel-houses. In the decorations of the romanesque monastery churches it is possible to trace the course of history; to see how, for example, the provincial romanesque reliefs yield to the Nordic passion for representations of the Stations of the Cross (for instance those of Millstatt), or how the style of great German buildings spreads into Carinthian territory, influencing the building of the monumental abbey at Gurk. Secret beliefs of the people in the supernatural as well as symbolic representations are revealed in the carvings on the doors and in the many-arched porch of the Abbey.

The religious severity of the choir construction is the first sign of Gothic, which blossomed in the 15th century into many pure gothic churches. Wooden statues of the Virgin Mary vie for recognition with richly carved triptych altars.

The renaissance and baroque styles are afforded little scope in secular monuments. But in the churches we find massive early baroque altars, which were succeeded by daintily carved rococo pulpits and by the famous Pieta of Rafael Donner in Gurk Abbey.

532 Carinthia's architectural and sculptural treasures have to yield place both in respect of quality and numbers to her paintings. There are a great number of romanesque wall paintings, noteworthy for their magnificence of conception and delicate colouring. The painting of Bishop Romanus in the Keep of Friesach is supposed to be the oldest fresco in Austria, dating from 1130, while that of the Apostles in the "Winter Church" of Maria Wörth is nearly as old. Again and again the removal of plastering

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ROUNDING OFF THE PICTURE. The broad belt of mountains whose waters flow into the Carinthian basin, towards which their valleys also run, and the uniform transport network which has consequently developed and has its centre here, have helped to give Carinthia remarkable political and economic unity.

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Within its confines there are no dividing barriers. No one area of Carinthia could exist independently of the others. They supply one another's needs. Without serious loss no one of them could be separated from the others and attached to some neighbouring economic territory dependent on a too distant centre. Their life is indissolubly united with the whole Carinthian plain and its towns which are the essential nerve-centres—Klagenfurt, with its government-offices and most of the higher schools, a scientific centre of the Geschichtsverein (Historical Research Society) for Carinthia and the museum collections provides for administration and cultural life, Villach as a railway junction of great importance looks after the technical requirements of the communications system. These two towns with St.-Veit-on-the-Glan and the rest of the smaller towns give the area its necessary economic backing.

Thus this compact organisation is permeated by all those elements of which the living body of Carinthia is constituted. It is surrounded by the eternal symphony of colourful scenery, interesting through its peculiar mingling of culture and national dress, exciting by virtue of the far-away magic beyond its frontiers.

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Graz, Mausoleum.

This Province, on the northern fringe of which the Kalkalpen stand as shimmering walls, and into which, between the Radlpass and the Wechsel, the sources of its streams and rivers flow from the primeval formations of the Lower Tauern and the Styrian border mountains, this Styrian land, which ends with its broad valleys of ploughland and gently sloping vineyard hills to the east and the south, has never lacked admirers to sing its praises. 133

Styria takes its name from the Count of Steyr, who in the 12th century was entrusted with this territory as a frontier outpost in the south-eastern corner of the Empire. Frequently overrun, defeated and rebuilt in the course of the changing centuries, its history has indeed been that of an outer march. Its name brings with it the memory of stubborn struggles, and the silver panther on a green field stands to honour its spirit in its coat of arms, kept immaculate by manly courage. 103

How shall one try here to describe the Province in a few words? At what boundary should one begin, at what places pause to use that district and its inhabitants to illustrate the whole? Obviously from Graz, the capital, we must try to get a glimpse and general picture of past and present. A fishing village and a market-place near the Mur Bridge in the shadow of the fortifications of the Castle Rock—this was Graz more than 900 years ago. Civic industry, the good and ill fortune brought by the centuries, have filled its history. Emperors have reigned there, and there also servants of art and science have come together from all quarters of the globe. Today Graz is a town with a quarter of a million inhabitants, surrounded by busy industrial 361

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361 districts, but the old Cathedral with the Mausoleum, the Armoury and the Joanneum are carefully preserved and living witnesses to its colourful past.

The other towns of the Province are no less worthy of consideration; Bruck, formerly so wealthy, with the famous Market Fountain in front of the Kornmesserhaus, the iron-producing town of Leoben, the trading centres of Judenburg and Murau, the last of which has grown up so charmingly around its Schlossberg.

Space calls for brevity. We must limit our wanderings to three districts; from them, we can learn to know the whole of Styria.

133 WEST STYRIA. It is part of the secret of Western Styria that the colourful and clamorous life of our times which is to be met within a number of mining and industrial settlements from Steyeregg to Piberstein is constantly influenced by the underlying muted tones of the ancient soul of the Province, which lives on in its quiet woodland solitudes. The southernmost point is the mountainous country beyond Eibiswald, crowned by the distant heights of the Koralm Range. The Freiland forms part of the Province and above it the tiny church of Maria-Osterwitz, which grows up into the clouds. There is that little corner behind Modriach and Pack which seems lost to the world, where they adhere more closely to ancient custom and habits of work than elsewhere. There is the Gösnitz,

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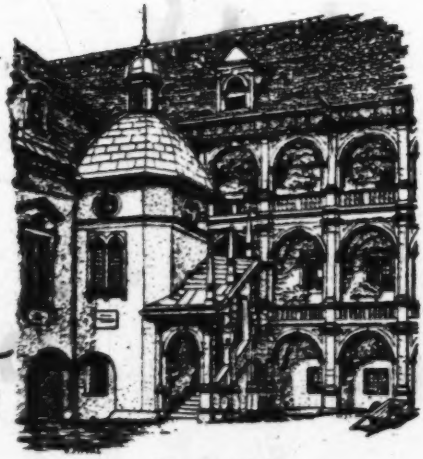

Graz, Diet Hall.

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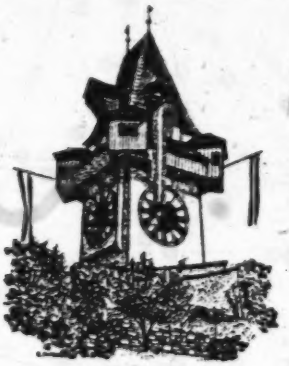
turned up in the fields by the ploughs of the peasants, now decorate the walls of many a building. On the towers and churches, especially of Mooskirchen, Stallhofen, Piber and Köflach they have been preserved as an indelible greeting from distant centuries when the world-wide power of the Roman Empire allowed our Homeland to share in its civilisation and culture.

Long after grass and the wilderness had erased the traces of Roman Noric civilisation, and a new way of life, Christianity and order had come to the Province of Salzburg, the castle of Deutschlandsberg became a centre of Salzburg planning and working. Later on, but of no less importance for development and trade, the nowadays so quiet town of Piber grew to be a far-reaching centre of culture when the house of Eppenstein gave their property to the Benedictines of St. Lamprecht. Their priory, in the parish of Piber, was a coveted living which once even boasted of a bishop. The Bailiff of Piber, however, taxed the lands of the Kainachtal down to the last peasant farm in the mountains. A circle of fortified castles guarded the roads and byways leading to Upper Styria—Haunstein, Klingenstein, the Primaresburg near Lankowitz, over the ruins of which the forest of Franziskanerkogel grows, Leonrod in the Gössnitz Valley, nowadays popularly known as Höllerrock Castle, Krems, where the keep still towers steeply above the Schlossberg, and the proudest of them all, Ober-Voitsberg, in whose shadow the inhabitants have enjoyed the privileges of citizens of a princely city ever since the time of Duke Friedrich the Handsome (1367). For many centuries life was mainly a peaceful exchange



Graz, Clock Tower.

of peasant labour and civic industry, the wine carriers from Hungary and the lowlands bringing greetings from far-off lands. Occasionally great nobles who broke their journeys had brought the exciting atmosphere of the big world. Like shafts of lightning historical moments lit up this forest-hidden land when the Turks came to trouble even the lonely vicarage on the Pack, or later, when the French marched in via Eibiswald and Preding. After the modest deposits of iron ore had been exhausted, the valuable timber caught the eye of the iron-masters. The streams drove the wheels of the hammers in the scythe workshops. The manor house to which one of the largest, the Tunner-hammer, belonged, still stands today amidst the smoke and noise of the colliery. Ever since Archduke Johann drew up with his own hands the plans for the construction of the railway line from Graz to Köflach in the fifties of the last century, and had them put into effect despite obstinate opposition, West Styria has become more aware of the vigorous life of modern times.

EAST STYRIA. Four main roads give access from the chief town to the rich fruit-bearing country of East Styria. Around this territory winds the River Mur, sweeping southwards from the sharp angle it makes at Bruck, and then eastwards to leave Austria at Radkersburg, forming a living barrier along the boundaries of East Styria.

The white ribbon of the first road runs past Maria Trost, climbing the hill within view of the massive Schöckel, descending to Weiz where it forks, one branch leading to the northern hill country, while the main road runs dead north, right into the heart of Peter Rosegger's "Waldheimat" ("Wooded Homeland"). The second highway is that famous

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one which from its earliest days has been known by its name of the Ries. Its asphalt surface climbs steeply to the high road, affording sweeping views from the inn-benches which date from the days of coach-travel. Bordered by forest and meadow, it descends gently into the Raab Valley. From Gleisdorf, where a branch leads off through Feldbach and Fehring to Hungary and another to the far-distant territory of Hartberg, its main branch continues as the Ungarnstrasse (road to Hungary) through Fürstenfeld to the Province of Burgenland.

The third road wanders towards the East Styrian hills, running past St. Marein-on-the-Pickelbach down into the Raab Valley. The fourth road over the Hühnerberg is the last in the network of roads which serves the quiet peasant life in the valleys between the Raab and the Mur.

These roads all vary, passing over hills and through valleys, past wooded mountains and vineyards linked together by fertile fields. The further east one travels along the valleys, the more they widen out as the space between the ranges of hills broadens until, in the distance, they remind one of the nearby Hungarian Plain. In the same measure that the countryside loses the shelter of the mountains do the human habitations grow together, isolated farms gradually giving place to hamlets, villages and market towns. The farms which in the middle districts consist of rambling house, cattle stalls and outbuildings, loosely grouped around one another as the terrain dictates, now move their components nearer and nearer together until on the other side of the bend in the Raab they become compact rectangles within which man, beast and the fruits of the soil are collected into one homestead.

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It is not hard to discover evidence of the changing fortunes of the Province. Tombstones have been found in remote parts of the forests with inscriptions in Roman letters erected to the memory of Celtic aborigines. By the roadside are overgrown tumuli which the peasants awefully refer to as "heathen graves". If one is to believe local legends, great princes are buried in some of them—perhaps even Attila himself, the King of the Huns. Later the Avars overran the country, destroying the deserted homesteads of the Romans and their culture, and driving

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Ersberg.

Then the walls of the Goller and the Gösser close in on the river at Raabklamm. Through this gorge a series of stone steps, foot-paths and bridges lead above the roaring, turbulent waters.

At the other end of this gorge rises Gutenberg, a fine castle which owes its impressive lines to the Stubenberg family to whom it has belonged since the 13th century.

361 St. Ruprecht-on-the-Raab owes its name to the Archbishopric of Salzburg which owned properties here since the year 860. Once a large parish and the judicial centre of an important district, it is today a notable market town which is sought out by holiday makers who appreciate its mild and health-giving summer climate.

Here the Weizbach joins the main stream; on its upper reaches lies the township of Weiz, a centre of industrial activity whose foundries even in far-off ages disturbed the placidity of the countryside, into which it is constantly spreading out its tentacles. Its landmark is the partly romanesque Taborkirche, records of which date from 1188. [346] The church on the Weizberg is built high above the town. Its exuberant-baroque twin towers afford a commanding view of the countryside in all directions. The cherished "Himmelsbergerin" as pilgrims call the shrine, is the work of Veit Königer, the Styrian baroque sculptor, and the painter Ritter von Mölk. The famous Renaissance Hall of the Joanneum at Graz was removed thence from Radmannsdorf Castle, today the seat of the Prefecture. Gleisdorf, once an old trading centre, was built on the ruins of Celtic civilisation. Many a well-preserved burgher's house bears witness to the prosperity of former times.

133 Just before Feldbach, the old market-town of the old Duchy which was raised
361 to the status of a municipality in 1884, the road turns off which leads past Castle
342 Kornberg with its many towers to the Riegersburg. The little town of the same name lies snugly ensconced on the lower slopes of the steep basalt rocks which are crowned by one of the most famous castles of the Province. Through seven gateways the approach winds into the inner courtyard, where a deep well is covered by a fine superstructure in wrought iron. Although Rutgerespurc Castle dates from the

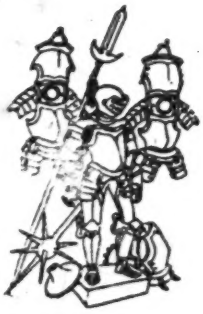
ON THE ERZBERG.

Styria is called "The Iron Province", and if one recalls the Armoury in Graz, that unique storehouse of the militant frontiersmen, one realizes how applicable is this name which chroniclers and poets are so fond of giving to the Province. It applies firstly to the mountain which forms the heart and centre of the countryside, the Erzberg. Since the times of the Romans the work of the miners on its slopes has been developed from early primitive methods to those of modern technique; the tall mountains around, and the old houses below the castle of the Oswaldkirche maintain the warmth and romance of Styria amid more mundane surroundings. The buried treasures of the mountains were welded into useful implements by the mills in Vordernberg and the iron works in the forest-glades until, in the middle of the 19th century, the works were able to make use of the newly-discovered brown coal mines. On this combination were founded the great iron works of Donawitz and Kapfenberg, which have made the name of Styria known throughout the world.

The Erzberg alone is enough to make Styria a rich Province. According to the legend it was in bygone times a mountain just like any other. One day a iherman was caught in the Leopoldsteinersee. In return for his freedom he offered mountain treasure as ransom—gold to last one year, silver for ten, or iron to last for ever. The natives chose the last named.

The rust-brown iron mountain rises to a height of 2,400 feet by a series of gigantic steps, at the foot of which lies the market-town of Eisenerz, crowned by the "Schichtturm" and an old fortified church. Here beats the heart of the "Iron Marches" in its metallic depths. Thousands of miners can be seen on the iron-ore terraces, many of them working on the mountain as

12th century, it owes its present form and the insolent splendour of the interior mostly to the "Gallerin", born a Baroness von Wechsler, whose adventurous career is even today the source of many much appreciated stories.



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The Raab, along the banks of whose quiet, swiftly-flowing waters stand the great mills of the district, passes on into Hungary. Its basin has been made prosperous by peasant industry and toil.

The Feistritz starts its romantic course through Styria on the western slopes of the Wechsel, born of springs which arise amidst the wild mountain scenery of the Stuhleck and the Pretul Alps. For a considerable distance it is confined in a narrow valley, past Rettenegg [316] and Ratten where the mining of brown coal has brought strange people and customs to the old forest peasant village, and is followed by the road and railway which serve the farms scattered on the mountain slopes or congregated into villages.

Birkfeld, the old market-town of the Duchy lies well above the river. Anger, on the other hand, lies in the depths of the valley, surrounded by fruit trees, its dreams of the peaceful comfort of older times nowadays disturbed by the asbestos mills and the trucks from the soapstone quarries at Rabenwald. Through the cleft between Rabenwald and the Kulm, which affords a widespread view of the countryside, the Feistritz changes its direction to flow

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[342]

Hartberg.

east, and later southwards. Before it comes out into the open valley it passes below the forest-clad ruins of the ancient fortress of Stubenberg, the family seat of an old Styrian ruling family. Once again the Feistritz is swallowed up by a dark forest gorge, the Herbersteinklamm, at the end of which arises an imposing castle of the same name. Many periods have made their contribution to it—romanesque, gothic, renaissance, baroque. Peasants' straw-thatched farmhouses join the villages on the outskirts of the broad valley. Orchards follow the line of the low forest hills and on either side of the wide river lie fertile fields. Through an avenue of poplars the road leads to the picturesque and harmonious Castle Feistritz, well-hidden by the surrounding forests.

361 Out of the broad plain which was once owned by the Dukes of Styria rises Fürstenfeld, built up by the industry of its inhabitants, which has yet suffered the hardships of a frontier town up to the present day. The knights of Malta, evidence of an unbroken tradition, retain today their claim to a share in the property of the parish church which dates from 1232. A tobacco factory which has been established with its many branch buildings near the old castle soon recalls to lead us to the present.

133 The strip of land between the Feistritz and the Province of Burgenland is cut by the parallel rivers, the Safen and the Lafnitz. The hills which divide the two valleys rise up from the vineyards and forests until at Rabenwald and Massenberg they tower far above the stately Waldberge. Northwards these hills are overshadowed by the forest-clad mountains of the Jogelland which shut in the earlier course of the River Lafnitz.

133 342 At the foot of the mountains, between the serried rows of village houses which have often had to be rebuilt in the course of their tragic history, stand the residences

Riegersburg.

did their grandfathers before them. On holidays they wear the sober Maximilian miner's formal dress as has been the custom for centuries. Work above ground has made the old shafts obsolete, a giant electric crane replaced the old trucks.

Three roads once led to Vordernberg, on the other side of the Erzberg. The brown one brought iron ore, the black one coal and the white, flour. Up to the time of Emperor Joseph II this once-wealthy mining and industrial town had the trading monopoly for all iron ore smelted there. Since Donawitz has been able to draw coal from Seegraben, the blast furnaces of Vordernberg have fallen on evil days.

Styria is also called "The Green March", because of the woods which cover the spurs of the alps, as vast forests in the heights and as cool coverts between the vineyards of the lowlands. They are peopled by mountain dwellers of ancient and hardy stock such as the Archduke Johann knew and loved. That princely friend of the people rescued the Province from economic and mental decay, making of it a pleasant garden where the concerns founded and encouraged by him exist today. Johann gave proof of his love for Styria by taking one of its daughters for his wife. The people and the forests have grown together to make up what is implied by the term "forest motherland."

IN THE CAPITAL

The pleasantest way to reach Graz is to cross the Ries. The road descends in ever-sharper curves until after one steep drop one finds oneself facing the five terraces of the town. At once the eye is caught by the Schlossberg with its corpulent Clock Tower.

A sky of southern blue sets off the grey stones of the main square. Outside the Rathaus the flower and vegetable market is a riot of colour. The character of provincial nobility, originally built for defence and as a refuge for the villagers, which today illustrate modern farming methods or have become seats of responsible national education. Castle Neudau, the old Wasserburg may be named as one example of many. 133 342

Close to the edge of the mountains, at the foot of the Ringkogel, over which the Romans built the Säumerstrasse, lies the town of Hartberg amidst country which has been cultivated since the earliest times. Today it is the seat of various administrative authorities, an outpost of northern East Styria. The fine lines of the baroque tower of the local parish church puts it ahead of many other pleasing pieces of architecture in Hartberg. 361

Pöllau, the market-town between Rabenwald and Massenberg has become famous on account of its old monastery church, a spacious building distinguished by its fine workmanship. The most important interior decoration is the painting by the Master who created the Pöllau frescoes, Matthias von Görz. 361 346 532

The ancient Monastery of the Prebendaries at Vorau stands in solitary grandeur. Founded in the 12th century, razed to the ground by fire and rebuilt, ravaged by wars and consequently fortified like a castle, showing signs of decay yet refurbished in the styles of successive periods with added beauties, it has always been a centre of monastic discipline and learning, and of the religious and educational work carried on by the priests in the mountains and valleys of the district. The church has two German towers. On the walls of its brightly-lit interior the Masters of the early 18th century have put all the joyful triumph of the baroque age into their paintings, colouring and stucco work. The sacristy is known for its "Judgement Day", and "Last Supper", 792 346

by J. C. Hackhofer, and the library for its treasures of old manuscript.

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by J. C. Hackhofer, and the library for its treasures of old manuscripts.

Space must be found for a word about the hill country between the Raab and the Mur, the Land of the Seven Valleys which, separated from one another by forested heights, all guide their dark streams past quiet rural villages and mills hidden behind alder groves, flowing in the same direction towards the Mur. The latter, sweeping eastwards, forms a natural boundary for Styria. In the forests the edible chestnut is common, here and there casting its shade over a tumulus, which bears witness to long-forgotten settlements. Summer warms the air with southern strength, autumn bringing clear skies and the finest views from the footpaths which wind through vineyards and woods to white chapels.

529 The Gleichenberge and the Stradner Kogel are of volcanic origin. The curative properties of their springs are widely known. Bad Gleichenberg enables numerous visitors to combine the healing qualities of forest solitude, with up-to-date medical equipment.

245 The vine, which is cultivated in East Styria with varying results north of Hartberg, steadily improves in quality towards the south, reaching its zenith in the Klöcher Gebirge and around Halbenrain where the fine vintages are stored in the wine-cellars.

361 Mureck is a town of ancient Styrian civic culture, but its crown, the castle of Obermureck, lies on the other side of the Mur in what is today foreign territory, [342] as does Oberradkersburg, the ducal castle which since 1918 has been separated from the most southern town in Austria, the ever-loyal Radkersburg. None of the sufferings of a frontier town has been spared it. The tombstones in the churchyard of the gothic parish church are witness to the origins of its inhabitants. The venerable relics of Styrian civic life of olden times which are preserved in the tower of the Rathaus below the solemn frescoes of Fritz Silberbauer will encourage future generations to emulate the loyalty and watchfulness of their ancestors.

[498] THE STYRIAN ENNSTAL. Where the train leaves the narrow valley of the Palten to enter the broader valley of the Enns, it is greeted by a noisy network of sidings, signals and rails in the big station of Selzthal. The time-table describes it as a junction where many passengers change trains at an important crossing of north-south and west-east routes. Its name is better known in and outside the Province than many another which formerly meant fame and surviving tradition in the Enns Valley. A hundred years ago Selzthal was not much more than the name of a district, of a forest valley in which the charcoal-burners worked for the

and appearance of the old town is determined by a mingling of Late Gothic, Lombardian Renaissance and Italian Early Baroque. The well-known double-spiral stairway is a specimen of the extravagances in form of the 15th century. Half a century later the Diet Hall was built, a renaissance building of mature beauty. Within the severe exterior, dominated by massive cornice mouldings, one is surprised by the southern spaciousness of the three-storied arcaded courtyard. A harmoniously blended stairway leads to the banqueting hall. The bronze well in the courtyard is the work of native bronze casting. The adjoining Provincial Armoury, established in 1640, contains the greatest collection of historical armour and weapons in Europe.

The best work of the early baroque period is the tomb of the Emperor Ferdinand II. It was designed as a reminder of the triumph of the Counter-Reformation. The 16th and 17th centuries are responsible for the many arcaded courtyards. It was in the 18th century that the palais and residences of prosperous citizens were built.

SOUTH STYRIA, LAND OF VINEYARDS.

On the mountain tops shine small, white churches and summer bungalows gleam palely among groves and thickets. The shaded side of the mountain slopes are covered with forests, the southern sides bear sunny vineyards. The vines are often trained up poles which are usually the tops of fir trees, planted in the soil so that each vine looks like a well-grown tree. In the leafy vineyards are dozens of rattles, operated by the wind, which chatter at every gust. They are like wooden stars, little ones and big ones, which reflect the sunbeams, lending an unusual charm to the countryside. They give tongue at the least breath of air, their varied and often

Pöllau.

iron hammers of Admont Monastery, the iron-bearing rocks affording a meagre existence. Its few houses were not enough to form a village, and it belonged to the parish of Versbühel in the district of Rottenmann. But where the railway lines came to meet and cross, there the noise and bustle of the new life brought new inhabitants, new houses. Workshops and homes grew up amid the ever increasing noise and drifting smoke. In itself no beauty-spot, it is the gateway to a world of high mountains and age-old valley culture, the Ennstal.

To the right following the course of the river runs the Pyhrn railway, which then crosses the valley and disappears into the Bosruck Tunnel behind Ardning, emerging into the open to carry traffic to Linz in Upper Austria.

The track of the other line which leads to Amstetten follows the course of the Enns. From it one sees one picture after another of the ever-changing beauties of nature. The moss which spreads over the valley has in places been torn

On the left bank of the Enns, running eastwards, the road leads past the Grabnerhof, a modern agricultural college, and through the little village of Weng, climbing steeply to Buchau. 874

Through meadows and woods the little road leads out of a realm of solitude past traces of the bygone days of the "Ironmasters" to come gradually into more populated and livelier surroundings. In 1150 this place was called St. Gallus-in-Silva, i. e. St. Gallen-in-the-Wood—and the descriptive name is still applicable. 361

The main road from Admont to the East runs towards the Hohen Buchstein, at the foot of which road, railway and river enter that unique natural phenomenon which the Enns through countless aeons has carved out of the chalk cliffs, the Gesäuse. A sunny, cheerful forest valley, the river tearing its way through the rocks below, and on both sides high forests filled with the rushing wind and the songs of birds in the tree-tops. Now and again a stone avalanche falls from distant heights with the re-echoing crash of falling debris. Where small lateral valleys join the Ennstal they afford above dark forests glimpses of the gorges and heights of the Gesäuseberge. It is an exciting excursion, no matter whether the traveller looks out from the window of a train or the back of a car, or, disregarding the fatigue of going on foot in the old way, enjoys the beauty of the Upper Styrian mountain world in a four-hour walk. 133

Into the Gesäuse runs the Johnsbach Valley, once filled with noisy life by blacksmiths and their apprentices, but now a popular point of entry for mountaineers who whish to climb the heights of the Reichenstein, Ödstein, Planspitze and Hochtor. In Gstatterboden, on the calmer reaches of the river, the mountain giants are again visible in all their majesty.

Where the Erzbach joins the Enns lies Hieflau, long famous for its output of Styrian iron. The nearby Erzberg and the waterway of the Enns enabled Hieflau to establish and develop its furnaces, to turn out iron ingots and to build workers' houses. There are still some remains of the great Enns Dam, a picturesque construction of the hydraulic engineer Hans Gasteiger, who was buried in Kirchlandl in 1577. 361 327

The Enns, now flowing northwards, buries itself deeply between high plateaus on which farmers have long been settled amidst meadows and woods. Hastening past Gross-Reifling with its castle-like houses dating from the times of the iron carriers

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133 and raftsmen, leaving Altenmarkt behind it, the Enns, today the favourite torrent for adventurous souls in collapsible boats, flows across the frontier into Upper Austria.

[496] From Selzthal the railway runs upstream along the left bank of the Enns to Radstadt and Bischofshofen in the province of Salzburg. All along its course northwards stands a chain of the characteristic peaks of the Kalkalpen in exciting divergency—Hochmölbing, Totes Gebirge, Hochtausing, Grimming, Stoderzinken and the lower flanks of the massive Dachstein. Different again, less wild, but as unique in their own way, are the forested subalpine hills which run off here to the left. Behind them lies the wilderness of the Niedere Tauern with their many lakes.

361 Liezen at the northern edge of the valley, mention of which occurs in documents [438] of 900 years ago, was the most important transport junction before the railway came into being. Trade and barter brought prosperity from the salt carriers and the traders who arrived by way of the Pyhrnstrasse. The growth of the neighbouring town of Selzthal has brought losses to the former roadside settlement, but the persevering inhabitants have found other means of livelihood and today its flourishing industries have raised Liezen to the status of a town.

[529] Wörschach, a pleasant and peaceful spot at the entrance to a gorge, attracts from afar holiday visitors and health seekers year after year to the healing springs of its radio-active sulphur baths. Mountaineers and ski-ers climb from here into the mountain world of Hochmölbing, Warschenegg and Hochtausing, the climber often finding summer conditions on the verdant heights of the Schneehitzalm and the Bärenfeuchten between the numerous herdsmen's huts. The mere pedestrian crosses the Taschnermoos within view of the towering Grimming and goes on to the Putterersee by way of Aigen.

[346] From Wörschach the road leads westwards to Niederhofen, whose little gothic church deserves the attention of all lovers of art—and of Styria. This building contains curious tempera paintings from about the year 1500 and three carved altars from the 17th century. According to Ferdinand Tremel, the Styrian historian, we have in it one of the oldest churches of the Enns Valley. In Stainach, to which the junction of the Salzkammergut electric railway and the Bischofshofen—Selzthal line have brought new life and trade, we catch sight of the rocky nest of "in der Pürgg" above. The great gothic church there, noteworthy for its antiquity as well as for its unusually artistic architecture, well earns its local name of "Steyrisches Kripperl" (Styrian Crib). Inns and farmhouses surround it, completely filling the gap in the rocky cliffs.

On the other side of the valley lies Irdning, an impressive market-town whose busy life confers many advantages on the wide mountainous hinterland.

From Liezen onwards one is impressed again and again by a mountain which rises above lower wooded heights like a vast, glittering castle of rock—the Grimming.

133 It is not surprising that in the Middle Ages it was described as the highest mountain in Styria and that the people paid tribute to its majesty in awe-inspired legends.

361 The market-town of Gröbming is worth a visit. Holidaymakers are attracted to it because of its fine situation and wonderful scenery. People from a wide area come to deal with officials who long ago established themselves here because of [346] the central position. Art lovers come again and again on pilgrimages to the beautiful gothic church whose great carved triptych altar of the year 1510 stands out among other art treasures.

Going upstream, we find the Enns flowing through increasingly cultivated and civilised country the nearer it gets to the old mountain town of Schladming. This place has been well planned and beautifully proportioned about a great square. Overshadowed by the towers of the Catholic parish church of the 16th century and the Evangelical church (1862), it presents a picture of dignified calm. In the past it has seen much want, warfare and tumult. It was the scene of peasant and religious wars. Fires and economic collapse ruined many an old family. The civic rights which were lost by Schladming in the year 1525 were restored to it again in 1925 in recognition of the courageous temperament and vigour of its 133 population. The Schladming countryside gets its individual note from two plateaus, the Rohrmoos and the Ramsau. The latter, lying at a height of over 3000 feet at the foot of the Dachstein, has been populated and cultivated for ages. The picturesquely-scattered farm-houses bear many evidences of their occupants' unquenchable love of the homeland. Thanks to its healthy situation in the heights and the approach it offers to the Dachstein via the Austriahütte, Ramsau is one of the most popular holiday centres of the Alps.

342 From Rohrmoos, a little further off, the view of the Dachstein range is if anything grander and more impressive. Here, as on the Ramsau, the farmhouses have in many cases retained the local peculiarity of the flatly inclined purlin roofs (as they are to be found westwards in the adjoining province of Salzburg). Together with the wooden shingle roofs weighted down by stones, they give the countryside its distinguishing note. These comfortable and homely dwellings are fast disappearing. Modern ideas and times call for economy with wooden shingles, pointing to the greater space and other advantages afforded by the steep roof.

133 HOCHSCHWAB AND MARIAZELL. On the borders of Lower Austria rises the broad and mighty complex of the Hochschwab. The range covers a surface of 400 square kilometres and includes over a hundred separate peaks. When the townsman sees these mountains, he has the feeling that Faust's magic

cloak has transported him into another world. The magnificent though distant views across the Danube to the high-lying plateau of the Waldviertel, to the West towards the Dachstein and beyond it to the Glockner, to the South as far as the barrier of the Karawanken are not easily forgotten.

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Dachstein, Southern Slopes.

No less impressive is the wilderness of surrounding peaks and snowfields. The Hochschwab, that mighty giant, is approached through defiles and valleys where stand old foundries and deserted smithies. One's eyes are continually drawn to the towering walls of this gigantic range.

That is how the monk had seen it who is mentioned in the legend of the founding of Mariazell. In the middle of the 12th century, Otto VII, Abbot of Lambach, sent one of his monks eastwards to spread the teachings of Christ in the wilds of the mountains. He carried with him on his arduous journey an ikon of the Virgin, carved out of the wood of the lime-tree. But before long he found that he could no longer find his way out of the mountains, range upon range rising before him to bar his path. At last he sank down exhausted before a wall of rock, calling on the Virgin for help and rescue. In answer to his prayers the unscaleable barrier of rock parted asunder, granting him a miraculous passage to the valley behind it. There the holy man stayed and decided to build himself a cell in honour of the Virgin. 773

Now a town, Mariazell is delightful in summer as in winter because of its position and the surrounding scenery. Its central point is the great pilgrimage church, the largest in Styria. Gothic forms and baroque roof are impressively united. To the rear of the middle part of the nave is the chapel of Our Lady and the revered picture of the Virgin Mary and Child which is the object of worship. 361 346

The simple "Marien-Zelle" has developed into a place of pilgrimage, its religious influence reaching far beyond Austria into other lands. Processions of pilgrims seek comfort and strength here. Women and girls who wear a picture of the Virgin Mary of Mariazell on a slender chain about their necks, are supposed to be protected by it from sin and distress, and to retain for life a share in that charm and gaiety which enshrines this little jewel of a town in the mountains and spreads over the whole Styrian countryside. 788

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Schwertberg.

Downstream the raftsmen see from afar the massive blocks of the city tower of Enns. Known already to the Romans, Enns has been since olden times an important depot for salt, wood and iron. Goods not discharged there for road transport, stayed on the barges until the Danube Maut (customs house) was reached. The market-town there is still known as Mauthausen, and commands the waterway to Vienna and Hungary.

IN THE MÜHLVIERTEL. In the great quarries carved out of the steep Danube cliffs one glimpses the primitive Mühlviertel scenery, based literally on granite. How many blocks of it have been cut and shipped upstream and downstream from Mauthausen, and used to build railways, roads and bridges, making the name of this picturesque market-town known throughout Europe! On the same bank further downstream before the Danube enters the narrows of the Strudengau is a fertile stretch of land known as the Machland. The chief town is Perg, once famous for its sandstone quarries from which millstones were cut. Close by is Baumgartenberg, which rises abruptly with the massive tower of its entrance gates and its high-roofed church out of the spreading orchards.

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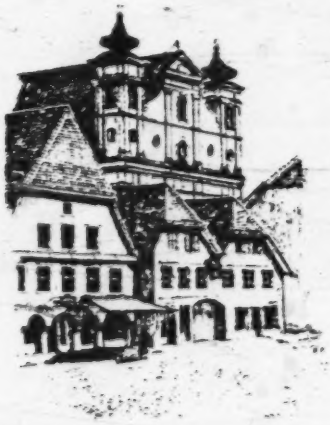

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Steyr; the old Dominican Church.

A secular building of equal interest is the massive Greinburg with its granite arcades built on a cliff jutting out towards the Danube, dominating the town of Grein, framed by the forests and reflected in the waters of the Danube. Ships navigating this part of the Danube have to be on the lookout for rapids and whirlpools. Warnings are exhibited on the banks near danger spots and where necessary, hoisted on flag poles. The tugs toil upstream laboriously hauling heavily-laden barges past the picturesque riverside villages of Sarmingstein and St. Nikola.

Northwards from Perg and Mauthausen the Mühlviertel countryside broadens

SALT FROM HALLSTATT.

Thousands of years before the birth of Christ, the salt deposits in Hallstatt brought settlers to this remote spot and soon gave them comparative prosperity. Mining was also carried on, bronze cast, coarse wool woven and many a beautiful vessel of clay skilfully formed, although without the help of a potter's wheel. In baskets and sacks the salt was brought along byways to the trading roads and there exchanged against Roman goods. When the overlordship of Rome came to an end, Hallstatt fell into oblivion, the barbarian invasions temporarily obliterating its very name.

In 1292 Duke Albrecht I of Austria ordered the salt works of Gosau to be opened. This led to friction with Archbishop Conrad of Salzburg, as salt was also produced in his territories at Hallein. Possibly this prince saw danger to his revenues in the competition. Possibly the new works at Gosau really lay on Salzburg soil. In any case when the news of Albrecht's death became known in 1295, the soldiers of Conrad of Salzburg, accompanied by a mob from Hallein, overran the Kuchelthal, destroying the salt-pans and the new trading-centre.

Salt mines in Hallstatt were first mentioned in 1311, as a concern run by the State. A new method of producing the salt had been developed; instead of it being simply hacked off in blocks, it was dissolved in water, and the solution pumped above ground into pans. For a time the salt thus recovered was transported just as it had been 1500 years previously; that is, it was brought in sacks to Lambach and there shipped down the Traun.

Hallstatt's production in 1311 was considerable, amounting to about 4800 tons a year. By 1534 it was already 10,000 tons, rising to 25,000 tons in 1571.

The discovery of the Ischl salt mountain in 1562 caused Hallstatt's

out. Circumventing the deep cut valleys, the high roads lead to the hilly uplands. Before long one glimpses the wooded rolling summits with the Alps on their southern horizon. The surrounding hills are covered with dark green forests, against which ploughland, pastures and farms stand out beneath the sunlit clouds. The slender-spired, white-walled churches on the heights might be pilgrims' ships about to set sail towards shores in the heavens. From the depths rises the sound of the rushing waters of the Feldaist, which after flowing placidly through meadow land at Wartberg, has been trapped in a wide and narrow rocky gorge through which it has to storm its way into the open. There its dark sister, the Waldaist, which has its source among deep forests where in remote villages the inhabitants paint religious pictures on glass, flows placidly to join it.

Amid such surroundings lies Kefermarkt, whose gothic church contains a well-known carved altar, a fine example of late mediaeval art. It breathes the spirit of an artist who was at one with the people. St. Wolfgang occupies the central shrine, with St. Peter and St. Christopher on either side. The delicate tracery of the lime-wood carving branches upwards like the tops of trees. Something of the old-world peace that permeates the hill region which the traveller has just left seems to be embodied in the gentle inspired features of the central figure. In the face of the "Holy Ferryman" St. Christopher, one finds traces of the severity of the northern landscape. Any day you can run across people with such impassive faces, with such dour expressions on those inclement uplands of the Upper Mühlviertel, where spring arrives a month later than elsewhere in Austria, and where even in summer the solitary farmhouses are endangered

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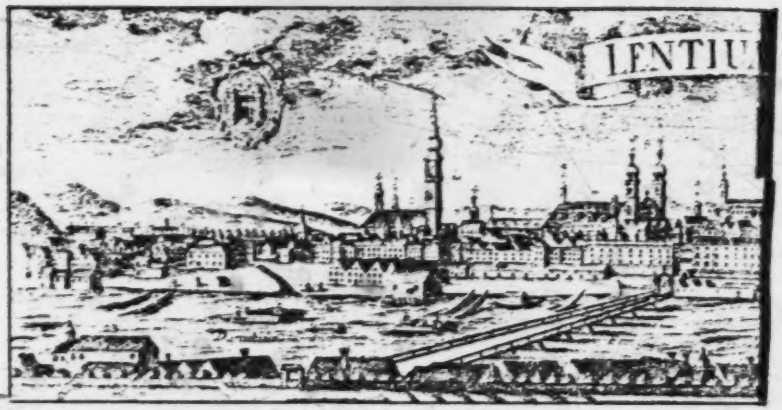

132 by raging storms. Here an early winter may often come to destroy the harvest, the fruit of bitter toil, and sweep away bridges and footpaths so that neighbour is isolated from neighbour.

361 At such times life is easier in the Upper Austrian towns—for instance, in Freistadt, the former frontier fortification north of Kefermarkt. Round the mediaeval town with its wide, turreted square lies a broad moat. On the wall which once defended the citadel whisper ancient lime-trees, casting their shadows over the children who play beneath them.

496 Not far from here runs the line between Linz and Budweis, the first "railway" line constructed on the continent of Europe, which unites the former Crown Lands of Bohemia to Upper Austria. In biedermeier times the citizens of Linz used to make excursions on this railway, travelling far into the country in horse-drawn railway carriages resembling post-coaches. These were in use for 40 years before the horse-drawn was replaced by the steam railway.

133 Up hill, down dale, sometimes in deep valleys, sometimes climbing up to the heights, the Mühlviertel, which has been called, not without reason, the "hunchback"-land, stretches further and further out towards the dim vastness of the Böhmerwald. At the foot of the Dreisesselberg, where Bavaria, Bohemia and Upper Austria meet, rises the broad Mühl from which the district takes its name, its golden-brown waters flowing on to the Prämenstratensian monastery of Schlögl. For many hours one can trace its meanderings through solitary mountain forests, following the sound of the woodsman's axe or the smoke of the charcoal-burners, where the grey wisps 288 float above the lofty crests of the pines. From courtyards and houses come the 248 muffled rhythm of hand-operated spinning wheels. Here flax is grown, spun and

bleached.

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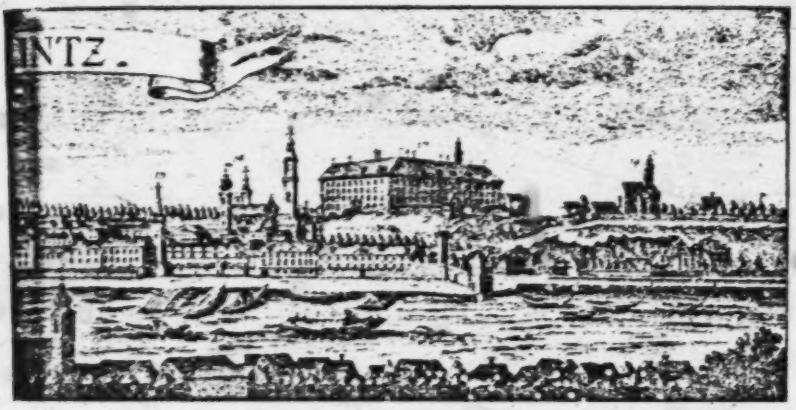

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importance to decline, but on the other hand production on a large scale was planned for the whole district. A conduit for dissolved salt in solution was constructed from Hallstatt to Ischl and later extended to Ebensee, thus laying the foundations for an industrial development, the principles of which are still valid today.

A difficulty inseparable from the recovering of salt was the considerable amount of wood required. The two salt-pans at Hallstatt in which the solution was evaporated needed 380 cubic metres of wood per week. Gradually but surely the forests disappeared, for apart from the need of fuel for the pans, building and mining timber was also necessary. In the middle of the 18th century Hallstatt had a consumption of 88,000 tons of wood per year. These proved the maximum figures for salt production. The discovery of the salt mountain at Ischl and the subsequent laying of the salt-solution conduit saved the forests of the Hallstättersee.

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In 1750 the transport of salt underwent a great change through the regulating of the Traun. From now on the

bleached. At Rohrbach and Neufelden the country opens out. Hops flourish on long poles and the Mühl is dammed to form a lake, the falls of which produce much needed water-power.

The wide ribbon of the Danube borders the Mühlviertel on the southern side, but the wild Urgebirge impedes the river's course, forcing it into creeks and side-arms. So were created the confined, deeply forested Danube narrows from Bavaria to beyond Lower Austria. A journey through those romantic reaches of the great river is not easily forgotten.

THE CAPITAL. Linz is a retiring town, a coy beauty. Anyone arriving from the railway station will not appreciate it. Nor will the motorist, if he follows the main road passing the iron foundry. The proper way to arrive at Linz is to land from the Danube. Then you will take it to your heart, for Linz is born of the Danube. St. Martin-über-dem-Felsen is its most ancient church.

The castle is an outpost. It has seen many changes, from monastery to castle, later to a

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princely residence and then to barracks. Since the time of Rudolf II it has stood, a massive block-house, above the town. The old town lies at the foot of the mountain, where the little houses start to rise towards larger ones. The growth of Linz dates from the establishment of its market; originally it was just a broad street adorned with lime-trees and wells, an example of the interpenetration of town and country. The middle-class houses of the square speak of old-fashioned comfort. Narrow house fronts conceal long courtyards with ornately arched entrances. The Rathaus with its baroque façade and octagonal tower is hardly more noticeable than other buildings.

Linz has always been a bourgeois town. Each stone proclaims that this is no creation of monarchs, that this is a town of self-satisfied middle-class folk. Its history is a record of industrious citizens.

The northern porch of the fine Diet Hall reminds one of the great days of the 16th century. During the Reformation Johannes Kepler taught here and wrote his first work, the "Harmony of the World". The severely monastic renaissance buildings contrast with the elaborate baroque outlines of the Jesuit Church. Ignoring the busy bustle of nearby factories, the charm of this town of free burghers lies in its quiet and dreamy atmosphere, the baroque note of the buildings on the main road and the hour when the far-famed women and girls of Linz stroll of an evening on the main square and along the Danube banks.

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UP THE DANUBE. Linz and (on the opposite bank) Urfahr are suitable points of embarkation for Danube steamer trips. The adjacent slopes of Frein- and Pöstlingberg, to which the little suburban houses on the river banks cling like birds'-nests, confine the bed of the stream at the start. The steamer passes between the impressive Kalvarienbergkirche and the slender tower of Puchenau, following the curve of the legend-haunted Kürnberg, in the forests of which are the walls of an ancient, weather-beaten refuge from invaders. Above the far-flung wall of mountains lies the Cistercian monastery of Wilhering. Built during the Crusades on an isolated strip of river bank, it was rebuilt after a disastrous fire with all the splendour of Austrian rococo.

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salt from Hallstatt—still 10,000 to 15,000 tons a year—was rowed over the lake and taken down the Traun in small boats. From this time on a separate industry developed—that of ship-building, for there was a considerable fleet to keep in order. There were six-oared and nine-oared boats; upstream they were drawn by horses. The knowledge of ship-building acquired by the inhabitants of the Salzkammergut proved of good service during the wars against the Turks, for many hundreds of war vessels were built by them, to be used on the lower reaches of the Danube.

At the beginning of the 17th century, as a result of the Plague and the Turkish Wars, the Salzkammergut was involved in grave economic difficulties. In 1714 the Salt Office in Gmunden refused all responsibility for steady salt production "while the salt workers are literally dying of starvation". In 1715, people in Hallstatt were reduced to eating soup made of salt water and bran bread.

In 1717, scurvy broke out in Aussee. In 1770, the want was so great that the miners saved the tallow issued to them for lighting purposes in the mines in order to be able to take it home on Fridays as extra fat.

The time was ripe for social upheavals, and in France the flag of revolution was unfurled. In Austria radical reforms were proclaimed by a progressive monarch, the Emperor Joseph II.

ANCIENT CUSTOMS.

The traditional customs of the Province follow the seasons of the year. Just before Christmas families work with devotion and skill to build up a Manger scene, often several yards long. From moss and roots a Salzkammergut scene is built up in which the Crib is placed with its carved wooden figures, which generally date from the 18th century. Midnight mass is solemnly

Wilhering Monastery.

As one passes through a romantic countryside, villages crop up here and there, crowding their red roofs around lofty church spires. Elsewhere the mighty keep of a mountain castle challenges the skies. The steamer threads its way among sandbanks where herons stand motionless as dream figures until suddenly one of them flaps his wings and writes the cryptic signs of his flight in the morning sky. In the far distance one can see where, to the south, the wall of the Alps blocks out the horizon; at times it seems to draw nearer and at times it seems to be swallowed up in the misty distance.

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The boat steams cautiously past the rocks of the Aschacher Kachlet, giving the passenger time to look at the tower of Eferding Parish Church, in which a certain Johannes Kepler once married the daughter of a simple citizen, Reutlinger. Beyond the ruins of Schaumburg we approach the hills of Aschach. The grapes embodied in the coat-of-arms of this market-town are a reminder of bygone days of Upper

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Aschach-on-the-Danube.

Austrian wine-growing. The green grapes on the sunny walls of many a farmhouse seem to be dreaming of these bygone glories. Today, the mugs in the "Bauernstuben" ("Peasant Parlours") and the glasses on the inn tables are no longer filled with wine, but with the cider and perry from apples and pears which in late summer lie in great heaps before the old home presses, richly carved and decorated with mottos. The Upper Austrian is a great drinker of cider in pauses between his warm work in the fields, and at "Jause" (tea time), in cool, paved rooms or in the shade of an inn lime-tree in summer.

The wooded charm of the mountains lining the Danube Valley strikes an ever more solitary note. The hills and cliffs twist the ribbon of the river into loops until at Schlögen it makes a great bend around the foot of the mountain on which stand the ruins of Haichenbach. Next come the villages of boat-builders; further upstream we see on high ground the market church of Engelhartszell on the right bank, near the Bavarian frontier.

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IN THE INNVIERTEL.

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Rich harvests are usual in this part of the country. The four-square farms nestle comfortably and with an air of independence in the rich fields. In the stables, side by side with the long row of sturdy cart-horses are fast trotters, which draw the farmer and his wife on cross-country trips, or when they enjoy the hospitality of a wedding feast in some neighbouring village. Baroque church

announced by trumpets from the tower, and hundreds of candles burn in the cemetery.

In the "Rauhnacht", before the Feast of Epiphany, you can watch the "Glöcklerlaufen" in many parts of the country around Ischl. Young men in groups of up to 30 and more carry transparent head-dresses on their heads in the form of chapels, fish, crosses, ships, etc., which are lighted up from within by candles. They are dressed in white, with dangling bells and run from house to house at a definite steady pace.

In the spring, at Candlemas, the time for changing servants, there is "Aperschnalzen". This is a rhythmic cracking of whips which welcomes the first patch to be clear of snow. Later comes the "Almauftrieb" (the driving of cattle up to the mountain pastures) to be followed in autumn by their being driven back to the valleys. The procession up to the green pastures is a great event. The cattle are decorated with coloured ribbons and garlands of flowers, the leading bull carrying a bell. The calves often bear crowns of real flowers between their tiny horns.

On Palm Sunday the palm bush is constructed. Branches of pine, willow and spring flowers are twined together in bunches to which ribbons and apples are attached, and are then fastened to long poles and carried to the church. Afterwards they are placed in the middle of the fields to make them fruitful, and left until the new grain or high grass has grown up all around.

Corpus Christi Day is a religious holiday throughout the Catholic countryside. Everywhere there are processions. At Hallstatt and in Traunkirchen, where there is too little space between lake and mountains, the Corpus Christi "Procession" is held upon the lake. On the water, verses are read from the four gospels, while guns thunder from the shores or in the mountains.

towers and the steep span-roofs of the houses look out over golden fields of wheat and barley, over level plains and gently sloping hills of arable land, over orchards heavy with fruit and extensive forests. Like a constantly recurring *leit-motif*, the chain of the Alps thrusts the many-shaped zigzag of its peaks into the sky wherever one glances southwards. Whether it be in the prosperous market-towns on the Inn, in Schärding or Braunau or the land up-country, in Ried or Haag, in old riverside-shipping towns like Obernberg or in the distant villages, everywhere you sense the Innviertler's *joie de vivre*, his passion for dancing and song, his simple enjoyment of marriage and church festivals. Trace this to its source and you will find that it is love of the soil, of the Province, of home—as you will find it interpreted in the dialect verses of Stelzhamer.

Braunau-on-the-Inn.

If you are looking at altars and similar church decorations in this area, you will surely come across the name of Schwanthaler. An artist whose imaginative sketches have been exhibited all over Europe lives here in a romantic castle at Wernstein-on-the-Inn—Alfred Kubin.

IN THE HAUSRUCK. Across the Province of Upper Austria runs a forest-covered range of alps, the Hausruck. Its massive height may well have seemed to popular imagination like the body of a giant resting embedded in the surrounding hills, lost in mysterious dreams.

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Schärding-on-the-Inn.

133 When this sleeping giant stirs—landslides of the underlying gravel beds, say the geologists—the giant Hausruck often shifts houses from their anchorage. Yet the people love him as a well-meaning giant, especially since he presented them with a treasure which adds to their prosperity. In the time of Emperor Joseph II, 316 fields of brown coal were uncovered here. Since then a mining population has ● 361 grown up. Wolfsegg, a market-town over which stern battles raged during the Peasant Wars, has given its name to the second greatest coal area in Austria. The fertile slopes of the Hausruck stretch out to the Danube Valley. At its lowest point lies Lambach, the old Benedictine settlement on the Traun. Its splendid baroque porch is worth attention. On leaving the neighbourhood of this monastery, one enters an area of almost irresistible beauty.

133 THE SALZKAMMERGUT. It is impossible to paint in words a convincing picture of the glories of the Salzkammergut. One can mention its name, together with those of various favorite spots there, to stir up feeling or memories. There is that feeling of elation which is inseparable from this area; everyone is susceptible to it, whether he comes from Upper Austria, Salzburg or Styria. A sense of expectancy masters eye and mind. Impatiently one's gaze wanders from the lovely immediate surroundings to the exciting view ahead, both impossibly lovely. An involuntary cry, a sudden embrace, may afford vent to the emotions—the Austrian will suddenly cry out: "God must have made this world in seven holidays!"

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Corpus Christi Procession on the Traunsee.

133 Further up the Traun lies the Hallstättersee, a tight-lipped storehouse of
361 ancient secrets. The houses of the little market-town are piled one above the other on the narrow rocky terraces leading from the shores of the lake to the slopes of the Salzberg, on whose heights lies a famous ancient burial ground.
765 Lines of Hamlet come back involuntarily as one inspects the charnel-house with its many rows of skulls with religious inscriptions painted across the bony foreheads.

133 Indifferent to man's changing fortunes, the Dachstein, its royal peak towering above the mountain forests, watches eternally in its glacier armour. Below, the Gosau Lakes look up at it with unrevealing eyes of green in whose depths one can read only the reflection of primitive natural forces.

946 In the Salzkammergut, beauties of nature and of handicraft are never far apart, and on turning from the one you meet the other. There are carved statues and

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pulpits, sacred images and churches with famous altars—Hallstatt, Mondsee and, at St. Wolfgang, Michael Pacher's wonderful altar triptych. 346

There is the old monastery settlement of Traunkirchen; on a steep hill jutting out into a creek of the lake which the Romans called "The Happy", the monastery lies adjacent to the church and the dreamy courtyard of the now solitary garden, cut off by an arched gateway from the outside world. Next again comes the cemetery, protected by a low wall of rock which runs down to the lake. The graves are huddled together, the mounds and crosses covered by rambler and ivy. Those whose minds incline that way may reflect in this lovely spot on life's reconciliation with death. 361 ●

Turning back to pulsating, exuberant life, the picturesque streets tempt one to travel further, mountain railways wait to carry one up to the summits which afford such unique views of the lake district of the Salzkammergut.

Just as in Rome one drops a coin into the Fontana di Trevi if one wishes one day to return there, so one should linger for a parting glance at the promenade in Gmunden. Built in a series of rising curves, the epithet it seems to call for is "graceful". Country mansions, castles and middle-class homes rub shoulders with one another. Boats rock softly on the water, swans glide elegantly towards the shore and the silver-grey outlines of the lakeside castle are reflected in the waves.

FROM KREMSMÜNSTER TO ST. FLORIAN. Swiftly and smoothly the pastel-green waters of the Traun run through forest and field out into the fertile moorland near Wels, a town which has a colourful and distinguished past. The course of the Traun is followed closely by the smaller Krems. This river has given its name to a splendid abbey. Anyone seeing Kremsmünster for the

Hallstatt

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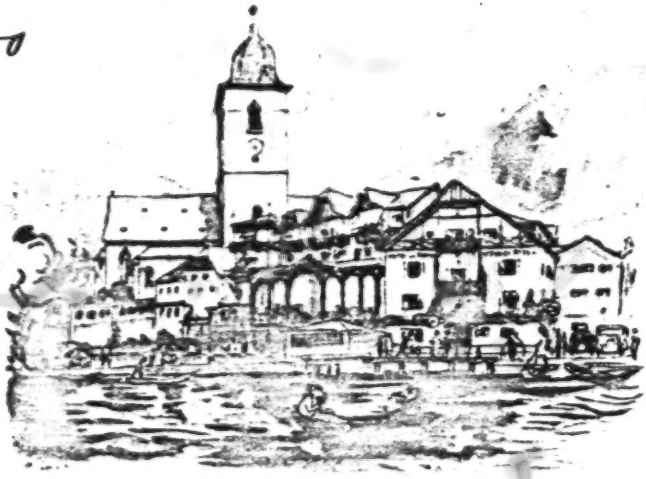

St. Wolfgang.

361 first time is immediately struck by its mighty, castellated walls with their great cupola-
133 crowned roof. From the high belfry of the monastery towers with their helmet-like domes come notes of praise to the Creator. Standing before the interesting arcades of the fish-tanks, one is filled with admiration for the architect of the abbey. When (for the arcades of this unique building go far beyond the utilitarian purpose for which it was intended) one looks at the skies reflected in the crystal-clear surface of the fish-pond, listening to the fall of the water pouring from the moss-covered carved figures round the spring above it, one has a feeling of having caught a glimpse of a forgotten and enchanted world in which the strange story that the fish here were once called to feed by the notes of a bell sounds quite reasonable. Looking out from the top of the "Mathematical Tower", from the Observatory, one can see far into the valley of the Krems which spreads before one like a beautiful garden following the slopes of the foothills. To the south one sees the multitudinous peaks of the Tote Gebirge. With its rugged ridges and snowy, glittering peaks, it is majestically overshadowed by the wall of the Hohe Priel. There are many all-day excursions to be made in this area across rising plateaus and a landscape of primitive beauty. As one approaches it through the Almtal or by way of Hinterstoder one enters the realms of great heights and brooding silence.

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Gottweig Monastery; view from Stein-on-the-Danube.

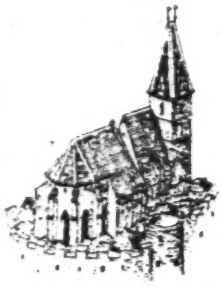
red top-boots and white leather accoutrements, you would not have been surprised.

When the happy crowd went on to Dürnstein, was it still an excursion? Was not it rather a dipping into the romance of the past? "At the Sign of the Singer Blondel" or "At the Sign of King Richard the Lion Hearted" are names of inns there. And when you lay up above on the remains of a castle wall, the dark water streaming past below and the dark forests gleaming on the slopes of the mountains, you had for the first time the feeling of getting to know the spirit of a countryside and of being close to all the fateful events it had seen.

361 792 Melk is throned in majesty. From a massive parapet of stone rise Prandtauer's glorious towers. The Monastery is vast and overpowering. It was the birthplace of law and order in the Danube district, as of Austrian culture and literature. The treasures which the magnificent library offers to the mind can hardly be grasped by the eye.

292 Everyone should at least once have seen the colourful silk dresses and shimmering gold bonnets of the women from the Wachau district. How lovely when the evening light falls on them as it did that time in Göttweig, and you hear the moving rhythm of the song: "So home we go in the full moon's light."

133 241 THE WALDVIERTEL. Eggenburg lies almost on the dividing-line between vineyards and forests, gently warmed by virtue of the declining and widening slopes. But high above, around the Nebelstein, the wind blows chill and raw. There the oats have to be mown by mitten-covered hands. As the Ottenschlag saying has it:—"Three-quarters of the year winter, one quarter cold." In places there are enormous blocks of stone which have carefully to be avoided by the plough. Vast forests of pine give the countryside a dark and rugged hue relieved only by



Weissenkirchen.

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Raab-on-the-Thaya.

of the Pulkau, in the Danube area—and in China.

BEAUTIFUL IS OUR SUMMER! Millions of vines reaching out towards the setting sun, a low, thick-set endless forest of pale green. Before you the fertile valley in its lovely frame. Ahead, hundreds and thousands of fields, ribands of flame through which one can walk for two hours, golden seas of shimmering grain. And in between, green clover and vegetables, caught in the rays of the setting sun.

In the middle of the valley, along the Pulkau, lie the villages. Large and solid roofs, a strong, bulky tower, and round about a circle of trees characterise the isolated vineyard market-towns and villages. They are large and straggling settlements, virile in character. You should pay them a visit and enter one of the houses. A strong and penetrant smell of home-made bread, bubbling pots, flour-bins, eiderdowns bursting with feathers, the breath of man and beast, warmth of straw and stables will greet you with familiar welcome.

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Where the valley sweeps broadly round are again pale green hills, vineyard upon vineyard. Next comes a wooded mountain, its crest gracefully sloping down and leading the eye on to the great beech and oak forests of Ernstbrunn. Hard is the life of the peasants here—never-ending round of toil. On winter nights when the vines are endangered, they tend the fires whose smoke fights the frosts. When at last they have completed the protection of the vineyards against damp, against drought, against insect pests, they turn, weary and worn, to the fields awaiting the reaper. As black clouds gather they fear for both. Through sleepless nights they aid the beasts in the struggle to bear their young. When they go to haul the trunks of great oaks from the forests, it is midnight before the horses are fed. The population has preserved its ancient manner of speech, as lively and as deeply rich as the ocean. The forces of long past centuries and an ancient home-

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land linger on in word and custom. Marriage splendours, the dance of the vintage, "Weizauslösen" (de-husking the grain) and "Federnschleissen" (stripping the feathers of their down) lend colour to days and nights.

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In summer everyone should see a "Kirtag" (church festival). This is more than an annual fair, it is the great festival of the year, two days and two nights of feasting

273 Along the roadside, steep steps below protecting arches amidst trees and overgrown with brambles and bushes lead down into the wine cellars. On a holiday, many old hands return gladly to the place they were once so eager to leave. One hears familiar salutations—"Grüss Gott, Herr Professor"—"Servus, Franz"—"Servus, Schani".

Such greetings empress the brotherhood of those who work amidst the vines, a comradship which seldom dies. However distinguished the position some of them may have attained in the great world beyond, they are glad to return to the comfortable corner seat which was theirs of old—perhaps the more so because it is now unfamiliar. You could do worse than find such a corner yourself one day.

The white candle sputters and drips, held in a black iron spiral, as its gold-tipped flame lightens the surrounding shadows. Glasses hanging from the rough hooks of the black-wood glass-rack, reflect delicate or brilliant hues. The landlord, coming from the barrel with a brimming wine-siphon, takes them down one after the other and lets the thin stream of wine run into them, fragrant with summer, foaming and bubbling. As the traditional toast—"Gesundheit!"—"Good Health!"—goes around, one might think it the password of some secret society.

Day fades unnoticed into night as tongues are loosened and secrets shared. The wine and the earth which nourished it establish their rule over the hearts of men. *In vino veritas*—the inner soul of men, be it good or bad, reveals itself in words while the world beyond is wrapped in silence. Whatever the sounds of the street outside, they fail to penetrate into this roadside cave. Emperors and kings, battles and epochs cease to count. The world is that which lies within the orbit of the flickering candles. Here village school-teachers, priests, professors, doctors, their fathers and their brothers are one!

● 361 For many, Retz is the fairest town of the wine country. Here, during the dark days of the Thirty Years' War, the first Austrian hymnal was put together; it enshrines the soft and moving lyrics of Mediaeval German. That which Stifter's "Nachsommer" (Indian Summer) expresses in words, is told in stone in the beautiful municipal square of Retz. Below the square and under the houses lies cellar after cellar. In some of them you could drive with a carriage and pair. Above towers and crenellated walls, on the way to the forests higher up, stand two stately windmills, solitary and lovely, with no fellows in all Lower Austria.

133 IN THE MARCHFELD. You once stood day after day as the tireless lark filled the blue heavens with his song, while the great world stirred like a strong man awakening from a sound and refreshing sleep. This world seemed to be one vast wide-stretched field of green and brown, bounded only by the blue-forested Bisamberg and the Carpathians. Between these two were fields of pale, shimmering corn or misty plough-land. Above all arched the mighty dome of the skies.

361

Baden near Vienna.

it, it carries rubble and sand from the mountains, laying down its burden mostly in autumn when its level is low, only to drag it vigorously forward again on the swelling spring waters. In winter, ice-floes form into a barrage starting from the direction of Hungary, slowly advancing against the current and constantly fed by drifting ice. The ice-floes mount with loud reports one upon the other until, in some years, people are able to cross the river on them as on a bridge.

Flood warnings may be given at any time of the year. People are still caught unawares by the rising

To pay special attention to any one place of the Wachau would be to wrong all the others. There are St. Michael, Vösendorf, Rossatz, Arnsdorf, St. Johann, Aggsbach, Emmersdorf, Groisbach and Loiben. Everywhere are dreamy corners, arches and arcades, steep stairways and cliffs, ivy-covered walls overlooking the river.

Built on a rock high above the Danube, the monastery of Melk holds undisputed sway over the wide countryside. For 300 years the massed roofs of the village below have marched with the columned façade of the front elevation. It took a whole generation to build this

346

346

Seebenstein.

mighty Benedictine monastery according to Prandtauer's grandiose design, the Prelate's Courtyard with its quiet fountains, the Imperial Wing, the great half-moon of the terrace between the two monumental and at the same time delicately contrasted towers, the high dome of the cupola, the library, the fine reliefs of the archways and the artistic ceiling frescoes. Stand beneath this baroque canopy and look upwards: Virtues, Wisdom and the Arts are seen attempting to lead the human soul to higher things.

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Here one is confronted with a part of the spirit of Austria. Side by side with the inescapable reality of everyday life and the material world, thought and emotion have built an unattainable but equally real world of the imagination in baroque style. It is in conformity that the Wachau district does not possess any broad, straight motor roads. Here everyone is forced to linger, to regard quietly his surroundings, perhaps also to ponder a little over himself and the world.

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Melk stands at the beginning of the Wachau, which now passes Schönbühel to become the most famous part of the Danube Valley. Church and castle stand here on rocky ground near the river, showing a marked individuality of design. You would be well advised to stop at Aggsbach to climb to the ruins of Aggstein. The countryside here opens up like a burst and overripe fruit. Along the horizon roll the green waves of the mountains, hill upon hill. Far below the remaining walls of the once mighty castle gleams the "Rosengärtlein". Scattered around are farms, churches and fertile fields. Down in the valley vineyard follows vineyard. The sharp tang of woodruff rises on the air, and may later be met again floating in a refreshing wine-cup.

● 361

A culminating point in this feast for the eyes is Dürnstein. It rises up abruptly in complicated lines and its harmonious blending of ochre and white. Sheltering beneath the dominating ruins of the old castle and a baroque monastery tower is the clean little market town where the moving story of Richard the Lion-Hearted and his minstrel Blondel is still honoured today.

waters. Maliciously the latter lift the well-stacked piles of firewood, which they carry off with the same ease or difficulty as they do the rough-hewn logs which have been rolled to the river brink to serve as rafts. Using these as battering rams, the river attacks houses and barns, tears skiff and boat from hook and chain and drives terrified animals into the fatal current.

Then once again the Danube flows peacefully past the watchful water-gauges, to trickle cunningly above the dams on to the fields and meadows. Grassland and forests follow the river's course for long distances. The vegetation grows luxuriantly in the damply-warm climate of the Danube Valley, producing a primaeval, awe-inspiring picture. On the sand-banks of the river lives a polyglot world of birds. Cormorants and grey herons stand watchfully in the

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In Krems the Middle Ages live on into modern times—the old city gates, the patrician residence with its bow window jutting out above the street, the Parish Church with paintings by the Krems baroque artist Schmidt, the inns with their dark, carved furniture and pewter vessels on the walls. Behind the town the vineyards follow the river, the steep clay slopes threaded by horizontal lines of stone supporting walls.

The Wachau ends with a monastery on the right bank of the river, as it began with Melk above. Göttweig, in an open situation on the mountain side, may be seen from afar. Set back from the Danube harbour and the shipping routes, it stands calm and solitary, remote from the noise of the workaday world. It can boast of Dutch tapestries and delicate chairs in the Imperial Suite, these and the

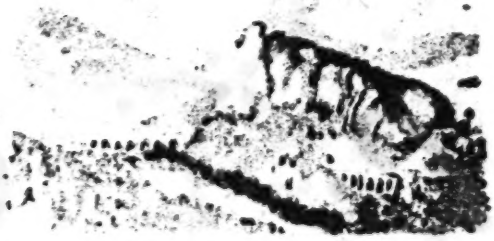
544

The Legend of Habergeas.

Wiener Neustadt.

361 ornate copper washbasins bearing testimony to the illustrious guests who have stayed here. Placid and secure behind its walls lies the first courtyard; from the walls one has a clear view of the surrounding countryside in all directions.

THE CHIEF CITY OF LOWER AUSTRIA—not under the law of today, but historically, is Vienna. The Province supplies this great mill of life with thousands of sons and daughters every year. There they become workmen, tradesmen, professors and priests. Many of their children and children's children fulfil noble tasks, becoming famous doctors, explorers, artists, technicians and statesmen. Their creative genius reflects honour back to their native valleys and farmlands, to humble homes, workshops, schools and churches.



Semmering.

factories, brick kilns, lignite works. There are factories which turn out linen, hemp and jute, blankets and felt, pencils, artists' chalks, asbestos, jade, sugar and methylated spirit. There are canneries for fruit and vegetables, and workshops producing stucco supports from the reeds of the Neusiedler Lake.

BURGENLAND—THE GARDEN OF VIENNA.

Fruit, vegetables, grapes, the first early cherries, fresh lettuce, cauliflower, asparagus, strawberries, apricots, tender french beans—the first, long awaited harvest, doubly welcome after the winter, rolls in the spring towards the Vienna markets in a chain of high-piled lorries.

OGGAUER WINE.

In Oggau there is a Roman cemetery which dates back to the third or fourth century A. D., in the graves of which clay vessels have been found. Archaeologists say that these vessels contained the wine given to the dead to take with them on their journey to the other world. This calls for reflection. In those days every mortal expected that he would be served with nectar and ambrosia at the table of the gods. But the inhabitants of Oggau preferred to take with them their choicest wines rather than have to be dependent on the drinks of the gods.

Gustinus Ambroni, the deaf sculptor, says of his Burgenland:

"How fortunate that I have travelled through the whole of Europe and have been able to drink in the splendour and magnificence of its many countries, with their thousand types of scenery, peculiarities and variations. Certainly it is nice to stay at home, but I felt the urge to get away and would have gone to the ends of the earth,

disappear. In former times it seems to have behaved even worse, for old documents mention it sometimes as a lake, once as a swamp, once as a river, then as a stream, while others appear not to have known of its existence. 133

The country lying between Eisenstadt and Ödenburg, Mattersburg and Rust, is the real heart of the Province. The lake parishes of Oggau and Mörbisch and the small "free town" of Rust are far-famed for their wine. On the gabled roofs and the chimney-pots stand pensive storks, in the vaulted cellars lie the massive wine barrels. As far back as the year 1364 the inhabitants received royal permission to mark them with the coat-of-arms of Rust—a trade-mark protected by law nearly 600 years ago! 361 [424]

Leaving the delights of Oggauer and Ruster wines, let us turn to Eisenstadt, the city of Josef Haydn. 361 633

One does not need to be especially sensitive to atmosphere to feel the genius of the great master in this little town which is so closely united with the surrounding countryside. The tiny house where he lived is still standing. How 342

Esterházy Castle, Eisenstadt.

even to exotic climes, in order to learn.

If I add up, I find I have spent nearly half my life so far in eight European countries. And yet of all the impressions, of all the wonderful scenery which I shall never forget, which was the most wonderful? I found it in my little home province of Burgenland, which hardly knows of the existence of the great world outside..."

Softly rolling slopes, hedges, distant hills are blended in a mystic harmony. A wonderful green, almost olive grey tint reflects in still majesty the glowing rays of the sun. The landscape is a series of undulating waves in which the farmers tend their fields. In the distance lie the white rows of village houses. In some of the fields the red poppy grows so thickly in spring that the deep red patches spread over the countryside as if God had underlined in this red ink, the poppies waving in the wind, that this is a happy countryside.

At Güttenbach, in the district of Güssing, a buried relic of the Celts was found—a hoard of silver coins which aroused the enthusiasm of numismatists until one day some cold-blooded investigator established that they were only copper coins with a thin silver-plating. Lest we should think too badly of this Celtic official counterfeiting, let us remember that at the same epoch, in distant Asia, the forging of banknotes had long been a flourishing industry.

BURGENLAND—STORK LAND.

If a girl is born, violets are put into the oven so that the child may not get freckles. The first actions of every newborn babe are of the utmost importance. If he stretches out his hand towards money, he will become a thief, if he tries to grasp a whip, he will make a good farmer.

small a space its walls enclose, and how far has the spirit of the human being who lived within them shone out across land and sea and across the changes of time. In Haydn's day the mail-coach still rumbled heavily over bumpy streets, but the simple Burgenländer Haydn, who made his first journey abroad only in old age, could say with quiet pride: "My language is understood everywhere!" 361 533

Haydn's home has been turned into a museum. Yellowed leaves with jottings from his hand are precious reminders of the creator of unfading beauty. Haydn is not alone in this tiny room. He shares it with Liszt, Burgenland's other great son, and with the daughter of his music copyist, the dancer Fanny Elssler—a glittering three-pointed star in the heavens of music.

Near by stands the palace of the Esterházys, strange, arrogant, yet impressive, built on the foundations of a mediaeval castle and renewed in baroque style by Italian architects at the end of the 17th century. The plain façade has inharmonious ornaments in the shape of terra cotta busts which are clumsy representations of former Esterházys and of Hungarian monarchs. But the garden front, in classic style with a view across a fine natural park on the slopes of the Leithagebirge, is impressive. From the terrace in front there is a no less wonderful view of the almost Tuscan landscape, framed by the Rosaliengebirge and the Ödenburger Mountains. 342

Although Eisenstadt is still so small a place, its new dignity as capital of the Province (since 1924) has meant a considerable increase in the number of modern

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[217]

Eisenstadt, Synagogue Death-Glass.

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buildings—the Council Hall, attractive official buildings, the homes of civil servants and villas. Side by side stands the history of old Eisenstadt written in stone—the old royal free town, the Esterházy residence, the Jewish Ghetto in Unterberg and the more recent settlement of Oberberg. The Wolff Collection in the Provincial Museum has some unique monuments of Jewish culture. The Calvary Mount in the Bergkirche gives a glimpse of another world, with its painted, strikingly realistic wooden figures in curious grottos. A first inspection of Eisenstadt may well be rounded off by a visit to the wonder-working picture of the Virgin and to the tomb of Haydn in the Bergkirche.

Other attractions await us. Above Mattersburg appear the slopes of the Rosaliengebirge, covered with the luscious purple of flowering sage. One could wish that here spring might last for ever for us to admire the sea of blossom, cherry tree after cherry tree intermingled with peach and apricot, and the yellow-white blossoms of the plum, with their tangle of intertwined black twigs; great beds of strawberries flourish in the rich and fertile soil.

342

Far above the little village of Forchtenstein stands a well-preserved castle of the same name. It was once the seat of the Counts of Mattersdorf, whose forebears, Simon and Bertram, came from Spain in the year 1200 with their sister Tota, of whose beauty it was said that it had no equal throughout the world. A poet might well harbour the fancy that her beauty lives on in the spring splendour of the flowering hedges on the Rosaliengebirge. The student of history may remember that in the year 1374 the Counts of Mattersdorf and Forchtenstein placed this part of the Province under the jurisdiction of the Duke of Austria. Their escutcheon, combined with that of the Güssingers, forms today the coat-of-arms of Burgenland.

Forchtenstein.

172

The early Stone Age has left evidence of human progress in the Wulka Plain. The Bronze Age which succeeded it was marked by a consi-

776 there in the days of Charlemagne. In 1926 St. Martin was made the patron saint of the Burgenland. But the fact that every self-respecting Burgenländer insists on eating roast goose on St. Martin's day is not necessarily due to his piety. Since the days of the Carolingians, a number of places in the Burgenland have been connected with St. Martin either by their names or by the dedication of a church. The most southerly is St.-Martin-on-the-Raab.

Schlaining.

792 From St. Martin it is not far to St. Gotthard. This monastery, just across the frontier, was founded by French Cistercians in 1184. It is a curious coincidence that in the Battle of St. Gotthard in 1664, where the Turks were defeated in open conflict for the first time, French troops played a decisive part. The battlefield lies within the Burgenland parish of Mogersdorf. The name of the neighbouring village, Maria-Bild-bei-Weichselbaum, recalls the legend that a wonder-working picture of the Virgin was brought from a forest shrine to the village church, but transferred itself back to its original site, where a church was then built.

778

Kittsee.

133 Even in the days of the Carolingians the rivers of Lafnitz and Pinka contributed to the establishment of settlers in the Burgenland. The Lafnitz today forms a natural boundary with Styria. If you follow the line of the Pinka northwards you will find that it crosses the frontier of Austria seven times.

[361] The same typically Burgenland villages are to be found on either side, inhabited by a mixed Croat and German population. The river fortress of Eberau in this district is perhaps the least known castle in Austria.

In its upper reaches the Pinka like the other Burgenland rivers—the Raab, Lafnitz, Güns, Rabnitz, Eicha and Leitha—unites the Burgenland with the Styrian-Lower-

Landsee.

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First let us visit the basket weavers

Basket-Weaver.

of the beautiful Rabnitz Valley and the potters of Stoob where the ancient craft of pottery is still carried on by hand. Then let us cross to Raiding. Here the small house is still standing where a great man in the world of music first saw the light of day—Franz Liszt. He was triumphant the world over, from Russia to France and England. Everywhere the smiles of lovely women welcomed him but more and more he was affected by that melancholy which is reflected in the verses of Lenau. The latter had connections with the Burgenland through his mother; his lyrics won as many friends for the land of the *Puszta* as did the Hungarian rhapsodies of Liszt.

131

Past Ritzing, where the surface belongs to the Burgenland but the coal below it to Hungary, because the tunnels of Brennberg, near Ödenburg, burrow below the frontier, our way leads us to Sieggraben. This is the home of the Semmelweis family, whose most famous son brought salvation from the scourge of puerperal fever to the child-bearing mothers of all times. From here the road climbs to the summit of the Rosaliengebirge, where a view opens towards the east across the Wulka Plain, taking in Ödenburg and the Neusiedler Lake and westwards, the Bucklige Welt, Wiener Neustadt and the Leitha.

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712
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Village Drummer.

On the Leitha also lies the battlefield of 1246. Friedrich the Quarrelsome, last of the Babenbergs, made the territory which had formerly belonged to the Mark of the Carolingians the subject of his first demands.

The Burgenland was long contested. Not for nothing do the many churches in its pleasant villages stand on commanding heights, surrounded by walls which give them the appearance of fortresses, and not for nothing were the many castles and fortified towers set up.

The days of the Turkish invasions brought poverty and desolation to the land, but at the same time a new population which was fleeing from the Turks and found a new home in the Burgenland—the Croats. From Kroboteck in the district of Jennersdorf through Stinatz, Punkitz, Podgoria and Kroatisch-Minihof there

Village Street.

[103] are many village names of Croat origin. These Croats not only repopulated
162 the devastated areas but also cleared the forests to build new settlements. The
361 "Displaced Persons" of the Turkish Wars have become an indispensable part of the Burgenland population.

They are called "Wasserkroaten". It is uncertain as whether this refers to their
101 having come from the coasts of Dalmatia, or whether "Wosser Kroaten" points to their having come from the province of Wossen, i. e. Bosnia.

The soil of the Burgenland is not capable of feeding all its children, so that
333 thousands of its inhabitants become bricklayers who work for the whole week in other parts of Austria during the season, to return on Saturdays to their native villages. Their busy hands have helped to create the splendid buildings on the Ringstrasse. In the plaster and stucco decorations of these are concealed
[346] the reeds of the Neusiedler Lake. The Votivkirche, in Vienna, is built of stone from the quarries of St. Margarethen, between Eisenstadt and the lake. The Italians who were summoned to the Leithagebirge in 1550 as stone masons had barely become Burgenlanders when they were commissioned to work on the imperial "Neugebäude" in Ebersdorf. Thus there is a close connection between Kaiser-Ebersdorf in Vienna and the Burgenland parish of Kaisersteinbruch in the Leithagebirge.

Without designing it, we are back at our starting-point. Kittsee has still to be mentioned, lying in the extreme north opposite Pressburg, where Josef Joachim, the famous violinist, was born, and Zurndorf, the native town of the Vienna Capucine preacher, writer of Hungarian history and Protestant bishop of Saratow in Russia, Ignaz Aurel Fessler. Nickelsdorf looks over the frontier towards the Nibelungen town of Wieselburg, where Josef Kainz (famous actor of the Vienna Burgtheater) first saw the light of day. 361 533 793 536

There are castles and churches where the art of the Burgenland is represented by the paintings of Dorfmeister, Maulpertsch, Altomonte-Hoherberg, Köpp von Felsenthal and Storno, an art which lives on today in the work of the famous modern sculptor Gustinus Ambrosi. 532

Let us glance again over the wide and sunlit countryside to Eisenstadt, where the festivals in the historic Haydn Hall have revived the music traditions of the Burgenland, to the villages where one hears the tamburizza orchestra, and the airs of old folk songs from which Haydn took the undying melody of his hymn. Once again let us glance at the people, the farm labourers at Friedrichshof or Edmundshof, the workers in the chalk and jute factories, the reed-cutters by the lake and the vine-dressers with their aprons stained green by copper sulphate, the farmers and the labourers, as far as the smallholders in the extreme south who industriously till their four *joch* of ground, keeping records of the weather as their fathers did before them. Don't be surprised if one of them appears round a bend in the forest path, nods approvingly at the fleecy evening clouds and pats you on the shoulder to say—"That's the weather we need here. But you—come back again soon to our Burgenland." 533 000

361

VIENNA
SECTION

LEGEND

ST-STEPHEN'S CATHEDRAL
OPERA HOUSE
HOFBURG PALACE
RATHAUS
NATIONAL THEATRE
KARLSKIRCHE
FINE ARTS MUSEUM
NATURAL HISTORY MUSEUM
BELVEDERE PALACE
SCHÖNBRUNN PALACE
VIENNA FAIR BUILDINGS - COURT STABLES
— TRAMWAYS
METROPOLITAN RAILWAY

361

DANUBE
ÜBER-
SCHWEMMUNGSGEBIET
Nordwestbahnhof
Nordbahnhof
Stadion
PRATER
Bahnhof
Spangbahnhof
Südbahnhof
Ostbahnhof
1 km

[-357-]

Vienna is a third alternative. It is the adoptive home of musicians and men of intellect. It is a hospitable centre of pleasure and luxury where difficult and pointless journeys come to an end and sojourning in this world becomes wonderful everyday life. 000

Vienna is the expression of life itself. Life with all its terrors and its great moments. Not only the expression of the will to live and not merely the imperative of Kant or a "You may, You shall, You must". No, everything and everyone lives in Vienna and is loved—the hunchback, the deaf, Falstaff and Don Quixote. Everyone in Vienna is equally important, the great as well as the little stars drift at night on the same road towards eternity.

Vienna is a place of recuperation from all ills, even if it is not listed as such. In its air and its atmosphere one finds the right standard by which to judge the problems of life, which exist before the eye of the new-born child has focussed on the surrounding world, and are still there when that eye closes for ever. To inherit this earth and yet not fall a prey to Mammon, to possess it and yet to remain penniless, to conjure up a vision of Heaven without becoming a Utopian, to blend these things properly together and to fill the hours of one's life with them—in short, to possess the art of living humanely as a human being—all this is essential Vienna.

Why otherwise should there be such contradicting opinions about Vienna and the Viennese? Every such opinion is similar to the picture reflected in a badly-made mirror—it is hopelessly distorted.

Come, therefore, and see for yourselves what Vienna is—even now and despite everything. Vienna, born of the surrounding countryside, is, as you will soon recognise, still a part of it. The rolling lines of the forested mountains in the West, from which in summer a cool breeze blows even in to the narrowest streets, reach far out towards the city. One constantly catches glimpses of nature in the distance, of the sunny plain of the Marchfeld, or of the broadening valley of Vienna's river known in song as the Blue Danube.

This city whose suburbs stretch from the vineyard-covered heights of the Kahlenberg and the Bisamberg to the richly-wooded Danube meadows is truly at one with the smiling landscape and benevolent Mother Nature. Its streets and squares were not laid out according to geometrical plans, but grew up naturally, as men felt the need to build them; the very routes of the tramcars which take one so quickly from the heart of the city to the verdant world of forest and meadows follow the course of various streams and brooks which have long disappeared under the cobblestones and asphalt. 361 ●

The landscape around Vienna retains its historic outlines. Roman hands planted the sunny slopes with the precious vines. Later on, Christian monasteries spread the blessings of education. Crusaders rode through the Danube Valley, watering their horses in the Nibelung river. The plain of Marchfeld became the scene of bloody conflicts between powerful lords who sought to dominate the capital. At 000

life which exists for its own ends, for you, for me, and for everyone.

ON FOOT THROUGH THE INNER CITY.

Come now straight to the heart of the city, but forget for a time your occupation and the time of day. There are towns which may be hurried through hastily. Others—and Vienna is one of these—need to be enjoyed in leisurely fashion.

The difficulty of understanding Vienna lies in the contrasts and parallels with which one is everywhere confronted, the baroque fusion of concrete objects and abstract ideas. The pulsing heart of the city, its centre in every sense of the word, is the Stephansdom. Six modern streets busy and bustling, converge there to pour their teeming crowds and traffic into the Cathedral Square. There is nothing visible to recall the fact that this square was a cemetery until the time of the Emperor Joseph.

Viennese Girl, 1898.

Viennese Girl, 1899.

Let us approach it from the Graben. The kaleidoscope of moving traffic keeps the picture of street life constantly changing. Above a tall house stands a globe as an advertisement for sewing-machines. A few steps further and we face the Cathedral, standing aloof from the workaday world which surrounds it. Before this grey, noble pile, everything round about seems to dissolve into unreality. Never can this picture be forgotten, the tower, at once massive and delicate, its slender height leading up to the window of the fire-watchers, up and up to the blossoming of the spire and to its topmost pinnacle above which there is only the majestic peace of the Vienna skies.

This cathedral in the midst of a bustling world of shops radiates a solemn calm, a hallowed spot amidst competing vanities and material interests. Like some worldspirit rising clear of the life

the Städtische Versicherungsanstalt in order to make cheap and reliable insurance available for the masses.

Vienna's rapid development into a great city which culminated during Lueger's term of office as Burgomaster, forced the municipality to undertake new responsibilities. Lueger recognised the needs of the situation and proved himself competent to satisfy them along modern lines.

If one reviews the extent of his activities as Burgomaster, one has to admire Lueger's administrative genius even more than the oratorical gifts of this man of the people. Within a few years he created the extensive organisations of the Municipal Gas and Electricity Works and established a network of tramways. Gradually schools arose. He met the needs of the city for drinking water by building a second pipe-line system to the springs in the mountains. For the living he built the Krankenhaus der Stadt Wien (the Vienna City Hospital) in Lainz, the Städtische Altersheim (Municipal House for the Aged) and the Heil- und Pflegeanstalt Am Steinhof (Lunatic Asylum). For the dead he established the great garden area of the Zentralfriedhof (Central Cemetery).

The building of the municipal warehouses, the taking over of a brewery as city property and the establishment of the central cattle market in St. Marx enabled the Burgomaster to influence trading developments and to institute a measure of price control.

Lueger's greatest gift to Vienna was the creation and dedication to the city of the belt of forests and meadows, which brought it health together with the beauties of nature.

The progress which marked the year 1900 and subsequent years bears the stamps of Lueger's own personality. The necessary measures were born of his own initiative, and had often to be carried through by his personal

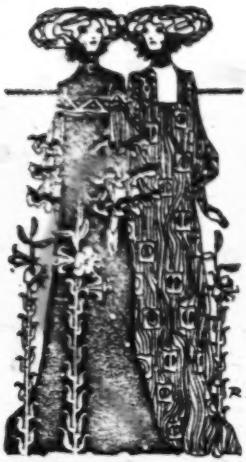
346

Jesuit Church at Am Hof.

bewildering city lies in the past, rooted in the baroque period, yet holds fast with lively enjoyment to all the beauties of this warm earth.

The centre of Vienna as the "Kaiserstadt" is the Burg. There is an Old and a New Burg, the older part dating from the Babenberg days of the 13th century. Behind a short and deep ditch, once a moat, stands the gateway to the Schweizerhof. Its massive rustic blocks call to mind the magnificent porches of Lombardy. The strong pulleys over which ran the chains of the drawbridge are still plainly recognisable.

The courtyards and wings are extensive. Towards the Michaelerplatz the complex of buildings ends in the "White Tower". In the



Viennese Girl, 1902.

insistence in the face of general opposition. Thus the great Burgomaster prepared the way for the idea of collective provision for general economic through the municipality. He may be said to have built the bridge which led to the fulfilment of the demand of the mass of citizens for collectivism in a communal-political sense. Ten years after his death this work was continued by new methods in other directions, and once again became an example to the whole world.

WITH BAEDEKER IN HAND.

No matter how easily Vienna reveals itself to you and throws itself open to you, you will not get to know it without an effort. On the contrary, you must take your Baedeker and scan it conscientiously as though you were back

semicircle of the front façade are two monumental groups of statuary symbolising the "Sea Power" and "Land Power" of the former Austria. 361

The sombre façades of various centuries unite in calm dignity to form the impressive square of the Inner Burgplatz. Here the ceremonious changing of the Castle Guard took place. Here the privileged Dampierre Dragoons were allowed to parade before their Highest War-Lord with martial music, and to set up their recruiting table. 344

In the Schweizerhof steps lead up to the Castle Chapel where the Wiener Sängerknaben sing Mass, Sunday for Sunday. Adjoining it is the entrance to the Religious and the Secular Treasuries. Once inside the enormous building of the Hofburg one can walk through wing after wing. There are the rooms where Emperor Francis Joseph once lived and laboured; next to these are the apartments of the beautiful Empress Elisabeth, followed by sumptuous gala halls which lead to the vast wing of the New Burg. How lucky that the plans of many an edifice in Vienna have been only half executed. The view of the Heldenplatz detracts attention from the explanations of the most experienced guide. Original in its unfinished symmetry, it is a square, panorama and a landscape scene at the same time. It forms a square with the two museums, the Royal Stables and the three monuments which decorate it. It becomes a panorama as we see how it connects with the Ballhausplatz, the Burgtheater, Parliament and the Ringstrasse. It is landscape by virtue of the park and adjacent buildings which carry the view on to the Rathaus, the Votivkirche and the hills of the Wienerwald which seem so close. The medley of people strolling backwards and forwards on the paths of the Volksgarten suggests a painting by Brueghel. But in the month of 363 600

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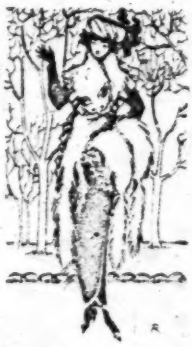
●361 *Viennese Girls, 1914.*

Opposite, on the façade facing the Inner City, still within the extensive grounds of the Burg, lies the solemn and dignified Josefsplatz. No successor to Max Reinhardt has arisen who could transplant this impressive scenery on to a stage—the classic façades of the National Library, the Royal Riding School and the enchanting proscenium of the Pallavicini Palace. Behind high windows is the famous domed hall of Fischer von Erlach, a dream in marble, gold and sunlight, which is considered the most magnificent library of the world. The streets leading from it narrow suddenly, as if unwilling to let one leave the square.

And now let us wander through the Inner City without any special goal, to the hidden beauties which are so easily discovered. There stand mysterious courtyards with covered stairways, cage-like balconies, noble weather-beaten porches dreaming of baroque fantasies beneath spider's web little old houses and shops of the dealers in antiques—a garland of beauty hidden in the heart of an active, bustling and teeming metropolis, a fascinating juxtaposition of yesterday and today.

211 The Plague Column on the Graben was erected by the Emperor Leopold to commemorate the end of the epidemic in 1679. This stone allegory, this bold mixture of realistic and religious ideas, the work of Fischer von Erlach as well as other sculptors, has been compared to a splendid opera.
346 Only a few steps behind it, cut off from the
532 lively Graben by a modest little square, is the venerable Peterskirche, full of colour and rich decorations. Rottmayr's frescoes in the interior radiate a golden brilliance which makes an almost
366 carnal appeal to the senses. A little further, on the Tuchlauben, the clothmakers used to offer their wares in old Vienna, and one-and-a-half centuries earlier the Roman military lines stood here. Every walk through Vienna can be made a game of question and answer with time and history.



Viennese Girl, 1913.

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Am Hof : Armoury.

VIENNA VISITING CARDS.

361 On the other side of the Ringstrasse we must abandon all attempt to proceed systematically. Vienna consists of 26 Districts, and although the First is far more important than any other, there is still so much to be seen that even quartering the ground would lead us nowhere. All that remains is to select a few places at random.

Where the Kärntnerstrasse joins the Ringstrasse, or moving along the Ring from the Wollzeile, the eye is caught by a majestic, green patina dome rising harmoniously against the sky.

346 THE KARLSKIRCHE. This is Fischer von Erlach's masterpiece, a marvel of conception and construction whose charm and gaiety of spirit enshrines the soul of Vienna. A startling blend of fundamental baroque with recollections of antiquity and rich ornamentations combine in a magnificent monument. It is a happy task for that reflective visitor to try to interpret for himself its manifold symbolism.

The two gigantic pillars, copied from the Trajan Column in Rome, were intended to represent the Pillars of Hercules in Spain, for the possession of which Karl VI, who commissioned the construction of the church, fought without success in the Wars of the Spanish Succession. The reliefs portraying scenes from the

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The Praterstrasse with the Carltheater.

extensive library the art-lover is fascinated by the beautiful illuminated manuscripts 792
and the family tree of the Babenberg rulers. The treasury contains the Austrian 346
Ducal Coronet and rare goldbeaters' work of the Middle Ages.

The city itself climbs up to the heights of the Hermannskogel and the Kahlenberg, 361●
extending as far as Klosterneuburg, Mödling, Schwechat and even beyond the Lobau district. But it is hoped that this virgin zone of woods and fields will prevent the disappearance of many cherished villages, prevent the picturesque biedermeier gardens being swallowed up by tenement houses and ensure that the wonderful boating and bathing centre which Vienna possesses on the Old Danube does not lose even a foot of ground to industry and factories.

The historic little country parishes of Nussdorf and Heiligenstadt, Sievering, Grinzing and Liebhartstal, of Hietzing, Mauer and Perchtoldsdorf have grown together in a semi-rural region where nature, modern villas and ancient structures blend 275
pleasingly. The "Heurige" wine-gardens of Kahlenberg, Neustift-am-Wald, Rodaun and Maria Enzersdorf hold within their little flowered courtyards that true Viennese "Gemütlichkeit" (easy-going cordiality) which loves life and the fleeting moment for its own sake. You clink glasses with your neighbour, drinking, in the joy of your heart, to the health of the stranger beside you, who himself feels the same about you. Many an

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On the Kahlenberg.

old vineyard tavern which is listed for protection under the Ancient Monuments Act evokes lively pictures of biedermeier days, when the suburbs were holiday resorts and Schubert, the eternally young, wandered the countryside with his friends. Bauernfeld, Beethoven and Grillparzer sought rest and relaxation here among the green fields. Here Waldmüller proved the power of his brush and Ferdinand von Saar, the poet of solitude, wrote his rapturous elegies on Vienna, the city of his dreams.

From the higher parts of the suburb of Döbling one can recognise the peaks of the Lower Carpathians, the Schneeberg and the Ötscher. To realise the whole charm of the surroundings of Vienna, you must see it from the heights of the Kahlenberg. There you will understand how the city has really grown into its natural framework and how its Cathedral and many towers, the river, the mountains, the plain and broad horizons have come to form parts of a single whole. This is a picture which never fades from the memories of those who have once seen it.

If one then approaches Vienna from the north, from the direction of Prague or Brünn, the whole city seems to have been swallowed up by the mountains. Then the Wienerwald looks like a great, green and shady creek past which the silver Danube flows, broad and lazy, downstream. Mountains rise up one behind the other, followed closely by the alps in ever-higher ranges.

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As the journey to Vienna usually ends in the afternoon or early evening when the sun is over the alps in the south or west, one feels in the magic of these sub-alpine woods, an irresistible temptation to hasten on to the valleys of the Wienerwald, to rest and linger there in a spot so favoured by nature.

Coming from Budapest or Pressburg (Bratislava), the picture is again different. There the wide river, the broad plain fill eye, ear and senses with their unchanging rhythm. Something of the Puszta melancholy still lingers; when such feelings translate themselves into music they find their expression in Schubert's "Der Tod und das Mädchen", or Beethoven's "Moonlight Sonata".

From the south one enters by the gates of gaiety. To pass by the swimming pools off the high road, to cross the vineyards or walk alongside them, Pfaffstätten and Gumpoldskirchen not far off, to recognise the lime-tree before the doors of the Höldrichs Mill, to catch sight of the cheerful black pines behind the Türkenturm of Petersdorf on the Parapluiberg, to see the bold profile of the Kahlenberg ahead and finally to look for the silver-grey needle of the tower of St. Stephen's—all this induces a mood of light-hearted gaiety. It is a part of the "G'schichten aus dem Wienerwald" ("Tales of the Vienna Forest"), or a bar of the Blue Danube Waltz.

Beethoven's House.

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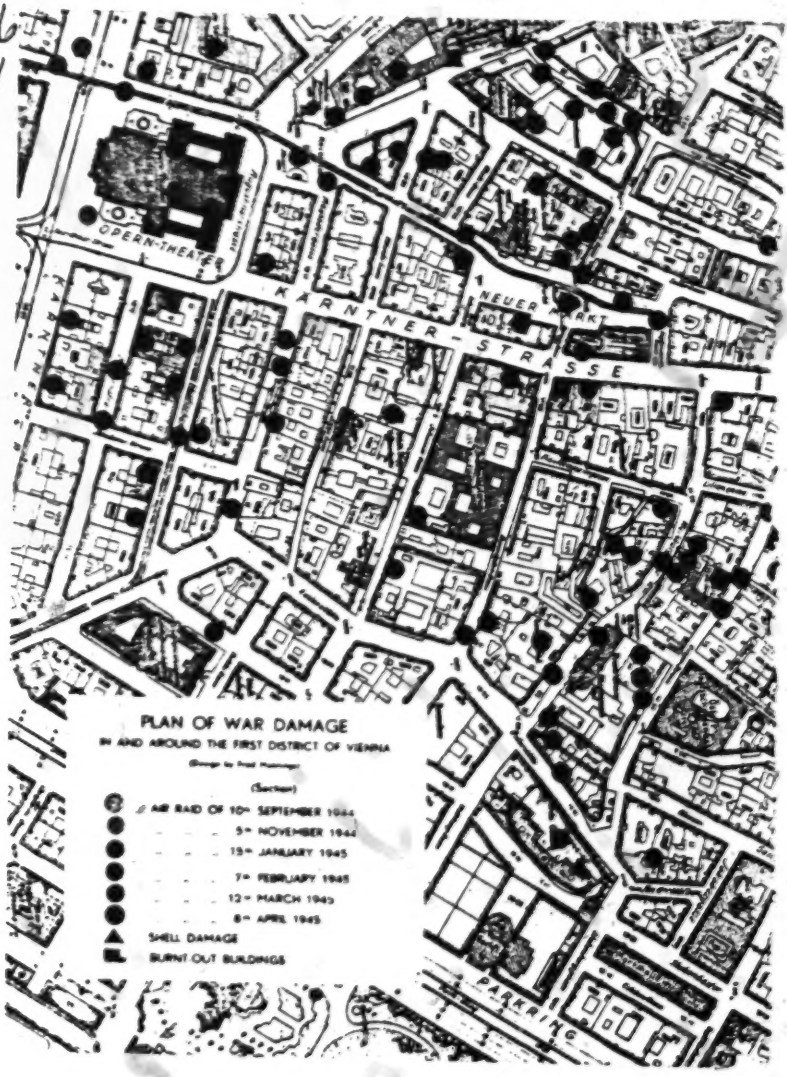
OPERN-THEATER
KÄRNTNER-STRASSE
NEUER MARKT
PLAN OF WAR DAMAGE
IN AND AROUND THE FIRST DISTRICT OF VIENNA
(Sketch)
AIR RAID OF 10th SEPTEMBER 1944
5th NOVEMBER 1944
15th JANUARY 1945
7th FEBRUARY 1945
12th MARCH 1945
8th APRIL 1945
SHELL DAMAGE
BURNT OUT BUILDINGS
PARKRING

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GRABEN
GRABEN
STEFANSDOM
KÄRNTNER STRASSE
RAN PLOSE KAI FRANZ

[-539-]

439 tariffs had increased to 296 per cent of the 1913 level in Bulgaria, to 144 per cent in Yugoslavia, to 140 per cent in Roumania, and to 137 per cent in Czechoslovakia, the Austrian tariffs had actually fallen to 77 per cent of their pre-war level, a fall which, in continental Europe, was surpassed only in Sweden. But it was obvious that this policy could not be permanently maintained in face of high tariffs elsewhere. After the Geneva Conference in 1927 had failed to achieve tangible results with regard to the reduction of trade barriers, Austria too turned towards protectionism to reduce her dependence on a highly unstable world trade. The world preferred to learn the hard way.

• 361 What of the position of Vienna? When the new Austria, with its 6½ million people, had to take over the economic
631 and administrative centre of a 50-million empire, containing almost 30 per cent of the population of the new Republic, many people thought that this "huge head far too big for a small body" would prove an insoluble economic problem. Actually it soon turned out that the general process of readjustment, described above, also helped to solve this problem. First, it should be noted that while the percentage of the population living in the *capital* was unusually high, the percentage of the *urban* population was quite normal for an industrial country. It was smaller than, for instance, in Great Britain or Switzerland. The establishment of new commercial and govern-
[464] ment centres did, it is true, hit Vienna badly. The reduction in the number of civil servants, banking and commercial employees and the unemployment among lawyers, solicitors, etc., created a burden which was mainly concentrated on the capital.

366 But apart from this particular problem which was
368 slowly—all too slowly—mended, it soon became clear that

1/1 [CA CATEGORY 116, p. 50 --ANALYST]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

[p. 148]

IX

Social Change

178 565 BETWEEN the two World Wars the whole structure of Austrian society was radically transformed. The social pyramid, culminating in the great aristocratic families and the Emperor, began to disintegrate when the Habsburg power collapsed and Austria, from being the centre of a great cosmopolitan Empire, became a poverty-stricken fragment struggling to make ends meet. The process of disintegration was completed by the post-War inflation and the economic crisis of 1930–1. When the Second World War broke out, the most glaring inequalities of the years before 1914, with the glamour and the squalor that accompanied them, had largely disappeared.

745 466 During the period of transition a new social order was built up in Austria which was one of the most advanced and enlightened in the world. The origins of Austrian social legislation go back as far as the years 1882–8, when laws were passed regulating labour conditions and introducing compulsory insurance against accident and sickness for certain limited classes of industrial workers. This was followed during the first decade of the present century by measures establishing pensions for salaried employees on a contributory basis. On these foundations, after 1918, a whole series of laws was passed under the influence of Ferdinand Hanusch and Dr. Joseph Resch, the first Austrian Minister of Social Welfare. Subjects covered included unemployment insurance, holidays with pay, the extension of accident and sickness insurance, the eight-hour day, the abolition of night work for women and juveniles and of all work for children, and the introduction of Works Councils and factory inspectors. During the same period 362 Vienna was attracting world attention by its radical improvement of the housing conditions of its workers through the

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construction of great blocks of flats. By 1938 a social revolution had taken place, though it lacked the dramatic and catastrophic features that have made some less successful revolutions more famous.

Under the German occupation Austrian social legislation was replaced by the National-Socialist system. In spite of its authoritarian nature, this system had certain advantages. It included old-age pensions of a kind and much better provisions for agricultural workers. On the other hand, in many respects it was not up to the Austrian standard, and it shared the unreality common to most of the benefits bestowed by Hitler. The total reserves of the Austrian social insurance administration were taken over by the German Government and used for war purposes, so that in 1945, with nothing but worthless German bonds to their credit, the Austrians had to start again from the beginning. Only on the basis of funds provided by the Government was the revived Austrian Ministry of Social Welfare able to make any payments at all.

After 1945 the situation was too critical and the administrative problems too pressing for any restoration of the Austrian system of social insurance to be practicable. The public and the officials concerned were used to the German methods, and it would have been asking for trouble to add in any way that could be avoided to the almost intolerable burden already resting on the authorities. It was therefore decided to replace the authoritarian features of the German system by democratic methods and retain it for the time being. A modernized Austrian system of social legislation was to be introduced step by step, after the necessary preparatory work had been done.

Since the War a series of measures have been approved which have had the effect of filling the gaps in the imposing legislative structure built up after 1918 and of improving it in certain respects. In July 1947 a law was passed which greatly improved the conditions governing paid holidays for workers and brought them close to those applicable to salaried employees. Whereas previously two weeks were the maximum that a worker could obtain, the new law gave him the right to

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the enterprise and its employees. Its participation in management and administration was limited to an advisory role, but, in the event of its advice being disregarded, it could, in the case of larger concerns, appeal to a State Economic Commission to be set up by the Government. The law provided also that the Works Council should be consulted when workers were engaged, transferred, or given notice to leave, and made special provisions protecting the position of members of the Council.

In contrast to these impressive developments, there has been one post-War problem of vital importance which social legislation has failed to settle: the very serious shortage of housing. In Austria it is a problem of great complexity, which political controversy and party prejudice have so far rendered insoluble. The spirit of patriotic co-operation that has on the whole inspired the Coalition has proved inadequate to bridge the gap between Right and Left on this question.

Before 1914 the living conditions of a large number of city-dwellers were miserable and rents were high. This state of affairs led to the great Viennese building programme between the Wars and to the Rent Restrictions Act of 1922. Since the Act was passed, the majority of rents have been low, but Government controls, though sufficient to check private enterprise in building, have not been sufficient to prevent serious injustice. Between 1926 and 1946 the percentage of a tenant's expenditure devoted to rent, in dwellings covered by the Restriction Act, varied between 1·9 and 5·48, and in 1946 was 3·76, compared to over 17 per cent in 1914. On the other hand, there was a chronic shortage of housing, and the lot of tenants differed widely. Some rents were restricted, and some were not. In the case of restricted dwellings, a sub-tenant might have to pay a much higher rent; in some cases far more for a single room than the main tenant paid for the whole flat. From a new tenant a large lump sum might be demanded for the privilege of moving in, or proof required that he was a member of the dominant political party. These injustices were not confined to any one social class, and, in the circumstances,

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•362 it was most unfair that the building of new low-rent flats was heavily subsidized by taxation to which everyone contributed.

Under such uncertain conditions there was a strong tendency for those with good accommodation at a low rent to stay where they were at all costs. People whose place of work changed retained their dwellings at considerable sacrifice in tram-fares and wasted time. Ageing couples and widows remained in flats that were much too large for them, because anything smaller that was available might be more expensive. Such anomalies contributed to making the housing shortage worse.

The extent of the need is shown by the fact that Vienna required between 40,000 and 50,000 new dwellings after the War, in addition to the repairs necessary to the 150,000 that were damaged. The degree of overcrowding in the existing dwellings can be imagined when it is realized that over 73 per cent of them consist of only one room and a small kitchen and that 80 per cent have no separate lavatories.

Since the War large subsidies have been given to housing from public funds and Marshall Aid. But the expenditure has not been economical. Building contractors are not much concerned to keep down costs, when dealing with public authorities. The most substantial achievements, in proportion to the population, have been in Linz and Wiener Neustadt, two of the worst-damaged cities. Yet Austria's actual construction has not compared well with other countries. In 1950, for example, West Germany, in proportion to its population, built over four times as many dwellings as Austria.

The height of the Coalition Government's legislative achievement with regard to housing was the Rent Law and the Housing Law of September 1951, which bear all the marks of an unsatisfactory compromise. Rents were raised substantially, but on conditions that gave no incentive to private building, and substantial housing subsidies were to be provided by employers and the State as compensation.

A solution to the housing problem will not be easy to find. The prerequisites for doing so are clear thinking, political courage, and a willingness to face the issues objectively.

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Neither the present system nor reliance on free enterprise will be sufficient. But the following four principles might provide the basis for a successful policy: that private ownership of dwellings is no worse than any other form of private property, provided it is not abused; that such State controls over rents and housing as are necessary should be impartial, efficient, and complete; that private enterprise, including building societies, can make a valuable contribution to any building programme, and that the allocation of dwellings to the homeless on party grounds is an arbitrary and undemocratic abuse of political power.

Apart from this one failure, which has been tolerated owing to the low rents paid by the majority, the social services provided in post-War Austria have maintained a very high level. According to statistics prepared by the International Labour Organization, on the basis of 1949 figures, Austria devoted a higher percentage of her national income to social purposes than any other country, except the Saar and West Germany, where the high proportion of refugees made conditions exceptional. This state of affairs, together with the Price-Wage Agreements, has been responsible for the peaceful development of the country under the most difficult conditions and for the complete failure of Communism to make progress in a society which between the Wars had been strongly influenced by the doctrines of Marx.

A number of social changes can, however, be observed in post-War Austria, though in some cases it is not yet possible to see whether they are of permanent or temporary significance.

The most obvious of these was the influx of a large number of refugees and displaced persons and the absorption of a proportion of them into Austrian society. The temporary effects of their arrival, during the months immediately following the War, have already been considered. By the end of 1951 UNRRA and the International Refugee Organization, which took over this problem from UNRRA in 1947, had helped more than a million refugees and displaced persons

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town offers. But there were a number of special reasons to which the post-War trend in Austria can be attributed. The comparative neglect of Austrian agriculture by the Nazis and the discriminatory nature of Austrian social legislation, before the Law of 1948 was passed, have already been mentioned. In addition, the accommodation provided for agricultural labourers was most unsatisfactory. On the majority of farms there were no dwellings at all for married workers, and the rooms provided for single men were frequently quite inadequate. Agricultural wages lagged far behind those paid in industry. At the end of 1948 they varied between 127 and 203 per cent above the 1945 level, while the wages of an unskilled industrial worker had risen 350 per cent. It is true that the farm worker had virtually no food problems and also received payments in kind, but the comparison with industry was a natural cause of discontent. Furthermore, the boom in building and construction work due to war damage and the large undertakings financed by ERP funds provided attractive opportunities of alternative employment, often near enough to agricultural areas to attract the labourers' notice.

The Ministry of Agriculture and Forestry realized the danger of the situation and evolved, somewhat tardily, a comprehensive programme to deal with it. The new Minister, Herr Thoma, who took office in January 1952, brought fresh energy to his department and issued a forceful memorandum on the subject the following summer.

The first important step taken was the Agricultural Labourers' Law of 1948. It did a great deal to raise morale and, by strengthening the workers' organization, ensured that their point of view would be heard. The establishment of Agricultural Workers' Chambers in most provinces contributed to the same result. The price increases for agricultural products approved by the Fourth and Fifth Price–Wage Agreements also improved the general situation.

Between 1947 and 1951 Government and ERP subsidies amounting to 55 million schillings were spent on agricultural housing, and 10,371 dwellings were completed, including

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

3,013 married quarters. During the summer of 1952 further legislation was under consideration dealing with accommodation and technical training for agricultural workers. 362

The Ministry[7] also worked on a number of schemes in conjunction with the provinces and the Ministry of Social Welfare for helping displaced persons to settle on farms, inducing unemployed to work on the land, and persuading town-bred youths to give agriculture a trial. 464

As a result of all these efforts the flight from the land has been checked, though not stopped. Between November 1951 and November 1952 the number employed in agriculture and forestry fell by 6,500 compared with 9,400 the previous year. The fact that during the winter of 1952–3 there was a certain amount of unemployment on the land, due largely to increased mechanization, does not mean that the problem has ceased to be serious. Until agricultural production has at least regained the pre-War level, any further reduction in the number employed must remain a cause of great concern. It is a national problem which, like the drive to increase productivity, requires co-ordinated effort and a programme of public education for its solution. 464 166

A less obvious but no less dangerous trend in Austrian society since the War has been the progressive deterioration of the economic position of certain sections of the community, limited in number, but of value and importance to the nation out of all proportion to their numerical strength. The categories in question are university professors, school teachers, the administrative ranks of the civil service, and certain highly qualified groups in industry and the professions. They differ widely from one another, but there are certain common causes of their depressed condition. 565

The different categories belong, on the whole, to the so-called middle class, with its tradition of thrift and careful conservation of possessions and its deep-seated reluctance to take part in any organized public complaint about its condition. Such private property as they or their families possessed, including personal articles of value, had very largely disappeared

7 [i.e. the ministry of Agriculture and Forestry - Analyst]

642 On December 3, 1945, a committee of the political parties entrusted Secretary of State Figl with the formation of a government, which the Allied Commission approved on December 18, 1945. On December 20, 1945, a session of the Federal Assembly (Nationalrat and Bundesrat) with a vote of 204 out of 205 elected Dr. Karl Renner to the presidency. He accepted the office for the term of six years.

642 The new federal government as well as the
648 presidency were recognized by notes of the various powers although these notes showed deviations in texts. Thus the first phase of the constitutional reestablishment of the Second Austrian Republic was concluded. The federal government could proceed with the task of solving the most important economic problems.

2. The Situation after the Cessation of Hostilities and the First Economic Reorganization Measures, 1945-1947.

727 The reestablished Second Austrian Republic faced a great economic task. The losses and damages from the war destroyed almost a quarter of the total national capital which had amounted to about 38 billion schillings.

[362] In Vienna alone, 37,000 apartments were completely destroyed and 50,000 partly destroyed, while 25,000 were less severely damaged. Aside from extensive destruction of raw materials was the loss of machinery through dismantlements, especially in the eastern part of the country after 1945, which caused deficiencies in extremely valuable production material amounting to at least 1.2 billion RM (at prices fixed as of 1940). Plants of the electric, vehicle, machine, iron and metal industries, and steel mills lost more than 46,000 machines. This meant that in some instances, the combined loss of the war and postwar period amounted to 80 percent of the
[433] machines and equipment. These deficiencies were all the more burdensome since the destruction and the removal of the production means led unavoidably to severe disturbances in the general economic scheme.

[162] Austria also suffered substantial losses in human lives. Out of a population of 7,000,000, the number of dead or missing totalled 350,000 and the wounded 170,000. These losses were mainly from the ranks of the able-bodied age groups (13 percent).

Part of the proposed projects have been completed and remarkable results obtained already. This industry was bolstered greatly by refugees from Czechoslovakia. 323 652

Within the scope of the investment programs 100 million schillings were allotted in 1950 to the erection of general dwelling units. In addition to a sum of 11 million schillings provided out of public funds, 34 million schillings were allocated for erection of workers' dwelling units. (The proposed amount in the three year period for workers' dwelling units was 85 million schillings.) [362]

e) Investments for agriculture and forestry.

Damages caused by the war to this important source of supply (through exhausting the soil, lack of fertilizers and pest control, overcutting, etc.) can be restored only gradually. Because of the increased use of tools of production, financed by ERP funds, it was possible to reach a higher gross production value in the years 1948 and 1949. However, it still lagged behind the volume of industrial production which by 1949 had exceeded the prewar level. The higher production in agriculture in 1948 and 1949 made available bigger supplies of foodstuffs for city dwellers and also made it possible to increase the decimated livestock and improve it. Thus, gaps in supplies of milk, meat and fats could be filled in. [241] [362] [231]

These improved results would not have been impossible without the ERP aid. In the first plan-year, Austria had at its disposal a total of 156 million dollars (or 57 per cent of the total amount of the ERP aid) to increase the production in agriculture, small business and industry. A sum of 18.7 million dollars was allotted to agriculture and supplied 139,000 tons of fodder, 189,000 tons of fertilizers, 4,200 tons of seeds, as well as agricultural machinery and veterinary supplies amounting to 1.1 million dollars. In the second year of the plan agriculture and forestry received approximately 25 million dollars for the import of tractors, caterpillars, threshing machines, reapers, motorized plows, disk harrows, replacement parts, milk separators, and machinery for soil treatment (and also to finance means of conveyance and facilities for forestry). [648]

One of the few good results of the First World War was that it taught people to appreciate the value of a healthy body. Sport became a popular demand of the masses, which the municipal administration did its best to satisfy. The establishment of the Stadium and many sports grounds and youth playgrounds, of the Amalia Baths and many summer swimming pools, the extension of existing municipal peoples' baths and the construction of 23 children's free open air bathing pools all served to popularise sport among the masses of the people and improved the health of the population of Vienna. 529

The Tenants' Protection Law, born of war-time necessity, put a brake on private building enterprise after the First World War as it does today. As general economic conditions made it unthinkable that this law should be abolished and the old system restored whereby there was no limit put on the rents which landlords could demand, though at the same time the shocking housing conditions in Vienna called imperatively for sweeping and effective measures, the Vienna Municipality saw itself obliged firstly to raise funds to complete the housing schemes which had been dropped during the war. Secondly, it had to adopt a positive building policy of its own. On September 21st, 1923, its housing programme was adopted, the Vienna City Council deciding that it should be financed from municipal funds. Over a period of five years, 25,000 homes were to be built for the public. This programme was not only completed, but was followed by further great building projects, so that by the year 1934, about 65,000 homes had been built by the municipality, either in blocks of flats or in groups of small houses. This gigantic scheme was covered in part by the steeply and progressively scaled house-building tax. 362

The Vienna Municipality considered its building activities as a welfare measure to which it was compelled by existing social and economic conditions. It therefore treated the whole cost of construction as irrecoverable building investment which must be regarded as capital expenditure. Rents were fixed to cover the costs of maintenance and anticipated repairs and replacements, thus keeping them within the range of the Tenants' Protection Law rents.

House planning was developed by the Vienna Municipality in accordance with entirely new principles of hygiene and cultural progress. The building regulations in force in Vienna since the year 1883 permitted actual buildings to cover eighty-five per cent of the available surface, but the Vienna municipality only allowed 30 to

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Reumann-Hof

362 40 per cent of the surface to be covered by bricks and mortar. This led to the construction of large housing blocks enclosing wide spaces which allow direct light to reach every flat and every room. The interiors of the first flats were very simple; with the improvement of the economic and financial position of the Municipality, those subsequently constructed had more comfort and elegance. Every flat has parquet flooring, hall, lavatory, attic and cellar, water, gas and electric light. Many flats have balconies or bay windows and in the bigger housing blocks the work of the housewives is made easier by central washing kitchens fitted with mechanical devices. Baths, douches, libraries and lecture rooms, gymnasiums, kindergartens and other communal conveniences serve the mental and physical wellbeing of all occupants. The architects of this period employed all their talents to make the blocks of flats of the Vienna Municipality as beautiful and as practical as possible, flats in which a quarter of a million people have found homes. Most of these buildings are real gems which improve the appearance of Vienna and have helped to increase the city's reputation throughout the whole world. The Municipality itself has done its share in beautifying the flats by employing artists of all kinds to work on them. So arose those imposing municipal house-blocks in various districts of Vienna—above all in Meidling, Ottakring, Favoriten, Brigittenau and on the Margaretengürtel, each of which comprises from 400 to 1600 flats. They are fitted out with every possible device to add to the comfort of tenants. In addition, more than 5000 homes have been constructed on the outskirts of the city in villa groups, partly at the sole cost of the Municipality, partly as co-operative settlements with financial assistance from the municipal authorities. Large fruit and vegetable gardens are attached, and often sheds for small live-stock.

The building activities of Vienna Municipality have opened up completely new fields, both from the standpoint of commercial policy as from that of architecture. The principles put into practice by their own building achievements the city fathers

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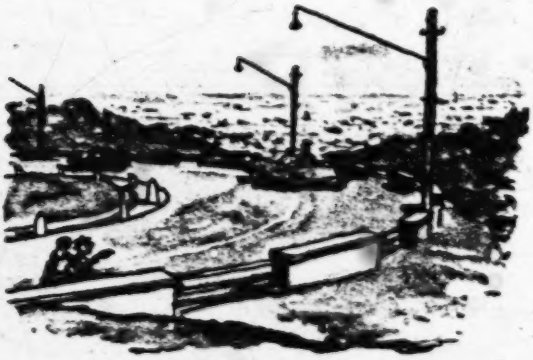

Kahlenberg: The Höhenstrasse.

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READJUSTMENT AND CONSOLIDATION

Vienna still had an important economic contribution to make to the country and to the world. Its unique geographic position at Europe's crossroads again attracted a large and growing volume of transit trade which helped to keep the commercial life of the city at a high level. Again, the long-standing knowledge which the Viennese financial institutions had acquired of the Balkan markets gave rise to economic activities and payments from foreign countries which helped to improve the balance of payments. Of still greater importance was the increased activity in the consumer goods and export industries to which Vienna, the main centre of the lighter industries, was particularly well suited. The introduction of a biennial fair made Vienna the main centre of the country's export trade and an important factor in Central and east European trade. 366 368

Last, but not least, the economic activities of the Viennese City Council helped considerably to re-establish and stimulate the economic life of the capital.[71] A skilful financial policy had enabled the municipality to avoid a deficit even during the difficult post-war and inflationary years. Now that the position had become easier they embarked on a progressive programme of expenditure on social welfare, educational reform, and—most important from the economic point of view—on an extensive building programme. Building activity had practically come to a standstill during and after the war and the housing shortage was acute. Private building was discouraged by a strict Rent Restriction Act which protected the population from the wild profiteering in rents that would have otherwise occurred. In 1923 the municipality, which had already built 7,259 dwellings between 1919 and 1923, announced that they would build 25,000 new dwellings during the next five years. This was the 633 331 633 362

71 [CA CATEGORY 116, P.58. -- ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

331 beginning of a great housing programme which replaced
362 slums by beautiful modern houses and attracted the atten-
633 tion of experts from all over the world, and which revived the building trades and with it, a great number of related industries in Vienna and the rest of the country.

CONSOLIDATION

433 Once the currency was stabilized and more normal conditions established, the upward trend in industrial and agricultural production became more marked as well as more general. It now seemed as if the earlier economic problems of Austria would soon find their solution and that a sound basis for a new national economy would be formed. And this would have doubtless been true if the process of consolidation of that period had not come to an abrupt end in the world economic depression.

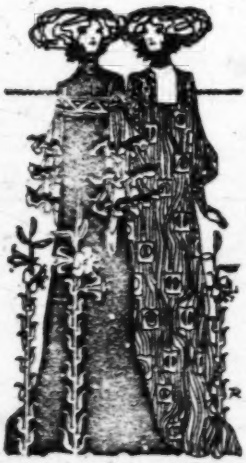
For progress was quite considerable. Industrial production increased quickly and at a rate which compares not unfavourably with development in other countries during the same period.

INDICES OF INDUSTRIAL PRODUCTION

(Average 1925–9 = 100)

	Austria	Germany	Czecho-slovakia	United Kingdom
1925	89	87	88	99
1926	89	87	86	76
1927	100	109	100	109
1928	110	108	111	104
1929	113	109	115	112

Two points should, however, be noted in this connection. Firstly, the increase in output was achieved not so much



Viennese Girl, 1902.

insistence in the face of general opposition. Thus the great Burgomaster prepared the way for the idea of collective provision for general economic through the municipality. He may be said to have built the bridge which led to the fulfilment of the demand of the mass of citizens for collectivism in a communal-political sense. Ten years after his death this work was continued by new methods in other directions, and once again became an example to the whole world.

WITH BAEDEKER IN HAND.

No matter how easily Vienna reveals itself to you and throws itself open to you, you will not get to know it without an effort. On the contrary, you must take your Baedeker and scan it conscientiously as though you were back

semicircle of the front façade are two monumental groups of statuary symbolising the "Sea Power" and "Land Power" of the former Austria. 361

The sombre façades of various centuries unite in calm dignity to form the impressive square of the Inner Burgplatz. Here the ceremonious changing of the Castle Guard took place. Here the privileged Dampierre Dragoons were allowed to parade before their Highest War-Lord with martial music, and to set up their recruiting table. 344

In the Schweizerhof steps lead up to the Castle Chapel where the Wiener Sängerknaben sing Mass, Sunday for Sunday. Adjoining it is the entrance to the Religious and the Secular Treasuries. Once inside the enormous building of the Hofburg one can walk through wing after wing. There are the rooms where Emperor Francis Joseph once lived and laboured; next to these are the apartments of the beautiful Empress Elisabeth, followed by sumptuous gala halls which lead to the vast wing of the New Burg. How lucky that the plans of many an edifice in Vienna have been only half executed. The view of the Heldenplatz detracts attention from the explanations of the most experienced guide. Original in its unfinished symmetry, it is a square, panorama and a landscape scene at the same time. It forms a square with the two museums, the Royal Stables and the three monuments which decorate it. It becomes a panorama as we see how it connects with the Ballhausplatz, the Burgtheater, Parliament and the Ringstrasse. It is landscape by virtue of the park and adjacent buildings which carry the view on to the Rathaus, the Votivkirche and the hills of the Wienerwald which seem so close. The medley of people strolling backwards and forwards on the paths of the Volksgarten suggests a painting by Brueghel. But in the month of 363 ● 000

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Viennese Girl, 1912.

May the colour-loving eyes of Waldmüller seem to have been at work when the circular clumps of heliotrope and purple lilac close in the walks and open spaces in scented profusion.

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One should traverse the Heldenplatz in all directions as if looking for a lost drachma. It is everywhere varied, and everywhere a part of Vienna. One may go there on a March morning when young mothers are pushing their prams backwards and forwards in the sunshine, sheltered from the wind, beneath the windows of the study of the President of the Republic. Its vast extent is brought home when the Viennese stream in through the Heldentor and surround the statues of Prince Eugene and Archduke Karl in their hundreds of thousands on some festive occasion. Or you may visit at five o'clock in the afternoon when the path alongside the Volksgarten suddenly springs into life as some hurry home from work while others crowd in the opposite direction into the Inner City for recreation or a rendez-vous. In "Fasching" (Carnival) you may see how the lights of the many-candled chandeliers shine forth from the tall windows of the gaily-illumined state apartments. In the great Redoutensaal across the way the lights

at school. Here are a few things you can mark in advance for special attention.

The STAATSOPER (State Opera House), although it became a ruin in 1945, should be visited for the sake of its memories. Read how this building, which many people described as the most beautiful opera house in the world, looked in the days of its glory. Spare a thought for those two luckless builders of the '80s, van der Nüll and Siccardsburg. The loggia with its attractive façade and statuary, the gilded vestibule and the main staircase have remained intact, but nothing is left of the magnificent interior, of the rows of seats and the boxes, of the ceiling paintings of Rahl and the imposing wall decorations of the gala room.

The spirit and tradition of the house, however, have remained alive. Burnacini's gala operas in the 17th century, the performances at Laxenburg Castle, in the Old and in the New Favorita, in the grounds of Schönbrunn and later in the Kärntnertortheater—all this formed an unbroken chain to the opera bouffe, the "magical opera" and to Mozart. For Fanny Elssler's triumphant rise to popularity the old opera building was too small, and the

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new opera house on the Ring had its gala opening with "Don Juan". It ushered in a glorious epoch. Verdi came to Vienna, Wagner was discussed and fought over. A generation of singers, the House itself, the Philharmonic Orchestra and the conductors grew together in one concept which throughout the world is more honoured than the diplomatic corps—the Vienna Opera.

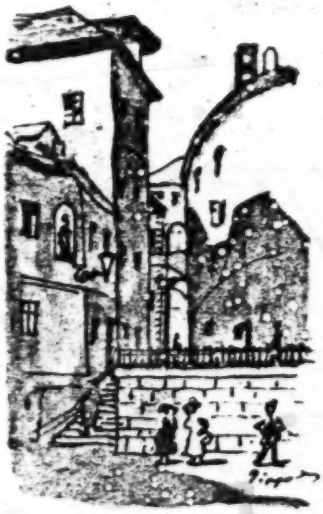
The first building, beloved of the Viennese as the setting for so many memorable and wonderful hours, now lies in ruins, but the Vienna opera, the talent, the love of music, the enthusiasm, the orchestra and the players have remained. In the Theater-an-der-Wien stands Rodin's splendid bust of Gustav Mahler. New names win fresh fame, joining those of Schalk, Richard Strauss and Bruno Walter. Way up in the "Fourth Gallery", youth criticize with acid impartiality the values, the talents, the performance of the artists.

Like the Opera, the BURG-THEATER retained little more than its façade after 1945. This theatre was held to be the finest in which the German language was spoken and occupied a unique position in Vienna's cultural life. At its foundation, in 1776, Emperor Joseph impressed one duty upon it—that of becoming a national theatre.

From these beginnings—the first theatre on the Michaelerplatz is charmingly portrayed in old etchings—the theatrical dreams of the Viennese progressed towards fulfilment—the establishment of a repertory theatre of world literature, based on the collective talent of a first-class cast.

A crisis in the management of the Burgtheater even today is more important to the Viennese than a change of government. To become director of the Burgtheater is the dream of many which only few, of course, have ever realised.

In the NATIONAL LIBRARY students find one of the greatest book



Griechengasse.

suggest gilded clouds which hang motionless in 363 space. On mild June evenings you may cross the Heldenplatz when the city fathers decree the festive illumination of the Rathaus, making of it a flaming piece of Brussels lace. After the theatre you may walk over the great, quiet square with echoing footsteps to the Ring, or go there the next morning, when the sun bathes it in a golden flood and lifts up your heart in gladness.

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361 *Viennese Girls, 1914.*

Opposite, on the façade facing the Inner City, still within the extensive grounds of the Burg, lies the solemn and dignified Josefsplatz. No successor to Max Reinhardt has arisen who could transplant this impressive scenery on to a stage—the classic façades of the National Library, the Royal Riding School and the enchanting proscenium of the Pallavicini Palace. Behind high windows is the famous domed hall of Fischer von Erlach, a dream in marble, gold and sunlight, which is considered the most magnificent library of the world. The streets leading from it narrow suddenly, as if unwilling to let one leave the square.

And now let us wander through the Inner City without any special goal, to the hidden beauties which are so easily discovered. There stand mysterious courtyards with covered stairways, cage-like balconies, noble weather-beaten porches dreaming of baroque fantasies beneath spider's web little old houses and shops of the dealers in antiques—a garland of beauty hidden in the heart of an active, bustling and teeming metropolis, a fascinating juxtaposition of yesterday and today.

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Viennese Girl, 1913.

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Josefsplatz ; The National Library.

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The Hohe Markt leads into the Wipplingerstrasse, at the beginning of which the former Bohemian Court Chancellery faces the old Rathaus. In the courtyard of the latter is an artistic creation, the Andromeda Well of Rafael Donner. Donner came to the monastery of Heiligenkreuz as a poor choir-boy and gave shape to his dream pictures by moulding secretly at night the grease which had dripped from the church candles. Another late masterpiece of his art, the Donner Fountain on the Neue Markt, is known and loved by all Viennese. It was created at the end of the baroque period to the order of the burghers of Vienna, who wished to rival the aristocratic and religious patrons of art. It shows two male and two female figures grouped around the principal female figure, "Providentia", with her mirror.

collections in the world. Established in the year 1526, it was moved in 1726 to the baroque building designed by Fischer von Erlach Senior. The central oval of the unique Gala Room contains the private library of Prince Eugene of Savoy. In all, the Institute possesses about one and a half million printed works and over 8000 incunabula. Treasures of untold value are included in the various departments of manuscripts, music, maps, theatre, portrait and papyrus collections and in the picture archives.

In the HAUS-, HOF- UND STAATSARCHIV (Archives of the Imperial House, the Court and the State) are documents and treaties of all kinds going back for twelve centuries, valuable manuscripts with the seal of Pope or Emperor attached, state treaties, declarations of state councils,

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The Graben.

proclamations of the Estates and treaties of peace. Anyone wishing to write the history of Europe is bound to have resort to these unique documents.

The number of collections and galleries, museums and archives seems inexhaustible. The Austrian's love and understanding for art and science have created for themselves a permanent monument in these.

At the head of the list of great MUSEUMS stand those of FINE ARTS and of NATURAL HISTORY. Both date back to the old Hapsburg collections, such as the Treasuries with contents which date from the 13th century. Picture Gallery, Tapestry Collection, "Wagenburg", Medal and Coin Museum, Pre-Historic Section—the problem is where to begin.

The ALBERTINA Collection of Graphic Art, with about a million

Further on, past the Crypt of the Capuchins is the Albertina situated on a high bastion—a treasure store for art-lovers. Here is an almost complete collection of the drawings of Albrecht Dürer which once belonged to Prince Eugene. 346

Almost in the shadow of this Albrechtsrampe and backed by the green spaces of the former Kaisergarten is the white statue of that witty divine, Abraham a Sancta Clara. His entertaining and moving pulpit discourses helped his enormous congregation to forget their hunger, thirst and weariness. He was preacher, narrator and satirist in one. His influence, which did not stop short at the Imperial Court was to a great extent due to his perfect command of Viennese dialect. 211 793

Viennese dialect! This is a faithful mirror of the spirit of Vienna, wonderfully soft and 197 192

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Bohemian Court Chancellery.

192 word "prado", meaning "meadow". A foreign word, the Viennese seized on it,
197 made it their own, the stranger soon became a real Viennese, the "Prater". So it has been with many another expression which may have been Greek—or Spanish—to the Viennese at the outset.

363 The elegant Kärntnerstrasse leads straight from the Ring to the Stephansplatz. We can stroll through it and enjoy its fascinating shop windows another time. Now let us cross it to enter the Himmelpfortgasse where the Winter Palace of Prince Eugene of Savoy is situated. Because the narrow street does not afford a clear view, the statues which usually decorate the entrances to such palais are missing, the three
342 gateways being ornamented only with reliefs. The impression made by the grand staircase in the interior is all the greater, Fischer von Erlach and Lukas von Hildebrand united to create a magnificent palace for the great military leader, although the Belvedere Palace on the other side of the Ringstrasse is a monument to Prince Eugene which is even more imposing.

363 Let us wander on through the complex of narrow streets in the old city, through
346 the venerable, twisting Schönlaterngasse with its dormer windows and porticos, its legend-haunted houses, through the Sonnenfelsgasse in which there is not a single modern house and follow the Bäckerstrasse up to the Alte Universitätsplatz, with its view of the early baroque Jesuitenkirche and the venerable Aula.

The Jesuits have still another place of worship in the Inner City. It stands near by in Am Hof, the church called "Zu den neun Chören der Engel" ("The Nine Choirs of Angels"). Am Hof is picturesque, and its name is ancient. As far back as the 12th century there stood here a country seat of the Babenbergs, which later became their palace. Old records describe the square as a tournament field. Nowadays, at Christmas time, the "Christkindlmarkt" (Christmas Market) is held there, with glittering Christmas trees full of lights, brightly coloured toys on the stalls, rocking-horses and trumpets, bringing a merry sparkle to children's eyes. [346] 363

Dreamy houses of long-dead burghers frame the great square, in the centre of the whole is a delicate column to the Virgin.

Much of Vienna's history has been written here. From the terrace of the church, in 1782, the Pope gave his benediction to thousands of Viennese. He had arrived unexpectedly to try to persuade the Emperor Joseph II to abandon his plans to reform the Church.

From the same terrace the Emperor Franz II announced the birth of the new Austrian Empire in 1806, after he had laid down the German Imperial Crown under the threats of Napoleon. The revolutionary year, 1848, saw Latour, the Minister of War, hanged here on a lamp-post.

Beyond the hollow of the Tiefer Graben the Freyung leads to the Schottenstift, where the oldest pictures of Vienna are preserved.

Now let us come out on to the Ring, following it down towards the quays of the Danube Canal. Leaving the Canal on our left we may glance on our right at the venerable Ruprechtskirche above a steep flight of steeps.

Following the broad sweep of the Ringstrasse we may catch a glimpse above the roofs of the grey Cathedral and continue past the long façade of the Ministry of War opposite which stands the modern Post Office Savings Bank designed by Otto Wagner.

We glance at the extensive Stadtpark, resist the temptation to linger at the Schwarzenbergplatz and finally come to a halt before the Opera, realising with sorrowful amazement the full beauty of its construction, now alas open to the sky.

Viennese Girl, 1903.

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The Freyung, with the Schottenkirche and Harrach Palais.

life of St. Charles Borromäus symbolise the triumph of the Counter-Reformation. 346
The junction of the cupola and a Corinthian portico points to the temples of antiquity and the quality of Karl VI as ruler of the Holy Roman Empire. The great architect consciously rejected all colour and heavily decorative scrollwork in planning the magnificent proportions of the lofty interior in order to increase the monumental effect.

Not far from the Karlskirche is the broad and sunny Schwarzenbergplatz. Let 363 ●
the visitor decide for himself whether there is any other square in Vienna which can compare with the generous expanse and distinguished reserve of this one.

Adjoining the Schwarzenbergplatz is an architectural district with a character of its own.

THE BELVEDERE. From whatever direction you approach the grounds of 342
the Belvedere you feel that you are about to be the guest of a Prince, a true cavalier. If it belongs to the soul of Viennese culture to combine the significant or rather the truly great in art with an element of irresistible charm, then the two Belvederes, Upper and Lower, can be accepted as the most typical examples of Vienna art. The world has to thank Lukas von Hildebrandt for these peerless baroque masterpieces.

The Lower Palace used to be the summer residence of Prince Eugene, although he was only able to visit it at short intervals between military campaigns. After his death, much was changed inside and outside, but the ceiling frescoes of Altomonte

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Michaelerplatz

342 and Fanti still glow in their pristine colours, the two-storied Marble Hall still displays magnificent mouldings. Allegorical reliefs depict Eugene, not merely as a tactical genius, but also as a peace-maker and apostle of culture.

The two palaces are harmoniously connected by a terraced park in which it is easy to imagine proud cavaliers with powdered wigs and swords strolling with smiling ladies in elaborate gowns of rustling silk.

At the top of the park is the Upper Belvedere, with its corner pavilions and mansard roofs. In the time of Prince Eugene it was a proud residence which made a fitting background for great feasts and receptions. How clear-cut are the finely ornamented roofs of the two wing towers at the corners against the blue of the sky. We pass into the ceremonial Sala Terrena, the entrance hall with its mighty figures of Atlas supporting the ceiling arches. The splendour of the broad well-lighted staircase which leads to the Marble Hall, and goes on up to the third story, takes one's breath away. Here the full glory of Hildebrandt's interior decoration is revealed in slender pillars, mouldings and cleverly-painted imitations of architectural features. Naturally the brilliance and luxury which filled these halls in baroque days will never return to them.

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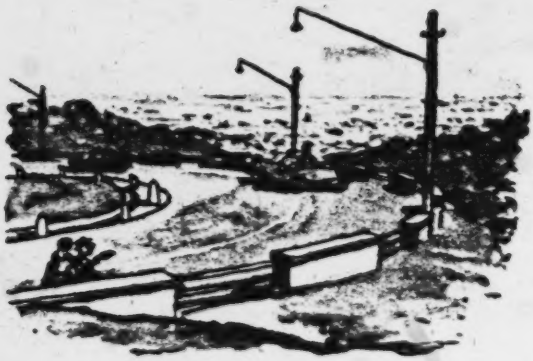

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Viennese Girl, 1913.

439 tariffs had increased to 296 per cent of the 1913 level in Bulgaria, to 144 per cent in Yugoslavia, to 140 per cent in Roumania, and to 137 per cent in Czechoslovakia, the Austrian tariffs had actually fallen to 77 per cent of their pre-war level, a fall which, in continental Europe, was surpassed only in Sweden. But it was obvious that this policy could not be permanently maintained in face of high tariffs elsewhere. After the Geneva Conference in 1927 had failed to achieve tangible results with regard to the reduction of trade barriers, Austria too turned towards protectionism to reduce her dependence on a highly unstable world trade. The world preferred to learn the hard way.

361 What of the position of Vienna? When the new Austria, with its 6½ million people, had to take over the economic
631 and administrative centre of a 50-million empire, containing almost 30 per cent of the population of the new Republic, many people thought that this "huge head far too big for a small body" would prove an insoluble economic problem. Actually it soon turned out that the general process of readjustment, described above, also helped to solve this problem. First, it should be noted that while the percentage of the population living in the *capital* was unusually high, the percentage of the *urban* population was quite normal for an industrial country. It was smaller than, for instance, in Great Britain or Switzerland. The establishment of new commercial and govern-
[464] ment centres did, it is true, hit Vienna badly. The reduction in the number of civil servants, banking and commercial employees and the unemployment among lawyers, solicitors, etc., created a burden which was mainly concentrated on the capital.

366 But apart from this particular problem which was
368 slowly—all too slowly—mended, it soon became clear that

1/1 [CA CATEGORY 116, p. 50 --ANALYST]

READJUSTMENT AND CONSOLIDATION

Vienna still had an important economic contribution to make to the country and to the world. Its unique geographic position at Europe's crossroads again attracted a large and growing volume of transit trade which helped to keep the commercial life of the city at a high level. Again, the long-standing knowledge which the Viennese financial institutions had acquired of the Balkan markets gave rise to economic activities and payments from foreign countries which helped to improve the balance of payments. Of still greater importance was the increased activity in the consumer goods and export industries to which Vienna, the main centre of the lighter industries, was particularly well suited. The introduction of a biennial fair made Vienna the main centre of the country's export trade and an important factor in Central and east European trade.

Last, but not least, the economic activities of the Viennese City Council helped considerably to re-establish and stimulate the economic life of the capital.[71] A skilful financial policy had enabled the municipality to avoid a deficit even during the difficult post-war and inflationary years. Now that the position had become easier they embarked on a progressive programme of expenditure on social welfare, educational reform, and—most important from the economic point of view—on an extensive building programme. Building activity had practically come to a standstill during and after the war and the housing shortage was acute. Private building was discouraged by a strict Rent Restriction Act which protected the population from the wild profiteering in rents that would have otherwise occurred. In 1923 the municipality, which had already built 7,259 dwellings between 1919 and 1923, announced that they would build 25,000 new dwellings during the next five years. This was the

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

433 *Anschluss* took place, Austria already had a good chance of becoming a viable State.

657 Politically the main achievement had been in the field of social legislation. Nowhere in Europe did the Socialist ideal find more impressive realization than in the legislative programme initiated by Ferdinand Hanusch, the Austrian Secretary of Social Administration between 1918 and 1920, and in 367 the housing schemes carried out between the Wars by the Vienna municipality under Social Democratic control. These improvements gave the young Republic something to be proud of, something, moreover, which was associated with the difficult present rather than with the glorious past, and which 648 directed attention to the possibilities of the future. Another political event of importance was the appeal for financial help made to the Allies by the Christian Socialist Chancellor, Monsignor Seipel, which led to the appointment of the League of Nations Commissioner. He was accused of being a traitor by his opponents, but his action established an important precedent in international collaboration. It showed that it was possible to combine patriotism with the acceptance of international control, an innovation of great significance for a small State like Austria.

517 In culture and sport the period also brought great success. The triumphs of the Austrian football team, the Vienna State Opera, and the Salzburg Festival stirred the pride and enthusiasm of the harassed Austrian people.

186 Anton Wildgans' *Rede über Österreich*, which was written in 1929, reflected the development of Austrian patriotism and Austria's sense of identity as a State. This great speech was intended for a foreign audience. But it was also a noble expression of patriotic faith. Its enthusiastic reception in Austria was a clear indication that it summed up ideas that were germinating in many Austrian minds.

648 Austria's growing self-consciousness and sense of independence were stimulated by Hitler's rise to power. Austrian Socialists had been in favour of union with a Germany in which Socialism and democracy were strong, but they had no

island in a sea of green. Vis-à-vis lies the lovely belt of the Wienerwald. Directly to the 344
rear the low-built biedermeier houses mark out a picturesque pathway to the castle and grounds of Hetzendorf. This again is in the neighbourhood of Laxenburg Castle, with its lake and its game park.

The people of Vienna who visit Schönbrunn realise that reforms come not only from below, but sometimes from above, for Joseph II threw open these exclusive grounds to the public of his own accord—Schönbrunn, the Augarten and the Prater.

IN THE PRATER. The Prater was formerly a game preserve for noblemen 367
of high rank, who were furious with the Emperor for deciding that the public in future should have free run of the place: this meant, the aristocrats grumbled, that they could no longer be among their equals. Joseph answered with biting irony:

"If I always wished to be among my equals, I should be forced to take my walks in the Kapuzinergruft, among the deceased Hapsburgs." 367

The Prater is a vast stretch of untouched open country which lies on the right bank of the Danube. Just as the mountains behind the city reach right up to its suburbs, so does the wooded plain of the Prater with its open fields and pools. One can wander for hours in this natural park, the most extensive recreational area for the Viennese. However many tens of thousands come here, the Prater has room for them all as they spread over the broad expanses of meadows and woods which offer shade, rest and repose after the din of the city.

Right through the middle runs the Hauptallee, with the romantic Lusthaus at one end, beyond which the road leads on to the Freudenau, Vienna's racecourse. At all seasons of the year it attracts visitors. But in May this avenue forms an unbroken ribbon of flowering chestnut trees. When the petals fall from the blossoming candelabra, the grass, the footpaths and the roadway are all covered with white and red snow. Later on, in autumn, children eagerly collect the shiny brown chestnuts lying among the dead leaves.

On one side of the Hauptallee lies the little lake near the Konstantinhügel and further on the Heustadel Water, on both of which are rowing boats for hire. On the other side are the Trabrennplatz (Trotting Race Course), the great Sport Stadium, three historically famous coffee houses and the "Wurstelprater" (Fun City). Here at the foot of the Big Wheel, holiday crowds find a centre of light-hearted happiness, where the cares and sorrows of a harsh everyday world may for a space be forgotten. The "Wurstel" (Punch) still delights children as he did in the days of Adalbert Stifter. Fascinated, they sit before the small stage where their imaginations are ever again successfully led astray into a world of illusion and fantasy with very primitive aids—chiefly adroitness of the fingers and a native gift of wit. Ancient wisdom finds its expression here, a wisdom which recognises failings with a smile. Born of

Viennese Girl, 1948.

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Praterstern.

367 the spirit of Baroque, tempered by Biedermeier and handed on by Raimund and Nestroy, popular fancy and humour have here been translated into verse and music. In the "Plane Song" and the "Ashes Song"—and before the "Wurstel" in the Prater—the Viennese recognises his spirit of resignation and is resigned to his recognition of it. Thoughtfully he mingles dream with reality, relieved of something which can be neither assessed nor grasped, and turns back, smiling, to the warm pulsating life, to the fascinating turmoil of the Wurstelprater.

THE BELT OF WOODS AND MEADOWS. The Wienerwald is, to the Viennese, an inviolable and hallowed spot—almost sacrosanct. For this reason it is an unwritten law of city planning that Vienna must never lose its appearance of being part of the countryside. The written law of the great Burgomaster Lueger speaks of the belt of woods and meadows, of its protection and its inviolability.

The belt of woods and meadows, as this deep and extensive green garland of sighing forest and luxuriant meadows is called, encircles a great part of the city, planting outposts deep into its territory, looking over its own shoulder in all directions at it,

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Danube Wharf (Kai).

enlivening and refreshing it day by day with fresh forest winds and cool breezes from the Danube. 367

From the vineyards of Nussdorf rises up the forest-crowned head of the Kahlenberg, favourite mountain of the Viennese and a last outpost of the Wienerwald, the extensive hill country to the north-west of the City. Its fields and deciduous forests form a vast recreational garden of recreation for tired city folk in search of fresh air. Few other cities can boast of such a large and unspoilt natural preserve in the immediate neighbourhood of the granite sea of tenement buildings.

A short walk brings us to the adjacent Leopoldsberg. Here you can sit in the little tavern gardens drinking the excellent wine which is grown a little lower down, near Grinzing and Nussdorf, and gaze at the green domes of Klosterneuburg monastery, the steamers on the Danube with their trailing banners of smoke, the fields along the banks and the Stefansturm which rises like a fountain of stone. One thinks of the days when the merry Babenbergers still held sway here above and pious Margrave Leopold founded the monastery of Klosterneuburg on the spot where he found the wind-tossed veil of his lady.

Downwards from the Leopoldsberg leads a beautiful, shady, wooded path. A visit to the monastery is well worth while, for all our Austrian monasteries have been very important centres of art and learning by virtue of their architecture, their art collections and their libraries; Klosterneuburg enjoys apart from this the best of reputations as a college for church music. The famous school of the town of Klosterneuburg for vine and fruit-growing dates from the times when our monasteries were strictly organised working communities which spread considerable material culture. 792

Plate XVI

•367

Waldmüller; Prater Trees (section).
Austrian Gallery of the 19th Century.

[-400(b)-]

439 tariffs had increased to 296 per cent of the 1913 level in Bulgaria, to 144 per cent in Yugoslavia, to 140 per cent in Roumania, and to 137 per cent in Czechoslovakia, the Austrian tariffs had actually fallen to 77 per cent of their pre-war level, a fall which, in continental Europe, was surpassed only in Sweden. But it was obvious that this policy could not be permanently maintained in face of high tariffs elsewhere. After the Geneva Conference in 1927 had failed to achieve tangible results with regard to the reduction of trade barriers, Austria too turned towards protectionism to reduce her dependence on a highly unstable world trade. The world preferred to learn the hard way.

361 What of the position of Vienna? When the new Austria, with its 6½ million people, had to take over the economic
631 and administrative centre of a 50-million empire, containing almost 30 per cent of the population of the new Republic, many people thought that this "huge head far too big for a small body" would prove an insoluble economic problem. Actually it soon turned out that the general process of readjustment, described above, also helped to solve this problem. First, it should be noted that while the percentage of the population living in the *capital* was unusually high, the percentage of the *urban* population was quite normal for an industrial country. It was smaller than, for instance, in Great Britain or Switzerland. The establishment of new commercial and government centres did, it is true, hit Vienna badly. The
[464] reduction in the number of civil servants, banking and commercial employees and the unemployment among lawyers, solicitors, etc., created a burden which was mainly concentrated on the capital.

366 But apart from this particular problem which was
368 slowly—all too slowly—mended, it soon became clear that

[CA CATEGORY 116, p. 50 --ANALYST]

READJUSTMENT AND CONSOLIDATION

Vienna still had an important economic contribution to make to the country and to the world. Its unique geographic position at Europe's crossroads again attracted a large and growing volume of transit trade which helped to keep the commercial life of the city at a high level. Again, the long-standing knowledge which the Viennese financial institutions had acquired of the Balkan markets gave rise to economic activities and payments from foreign countries which helped to improve the balance of payments. Of still greater importance was the increased activity in the consumer goods and export industries to which Vienna, the main centre of the lighter industries, was particularly well suited. The introduction of a biennial fair made Vienna the main centre of the country's export trade and an important factor in Central and east European trade.

Last, but not least, the economic activities of the Viennese City Council helped considerably to re-establish and stimulate the economic life of the capital.[1] A skilful financial policy had enabled the municipality to avoid a deficit even during the difficult post-war and inflationary years. Now that the position had become easier they embarked on a progressive programme of expenditure on social welfare, educational reform, and—most important from the economic point of view—on an extensive building programme. Building activity had practically come to a standstill during and after the war and the housing shortage was acute. Private building was discouraged by a strict Rent Restriction Act which protected the population from the wild profiteering in rents that would have otherwise occurred. In 1923 the municipality, which had already built 7,259 dwellings between 1919 and 1923, announced that they would build 25,000 new dwellings during the next five years. This was the

[illegible]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

Communist control and to emphasize the importance of professional training and experience. At his suggestion, on the 23rd of May, Dr. Pamer, a former Police President, replaced a Communist as Police President of Vienna. Finally, on the 13th of June, the whole force was formally taken over by the Police Directorate, a purely Austrian authority.

By July the Vienna police were nearly 7,500 strong, though only some 1,000 of them had had previous police experience and many still owed their position to their political opinions. In September, at British instigation, the first meeting of the Allied Public Safety Committee was called. From then on the Austrian police were under Quadripartite supervision, and the three Western Powers were able to counterbalance Russian influence.

Dr. Renner's main concern, after his first few months in office, was to ensure the real unity of Austria. The Provisional Government had announced the restoration of the Austrian Republic and declared itself to be the Government for all Austria. Yet *de facto* its authority still only extended to those parts of the country that were occupied by the Russians; that is to say, Vienna, Burgenland, Lower Austria, and parts of Upper Austria and Styria. The Chancellor's two aims were to obtain the recognition of the Four Powers for his Government and reintegrate the country under its control. The continued division carried with it real dangers. Economically, the position was absurd. In so small a country, each part was dependent on the others for its survival. But the iron of Styria was cut off from the engineering industries of the Russian zone. The salt and meat of Salzburg and the Tyrol could not be brought to Vienna, and the oil, grain, and potatoes of Lower Austria were not available to the West. It had always been difficult to feed Vienna. Yet the task had become impossible in a house, as Dr. Renner put it, 'where the larder was walled off from the kitchen by zonal frontiers'.

Since 1918 the mutual suspicion between Vienna and the provinces had been a menace to the country as a whole. The interests of the city and the rural areas were utterly different,

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

369 631 and the contrast was accentuated by the fact that the capital was Socialist and the provinces largely Conservative. The isolation of Vienna from most of the provinces would therefore tend to revive an unhealthy animosity that years of common subjection to Berlin had done much to overcome. The Chancellor had every reason to fear such a development, because a movement for the formation of an Austrian government in the provinces occupied by the Western Allies had followed the liberation. This fortunately had failed. Had it succeeded, Austria might have shared the fate of Germany. Yet the attempt justified Dr. Renner's misgivings. Salzburg was the only province, outside Russian territory, that endeavoured to recognize the Provisional Government, and its overture to Vienna on the 24th of May led to a rebuke from the American Military Governor.

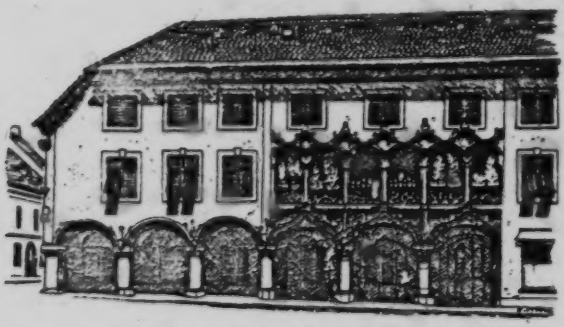
489 Conditions made it difficult to counteract separatist tendencies. The country was divided, and there were still no normal transport services between the different zones. It was easier to travel from Russian-occupied Austria to Czechoslovakia than to the Austrian western provinces; and easier to move between the cities of Salzburg and Munich, which were both occupied by the Americans, than between Salzburg and the Austrian capital. A messenger sent by Dr. Renner from Vienna to the Tyrol in May took seventeen days to make the journey and had to swim the River Enns, when he crossed the Russian frontier. An experienced member of the Resistance, well accustomed to travelling under difficulties, took a week to cover the same distance by car during the summer.

727 The Western Allies at first decided not to recognize the Provisional Government. They were suspicious of it as a Russian creation in which Communist influence was unduly strong. Fortunately events so developed that this decision was reversed.

On the 4th of July the Governments of the four occupying Powers reached an agreement in London setting up a Control Commission for Austria. It was to consist of an Allied Council, comprising the four Allied High Commissioners, an Executive Committee, and departmental staffs. Vienna was to be con-

their slaves, the Slavs, before them with their whips. After the year 800 A.D. when Charlemagne had broken the tyranny of the Avars, there came monks from Salzburg to preach Christian doctrines and with them Bavarian peasants. But soon the Magyar invaders swept in to interrupt the peaceful work of these settlers among the natives. Only after the Battle of Lechfeld was it resumed. Then, with the vigour of the adolescent Western world as a spur, a civilisation based on the hard work of a simple peasantry grew throughout the centuries into that unobtrusive, modest culture which has survived all the hard tests of the past. In those early days the villages grew up on river banks and in sheltered corners between hills, overshadowed and protected by the castles of the ruling knights; the Riegersburg, which crowns the steep slopes of the Felsberg, is a fine example of the latter. Protection from the danger which always threatened from the East was afforded by the frontier towns of Friedberg, Hartberg, Fürstenfeld and Radkersburg. The burghers who lived in them and in the market-towns, proud of their social position, yet in close contact with the country-folk, kept the latter in touch with the developments of the age and brought to them profitable trade.

The Raab, the chief river of East Styria, flows broad, sluggish and dark from the districts where the villages melt into fertile fields and the storks nest on roof-tops and chimneys. As it hurries through Passail the river is still an immature mountain stream. From this remote and pleasant market-town Peter Engelbrecht once found his way to the Imperial Court in order to teach Latin grammar to Maximilian, later the first emperor of this name. Further on, below the old Stubenberg castle of Stubegg lies Arzberg, where, as the name suggests, lead ore (with a silver content) was mined.



Bruck-on-the-Mur, Kornmarkhaus.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

never yet have been used for the benefit of the people themselves. Between 1937 and 1944 the annual production was raised from 33,000 tons to 1,200,000, but this result was only achieved by uneconomic and wasteful methods that were damaging to the oil-fields and would not normally have been employed. 727 315

Under German occupation hydro-electric power production was also developed considerably. Between 1937 and 1945 the potential output of current was raised by about 61 per cent. But the extra power made available was not intended primarily for Austria's benefit. The country was split up and incorporated in separate 'power regions' of the Reich, the Vorarlberg being allotted to Baden, the Tyrol to Bavaria, and the eastern provinces joined up with Bohemia and Silesia. There was no direct transmission line between the eastern and western provinces. This arrangement made it impossible for Austria to utilize to the full her hydro-electric current when the War came to an end. 727 377

In spite of the numerous disadvantages, however, the economic effects on Austria of the *Anschluss* and the War were not entirely bad. German energy and efficiency brought direct results that otherwise were unlikely to have been achieved so quickly. Austrian interests were not consciously regarded during the process, but when Austria was restored to life some of the results turned out to be good and some were of potential value.

Although hydro-electric developments in Austria had been considered by the Germans as part of a greater whole, the new plants available on Austrian territory after the War were a valuable national asset. In course of time the grid could be adapted to suit Austrian needs. Furthermore, the fact that the Germans attached so much importance to Austrian current underlined its significance in Austrian eyes as a potential major export. During the post-War years Austrian statesmen and economists have been more conscious than ever before of the value of Austria's vast hydro-electric resources to the country's economy as a whole.

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figure. By the autumn of 1951 the small crafts, which employed nearly as many people as industry, had received only 14 million schillings from the counterpart fund, which was only 0·4 per cent of the total. 185 457

There was no branch of the Austrian economy in which the need for capital investment was greater than in fuel and power. 433 Nor was there any branch to which the allocation of available funds would be the subject of less controversy. The Austrian Republic's shortage of coal, which had always been serious, was more acute than ever, owing to the development of the iron and steel industry. And Poland and Czechoslovakia, Austria's traditional suppliers, were now in the Russian orbit, and charged excessive prices for such coal as they were prepared to deliver. At the same time the country had vast potential sources of hydro-electric power, which only required capital for their development. It was most important that the development should take place both to economize consumption of coal and to satisfy the growing demands for electric current of Austrian industry and the Austrian people.

Austria's oil-fields were her main resources in mineral fuel, but, being under Russian control, they did not fall within the scope of the recovery programme. Her coal-mines, which produce 95 per cent lignite, could only satisfy between 25 and [316] 30 per cent of her requirements in 1948 and 1949. As a result of forced production during the War and neglect of new development, the coal was difficult and expensive to work, and the output per miner was only three-quarters of the pre-War level, although the miners' own record had been excellent.

The production of hydro-electric current increased steadily 433 during the War, until in 1944 it had more than doubled. In 1945, owing to the serious disorganization that accompanied 377 the end of hostilities, output fell off considerably, but between 1945 and 1948 it rose from 2·51 billion kilowatt-hours to 4·45 billion. The steam-driven power-plants, so important for the maintenance of winter supplies, had suffered severe damage during the War, especially at Linz, and were not back in full production by 1948. Meanwhile the growing importance of

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electricity to the Austrian economy was shown by the fact that domestic consumption per household had increased by 60 per cent between 1938 and 1947. In 1947, also, Austria exported nearly a quarter of its total current production and stood second amongst European countries as an exporter of electric power.

Substantial ERP funds were allocated to the coal-mines for new development and modernization of equipment with the object of increasing productivity. Aid was also given in the reconstruction of the damaged steam-driven electric power-stations, and in the building of new stations in the neighbourhood of the lignite fields. But the bulk of assistance in the sphere of fuel and power was naturally devoted to the development of hydro-electric resources.

Austria's total potential hydro-electric power production is estimated at not less than 30 million kilowatt-hours a year, more than five times the present output. The possibilities were already realized in some measure before the end of the nineteenth century, and development between the Wars was help up mainly owing to lack of domestic and foreign capital on the large scale required. The European Recovery Programme offered a great opportunity, which was not likely to recur, and at the Paris Conference which considered the Marshall offer in the summer of 1947 the Austrian delegation began at once to consider proposals for electric power development. By the following year a general plan had been drawn up that aimed at doubling production in the ten years starting with 1948.

ERP support was limited to four years, but provided for the generous allocation of counterpart funds both for the completion of plants under construction and for the initiation of new works. The programme covered projects in all of the six provinces under the Western Allies, but was confined to them. The great plant planned at Ybbs-Persenbeug on the Danube in Lower Austria, with a potential output of a billion kilowatt-hours a year, had to be left out, because it was in the Russian zone. Major projects in Western Austria included those on the Ill in the Vorarlberg, on the Drau in Carinthia, and on the Enns, the Inn, and the Danube in Upper Austria. The new

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works begun at Braunau on the Inn and at Jochenstein on the Danube were undertaken in collaboration with Western Germany. Most important of all were the power-stations dependent on water stored in great mountain reservoirs, such as those at Achensee in the Tyrol and at Kaprun in Salzburg. This type had the great advantage of being able to reserve its major output for the winter months, when hydro-electric current was in short supply. If they were developed on a sufficiently large scale, it would be possible to reduce the number of steam-driven plants, and so economize coal.

Of all the hydro-electric projects in process of construction, Kaprun was the most significant for the Austrian economy as a whole. Three great reservoirs were to be created at different levels by the construction of a series of dams, the top two reservoirs being connected by a conduit through the mountains nearly twelve kilometres long. When the work is completed, the annual production of current will be 620 million kilowatt-hours, of which 460 million will be produced in winter.

After iron, oil, and coal, the most valuable of Austria's mineral resources at present being utilized is magnesite. The magnesite industry did not suffer seriously from the War, and after a temporary setback, owing to the coal and power shortage in 1946–7, had regained the pre-War level of production by 1948. The greater part of the magnesite produced was exported, some of it to the United States. As a dollar-earner, therefore it was important that the efficiency of the industry should be maintained and its production increased. The bulk of the capital required for modernization was provided by the industry itself, though an allocation was made from counterpart funds as well.

Austria also has small deposits of copper, lead, zinc, and subsidiary metals. Under normal conditions their development could hardly be justified economically in competition with the world's main sources of supply. But for two reasons a good deal of attention has been paid to them since the War: they provide materials essential for the important electrical industry, and Austria has not had the foreign exchange necessary to

During July 1946, the parliament passed the first nationalization law (see part A, III, paragraph b). This nationalized, in addition to enterprises of heavy industry, mining and shipping, the three largest Austrian commercial banks (the Creditanstalt-Bankverein, the Oesterreichische Länderbank A. G. and the Hypotheken- und Creditinstitut). With the federal law of March 26, 1947 (second nationalization law), establishments and plants producing and distributing electrical energy were nationalized, because 90 percent of these establishments were already publicly or municipally owned. 471 [453] [377]

During the years 1945-1946 only the greatest difficulties were eliminated. A noticeable production increase, fostered by increasing imports of raw materials and food stuffs, occurred during 1947 at which time the coal situation was also eased and the crisis in the power sector could be ameliorated. The decisive turn of events in the economic consolidation, however, remained to be accomplished with the assistance of the Marshall Plan. 433

3. Special Problems in Austrian Reconstruction.

a) The question of "German Property."

At the end of the war, when Austria received her independence (perforce limited because of occupation statutes), her economic situation had been basically altered in comparison with 1937. The economically and organically different set-up of the German Reich made a reorganization of the economic status necessary. Austrian production means were diminished further by transfers of private as well as public production establishments into German hands, particularly after 1938. This "German Property" became fateful in Austrian economy with the Potsdam Agreement of August, 1945. 471 727

According to the agreed terms of the Allied Powers, German reparations were to include German assets located in countries previously occupied or controlled by Germany; these assets were to be subjected to the control of the various Allied Powers relative to their geographic location (in Austria according to occupation zones).

Under this title more than 200 enterprises in Austrian territory, mostly in the eastern part of the country (among them the entire oil industry,

471 655 some federal ministries as well as the reorganization of the sphere of action of others), is being taken care of by the federal ministry for traffic and nationalized enterprises, the administration of the nationalized commercial banks falls within the competence of the Federal Ministry of Finance. The nationalization comprises:

[453] 1.) The large banks (Creditanstalt-Bankverein, Oesterreichische Länderbank AG, and Hypotheken- u. Kreditinstitut);

[327] 2.) The most important enterprises of the iron and steel industry (Oesterreichische Alpine Montangesellschaft, Vereinigte Oesterreichische Eisen- und Stahlwerke A. G., Linz, Schoeller-Bleckmann Stahlwerke A. G., Vienna, Gebrüder Böhler u. Co., A. G., Vienna);

[316] 3.) The most important coal mines (Wolfsegg-Traunthaler Kohlenbergwerke A.G., Linz, Steirische Kohlenbergwerke A.G., Vienna, Lankowitzer Kohlen-Compagnie, Vienna, etc.);

[392] 4.) A number of important enterprises of the electric and machine manufacturing industry (AEG-
[393] Union Elektrizitätsgesellschaft, Vienna; Simmering-Graz-Pauker A. G. für Maschinen-, Kessel- und Waggonbau, Vienna, etc.);

5.) The Oesterreichische Stickstoffwerke A. G., Linz;

[316] 6.) The most important non-ferrous mining enterprises (Bleiberger Bergwerks-Union, Klagenfurt; Montanwerke Brixlegg Ges. m.b.H., Brixlegg; Kupferbergbau Mitterberg, Münlbach am Hochkönig; Aluminiumwerk Mattighofen-Ranshofen);

[505] 7.) The Erste Donau Dampfschiffahrtsgesellschaft, Vienna;

● [377] 8.) The large enterprises producing electric power; and, finally,

[315] 9.) The enterprises for the exploitation of crude oil.

With the enacted legislation the ownership-rights (re: corporations) or the assets and liabilities of certain enterprises (limited companies, etc.) or plants (branch establishments of enterprises located abroad) became the property of the Republic of Austria. This in turn implied also the transfer of the administration of the nationalized enterprises to the Austrian government, provided that such enterprises were not located within the Russian zone (USIA establishments) and therefore beyond Austrian control. The enforcement of the nationalization, however, is not completed because:

328 It is thought that in the light-metals
316 sector (production of aluminum) the bauxite mines at Unterlaussa (on the frontier between Styria and Lower Austria) will be extended to obtain at least the necessary raw materials for production. In accordance with the increase in the total European aluminum production required by the OEEC, Paris, Austria will endeavor to increase aluminum production in the smelting plants of the Vereinigte Aluminum Werke Ranshofen and in the plants at Lend of the Salzburger Aluminium Gesellschaft m.b.H. (up to 30 and 10,000 tons a year, respectively).

The production of non-finished metal products shall be extended by the completion of a light-metals plant of the Österreichische Metallwerke A.G., the construction of which is already far advanced and by the project of a heavy-metal plant of the same firm. These plants are designed to overcome the bottle-neck created by the loss of the plants for non-finished metal products (Krupp in Berndorf and the Enzesfelder Metallwerke). For the Metallwerke Plansee Gesellschaft m.b.H., Reutte (Tyrol), the erection of a plant for the production of molten molybdenum has been planned; in addition, the erection of heavy presses, granulating and sharpening machines for the production of heavy metals as well as of special electrolytical methods for the production of hard metal alloys (Diamantmetall-legierungen) is proposed.

[652] In the scope of the investment program 1950-52 investments, 131.3 million schillings have been mobilized from counterpart funds for these industries. Of this amount approximately 40 million schillings (30.5 per cent) already has been allotted.

c) Investments in the electric industry.

377 A large number of machinery units and steam-
[127] power plants were destroyed or lost by the war. The Austrian economy, therefore, could recover only very slowly in the years 1945, 1946 and 1947, particularly because the supply of energy was definitely insufficient in the months of water shortage. Since 1948, supported by the Marshall Plan, remarkable progress has been made in supplying energy within the economic planning for electricity. Austria tries to overcome the existing difficulties, which arise out of the rapidly changing demand for current on the part of industry, in two ways: (1) by the extension of storage facilities and of caloric

installations insofar as there are secure and sufficient supplies of coal (or insofar as new supplies can be exploited, such as those at St. Stefan im Lavanttal/Carinthia); and (2) by the extension of running water plants, or by stream diversion for the better utilization of existing storage facilities as well as by the reconstruction of war-damaged steam power plants (such as at the Vereinigte österreichische Eisen- und Stahlwerke A.G., Linz). The water power facilities, which are capable of extension, are estimated at 25 to 30 billion kwh (or even more). 377

In the course of carrying forward the development of water-power plants and of caloric-power plants since 1937, their capacity has increased by more than seventy per cent. The annual production amounted to 1,962 million kwh in 1946, 3,310 million kwh in 1949, and 3,717 million kwh in 1950.

Of the 1,410 million schillings provided in the investment program for 1950-52, 571.5 million schillings (40.5 per cent) was allotted to the development of energy in 1950. [652]

Important huge projects in the hydro-electric field which are now under construction and already far advanced are: the Ennskraftwerke, the Draukraftwerke, and, most important, the Tauernkraftwerke where progress on the Limberg-Sperre proposed for 1949-50 exceeded plans. The latter is one of the largest dams in Europe to cost approximately 250 million schillings. It is to be finished in 1952 and will be the main dam of the Kaprun-Tauern system. Part of the storage dam was made ready as early as 1949 and, with the installation of the second set of machinery in the power plant of the main dam, brings about an essential means for overcoming the exceedingly high winter demands for electricity. In 1950 alone 180,000 cubic meters of cement were poured into the construction of the Limberg-Sperre, thus making it possible to store approximately 61 GwH in the winter of 1951-52. The stages contemplated up to 1952-53 foresee in hydraulic water power an additional capacity of 346.5 megawatt as compared to a capacity (in million kwh) of 612.6 in winter and 1,071.4 in summer--a total of 1,684.0 for the whole year. The caloric power plants under construction are expected to bring an increase in capacity of 156.2 megawatt in the same period. The single projects are distributed over the whole federal territory with the bulwark located in the western federal countries. In addition, there is an extension of overland lines and high tension installations and other energy facilities.

Up to the end of 1949 approximately 9,000 agricultural machines, with a total value of 31.5 million schillings, could be bought out of counterpart funds. Through the formation of agricultural machine cooperatives (about 33) even medium and small-sized farms were able to share in the advantages of technical modernization. The progress of electrification in rural areas supplied light and current to 4,800 farms. Storehouses and freezer lockers have been built in fruit producing areas. In addition, dairies and cheese making plants have been erected from ERP funds.

Further investments in the agricultural sphere are being carried out in accord with the investment program of 1950-52. For these purposes 270 million schillings were released from counterpart funds in 1950 (i.e., 43.6 per cent of the 620 million schillings provided in the agricultural priority program, or 34.6 per cent of the total of 780 million schillings provided in the whole program).

In forestry (exports), which is of paramount importance to Austria, the approximate prewar level of wood and timber output and supply has been achieved through various rationalizations and especially better means of transport and better roads. In 1948 the timber output was 8.24 million cubic meters (Festmeter); in 1949 already it was 9.24 million cubic meters; in 1950 the output could be increased to slightly over 10 million cubic meters.

The increasing production of timber and the stoppage of exports of undressed timber made it possible to supply sawmills and timber finishing plants with bigger quantities of wood in 1949 and 1950 than prior to the war. In 1949, 2.50 million cubic meters of whole timber were planed. In 1950 the amount was 4.41 million cubic meters as compared to 3.14 million cubic meters in 1937. The paper, cellulose, wood fiber and pulp industries could be provided to an increasing extent with all necessary raw materials (especially wood pulp); thus, covering not only the domestic needs but also enabling Austria to gain a foothold in former export markets.

The forestry and sawmill industry received 90 million schillings in 1950 out of counterpart funds and, in addition, 22.5 million schillings in December 1950 to be carried forward for use in 1951.

433 raw iron was increased to about 1.04 million tons (as
[387] compared to 883,000 tons in the preceding year) and the raw steel production to about 1.03 million tons (as compared to 943,350 tons in the preceding year). This increase in production was possible through an increase in mining output, which amounted to approximately 2.37 million tons in 1951, as compared to 1.86 million tons
[398] in 1950. In the car industry, emphasis lay on the production of tractors, heavy trucks, busses and motor-
[392] cycles. Agricultural machinery production was 119 per cent higher in 1950, lathes 110 per cent higher, ball-bearings 327 per cent, nails and screws 56 per cent more than in 1937. Although the electrical industry
[393] had suffered most seriously from war damages and dismantling, and although various raw materials, mostly of foreign origin (such as electric thin-gauge plate, copper, lead and various special products), could be obtained only with difficulty, the total production in 1950 was double that of 1937. This favorable development has continued in 1951 despite the shortage in raw
[381] materials. The chemical industry reached a capacity far higher than before the war in spite of extensive war damages. The Linz Stickstoffwerke, for example, not only cover the domestic demand for nitrogen but export considerable quantities of nitrate of lime and phosphate. Production of the latter amounted to 525 tons per month in 1938, during the first six months of 1951 it reached an average of 35,000 tons per month. The results in some finishing and consumer goods industries lagged behind, but even so substantial increases could be reached, especially in enterprises which are important
[289] for export (for example, the paper industry). By 1950 three per cent more paper was produced than in 1937.

[316] A remarkable increase was made in domestic soft coal mining. The production of electric current
[377] rose from 3,050 million kwh, 1946, to 4,911 million kwh, 1950, an increase of 61 per cent. This remarkable increase of capacity in 1950 is almost exclusively due to water power, the production of which increased to 690 million kwh. In extending and financing electric power projects differentiation must be made between finishing started projects (water-power plants, steam plants, transmission lines and transformers), new construction, international projects, export, and projects of local importance (see Wirtschaftsberichte No. 12, October 1951: "Oesterreichische Wasserkräfte als Beitrag zur Energieversorgung Westeuropas," by Erich Heller and Oscar Vas).

361 529 133 considered, the most attractive place in the entire Province. What makes of it a health-resort is the fact that of all places in the Province, it has the record for sunshine, and that it has the same wonderful climate as the Swiss health-resort of Davos, only 18 kilometres distant as the crow flies.

361 133 377 That the Montafon, particularly the Inner Fratte, has lost its original character of a mountain farming area is immediately evident when one comes to Parthenen, last of the valley settlements. At first glance it is recognised as an industrial township. Montafon's name of the "Valley of White Coal" is here justified, for the district in which Parthenen is situated is devoted to the production of electrical power. Cable-railways, elevators, narrow-gauge railways running at a height of over 5,000 and 6,000 feet, extensive plants and tunnels several kilometres in length show at first glance with what energy technical knowledge is striving to render the forces of nature of service to man. The source of these forces is the glaciers of the main range, the "Blue Silvretta", famous as a ski-resort in spring. It is easy to repeat without giving the matter further thought that the beauty and natural charm of the mountains are destroyed when their useful potentialities are exploited by mechanical means. It is far wiser and more just to go oneself (and how much simpler the many inventions of the much abused mechanical developments have made such a trip), to ascertain with one's own eyes that the two enormous artificial lakes at Vermunt and Obervermunt have lent a touch of beauty to the picture which was lacking in the monotonous valley which they have superseded. For the mountain lover there still remain the combs and peaks of the monarch of the Vorarlberg Alps, the 9892 foot high Piz Buin, which he can approach with untroubled heart and a determination to dare its perils, without any risk that his ideal picture will be found marred by the spirit of a profit-seeking age.

529 526 THE LOFTY CASTLE OF THE WHITE ART. It is not so very many years ago that winter was regarded as a visitation of God. More especially was this the attitude of the mountain folk whose means of livelihood were drastically curtailed during the cold months by the many feet of snow. This attitude only underwent a change when human ingenuity succeeded in making use of two strips of wood bound to the feet with one end bent upwards, which brought with them greater freedom of movement even over deep snow. This happened in Austria towards the end of the last century. One of the areas in which this now widespread

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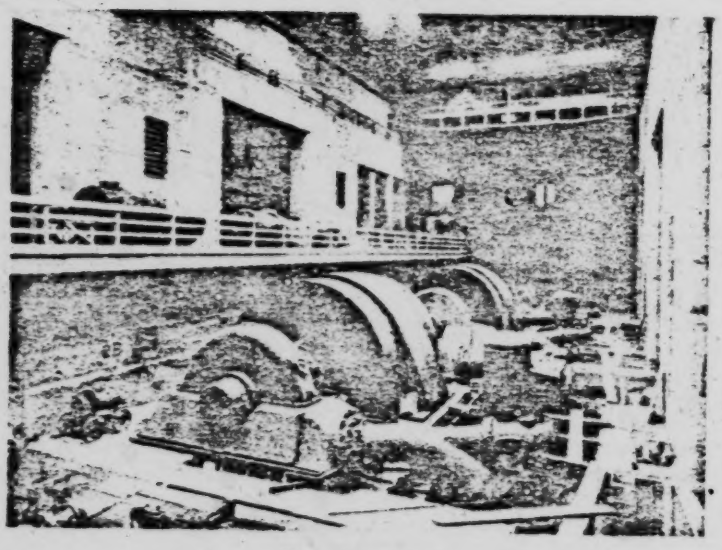

Kaprun Power House.

AUSTRIA'S RICHES—THE "WHITE COAL"

The power system of the Austro-Hungarian Moparchy was based entirely on rich coal deposits mostly located in Upper Silesia, and later re-inforced by the discovery of great oilfields in Galicia. At the end of the war in 1918, the young Republic saw itself faced with the task of replacing as far as possible the loss of almost all its coal by the available water power. The exploitation of native water power, however, was badly neglected during the First Republic because of shortage of capital; for this neglect a heavy price was to be paid after 1945. [135]

In Western Austria, an important power producing plant—the "Ill Works" in Vorarlberg—was set up, the midway stage being reached between 1925 and 1935. It was used, however, solely to export current to Germany, and the electrification of the Austrian railways which had been begun long before was stopped half-way.

Between 1938 and 1944, the extension of the Austrian water power system was not carried out in the interests of home industry. The works built during this period were designed to supply current from the highest Austrian Alpine regions to Germany, while our own country was supposed to be supplied in winter

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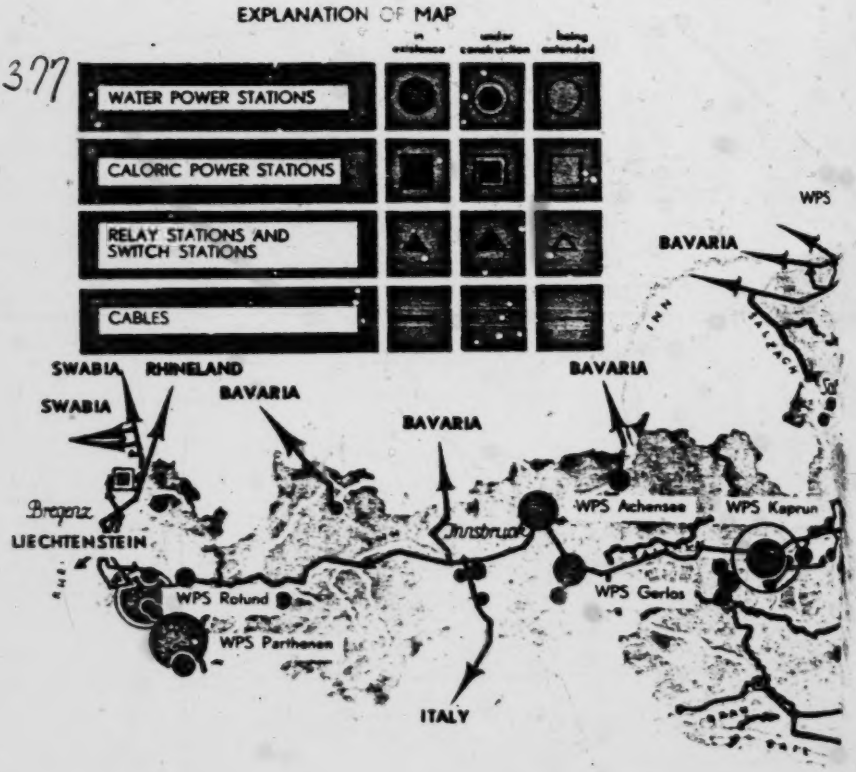

Power Stations and

with calorific current from the brown-coal districts of Middle- and Western Germany.

Austria was to be torn in half in an industrial sense and re-formed according to the ideas of Greater Germany. Thus Vorarlberg was given electric cable connect-

377

High Tension Cables

ions to Swabia, Tyrol to Bavaria and Eastern Austria to Bohemia and Silesia. There was no provision for direct connection between the Western and Eastern parts of Austria. Although building was begun on the power station of Gerlos, the Enns Power Station and the Danube power station of Ybbs-Persenbeug during the German

377 Occupation, construction in these years was of a thoroughly "wartime" standard. A characteristic example was furnished by the Gerlos Power Station.

In 1945 a resurrected Austria found a thoroughly disorganised power system with no system of compensating the difference between winter and summer power supplies or between river and mountain stations. There were only the beginnings of a purely Austrian cable system, for in the years 1938—1944, the existing 110,000 volt system was connected up to the power system of the German Reich. Development of the Austrian system now had to be directed to laying a main power conduit in a west-easterly direction which would run the entire length of the land. In the few years since the end of the war there has already been considerable progress in this direction. For the first time since the erection of the 110,000 volt cable over the Arlberg in 1947, the great Vorarlberg power stations are linked with the inner Austrian network. First the power stations of Tyrol were provisionally connected with the eastern provinces by a 110,000 volt line carried by wooden pylons over the Gerlos Pass. In April 1948, the first part of the future 220,000 volt main cable was put into use from the relay station of Ernsthofen to Pottenbrunn. The prolongation of the main cable to Kaprun and beyond is planned to take place at the same time as the extension of the Tauern Power Station, work having been started in the autumn of 1948. The future Austrian high tension network will not only provide a uniform and smoothly running system at home, but will also make possible a generous exchange of current with all neighbouring states.

Although man power was crippled at the end of the war and is still not properly organised, it was possible by 1948 to start construction in 60 different places. Austria, the richest land for water power in Central Europe, has so far only utilised one sixth of this treasure-store of nature.

[641] Through the efforts of the United Nations Power Committee there is already close cooperation among the countries of Europe with a view to creating a pan-European power service. Owing to her enormous resources in water-power, Austria will be in a position to supply all the electric current still lacking in Europe, after the extensions of the present power stations have been completed and new stations constructed. Plans for exchange of current from Upper Italy to the Lower Rhine have been under consideration for years.

The Tyrolese and Vorarlberg sources of water power which have been developed or are worth developing, estimated together at about 11 milliard kilowatt hours yearly, are designed mainly for export. Water power east of the Gerlosplatte, on the other hand, will have to be used to cover inland demands. Austria most needs power in the eastern provinces, since her industries are mainly located in the Vienna and Linz districts. The principal power stations which have been designed for the supply of inland current are the Tauern Power Station of Kaprun, the Enns Power Work and the Danube Power Works of Ybbs-Persenbeug. After completion

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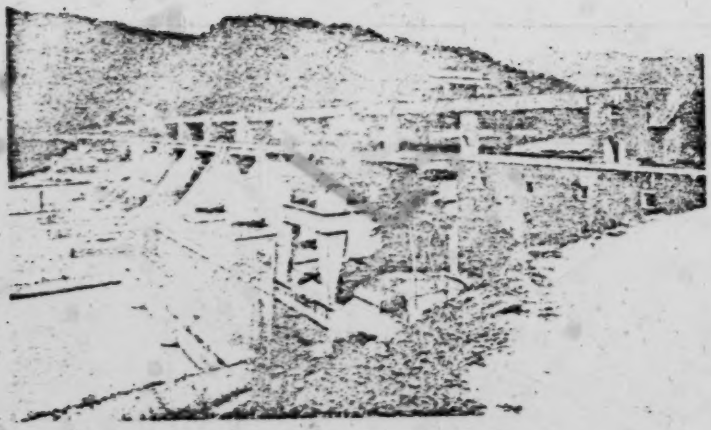


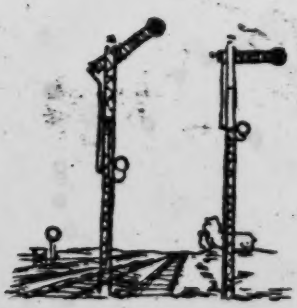
River Power Station, Schwabegg-on-the-Drau.

of the 370 foot high Limberg dam, the building of which was begun in 1948, Kaprun will produce 180 million kilowatt hours of valuable winter peak current. A chain of river power stations is under construction on the Enns which will thoroughly exploit the falls of the river. After its completion the Danube power unit Ybbs-Pergenbeug will produce a milliard kilowatt hours per year, thus becoming the biggest river power station of Central Europe.

The water power which is awaiting development in Tyrol and Vorarlberg will yield when completed about 9 milliard kilowatt hours of current yearly. In the area of the Bregenzer Ache there are several weirs which can be harnessed for power, six power stations meaning a yield of 1 milliard kilowatt hours yearly. On the Ill there are three power stations working and a fourth is nearing completion. The extension of the Ill Works for which additional accumulators and power stations are planned will make available almost 2 milliard kilowatt hours of current yearly. The exploitation of the Inn River and the water power of the Otz District will bring in 4·4 milliard kilowatt hours a year. Apart from this there are important power projects for the Isel District of East Tyrol and in the Reisseck-Kreuzeck group on either side of the Möll Valley.

377 Despite her lack of coal, Austria is in the enviable position of being able to carry out her plans for producing electric power on a generous scale, thanks to her "white coal". The water-power of Austria is to a great extent capable of being dammed and allows of favourable regulation according to changing pressure. Its development has a dual aim. On the one hand it is planned to meet the increasing demand for electricity from home sources and to make the country independent of imported current, previous caloric supplies being replaced by water power as far as possible, thus reducing coal consumption to the lowest possible figure. On the other hand Austria will have at her disposal a considerable exportable surplus of electric energy after full exploitation of her water power, thus permitting this country to play a central and equalising role in the electricity production of Europe.

Austria approaches this task with the knowledge that the linking up of the various economic interests of individual states in a planned continental economy is the best guarantee for a long period of peace and for general well-being.



INTRODUCTION

per cent of the world's output of magnesite and thus took 135
second place after the Soviet Union. In producing 9 per 316
cent of the world's graphite output, Austria followed close on the Soviet Union, Korea, and Germany.[4] The output of other minerals was less impressive and there were no great export surpluses.

About fifteen years ago, oil was discovered near the 315
little village of Zistersdorf, near Vienna. Production was 135
started in 1932 at the very low level of 100 tons, but it increased quickly until it reached 33,000 tons in 1937, the last year of Austria's independence. Since then the Germans, in their urgent need for oil, greatly increased the output in this district and annual production reached a level of one to two million tons. This quantity greatly exceeds Austria's peace-time requirements of oil.

As against her lack of coal, Austria is in the fortunate 377
position of having a practically unlimited supply of water power. Although this had by no means been fully harnessed, the 1936 production of 2,680 million kW.h.[5] of electricity sufficed to cover more than half the country's energy requirements. A small proportion of this electricity (340 million kW.h.) was exported.

Stretching the meaning of "natural resources" some- 487
what beyond its usual limits, two further assets, of great importance to Austria's economy, may be mentioned at this juncture. These are the geographic position of Austria in the heart of Europe, and the beauty of the Austrian towns and countryside. With regard to the first, Austria and particularly Vienna have, ever since the days of the Roman traders, been important junctions of the main European traffic routes. The Danube Valley, opening a gap between the Alps and the Carpathians, provide an east-west route, linking the Balkans with central and western Europe. At the same time the Brenner

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9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

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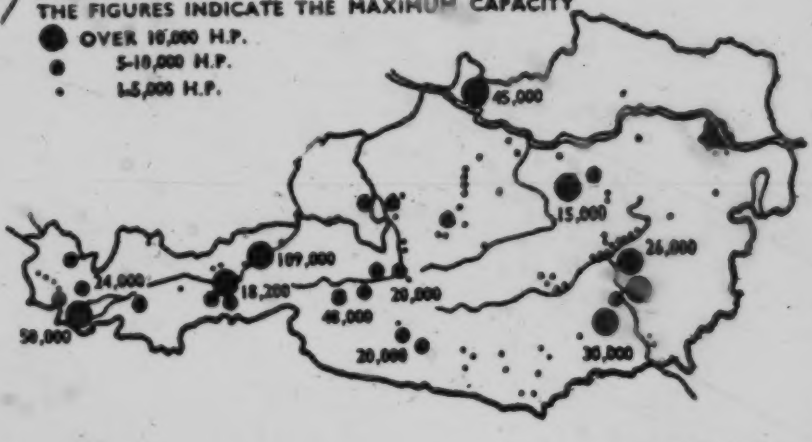
ELECTRICITY

THE FIGURES INDICATE THE MAXIMUM CAPACITY

- OVER 10,000 H.P.
- 5-10,000 H.P.
- 1-5,000 H.P.



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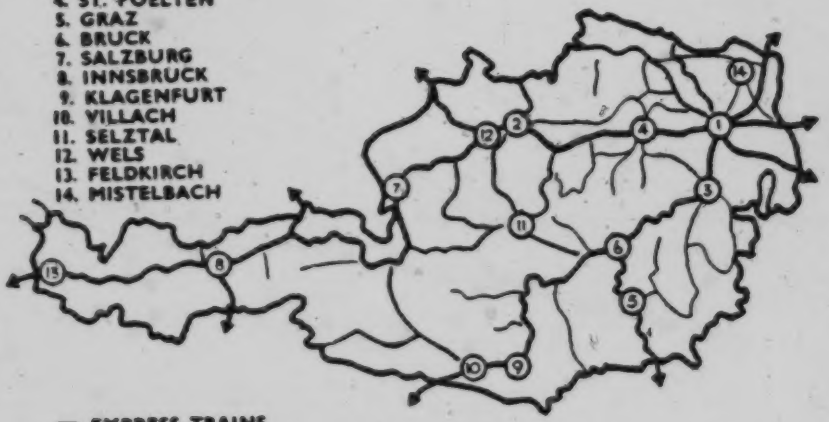
RAILWAYS

1. VIENNA
2. LINZ
3. WR. NEUSTADT
4. ST. POELTEN
5. GRAZ
6. BRUCK
7. SALZBURG
8. INNSBRUCK
9. KLAGENFURT
10. VILLACH
11. SELZTAL
12. WELS
13. FELDKIRCH
14. MISTELBACH



— EXPRESS TRAINS
— FAST TRAINS
— SLOW TRAINS

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INDEX OF INDUSTRIAL PRODUCTION

1929=100

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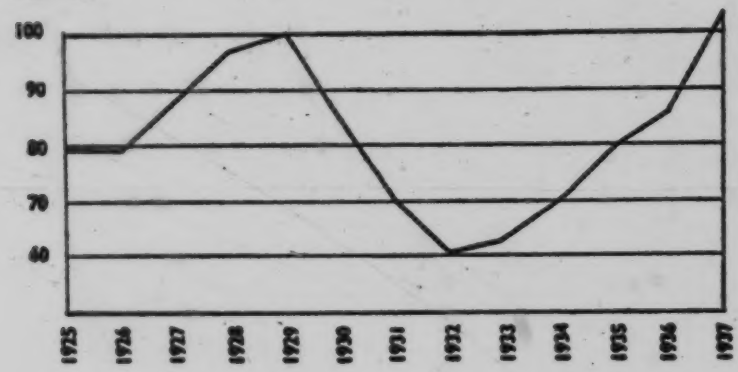
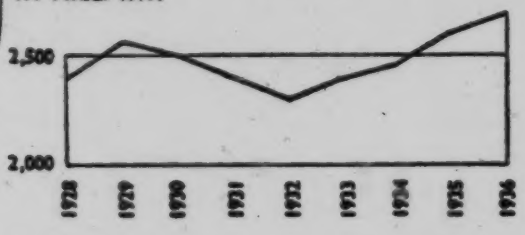


ELECTRICAL ENERGY

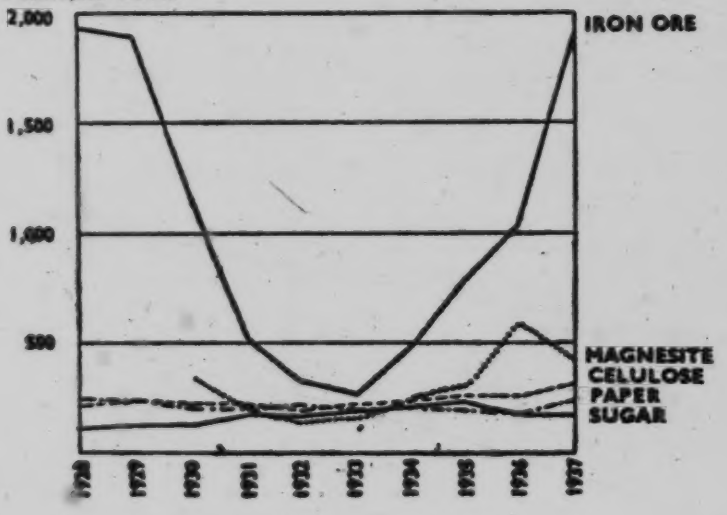
[377]

IN MILL. KW.



OUTPUT OF CERTAIN COMMODITIES

IN 1,000 TONS

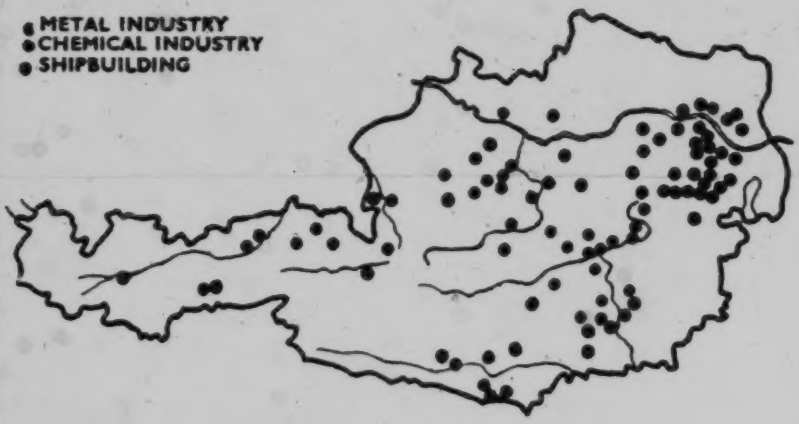


[p. 118]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

INDUSTRY

- METAL INDUSTRY
- CHEMICAL INDUSTRY
- SHIPBUILDING



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38
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INDUSTRY

- WOOD
- PAPER

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3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

Austria, apart from State property having been taken over by the German Government, most of the leading industrial enterprises had been absorbed in one way or another by the big German concerns. The absurdity of the situation resulting from Potsdam was made clear in May 1946, when a member of the National Assembly pointed out during a session that the Parliament building did not belong to the Austrian people, but was a 'German asset'. Dr. Renner summed up the position by saying: 'If all the concerns that were stolen or swindled from us by Germany are taken away, Austrial will . . . be incapable of an independent economic existence.' More recently, in December 1951, Dr. Klaus, Governor of Salzburg, suggested that had Austria enjoyed the full income from the 'German assets' seized by the Russians it could have dispensed with Marshall Aid. The validity of historical 'ifs' can never be proved, but Austria's total losses to the Russians, including dismantling, evaded taxes, and the products of industry and the oil-fields, have been approximately equal to her gains from the United States under the European Recovery Programme.

The Austrian oil-fields were the largest single asset taken over by the Soviet Authorities.

Before the *Anschluss*, Austrian oil production was largely in the hands of two concerns financed by British and American capital: the 'Britol' Oil Company, later to become the Richard K. van Sickle Deep Drilling Enterprise, and a joint undertaking of the Shell and Vacuum groups, known as RAG. In 1938 a number of German companies entered the field and, in addition to undertaking extensive new developments, forcibly took over some of the oil-fields and refineries owned by British and American companies. As production rose from 32,849 tons in 1937 to 1,213,036 in 1944 under the stimulus of German effort, there was a *prima facie* case for the Austrian oil industry being largely a 'German asset'. On the other hand, human enterprise is only one element in oil production: the oil itself is at least as important. The fact that Germans had ruthlessly exploited Austrian oil to satisfy their war needs gave the Russians no right to confiscate one of Austria's most

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

727 valuable natural resources under the pretence that it was German property.

382 The Austrian Nationalization Law of 1946 included the oil 471 industry, but, so far as oil in the Russian zone was concerned, it never went into effect. In the summer of that year the Soviet High Commissioner announced that all the German-controlled oil-fields had been taken over as 'German assets'. The Soviet Mineral Oil Administration (SMOA) was set up to manage them.

The Soviet authorities did recognize British and American ownership of certain oil-fields and refineries that had not been taken over by the Germans. They are still under British and American management, but are subject to various measures of Soviet control. The producing companies are required to sell their crude oil to SMOA. The refining companies have to buy this oil from SMOA and resell to it the refined product. Payments are made to the British and American concerns in Austrian schillings, after the deduction by SMOA of arbitrary sums for administrative expenses. The disposal of the oil remains in Soviet hands, and the concerns are not able to export it, as they might wish. This limited recognition of foreign rights does not therefore benefit the Austrian trade balance in any way.

727 Exact statistics are not available for the Austrian oil industry since it has been under Soviet control. But it has been esti- 382 mated by the best-informed authorities that production rose 433 from 846,600 tons, to which it had declined in 1946, to about 3,200,000 tons in 1952, and is thus now probably the highest in Europe.[1] This increase indicates the anxiety of the Russians to extract all they can from the Austrian oil-fields while they have them under their control. The result has been achieved by extensive new boring and by the employment of damaging and uneconomic methods that would normally never be used.

It is significant that the expansion has practically been confined to the ex-German enterprises under purely Soviet control, which have had full freedom of action and exploration.

[1] Reliable figures for Roumania, its only possible rival, are not available.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

During the past few years the proportion of the total yield produced by British and American concerns fell from about 15 per cent to less than half that amount. It is even more significant that the 60 per cent of the oil-fields and the prospecting rights that the Soviet authorities suggested should be retained by them under the terms of the draft treaty of 1949 have proved, as was suspected at the time, to be by far the most productive and promising areas. Had the draft treaty been signed and the Soviet allocations accepted, the proportion of oil production now in Soviet hands, on the basis of 1952 figures, would have been 92 per cent instead of 60. The proportion of known oil reserves would have been even more favourable to the Russians.

Soon after the War ended the Russians suggested to the Provisional Government that Austria and the Soviet Union should share the installations and rights in the oil-fields on a 50–50 basis. Dr. Renner had the foresight to reject this offer, which would have given the Russians a permanent footing in the country and had serious political implications. But since then Austria, though so large an oil-producer, has not even been able to purchase from the Soviet Oil Administration enough petrol and other forms of oil from its own production to satisfy its modest needs. It has had to resort to imports from the United States, and on at least one occasion is said to have bought from Western Germany Zistersdorf oil sent by the Russians to Eastern Germany and then exchanged with Western Germany for industrial products. The quantity of oils allotted for home consumption has increased annually with total production since 1949. In 1951, for the first time, domestic needs were practically satisfied. But Austria during the whole post-War period has been allocated no more than about a third of her total oil production. The remainder has been sent eastwards by the Russians, chiefly to Czechoslovakia, East Germany, and Poland.

This state of affairs has of necessity been accepted by the Austrian people. But a welcome demonstration of impatience was given by the National Assembly when a resolution was

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

727 passed by the People's Party, the Socialists, and the League of
382 Independents, in November 1952 calling upon the Minister of Finance to enter into negotiations with the Soviet occupation authorities to ensure that Russia shall pay full compensation to the Austrian Republic for all petroleum removed from her oil-fields since 1945 and meet all its obligations with regard to taxes and customs dues, as required by Austrian law.

727 The remainder of the enterprises, large and small, that have
471 been seized by the Russians as so-called 'German assets' have been administered by one vast organization known as USIA—the initials of the Russian title meaning the Administration of Soviet Property in Austria. The Soviet authorities decided for themselves what they were going to take over as reparations and announced the list during the summer of 1946. The Soviet High Commissioner would allow no discussion of the subject in the Allied Council and made clear that he considered himself the only authority. As the Potsdam Conference had allotted German property in Eastern Austria to the Soviet Union without definition, the Western Powers had no alternative but to accept the decision.

The USIA concerns being entirely under Russian control, full information and statistics regarding their organization, production, and equipment are not available. But a fairly accurate general impression of their extent and method of working can be obtained from reliable sources. The Austrian Minister of Finance stated in Parliament in August 1951 that 471 USIA enterprises were listed with the Treasury, of which 351 were commercial, 100 agricultural, and 20 mixed or doubtful, and that altogether about 60,000 insured persons were employed in them. Since the War USIA has been the largest landholder in Austria. In 1951, a total of 115,980 hectares[1] of land were held by the occupying Powers for aerodromes, military purposes, agriculture, and forestry. Of this area no less than 112,747 hectares were in Russian hands. Some had been taken over soon after the War to produce food for the Soviet forces, and the remainder had been seized as 'German

[1] A hectare equals 2·471 acres.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

727 In the same way, against the ruthless and damaging methods
315 by which Austrian oil-fields were developed can be set the amount of capital expended and the value of the results achieved. A great new source of national wealth was opened up with exceptional speed. The exploitation of this wealth by the Russians is the largest debit item in the Austrian–Soviet account. But it was only an indirect, and by no means inevitable result of German action and the War.

727 In the basic industries also there were certain considerations
433 that offset the disadvantages and dangers of the change of emphasis in Austrian industry that the new developments involved. Had the Linz and Ranshofen works been liabilities alone, they could have been dismantled and abandoned after the War. But large sums of money had been invested in them, which Austria on its own would have had the greatest difficulty in raising. The decision to keep them both going, so far as the supplies of raw materials, coal, and electric current allowed, reflected Austrian realization of their value.

[387] One major item in the economic legacy of the *Anschluss* period was an unqualified asset of great worth. A large nitrogen works suitable for the manufacture of artificial fertilizer was erected during the War at Linz. The site was chosen because the main substance required in the manufacturing process was coal-gas, and surplus gas was available in sufficient quantity from the Hermann Goering coking-plant. By November 1950 the works had produced a million tons of ammonium nitrate since the end of the War. Austrian agriculture had benefited considerably, and during the four years from 1947 to 1950 the export of artificial fertilizer had earned more than $25 million worth of foreign exchange. If foreign markets contract, experts consider that the whole production can be used with advantage in Austria. Food production would increase substantially as a result, and the scale of essential imports would be reduced.

433 Three times in a generation Austria has had to adapt her economy to radical territorial and political change. In 1918,
[Cf. category 116, pp. 75–76 — Analyst]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

provide the country's metal-finishing industries with the sheets, rods, and other forms of metal that they required. In this way the producer-goods industries would contribute to the success of the consumer-goods industries, which would become independent of imports and would give Austria's traditional skill and craftsmanship the opportunities they required. The benefit to the whole economy is indicated by the fact that a given weight of finished aluminium products has on an average five times the value of a similar weight of raw aluminium. An Austrian member of Parliament pointed out in 1947 that no skill would be required in Austria to buy 10,000 wrought-iron candlesticks, but that it might well be difficult to get hold of a handful of nails. Such a state of affairs would in the long run be inexcusable in post-War Austria, and it was one of the duties of the E.R.P. planners to make it impossible. 185 433

The Hermann Goering iron and steel works in Linz, which became the Vereinigte Österreichische Eisen- und Stahlwerke (United Austrian Iron and Steel Works) and are usually known as VÖEST, were planned for a total output of a million tons of iron and steel a year. Before the War ended five of the six blast-furnaces were completed, while the annual production of steel only amounted to 250,000 tons. It was important that the output of steel and sheet-metal should be greatly increased. With this end in view a large outlay of capital was planned for the installation of steel production plant and rolling-mills at Linz and for replacing the rolling-mill at Donawitz. The ERP long-term programme aimed at decreasing the value of pig-iron exports from $9 million to $5 million within four years and at simultaneously increasing the value of rolled steel products from $25 million to $34 million. At Ranshofen finishing works were planned that were capable of handling 15,000 tons of aluminium a year, a figure based on the estimated home consumption. 185 327

The nitrogen works at Linz were to be developed and adapted so as to produce 40,000 tons of sulphuric acid a year and 100,000 tons of ammonium sulphate. This would give to their products greater variety and competitive power in world 185 387

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

185 markets, ammonium sulphate being more valuable and more
387 suitable as a fertilizer for certain climates than ammonium nitrate.

185 The Steyr-Daimler-Puch Company was to be assisted in its
398 programme of concentrating on products of special value to the national economy. The production of motor-cycles, cycles, and ball-bearings was continued, but at its main Steyr works the chief output consisted of diesel trucks, tractors, and omnibuses. An arrangement was made with the Italian Fiat Company by which Fiat passenger cars were to be assembled at Steyr, but no attempt was made to embark on the highly competitive passenger automobile production.

185 This comprehensive programme for the heavy industries
457 involved a very large expenditure, and it was not surprising that in 1949 and 1950 nearly half the counterpart funds allotted for industrial purposes were devoted to the iron and steel industries alone.

Compared with the very significant help given under the European Recovery Programme to the heavy industries and the paper industry, Austria's other manufactures, most of which produced consumer goods, were, with the exception of textiles, largely neglected. Before the War about 75 per cent of Austria's industrial workers were employed in concerns in which there were less than 100 employees. Large enterprises played a bigger part in the country's post-War economy, but one of the reasons why the consumer-goods industries were neglected was that they were mostly still on a comparatively small scale. It was therefore difficult to organize assistance for them, and at the same time they lacked effective champions. Another reason was that they had, on the whole, suffered less from war damage. Apart from textiles, the manufactures that came off best were the electrical industries, which had lost a high proportion of their equipment from dismantling and had subsequently been nationalized. The ERP plan for Austria set out to raise the production of heavy industries in four years to 160 per cent of the 1937 level, while the target for consumer-goods industries was only 110 per cent of the 1937

d) Other industrial sectors.

652 Thirty million schillings were allocated
in 1950 to the investment program of the electro
[393] and cable industry. However, only 13 million have been disbursed, while the rest was carried over to 1951. Although the program could not be fully carried out, it was possible to make some necessary improvements and modernizations in this branch.

[387] Of the means provided by counterpart funds (73 million schillings) the chemical industry was allocated 23.1 million schillings as late as December 1950. The major part of investments in this industry was allotted to the nitrogen industry (the nationalized Stickstoffwerke A.G., Linz) which is scheduled to receive a total investment of 45 million schillings. In the last quarter of 1950 a fertilizer bin with a capacity of 50,000 tons was made ready and put into operation. Moreover, an installation for the production of ammoniated-sulphate with a capacity of 95,000 tons annually will be constructed and put into operation in the summer of 1951. The nitrogen industry is one of the most important earners of foreign currency in Austria.

The Austrian pulp and paper industry (one
[289] of the oldest and most efficient of Europe) is to receive a total of 490 million schillings for modernization according to the investment program 1950-52. Of this, 220.2 million schillings (70.2 million schillings, however, as late as in December) were allocated out of ERP funds in the year 1950. The counterpart funds and the plants' own funds were used to extend existing boiler rooms and work space and to build new ones. In the same way boilers, bleaching-machines and installation of new paper mill machinery to replace old units were provided. Paper and pulp production has reached the prewar level and can compete in the export market despite sharp competition.

The Austrian textile industry received 90.2
[288] million schillings in 1950 from ERP funds. It was used together with its own funds to provide new machinery.

For the extension of the glass industry a
323 total of 95 million schillings was provided out of
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471 655 some federal ministries as well as the reorganization of the sphere of action of others), is being taken care of by the federal ministry for traffic and nationalized enterprises, the administration of the nationalized commercial banks falls within the competence of the Federal Ministry of Finance. The nationalization comprises:

[453] 1.) The large banks (Creditanstalt-Bankverein, Oesterreichische Länderbank AG, and Hypotheken- u. Kreditinstitut);

[327] 2.) The most important enterprises of the iron and steel industry (Oesterreichische Alpine Montangesellschaft, Vereinigte Oesterreichische Eisen- und Stahlwerke A. G., Linz, Schoeller-Bleckmann Stahlwerke A. G., Vienna, Gebrüder Böhler u. Co., A. G., Vienna);

[316] 3.) The most important coal mines (Wolfsegg-Traunthaler Kohlenbergwerke A.G., Linz, Steirische Kohlenbergwerke A.G., Vienna, Lankowitzer Kohlen-Compagnie, Vienna, etc.);

[392] 4.) A number of important enterprises of the electric and machine manufacturing industry (AEG-
[393] Union Elektrizitätsgesellschaft, Vienna; Simmering-Graz-Pauker A. G. für Maschinen-, Kessel- und Waggonbau, Vienna, etc.);

5.) The Oesterreichische Stickstoffwerke A. G., Linz;

[316] 6.) The most important non-ferrous mining enterprises (Bleiberger Bergwerks-Union, Klagenfurt; Montanwerke Brixlegg Ges. m.b.H., Brixlegg; Kupferbergbau Mitterberg, Münlbach am Hochkönig; Aluminiumwerk Mattighofen-Ranshofen);

[505] 7.) The Erste Donau Dampfschiffahrtsgesellschaft, Vienna;

[377] 8.) The large enterprises producing electric power; and, finally,

[315] 9.) The enterprises for the exploitation of crude oil.

With the enacted legislation the ownership-rights (re: corporations) or the assets and liabilities of certain enterprises (limited companies, etc.) or plants (branch establishments of enterprises located abroad) became the property of the Republic of Austria. This in turn implied also the transfer of the administration of the nationalized enterprises to the Austrian government, provided that such enterprises were not located within the Russian zone (USIA establishments) and therefore beyond Austrian control. The enforcement of the nationalization, however, is not completed because:

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9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

key industries. German capital was conspicuous in the spheres of banking and insurance, the iron and steel industry, heavy and electrical engineering, the chemical industry, textiles, hydro-electric works, and in the film industry. In many cases, of course, German capital opened up new opportunities, with benefits to all concerned. But more often German control resulted in the complete subordination of the policy of the Austrian firm to the interests of the German parent concern or to the political aims of the German expansionists. 648 471

In the electrical engineering industry, for instance, which was dominated by the German controlled Oesterreichische Siemens Schuckert Werke A.G., Siemens-Halske A.G., and the A.E.G.—Union Elektrizitaets—Gesellschaft, the goodwill which Austrian industry possessed in south-eastern Europe was exploited by using the Austrian establishments for exports to these areas. But the development work was invariably carried out in Germany. Austrian research workers and technicians were sent to the Berlin laboratories, and Austrian shareholders deprived of their dividends in order to strengthen the financial reserves of the parent concern. Accordingly, the Austrian establishments became increasingly dependent on German patents and finance while Austria's social and economic requirements were completely neglected. 648 393 471

Many similar examples could be given from other industries. One case, which deserves special mention is that of the biggest single Austrian combine, the Alpine Montan A.G. The Alpine owned all the important iron mines in Styria and Carinthia, all Austrian blast furnaces, a great number of steel works in southern Austria, lignite and magnesite deposits and railways. It controlled the bulk of Austria's metallurgical resources. 648 471 327

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

INDUSTRY

- METAL INDUSTRY
- CHEMICAL INDUSTRY
- SHIPBUILDING

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INDUSTRY

- WOOD
- PAPER

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407 Up to the end of 1949 approximately 9,000
474 agricultural machines, with a total value of 31.5 million schillings, could be bought out of counterpart funds. Through the formation of agricultural machine cooperatives (about 33) even medium and small-sized farms were able to share in the advantages of techni-
377 cal modernization. The progress of electrification in rural areas supplied light and current to 4,800 farms. Storehouses and freezer lockers have been built in fruit producing areas. In addition, dairies and cheese making plants have been erected from ERP funds.

652 Further investments in the agricultural
241 sphere are being carried out in accord with the investment program of 1950-52. For these purposes 270 million schillings were released from counterpart funds in 1950 (i.e., 43.6 per cent of the 620 million schillings provided in the agricultural priority program; or 34.6 per cent of the total of 780 million schillings provided in the whole program).

439 In forestry (exports), which is of paramount
313 importance to Austria, the approximate prewar level of wood and timber output and supply has been achieved through various rationalizations and especially better means of transport and better roads. In 1948 the timber output was 8.24 million cubic meters (Festmeter); in 1949 already it was 9.24 million cubic meters; in 1950 the output could be increased to slightly over 10 million cubic meters.

The increasing production of timber and the stoppage of exports of undressed timber made it possible to supply sawmills and timber finishing plants with bigger quantities of wood in 1949 and 1950 than prior to the war. In 1949, 2.50 million cubic meters of whole timber were planed. In 1950 the amount was 4.41 million cubic meters as compared to 3.14 million cubic meters in 1937. The paper, cellulose, wood fiber and pulp industries could be provided to an increasing extent with all necessary raw materials (especially wood pulp); thus, covering not only the domestic needs but also enabling Austria to gain a foothold in former export markets.

[652] The forestry and sawmill industry received 90 million schillings in 1950 out of counterpart funds and, in addition, 22.5 million schillings in December 1950 to be carried forward for use in 1951.

131 The Burgenland has some strange features. It is the youngest province of Austria, yet it claims to be one of the oldest. For a time it belonged to Hungary, and just during this period it held a brilliant position in Austrian intellectual life, boasting of such mighty names as Haydn and Liszt, Hyrtl [103] and Semmelweis. Its name is taken from three castles which no longer lie within its frontiers, but is justified by other castles as well. It is of considerable length—160 kilometres from North to South, corseted somewhere in the middle to a wasp-waist only four kilometres in diameter. Its plains are sparsely inhabited, while its mountain land is densely populated. It has a raw climate in the south, while in parts of its northern areas, the climate resembles that of Helwan in Egypt. Its frontiers with foreign countries are longer than its inland boundaries, yet it is Austrian to the core.

133 The inquiring stranger who has set out on a voyage of discovery should first drive by car along the Bundesstrasse to Bruck-on-the-Leitha and here turn off to the right into the Leitha mountains which in the centre separate the Burgenland from Lower Austria. From the summits of the mountains one looks down on to the Neusiedler Lake. Over 900 feet above the shining surface of the lake one finds oneself beneath sighing trees growing on what was once the bottom of a great sea. The sea itself, it is true, disappeared thousands of years ago, but the work of its maritime life remains in the form of rich deposits of mussel chalk. Walking along any forest path in the Leitha-gebirge one can easily trace in the stones the fossil forms of long vanished animals and plants.

When the tourist is weary of scientific research he can clear his brain in the sparkling Neusiedler Lake or with the no less inviting wine which ripens on its shores.

423 The plain to the north of the Neusiedler Lake was always one of vast estates. Between the scattered villages lie the dairy farms of the great landowners, who have their castles and manors in the villages. In Kittsee, Gattendorf and Halbturn there are many examples of baroque art. Lukas von Hildebrandt, Maulpertsch and others were commissioned to work there for the Magyar feudal landowners, Esterházy, Batthyány and so on.

133 Adjoining this countryside, the moor-land district, is tucked away on the eastern shores of the Neusiedler Lake a cloud-overcast and wind-harassed group of lakes. There are a number of warm and brackish little lakes, scattered over steppes of pronouncedly eastern character. Sea-sparwort, feathered grasses and copper-

471 typically Austrian high-quality consumer goods industries. Between 1938 and 1942, the number of business enterprises in Austria declined from about 21,300 to 16,300, while the corresponding number in Germany increased from 337,000 to 353,000 over the same period.

648 The changes were less spectacular in agriculture. But many of the large estates belonging to the Church and the
•423 monasteries as well as State-owned land came into German
167 ownership. Farmers who were in difficulties were not
728 assisted but bought out and German "hereditary farmers" (*Erbhofbauern*) were settled in Austria. At the same time the sons of Austrian peasants were sent to Poland, Russia, and even to Bohemia and Moravia in order to "colonize" these areas. However, the changes in property relations were of less importance in the sphere of agriculture than the extreme regimentation of production and the system of forced deliveries which reduced the peasants to a state of serfdom.

728 It is too early as yet to give an exact picture of the effects of seven years of German domination on Austria's econ-
471 omy. Some major results are, however, clearly discernible.

648 First, it is clear that the Germans completely changed the economic structure of Austria. Austria's economy
433 was wholly adapted to suit the needs of the German war machine. And since Austria, like Czechoslovakia, was for a long time the safest place from air attack in Hitler's *Festung Europa* it became one of the most important centres for the production of armaments. Heavy industry was greatly expanded. In Linz alone the Hermann Goering concern erected 320 coke ovens and 6 blast furnaces. In 1943, it was estimated that about 25 per cent of Germany's war industries had been concentrated in Austria.

On the other hand, many of the specifically Austrian

factories, brick kilns, lignite works. There are factories which turn out linen, hemp and jute, blankets and felt, pencils, artists' chalks, asbestos, jade, sugar and methylated spirit. There are canneries for fruit and vegetables, and workshops producing stucco supports from the reeds of the Neusiedler Lake.

BURGENLAND—THE GARDEN OF VIENNA.

Fruit, vegetables, grapes, the first early cherries, fresh lettuce, cauliflower, asparagus, strawberries, apricots, tender french beans—the first, long desired harvest, doubly welcome after the winter, rolls in the spring towards the Vienna markets in a chain of high-piled lorries.

OGGAUER WINE.

In Oggau there is a Roman cemetery which dates back to the third or fourth century A. D., in the graves of which clay vessels have been found. Archaeologists say that these vessels contained the wine given to the dead to take with them on their journey to the other world. This calls for reflection. In those days every mortal expected that he would be served with nectar and ambrosia at the table of the gods. But the inhabitants of Oggau preferred to take with them their choicest wines rather than have to be dependent on the drinks of the gods.

Gustinus Ambron, the deaf sculptor, says of his Burgenland:

"How fortunate that I have travelled through the whole of Europe and have been able to drink in the splendour and magnificence of its many countries, with their thousand types of scenery, peculiarities and variations. Certainly it is nice to stay at home, but I felt the urge to get away and would have gone to the ends of the earth,

disappear. In former times it seems to have behaved even worse, for old documents mention it sometimes as a lake, once as a swamp, once as a river, then as a stream, while others appear not to have known of its existence. 133

The country lying between Eisenstadt and Ödenburg, Mattersburg and Rust, is the real heart of the Province. The lake parishes of Oggau and Mörbisch and the small "free town" of Rust are far-famed for their wine. On the gabled roofs and the chimney-pots stand pensive storks, in the vaulted cellars lie the massive wine barrels. As far back as the year 1364 the inhabitants received royal permission to mark them with the coat-of-arms of Rust—a trade-mark protected by law nearly 600 years ago! 361 [424]

Leaving the delights of Oggauer and Ruster wines, let us turn to Eisenstadt, the city of Josef Haydn. 361 533

One does not need to be especially sensitive to atmosphere to feel the genius of the great master in this little town which is so closely united with the surrounding countryside. The tiny house where he lived is still standing. How

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Esterházy Castle, Eisenstadt.

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the enterprise and its employees. Its participation in management and administration was limited to an advisory role, but, in the event of its advice being disregarded, it could, in the case of larger concerns, appeal to a State Economic Commission to be set up by the Government. The law provided also that the Works Council should be consulted when workers were engaged, transferred, or given notice to leave, and made special provisions protecting the position of members of the Council. 466

In contrast to these impressive developments, there has been one post-War problem of vital importance which social legislation has failed to settle: the very serious shortage of housing. In Austria it is a problem of great complexity, which political controversy and party prejudice have so far rendered insoluble. The spirit of patriotic co-operation that has on the whole inspired the Coalition has proved inadequate to bridge the gap between Right and Left on this question. 362

Before 1914 the living conditions of a large number of city-dwellers were miserable and rents were high. This state of affairs led to the great Viennese building programme between the Wars and to the Rent Restrictions Act of 1922. Since the Act was passed, the majority of rents have been low, but Government controls, though sufficient to check private enterprise in building, have not been sufficient to prevent serious injustice. Between 1926 and 1946 the percentage of a tenant's expenditure devoted to rent, in dwellings covered by the Restriction Act, varied between 1·9 and 5·48, and in 1946 was 3·76, compared to over 17 per cent in 1914. On the other hand, there was a chronic shortage of housing, and the lot of tenants differed widely. Some rents were restricted, and some were not. In the case of restricted dwellings, a sub-tenant might have to pay a much higher rent; in some cases far more for a single room than the main tenant paid for the whole flat. From a new tenant a large lump sum might be demanded for the privilege of moving in, or proof required that he was a member of the dominant political party. These injustices were not confined to any one social class, and, in the circumstances, [427]

influenced the economic structure which emerged in these last years of Austria's independence. Two factors, in particular, were of importance: the changeover from a democratic to an authoritarian régime; and the rapid growth of the German trade offensive in south-eastern Europe.

At home, the most obvious results of the destruction of democratic institutions were of course to be found in the political field. But there were also important economic concomitants. The dissolution of free trade unions and of other democratic bodies eliminated every organized force which might have safeguarded the share of the mass of the population in the national income. While production as a whole returned to and even surpassed the 1929 level, the production of consumption goods—contrary to the experience in most of the other countries—remained far below it. The trade revival came largely from increased exports, rearmament, and public works.[7] The strong cartels which covered a large part of Austria's industry (e.g. in the iron and steel trades, in electrical engineering, in chemicals, rubber processing, sugar refining, in the paper and brewery trades, etc.) absorbed a large proportion of the rising national income into profits, and the revival failed to spread to the consumption goods industries which remained depressed and were a source of unemployment.

The external effects of the changed political situation were even more marked. In the inter-war period, and particularly after 1929, when tariffs, quotas, currency wars, etc., became the order of the day, the economic relations between most countries ceased to be governed by transactions between private traders. Foreign trade increasingly became the concern of governments, and economic policy a special aspect of foreign policy. Austria

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I

The Austrian Problem

THE popular conception of a Europe divided by the Iron Curtain makes no allowance for the position of Austria. On one side of the curtain are East Germany and the Soviet satellite States, with Berlin heroically maintaining its insularity and faith in the future. On the other side are the West European countries, including Yugoslavia, with Albania as a queer but harmless anomaly left isolated on the Adriatic by Tito's quarrel with Russia. Austria under Four-Power occupation, yet with a Federal Government of its own, does not fit into this over-simplified pattern. The Russian zone of Austria is not behind the Iron Curtain in the same sense as East Germany, but it cannot be included in Western Europe. 648

This aspect of the Austrian question is bound up with the conflict between Russia and the West. It is a post-War development and will become clear as the story of post-War Austria is told. The main problem presented by Austria in 1945 is more fundamental and can be understood only in the light of the country's history between the two World Wars.

When the Habsburg Empire disintegrated in the autumn of 1918, the bulk of its territory and population was taken over by the so-called Succession States. All that were left to form the new Austrian Republic were about seven million German-speaking Austrians and a group of provinces extending from Hungary to Switzerland without national or administrative cohesion. For some months it was doubtful if an Austria would survive at all. From the economic and political points of view there were strong reasons why it should not. 728 642

Economically the new State was an irrational fragment which would have the greatest difficulty in paying its way. In area it was little more than an eighth the size of the old Empire, 433

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433 and in population less than a seventh. Yet it contained Vienna, with over two million inhabitants, a great Imperial city that had lost its *raison d'être*. The capital's top-heavy administrative system and large governing class were a burden to the young Republic. The country had lost to the Succession States its main sources of food supply and the coal vital to its industries. Four-fifths of its wheat and between two-thirds and three-quarters of its coal had to be imported. It was not surprising that in 1922 Austria had to appeal for financial aid from abroad and to accept the supervision of a League of Nations Commissioner.

648 Politically the seven million German-speaking Austrians did not want to form an independent State. The Austro-Hungarian Empire had collapsed owing to the desire of its various peoples for self-government. In 1918 the idea of self-determination was in the air, and it was natural that the German-Austrians, who owed to it the loss of their dominant position in the Habsburg Empire, should wish to make the best of the situation by applying the principle to themselves. In Germany the military Imperialists had fallen from power. The great majority of Austrians, therefore, who disliked Prussian arrogance but felt themselves to be Germans, were in favour of an *Anschluss*, or union with Germany, whether they belonged to the Right Wing or to the Left. Even Dr. Karl Renner, the first Chancellor of the Austrian Republic, who, as a Socialist, had advocated a free federation of Danubian peoples under the Habsburgs, was converted to the *Anschluss* idea by the force of events.

The first name given to the remnant of the Habsburg Empire was not 'Austria' but 'German-Austria'. A Provisional National Assembly, which met in Vienna during November 1918, approved a constitutional law stating that German-Austria was 'an essential part of the German Republic'. This decision was confirmed by a Constituent National Assembly the following March. Otto Bauer, who was in charge of foreign affairs, drew up a treaty with the German Foreign Minister, laying down the manner in which German-Austria

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665 been suspended by the Dollfuss Government and the country
668 was on the verge of civil war. The Government's harsh and ill-considered decision to turn artillery on to the workers' dwellings may have cut short the conflict and suffering, but it was a final betrayal of democracy that no considerations of expediency can excuse.

721 In spite of the serious internal difficulties, it was in the end to external force that the Austrian Republic succumbed. On the 11th of March 1938 Hitler sent an ultimatum to Dr. Schuschnigg, the Chancellor. Within a few hours German troops had occupied the country and the *Anschluss* was a fact. The Austrian political parties have accused each other of preparing the way for this tragedy, but there were deep-lying causes for the growth of National Socialism and Fascism that were beyond their power to prevent. In the diplomatic circumstances of the time, even had Austria been a model democracy, it would have had no more chance of withstanding Hitler than had the courage, patriotism, and democratic example of the Czechs. As the only German country outside the Reich, Austria was the first object of Hitler's ambition. The opening page of *Mein Kampf* contains the sentence: 'German-Austria must return to the great German Mother Country'.

186 In fact, by 1938 the attitude of Austrians towards union with
648 Germany had changed considerably. Inside Austria nearly twenty years of enforced independence had inevitably left their mark: the people were acquiring a sense of pride in their achievement and hope for the future. Recent developments in Germany also had had a decisive effect.

433 Economically Austria had made important progress. In 1918 its position seemed hopeless. But the Austrian Government and people gradually accustomed themselves to the idea that their fate was in their own hands. By 1937 the country was producing three-quarters of its food. Valuable oil-fields had been discovered at Zistersdorf, north-east of Vienna, and oil production had risen from 73 tons in 1932 to 32,849 tons in 1938. The tourist industry had developed rapidly and covered over 80 per cent of the country's trade deficit. When the

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433 *Anschluss* took place, Austria already had a good chance of becoming a viable State.

657 Politically the main achievement had been in the field of social legislation. Nowhere in Europe did the Socialist ideal find more impressive realization than in the legislative programme initiated by Ferdinand Hanusch, the Austrian Secretary of Social Administration between 1918 and 1920, and in 367 the housing schemes carried out between the Wars by the Vienna municipality under Social Democratic control. These improvements gave the young Republic something to be proud of, something, moreover, which was associated with the difficult present rather than with the glorious past, and which 648 directed attention to the possibilities of the future. Another political event of importance was the appeal for financial help made to the Allies by the Christian Socialist Chancellor, Monsignor Seipel, which led to the appointment of the League of Nations Commissioner. He was accused of being a traitor by his opponents, but his action established an important precedent in international collaboration. It showed that it was possible to combine patriotism with the acceptance of international control, an innovation of great significance for a small State like Austria.

517 In culture and sport the period also brought great success. The triumphs of the Austrian football team, the Vienna State Opera, and the Salzburg Festival stirred the pride and enthusiasm of the harassed Austrian people.

186 Anton Wildgans' *Rede über Österreich*, which was written in 1929, reflected the development of Austrian patriotism and Austria's sense of identity as a State. This great speech was intended for a foreign audience. But it was also a noble expression of patriotic faith. Its enthusiastic reception in Austria was a clear indication that it summed up ideas that were germinating in many Austrian minds.

648 Austria's growing self-consciousness and sense of independence were stimulated by Hitler's rise to power. Austrian Socialists had been in favour of union with a Germany in which Socialism and democracy were strong, but they had no

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V

The Economic Legacy of the Anschluss and the War

AUSTRIA lost its economic identity as well as its political independence at the time of the *Anschluss*. As the Austrian provinces and Vienna itself were subordinated to the German Government in Berlin, so Austrian industry, agriculture, and forestry were absorbed into the German economy. 433 727

In war and defeat, therefore, Austrian economic life suffered with the rest of the Nazi Empire. The damage caused by actual hostilities was relatively less in Austria than in Germany. The campaigns on her actual territory were brief, and serious air attacks were limited to the main centres of industry and communications. On the other hand, Austria was a more sensitive and vulnerable economic unit. In 1938 she had only just begun to pay her way after twenty years of effort, while Germany was one of the most powerful industrial countries. The injury inflicted on the Austrian economy by the War in all its aspects was crippling and came near to being fatal.

In spite of Austria's relative freedom from air-raids, the destruction in the target areas was severe. The loss in buildings was estimated after the War at about four billion [1] schillings with the schilling at forty to the pound. The industrial city of Linz lost nearly a third of its 44,000 dwellings. Wiener Neustadt, home of an important Messerschmidt aircraft factory and other war industries, was the worst damaged of Austrian cities. It was hit by more than 50,000 bombs. Only eighteen of its houses were left intact, and its population was reduced from 45,000 in 1944 to 860 in April 1945. 727

[1] The term 'billion' is used throughout in the American sense of a thousand million.

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[p. 69]

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Government was obliged to spend approximately 150 million schillings a year on maintaining them.

The Austrian economy under the Nazis had been geared to make a maximum contribution to the war effort. When the War ended, the whole structure collapsed. Factories that had been converted to war production at great expense needed even more spent on them in many cases to fit them for peacetime production. As this situation was common throughout the world and industrial equipment and machine-tools were in very short supply, the process of reconversion could only be carried out slowly and at a high cost. Those industries that served a purely peaceful purpose had been very largely neglected during the War. Much of their equipment and machinery was worn-out and old-fashioned, and the process of replacement involved the same difficulties as the reconversion of war industries.

The railways provide an example of the kind of problem with which Austria was faced. Over a third of the total track mileage was out of action owing to war damage, and nearly 400 bridges had been destroyed. At the same time, the greater part of the locomotives and rolling-stock that were still available were due by pre-War standards for renewal.

A good indication of the War's effect on the Austrian economy is given by the estimated figures for 1946. When the year opened, the country had already had eight months in which to recover from actual hostilities, so the figures represented an injury of more than passing significance that could not be attributed solely to the results of the fighting or to the administrative breakdown that accompanied the German defeat. The total gross national production in 1946 was approximately 45 per cent of the 1937 figure. Agriculture reached only about 50 per cent and industry only 43 per cent of the amounts produced in 1937, while foreign trade was only about 8 per cent of the 1937 total. Of this modest aggregate production it has been conservatively estimated that some 30 per cent was required to meet the needs of the occupying Powers.

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Most of the economic difficulties that have so far been mentioned were shared in the main by Austria and Germany. They were the common results of a common struggle, in which Austria as a whole was an unwilling participant. Yet there were other ways in which Austria suffered more severely than her culpable oppressor. Some were primarily the responsibility of the Russians; others, of the Germans themselves.

Germany has lost territory in the east to Russia and Poland, and the area that remains to her has been divided politically into the Eastern and Western Zones. But the economic, as opposed to the political, effects of the post-War Russian occupation have been less serious in Germany than in Austria. The Russian zone of Austria is of more importance to the country as a whole than is the Russian zone of Germany to the whole German economy. Thanks to the great industrial resources of the Ruhr Valley, Western Germany is again a powerful economic force, while Austria, owing to Russian exploitation, is still dependent on American aid. Without the industry and mineral wealth of the Russian zone Austria cannot be a viable State.

Russia's control of Lower Austria, Burgenland, and a substantial part of Vienna gives her a dominant influence on the Austrian economy. The area includes the best grain-lands and vineyards in the country, the great oil-fields of the Zistersdorf region, and a high proportion of Austria's industry. In 1934, 65 per cent of those employed in industry and trade were to be found in the three provinces of Lower Austria, Burgenland, and Vienna. Even in 1948, when many industrial concerns had been transferred to the West, the figure was still about 50 per cent.

It is not suggested that the Russians have exploited the whole industry and agriculture of the area for their own ends. As an occupying Power, however, Russia has been able to take advantage in various ways of the economic resources available. In the early days a great deal was removed in the form of loot and war booty, and since then systematic confiscation on a vast scale has been carried out on the pretext that whatever was

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taken was a 'German asset', and therefore a legitimate form of reparation. The damage inflicted on the Austrian economy has been decisive in preventing its full recovery. 727 433

Russia's subjugation of East and South-east Europe has also been a severe blow to Austrian commerce. Not only has Austrian capital behind the Iron Curtain been confiscated; Austria also has very largely been cut off from her main market area. The Habsburg Empire in its economic aspect represented the material interdependence of the peoples of the Danubian basin. It was natural, therefore, that after the Empire had collapsed Austria should maintain her economic ties with the Succession States. In 1937, 27 per cent of Austria's exports went to the five eastern countries behind the Iron Curtain that are now known as the 'People's Democracies', and 31·5 per cent of her imports came from them. The corresponding figures in the summer of 1952 were 12·3 and 9·9 per cent. The decline is not due to any disinclination on Austria's part to maintain normal trading relations: in that year she signed trade treaties with both Poland and Hungary. Apart from foreign aid, Austria is dependent on her exports for the purchasing power with which to buy food and the equipment necessary for her recovery. Any serious contraction of her foreign markets involves a corresponding setback in her economic revival. 727 439

Austria's problems were further increased by her geographical position. After the War, Russia controlled the Danube and seized the steamers and barges belonging to the Danube Shipping Company. With no immediate access to the sea, therefore, Austria was entirely dependent on land communications and the availability of transport for her vital coal supplies and a large proportion of her food. She had less flexibility than better-placed countries like Germany in her search for new trading partners, when her industries gradually revived and she found her old markets closed to her. These difficulties were increased by the acute transportation crisis in Europe after the War, due to the shortage of locomotives, railway trucks, and road vehicles. [489]

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727 Other injuries from which Austria suffered were the result of deliberate German policy. So long as the Nazi occupation
•433 lasted, Austria was treated as an appendage to the German economy, and her interests were subordinated to those of the Reich. She was no longer considered as an economic entity, and no attempt was made to maintain the balance of her economic life.

[133] About 57 per cent of Austria's total area is over 1,000 metres (3,281 feet) high, and 37 per cent is woodland. It is therefore
[311] hardly surprising that only 21 per cent is cultivated and that before the War, in spite of strenuous efforts, the country could produce only three-quarters of its total food requirements. At the same time it was essential that it should be as self-supporting as possible. To import even a quarter of its provisions imposed a severe strain on the balance of trade. Yet during the Nazi period efforts to increase Austrian agricultural production were relaxed. The self-sufficiency of a mere group of provinces was a matter of no significance to Hitler, and he preferred to depend for his food supplies on the conquered and dependent lands of Central and Eastern Europe. The *Ostmark* could be better used for other purposes.

Austrian farms therefore lost man-power to the army. Their livestock was reduced. Equipment grew old and could not be replaced. Owing to lack of fertilizer the quality of the soil deteriorated. In 1945 domestic food production reached less than half, and in 1946, when conditions were much less disturbed, only about two-thirds of the pre-War level.

[313] Austria's forests are one of her most valuable natural resources. Her timber industry, together with the paper and cellulose industries dependent on it, accounts for about 9 per cent of her national income and for a substantial proportion of her exports. During the War the forests were ruthlessly exploited, and it has been estimated that at least 10 million cubic metres of timber were felled in excess of the economic figure, the fellings mainly taking place in the most accessible areas. This meant that years of strict control would be necessary to restore the timber industry to a healthy condition. At a time when the country was struggling to rebuild its economy, one of its main sources of wealth was in a state of convalescence.

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a time when the country was struggling to rebuild its economy, one of its main sources of wealth was in a state of convalescence.

Highly skilled workers are one of Austria's chief economic assets, and between the Wars consumer-goods and luxury industries played an important part in her economic life. This side of her economy declined seriously during the German occupation. As part of the deliberate plan to turn the country into an arsenal, workers were diverted from secondary industries and agriculture to the large new war-production centres that were established.

The great Hermann Goering Iron and Steel Works were set up at Linz, with their own coking plant. Sixty miles away at Ranshofen near the River Inn a big aluminium plant was built. There were several reasons for these developments. The fundamental idea was to provide a reserve of vital war industries in a district less vulnerable to enemy attack. Just as the Russians transferred some of their main war industries to Central Asia, so Hitler wanted to have some of his production centres farther away from Allied bomber bases. Secondly, there were certain economic considerations in favour of the two sites. Both were on important waterways. Linz was some sixty miles from the iron ore of the Erzberg, or Iron Mountain, in Styria and not far away from the low-grade ore of Bavaria. Ranshofen was reasonably close to the Hungarian bauxite deposits and conveniently situated in relation to the Third Reich's electricity network, cheap current being the main consideration in the siting of an aluminium works. Further, there were reasons of sentiment and prestige for the choice of location. Hitler was born in Braunau, a few miles from Ranshofen, and went to school in Linz. It seemed fitting that the scenes of the Führer's youth should become centres of war production.

From the purely Austrian point of view, however, such developments were not so satisfactory. Hardly one of the considerations that influenced German leaders would have carried weight with an independent Austria. The strategic and sentimental arguments were both irrelevant. Neither Bavaria nor

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727 In the same way, against the ruthless and damaging methods
315 by which Austrian oil-fields were developed can be set the amount of capital expended and the value of the results achieved. A great new source of national wealth was opened up with exceptional speed. The exploitation of this wealth by the Russians is the largest debit item in the Austrian-Soviet account. But it was only an indirect, and by no means inevitable result of German action and the War.

727 In the basic industries also there were certain considerations
433 that offset the disadvantages and dangers of the change of emphasis in Austrian industry that the new developments involved. Had the Linz and Ranshofen works been liabilities alone, they could have been dismantled and abandoned after the War. But large sums of money had been invested in them, which Austria on its own would have had the greatest difficulty in raising. The decision to keep them both going, so far as the supplies of raw materials, coal, and electric current allowed, reflected Austrian realization of their value.

[387] One major item in the economic legacy of the *Anschluss* period was an unqualified asset of great worth. A large nitrogen works suitable for the manufacture of artificial fertilizer was erected during the War at Linz. The site was chosen because the main substance required in the manufacturing process was coal-gas, and surplus gas was available in sufficient quantity from the Hermann Goering coking-plant. By November 1950 the works had produced a million tons of ammonium nitrate since the end of the War. Austrian agriculture had benefited considerably, and during the four years from 1947 to 1950 the export of artificial fertilizer had earned more than $25 million worth of foreign exchange. If foreign markets contract, experts consider that the whole production can be used with advantage in Austria. Food production would increase substantially as a result, and the scale of essential imports would be reduced.

● 433 Three times in a generation Austria has had to adapt her economy to radical territorial and political change. In 1918,

[cf. category 116, pp. 75-76 — Analyst]

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as a political and economic fragment, industrially top-heavy, 433
and cut off from essential supplies, she was condemned to an uphill struggle for self-sufficiency. In 1938, just when she had achieved a measure of success, she had to submit to incorporation in an empire, the whole economy of which was moulded ruthlessly to the needs of war, without regard for the traditions or individual claims of its component parts. In 1945, as a small 185
unit, now conscious and even proud of her identity, she was set the task of rebuilding her independent existence and freeing herself from the traces of economic subservience.

To accomplish this third task Austria needed an economic plan that was based on the requirements of the future and the existing facts. Clearly the Nazi neglect of agriculture and the damage done to forests must be put right. A hydro-electric power scheme based on the country's own long-term needs was required. And a programme for industry had to be formulated which took account of Austrian tradition and craftsmanship and any features of the Nazi legacy that were of permanent value. The decision must be made as to what modifications were required in the heavy installations of the war economy in order that they might occupy a permanently valuable place in an economic structure adapted to the needs of peace.

It was difficult to form a correct judgement on this last point 000
in the exceptional circumstances of the post-War years. Not only were world markets strongly influenced by demands for reconstruction programmes. On the one hand, American generosity made available in Austria much more investment capital than would normally have been the case. On the other hand, Russian confiscation deprived the country of many industrial products and one of its main natural resources. It was obviously wise for the Austrian Government to aim at independence of American support. Yet such an objective was very difficult to attain, so long as the oil-fields and many industrial installations remained under Russian control, and no one knew how long the control was to continue. This unknown factor was a serious obstacle to the formation of any

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prohibitively expensive. The pathetic sight was common at the 511
time of an old woman trudging back from a long tramp into the Vienna woods with sticks under her arm and a rucksack full of twigs on her back. The load would at most provide a little heat for a few hours, and the extremity of the need was proved by the lengths to which people would go to produce such small results.

Vienna is a cold city in winter. There is no doubt that the [165]
combined effect of unheated houses and inadequate food was responsible for the death of many old and ailing people. It was also partly responsible for the very high suicide rate. In 1946 there were 933 suicides or attempted suicides in Vienna alone.

The figures given regarding the food supply have referred to 437
food coming from official sources. In Austria after the War 433
there was an extensive black market in food, fuel, and a large number of luxuries. It was the time now often described by Austrians as the period of 'The Third Man', after the well-known film with its unflattering portrayal of Viennese conditions. The rationing system was unreliable as well as inadequate. People were justifiably sceptical as to whether they would actually receive the quotas that had been officially announced. In these circumstances it was understandable that they should turn to the black market as an alternative source.

In August 1945, when the shortage was at its worst, black-market food prices in Vienna were about 264 times as high as the official rates. The exorbitant prices reflect the intensity of the need. And there is no doubt that there were many who paid them. Otherwise the health of the people would have suffered much more than it did. There were very few rich. But the majority of the working population had been able to save during the War, when most articles were scarce. Many members of the impoverished aristocracy and middle class parted with their valuables to avoid starvation.

There was a considerable difference between the black market in Austria and that in England. In England rations were

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437 sufficient, the black market was in luxuries, and the people, on the whole, were law-abiding. The problem therefore was 433 primarily one for the police. In Austria rations were insufficient, the black market was in necessities as well as luxuries, and the consciences of the people were attuned to God and reason rather than to the law. The problem was thus rather a matter of economics, and in any case the Austrian police force was inexperienced and under strength.

437 The existence of the black market and the widespread use that was made of it were obstacles to the improvement of the 435 food situation as a whole. The fact that foodstuffs were being sold at such extravagantly different prices made the farmers reluctant to increase their official deliveries. The black-market rates were excessive, but the official rates were beneath world levels and unfairly low for the producer. In spite of the efforts of the authorities, which included the threat of imprisonment, the farmers did little to help. Some of them dealt on the black market, and others found it more profitable to feed grain to their animals than sell it at the official price. During the difficult spring of 1946, the meat deliveries from the provinces to Vienna fell 90 to 100 per cent short of the allocations.

If the attitude of the farmers was neither helpful nor patriotic, it was the ineffectiveness of the whole system that was chiefly to blame. In these circumstances the Austrian Government's own measures to deal with the food problem were slow to show results.

433 There were two further reasons why the shortage persisted. 439 Additional food supplies were required from abroad. But Austria's traditional sources of supply had been Hungary, Poland, and Yugoslavia, and immediately after the War these countries were not in a position to export foodstuffs. Hungary and Poland later fell increasingly under Russian economic influence. Secondly, Austria had not the resources with which to pay for imports. In terms of exports grain now cost nearly twice as much as before the War, and such foreign exchange as was earned was required to buy raw materials and equipment for industry. A vicious circle was in operation: exports

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were a pre-condition for the purchase of food from abroad, 433
and undernourishment stood in the way of industrial recovery. 439

The food problem remained serious for at least three years. 433
In 1947 it was often found impossible to honour the inadequate 146
basic ration scales of 1,500 to 1,600 calories, and medical inspections established that nearly 50 per cent of Viennese school children were under-nourished. Until 1948, when Austria had its first good post-War harvest, the population as a whole remained noticeably under-fed. By then most people's savings had already been spent and their mental and physical powers of resistance had been seriously weakened.

In spite of this melancholy story, great efforts were made to deal with the situation. Had this not been the case, the prolonged deprivation and distress of the Austrian people would have ended inevitably in political disaster.

In the autumn of 1945 it was decided to invite the United 648
Nations Relief and Rehabilitation Administration to organize 657
a supply programme for Austria. The way had been prepared in August, when the UNRRA Council had decided that as Austria was a liberated country there was nothing to prevent relief and rehabilitation operations being undertaken there, provided the occupying Powers approved. At the time, however, the necessary funds were not available. In November the immediate initiation of an UNRRA programme was urged, particularly by the United Kingdom, and before the end of the month an UNRRA Working Party had arrived in Vienna to obtain preliminary information regarding requirements. In December UNRRA headquarters, following a request from the Allied Council, authorized negotiations for an agreement with the Austrian Government, subject to the Council's approval. Brigadier R. H. R. Parminter, who had been serving since September as chief of the UNRRA Displaced Persons Operations in Austria, took over the duties of Chief of Mission on the 1st of January 1946 and conducted the negotiations. An UNRRA Bureau was set up in the Austrian Federal Chancellery early in the New Year to co-ordinate the transport, administration, and distribution of UNRRA supplies. On the

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648 5th of April a formal agreement covering the relief programme
657 was signed by Brigadier Parminter and the Austrian Minister for Foreign Affairs.

Although it had originally been hoped that UNRRA would be in a position to start operations on the 1st of March, this estimate proved too optimistic. It was finally decided that the organization should assume its responsibilities by three stages in April, May, and June, the beginning of June being the date on which it should be responsible for the actual delivery of supplies. To make this programme possible the Chief of Mission obtained the promise of each of the four occupying Powers to do its best to make available one month's food supply for its own zone from stocks already in the country. Even in June UNRRA had to borrow supplies from the American and Soviet Elements.

Allied help, which had first been given in the summer of 1945, was thus continued in order to tide Austria over the transition period. Throughout the whole winter and spring the country was dependent on the Allies for food and other essential supplies. At the end of 1945 the Russians agreed to the export of food from their zone into Western Austria. Coal was brought in from Germany. Raw materials, vehicles, clothes, and medical equipment were provided. Military stores belonging to the German army were handed over to the Austrian Government.

The UNRRA administration in Austria lasted from the spring of 1946 until the end of June 1947. Its main work was the supply and distribution of food. From June 1946 until October, when the Austrian harvest became available, 80 per cent of the rations of the non-agricultural population were provided or paid for by UNRRA, and UNRRA supplies formed a substantial part of the rations so long as the administration lasted. The total value of the food supplied amounted to $81,206,600, in addition to $20 million that were paid to the Allied military authorities for food provided by them.

648 The second largest item on the UNRRA budget was in
433 respect of agricultural supplies. After food itself, aid to increase

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food production was Austria's most urgent need. When 648
UNRRA started operations the prospects were not at all good. 433
A large part of the seed reserves had been used up as food. Practically no artificial fertilizers were available. There was a lack of farm implements and tractors, all of which had been worked hard during the War. In the chief grain-growing areas of the Soviet zone there was a serious lack of livestock, most of the horses and cattle having been driven west by the Germans before the advancing Russian army. UNRRA spent [457]
$18,818,600 on agricultural supplies: about $4·5 million on machinery, $2 million on fertilizers, and more than $10 million on seeds.

After these two main items had been covered, comparatively little money remained over for other requirements. $6,492,400 were spent on industrial rehabilitation, mostly on raw materials, transport, and communications; $1,789,400 on clothing, and $1,706,200 on medical supplies.

UNRRA'S main effort in Austria was spent on short-term 648
needs. The emphasis was on relief rather than rehabilitation, when the country's fundamental need was to build up its food production and purchasing power. Yet, given UNRRA's limited resources, the choice made was inevitable. The non-agricultural population was on the verge of starvation, and the health of the people as a whole was the essential condition of further progress towards recovery. The second stage in Austria's economic revival was a matter of long-term planning and was made possible by Marshall Aid. UNRRA laid the necessary foundations.

By the autumn of 1946 it became clear that UNRRA aid 648
could not last much beyond the end of the year. In November
the Federal Chancellor sent a letter to the Allied Council 457
asking for foreign credits to help meet the deficit for 1947, which the Government estimated at $178 million.

The first country to respond to this request was Britain. Towards the end of 1946 the British Government agreed to make available £8,500,000 sterling for relief and reconstruction and a further £1,500,000 as a commercial credit for the

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731 enough for grain production. The effects of the drought at this time were particularly unfortunate. Agriculture, from which much had been hoped, made no contribution whatever to [433] recovery. Food production in 1947 did not even reach the low level of 1946. Similarly, though hydro-electric current production was potentially over 60 per cent greater than in 1937, the total current produced in 1946 was only 24 per cent higher than in 1937. The following year it rose by about 2 per cent, but this was due entirely to the increased production of steam-driven power-stations. The amount of hydro-electric current actually fell.

316 There were several reasons for the coal shortage. Europe as a whole was short of coal. Austrian consumption had risen 433 owing to the new iron and steel works at Linz, the development of steam-driven power-stations, and the needs of the occupying forces. The country had not the foreign exchange to pay for the coal needed from abroad, and the coal provided by the Western Allies from Germany was restricted by lack of transport.

433 For several weeks at the beginning of 1947 Austrian industry practically came to a standstill owing to what were euphemistically described as 'fuel and power holidays'. Finished-goods industries were completely closed down. The paper industry for a time virtually ceased to operate, and even some firms classed as essential had to suspend work. Such a stoppage was a major disaster for an economy struggling against odds to get on to its feet.

The 1947 production figures for some of Austria's key industries give an idea of the position of the Austrian economy when Marshall Aid began. It must, however, be remembered that the situation at the end of the year was better than at the beginning, and that in the case of most industries it continued to improve during the first three months of 1948. The position, therefore, was somewhat better in April 1948 than the figures indicate.

In each case, except for agricultural produce, the production by weight is given as a percentage of the 1937 figure:—

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Pig-iron	56·15	Leather Goods	62·80
Raw Steel	54·89	Textiles:—	
Raw Aluminium	104·36	(*a*) Yarn	32·48
Magnesite	56·09	(*b*) Fabric	39·49
Electric Motors	21·54	Total Agricultural Produce (by value reckoned in terms of 1937 prices)	44·00[1]
Paper	48·76		
Cellulose	24·62		

Since 1918 foreign trade has been of vital importance to Austria. Before the War her foreign trade quota per head of population was one of the highest in Europe, and after the War it was of urgent importance that this state of affairs should be restored. The country was dependent on imports for most of its coal, for an essential part of its food supplies, for the raw materials for some of its key industries, and for much of the machinery and equipment necessary for its economic revival. Foreign exchange for the purchase of these imports had to be earned by Austria's own exports. This was clear to the country's political leaders as soon as the Government was formed, and every effort was made under the most difficult conditions to revive foreign trade with the least possible delay.

During 1946 a series of primitive barter agreements were signed with foreign countries, starting with immediate neighbours. On the 11th of February the Allied Council approved such agreements with Czechoslovakia and Italy. In June a contract was made between Austria and Poland by which 45,000 tons of Polish coal were to be exchanged for Austrian scythes and sickles. In November an important trade agreement came into force between Austria and France which provided for the exchange of specific goods and defined the arrangements for payment. As time went on, the barter type of arrangement gave way to more normal commercial agreements. By the end of 1947 Austria had signed treaties, in

[1] Of all Austrian economic statistics those for agriculture are the least reliable As regards actual produce, in contrast to produce for which the farmers submitted returns, the above figure is probably too low.

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Austria's heavy industries included, in addition to the Nazi legacy, the iron and steel works at Donawitz and the important Steyr–Daimler–Puch Company, which produced tractors, automobiles, motor-cycles, cycles, and ball-bearings. Some of the general considerations have already been mentioned that caused the planning authorities to look favourably on the Linz and Ranshofen enterprises.[1] Apart from the fact that Donawitz was not in the American zone and that the Steyr–Daimler–Puch Company was not nationalized, these considerations applied to all the heavy industries. Furthermore, for a number of reasons, each of the industries required the expenditure of a large amount of capital in order that its potentialities might be utilized fully for Austria's benefit.

In the first place, the concerns that had come into existence during the War were still incomplete when the War came to an end. Secondly, heavy industries were amongst the main targets for Allied air attacks, and some of them were very severely damaged. The nitrogen works at Linz were hit by about 800 bombs, and the main Steyr–Daimler–Puch plant at Steyr was almost completely destroyed, the total damage suffered by the Company's installations in the Steyr and Graz areas being estimated at over 220 million marks. After the War the destructive work of bombs was completed by systematic dismantling and confiscation. A large quantity of vital machine-tools was seized, and at Donawitz the steel-rolling plant was taken down and removed by the Russians, before the British occupied Styria. The third reason why capital expenditure was required was the need to transform and develop the various industries so as to comply with the future demands of the Austrian economy. The process of adaptation from war-time to peace-time production itself involved large-scale replacement of equipment. Even more important were the measures required within the heavy industries to restore the health and balance of the country's economic life.

If Austria was to maintain large plants for the production of iron, steel, and aluminium, it was at least desirable that the processing of these metals should be carried sufficiently far to

[1] [Cf. category 116, pp. 102-103 — Analyst]

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provide the country's metal-finishing industries with the sheets, rods, and other forms of metal that they required. In this way the producer-goods industries would contribute to the success of the consumer-goods industries, which would become independent of imports and would give Austria's traditional skill and craftsmanship the opportunities they required. The benefit to the whole economy is indicated by the fact that a given weight of finished aluminium products has on an average five times the value of a similar weight of raw aluminium. An Austrian member of Parliament pointed out in 1947 that no skill would be required in Austria to buy 10,000 wrought-iron candlesticks, but that it might well be difficult to get hold of a handful of nails. Such a state of affairs would in the long run be inexcusable in post-War Austria, and it was one of the duties of the E.R.P. planners to make it impossible.

The Hermann Goering iron and steel works in Linz, which became the Vereinigte Österreichische Eisen- und Stahlwerke (United Austrian Iron and Steel Works) and are usually known as VÖEST, were planned for a total output of a million tons of iron and steel a year. Before the War ended five of the six blast-furnaces were completed, while the annual production of steel only amounted to 250,000 tons. It was important that the output of steel and sheet-metal should be greatly increased. With this end in view a large outlay of capital was planned for the installation of steel production plant and rolling-mills at Linz and for replacing the rolling-mill at Donawitz. The ERP long-term programme aimed at decreasing the value of pig-iron exports from $9 million to $5 million within four years and at simultaneously increasing the value of rolled steel products from $25 million to $34 million. At Ranshofen finishing works were planned that were capable of handling 15,000 tons of aluminium a year, a figure based on the estimated home consumption.

The nitrogen works at Linz were to be developed and adapted so as to produce 40,000 tons of sulphuric acid a year and 100,000 tons of ammonium sulphate. This would give to their products greater variety and competitive power in world

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figure. By the autumn of 1951 the small crafts, which employed nearly as many people as industry, had received only 14 million schillings from the counterpart fund, which was only 0·4 per cent of the total.

There was no branch of the Austrian economy in which the need for capital investment was greater than in fuel and power. Nor was there any branch to which the allocation of available funds would be the subject of less controversy. The Austrian Republic's shortage of coal, which had always been serious, was more acute than ever, owing to the development of the iron and steel industry. And Poland and Czechoslovakia, Austria's traditional suppliers, were now in the Russian orbit, and charged excessive prices for such coal as they were prepared to deliver. At the same time the country had vast potential sources of hydro-electric power, which only required capital for their development. It was most important that the development should take place both to economize consumption of coal and to satisfy the growing demands for electric current of Austrian industry and the Austrian people.

Austria's oil-fields were her main resources in mineral fuel, but, being under Russian control, they did not fall within the scope of the recovery programme. Her coal-mines, which produce 95 per cent lignite, could only satisfy between 25 and 30 per cent of her requirements in 1948 and 1949. As a result of forced production during the War and neglect of new development, the coal was difficult and expensive to work, and the output per miner was only three-quarters of the pre-War level, although the miners' own record had been excellent.

The production of hydro-electric current increased steadily during the War, until in 1944 it had more than doubled. In 1945, owing to the serious disorganization that accompanied the end of hostilities, output fell off considerably, but between 1945 and 1948 it rose from 2·51 billion kilowatt-hours to 4·45 billion. The steam-driven power-plants, so important for the maintenance of winter supplies, had suffered severe damage during the War, especially at Linz, and were not back in full production by 1948. Meanwhile the growing importance of

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433 electricity to the Austrian economy was shown by the fact that
377 domestic consumption per household had increased by 60 per cent between 1938 and 1947. In 1947, also, Austria exported nearly a quarter of its total current production and stood second amongst European countries as an exporter of electric power.

433 Substantial ERP funds were allocated to the coal-mines for new development and modernization of equipment with the
457 object of increasing productivity. Aid was also given in the reconstruction of the damaged steam-driven electric power-stations, and in the building of new stations in the neighbourhood of the lignite fields. But the bulk of assistance in the sphere of fuel and power was naturally devoted to the development of hydro-electric resources.

165 Austria's total potential hydro-electric power production is estimated at not less than 30 million kilowatt-hours a year,
371 more than five times the present output. The possibilities
457 were already realized in some measure before the end of the nineteenth century, and development between the Wars was help up mainly owing to lack of domestic and foreign capital on the large scale required. The European Recovery Programme offered a great opportunity, which was not likely to recur, and at the Paris Conference which considered the Marshall offer in the summer of 1947 the Austrian delegation began at once to consider proposals for electric power development. By the following year a general plan had been drawn up that aimed at doubling production in the ten years starting with 1948.

ERP support was limited to four years, but provided for the generous allocation of counterpart funds both for the completion of plants under construction and for the initiation of new works. The programme covered projects in all of the six provinces under the Western Allies, but was confined to them. The great plant planned at Ybbs-Persenbeug on the Danube in Lower Austria, with a potential output of a billion kilowatt-hours a year, had to be left out, because it was in the Russian zone. Major projects in Western Austria included those on the Ill in the Vorarlberg, on the Drau in Carinthia, and on the Enns, the Inn, and the Danube in Upper Austria. The new

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	Millions of Schillings
Allocations include (*contd.*):—	
Industrial Investments	4,113·1
Electric Power	1,424·3
Coal-mining	226·0
Other Mining	25·7
Primary Iron and Steel Industry	827·7
Non-ferrous Metals Industry	126·2
Electrical Engineering	85·1
Chemical Industry	174·4
Secondary Iron and Metal Industry	215·1
Textile Industry	214·0
Woodworking Industry	121·3
Paper Industry	533·2
Leather and Leather Goods Industry	6·9
Special Recovery Programme	1,467·0
Agriculture	719·7
Forestry	156·3
Tourism	256·7

In May 1948 an ERP Central Office was set up in Vienna and made responsible to the Minister for Foreign Affairs. In December 1949 the economist, Professor Wilhelm Taucher, who had been Minister of Trade before the War, was put in charge of it, and the office then became part of the Federal Chancellery.

It became clear to all those responsible for administering Marshall Aid in Austria that the fundamental need of the Austrian economy was to improve the efficiency of production, or increase 'productivity' in the specialized sense of the term. Only in this way could Austrian goods compete successfully in world markets. It was therefore decided in April 1950 to establish an Austrian Productivity Centre with the task of doing everything possible both by study and practical measures to increase productivity in all branches of the Austrian economy. Professor Taucher became president of the Centre.

The productivity of the whole Austrian economy after the War was lamentably low. In 1947 it was estimated to be

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647 433 between 50 and 55 per cent less than the 1937 level. There were certain obvious reasons for this state of affairs: war damage, out-of-date equipment, lack of fuel and raw materials, and the influence of food shortage on the physical and mental efficiency of the workers. But as conditions improved it became evident that there were other factors contributing to the same result that could in some measure be mastered by the education and endeavour of the Austrian people themselves. Years of rationing and controls had weakened the competitive sense in Austrian industry. The severity of the post-War crisis, uncertainty as to the future, combined with the occupation and the arrival of foreign help, led many to assume that salvation could only come from outside and in no way depended on themselves. A good system of social legislation and a liberal allowance of public holidays on religious and secular occasions added a false sense of security and even a touch of recklessness to the prevailing attitude.

647 The Productivity Centre, which was supported both by the trade unions and the employers, worked by three main methods. It maintained a staff of experts who made systematic studies of productivity problems, carried out investigations of actual enterprises, and recommended improvements in method. With ERP help it arranged for foreign technical experts to visit Austria and organized study tours of Austrians in the United States and other countries. Perhaps most important of all, it initiated a publicity campaign to make the Austrian people conscious of the productivity problem. Two series of booklets were published dealing with specific aspects of the productivity campaign as it affected Austria, and an illustrated periodical entitled *Der Schlüssel* ('The Key') kept the public informed regarding the activities of the Centre and the efforts made in other countries to raise productivity.

The main aim of the Centre's educational work was to drive two points home: that it is worth while for the individual to increase his income and standard of living by means of better work and achievement, and that Austria's future prosperity would depend upon a co-operative effort by everyone concerned to increase the efficiency of all branches of the national economy.

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cerned to increase the efficiency of all branches of the national economy.

Marshall Aid resulted almost at once in a marked acceleration in the rate of Austrian recovery. Whereas industrial production was only about 43 per cent of the 1937 figure in 1946 and only rose to 56 per cent in 1947, in 1948 it jumped to 92 per cent, in 1949 to 123, and in 1950 to 145. After this the rate declined, partly because the return to more normal conditions made any further acceleration impossible and partly because the outbreak of the Korean War, by increasing the price of raw materials, reduced by a third the real value of ERP dollar payments to Austria.

By the end of 1951 the extent of Austria's recovery was impressive, and it could not possibly have been achieved without the steady, well-planned assistance on a vast scale that Marshall Aid implied.

The Austrian gross national product in 1951 had more than doubled since 1946 and was approximately 18 per cent above the pre-War level. Industrial production had risen to 165 per cent of the 1937 figure, while agricultural production, having risen from 56 per cent in 1947 to 90 per cent in 1950, remained at about the same level in 1951. Industrial productivity was more than doubled between 1947 and 1951, and in the winter of 1951–2 stood approximately at the 1937 level.

These figures taken on their own, however, are somewhat misleading. For two reasons the real per capita income and the standard of living of the Austrian people were still slightly short of the pre-War level at the end of 1951, although probably about three times as high as they had been immediately after the War. The population had increased by more than 2 per cent, and there were therefore more mouths to feed than there had been in 1937. In addition, a much higher proportion of the national income was being invested than before. After four years of Marshall Aid the average Austrian was eating little more than a third of the quantity of meat eaten by the average American.

If the different branches of the Austrian economy are

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433 If the different branches of the Austrian economy are
241 considered separately, the record of agriculture is the most disappointing, although the rise in population and food prices since before the War made it vitally important that agricultural production should at least regain its pre-War level.

The disappearance of the black market and the progressive adjustment of internal food prices since the end of the War had improved the situation from one point of view. The conservatism of the farmers and the prevalence of small holdings in Austrian agriculture were features that could scarcely be altered. But there were several aspects of the problem that were susceptible to treatment and in which more could have been done both by the Government and by the ERP authorities.

[464] The number of paid agricultural employees, not counting the farmers themselves and members of their families, dropped by nearly a quarter, from 285,600 in 1937 to 217,000 in 1951. In view of the man-power available, more speedy and energetic steps should have been taken by the Government to counteract this tendency. The plan that has been drawn up to deal with it will be considered later. The loss of labour was balanced to some extent by mechanization, carried out largely with Marshall Aid. The number of tractors increased by 850 per cent between 1939 and the end of 1951. But the supply of artificial fertilizer and feeding-stuffs from abroad fell far short of essential needs, and agriculture's share of counterpart funds was less than the allocation to the primary iron and steel industry, which did not employ a tenth of the number of men on the land. It was not until the summer of 1952 that increased imports of feeding-stuffs and an adjustment of prices by the Government made it possible to fix the cost of bread-grains at 25 per cent above that of maize for feeding, and so stimulate farmers to increase their bread-grain production.

433 Austrian forestry and its dependent industries responded well to ERP assistance. During the first three years of Marshall Aid lumber exports increased fivefold, and in 1951 they amounted to 17 per cent of Austria's total exports. By 1951 paper industry production had risen to 113 per cent, and cellulose

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production to 102 per cent of the 1937 figure. These results, however, were achieved by continued excessive felling, which was only partly offset by the introduction of more economic methods, including the use of the remoter areas. Special attention was paid to reforestation with quick-growing kinds of timber, but the fact remains that a period of restraint will be necessary if the Austrian forests are to regain what they have lost. 473

The privileged position given to Austria's heavy industries in the European Recovery Programme is reflected by the fact that in 1951, whereas consumer-goods production was only 128 per cent of the pre-War level, investment-goods production reached 175 per cent. Stimulated by the post-War demand for capital goods and by the installation of such fine new plant as the blooming-mill at Donawitz and the blooming-and-slabbing-mill at Linz, both provided by Marshall Aid, the production of the heavy industries went rapidly ahead. If the emphasis on this branch of the economy had been overdone, it was not to become apparent until a later date.

The production in 1951 of pig-iron, raw steel, and sheet metal amounted to 270 per cent, 158 per cent, and 149 per cent respectively of the 1937 figures. Iron and steel exports in 1951 were valued at $57 million. Aluminium output rose from 13,357 tons in 1948 to 26,380 tons in 1951, and in addition, [328] thanks to the installation of a rolling-mill at Ranshofen, the production of sheet aluminium and half-finished goods started in 1950. By 1951, 27 per cent of Austria's aluminium production was being exported, some of it to the United States, and at the same time internal consumption had risen sharply, so that Austria had become the fourth largest consumer of aluminium per head of population in the world. The following year aluminium output went rapidly ahead owing to the increased availability of electric current. The export of artificial fertilizer from the Linz works rose to 274,152 tons in 1951 and to 188,135 tons in the first six months of 1952. The number of tractors, lorries, and buses produced by the Steyr–Daimler–Puch Company in 1952 amounted to 11,765.

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433 In contrast to these impressive results the record of Austria's comparatively neglected consumer-goods industries was much less satisfactory. Of the two industries that received most ERP help, the electrical industry, after at first suffering from high import requirements and excessive production costs, finally responded to treatment by raising the value of its exports by nearly 400 per cent between 1949 and 1950. In 1951 textile production just managed to exceed the 1937 level. But the export of finished goods as a whole in the first half of 1951 was only two-thirds of the 1937 figure, and during the subsequent twelve months showed a tendency to fall.

The high proportion of counterpart funds spent on fuel and power was justified by results. In 1951 Austrian coal production at 5·2 million tons reached a record level and was 48 per cent above the highest pre-War figure. Output per man and shift rose by 27 per cent between 1948 and 1950. The steam-driven power-station at Linz was restored to full productive capacity, and such good progress was made with the power-stations being built in the vicinity of brown-coal deposits that the total current produced by steam-driven power-stations in 1951 amounted to 1·68 billion kilowatt-hours. The production of hydro-electric current rose from 4·45 billion kilowatt hours in 1948 to 5·66 billion in 1951. In September 1951 the Limberg [312] dam, the first and greatest of the Kaprun dams, was officially opened in the presence of the Federal President. This great engineering achievement, which is the largest curved dam in Europe and one of the largest in the world, makes possible the storage of 86 million tons of water and the annual production of 160 million kilowatt hours of winter current.

As regards other minerals, under the stimulus of ERP support magnesite and copper production went rapidly ahead, while the output of lead, in spite of the exhaustion of the more accessible deposits, has nearly regained the pre-War level. By 1951 the production of copper had risen to 308 per cent of the 1937 level, and the production of raw magnesite to 167 per cent. The figures for the main magnesite products varied between 191 per cent and 248 per cent.

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727 valuable natural resources under the pretence that it was
382 German property.
471 The Austrian Nationalization Law of 1946 included the oil industry, but, so far as oil in the Russian zone was concerned, it never went into effect. In the summer of that year the Soviet High Commissioner announced that all the German-controlled oil-fields had been taken over as 'German assets'. The Soviet Mineral Oil Administration (SMOA) was set up to manage them.

The Soviet authorities did recognize British and American ownership of certain oil-fields and refineries that had not been taken over by the Germans. They are still under British and American management, but are subject to various measures of Soviet control. The producing companies are required to sell their crude oil to SMOA. The refining companies have to buy this oil from SMOA and resell to it the refined product. Payments are made to the British and American concerns in Austrian schillings, after the deduction by SMOA of arbitrary sums for administrative expenses. The disposal of the oil remains in Soviet hands, and the concerns are not able to export it, as they might wish. This limited recognition of foreign rights does not therefore benefit the Austrian trade balance in any way.

727 Exact statistics are not available for the Austrian oil industry since it has been under Soviet control. But it has been esti-
382 mated by the best-informed authorities that production rose
433 from 846,600 tons, to which it had declined in 1946, to about 3,200,000 tons in 1952, and is thus now probably the highest in Europe.[1] This increase indicates the anxiety of the Russians to extract all they can from the Austrian oil-fields while they have them under their control. The result has been achieved by extensive new boring and by the employment of damaging and uneconomic methods that would normally never be used.

It is significant that the expansion has practically been confined to the ex-German enterprises under purely Soviet control, which have had full freedom of action and exploration.

[1] Reliable figures for Roumania, its only possible rival, are not available.

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During the past few years the proportion of the total yield produced by British and American concerns fell from about 15 per cent to less than half that amount. It is even more significant that the 60 per cent of the oil-fields and the prospecting rights that the Soviet authorities suggested should be retained by them under the terms of the draft treaty of 1949 have proved, as was suspected at the time, to be by far the most productive and promising areas. Had the draft treaty been signed and the Soviet allocations accepted, the proportion of oil production now in Soviet hands, on the basis of 1952 figures, would have been 92 per cent instead of 60. The proportion of known oil reserves would have been even more favourable to the Russians.

Soon after the War ended the Russians suggested to the Provisional Government that Austria and the Soviet Union should share the installations and rights in the oil-fields on a 50–50 basis. Dr. Renner had the foresight to reject this offer, which would have given the Russians a permanent footing in the country and had serious political implications. But since then Austria, though so large an oil-producer, has not even been able to purchase from the Soviet Oil Administration enough petrol and other forms of oil from its own production to satisfy its modest needs. It has had to resort to imports from the United States, and on at least one occasion is said to have bought from Western Germany Zistersdorf oil sent by the Russians to Eastern Germany and then exchanged with Western Germany for industrial products. The quantity of oils allotted for home consumption has increased annually with total production since 1949. In 1951, for the first time, domestic needs were practically satisfied. But Austria during the whole post-War period has been allocated no more than about a third of her total oil production. The remainder has been sent eastwards by the Russians, chiefly to Czechoslovakia, East Germany, and Poland.

This state of affairs has of necessity been accepted by the Austrian people. But a welcome demonstration of impatience was given by the National Assembly when a resolution was

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XV

Austria and International Co-operation

186 DURING the post-War struggle of the Austrian people there has been a steady growth in their patriotic sentiment and in Austria's consciousness of its identity as a State. The process began between the Wars, and was accentuated by the conflict with National Socialism that preceded the *Anschluss*. It continued during the German occupation, when the concentration camps and the Resistance Movement acted as breeding-grounds for Austrian patriotism. When the War and occupation ended, the exacting tasks that confronted Austrians gave a positive and constructive character to a development that had previously been more of a protest against something objectionable than a live faith in an accepted ideal. No Austrian Foreign Minister in the First Republic would have been likely to say what Dr. Gruber did in 1948, when he summed up the main purpose of Austria's external policy as 'the preservation of our way of life'.

433 To this developing State consciousness the fight for economic recovery made a great contribution. The low level to which the country's industrial production and food supplies had sunk in 1945 spurred on the Austrian people to a common effort to master the situation. The Marshall offer was a challenge as well as a great act of generosity. Just as the two main parties had agreed on the nationalization of certain industries in 1946, so later they worked together in conjunction with the Americans to use to the best advantage the unique opportunity for capital development presented by the European Recovery Programme. Ranshofen, VÖEST, the nitrogen works at Linz, and above all the great hydro-electric power projects were symbols of hope for the future. For the first time since the Republic was founded Austrians could make their economic plans in full confidence that they would be living in a viable

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

State, when once their independence had been restored. If Austria's hopes of solvency were well-founded in 1937, the development of her oil-fields and hydro-electric power since then have placed their realization beyond all doubt, provided she is free to manage her own affairs. 433

Like the Nazi aggression before 1938 and the German occupation that followed, Russia's economic and political obstruction since the War has stimulated Austrian patriotism. Austria's courage and patience under great provocation, her Government's correct attitude towards the Soviet authorities, combined with insistence on its rights, have won general admiration. So her greatest disappointment since the War has, from the long-term point of view, been turned to her advantage, and has played its part in the harsh process by which the Republic has been welded into a unit. 186

Above all, the Coalition Government's record has had a decisive influence. Its problems have been exacting, in some cases insoluble, and it has been a difficult team to manage. Yet on the whole, in face of great difficulties, it can claim to have been one of the most stable and successful governments in post-War Europe. The contrast between political life in the First and Second Austrian Republics could scarcely be more marked. In the one case there was bitter rivalry, mutual intolerance, and frequent changes of government; in the other case co-operation, continuity, and a readiness to compromise for the common good. In eight years Austria has made great progress towards democratic maturity, and the lessons of the inter-War years have been well learned. 642

But their newly developed patriotism and self-confidence have left Austrians under no illusions. They are aware of their limitations, and they realize that political nationalism is out of date. The American journalist who described Dr. Figl as the successor of Don John of Austria, the last knight of Europe, who turned back the Turks in 1571, was read with a smile in Vienna. Austrians think that their main contribution to the world will always be cultural rather than political and will be based on the spirit, the intellect, and the preservation of 648

435 preventing a disastrous decline in the buying power
465 of the broad classes of the population. The unavoid-
652 able adjustment of certain distortions in prices as well as the entire stabilization of wages and prices was undertaken on the basis of the economic, budgetary and credit policy. This applied also to the coordination of prices of specified agrarian products which, in the general development, have to a large extent re-
451 mained below an adequate level. These adjustments were
652 intended chiefly to insure an utmost favorable development of savings deposits and the initiated investment program without intensifying inflation. The promotion of capital accumulation, thereby encouraging the influx of new savings capital to the banks and institutions, and the systematic consolidation of capital reserves of the insurance companies and of the social insurance institutions will, particularly in Austria, gain special importance in the coming years. As a consequence of the elimination of the counterpart funds and of the relative slow reflux of the means invested, resulting in limited possibilities of rediscount with the National Bank, the necessarily long-postponed replacement of the long-term and expensive bank credit to the capital investment market has been initiated. Expressed in other words this means that the reconstruction of the capital basis of economy, by opening the cheaper sources of financing offered by the capital market, should facilitate new short and middle-term credits and consolidate long-term credits which had previously been granted (especially investment and reconstruction credits). It should also contribute to an improved competition of Austrian products on the world markets through an adequate reduction of one of the chief factors of the basic cost price, i.e., credit procurement.

185 All measures of an economic-political nature
652 which are taken, however, are not applied in a purely dogmatic way. They are effected within the ideology of the two big political parties of Austria and thus of the Federal Government which is sustained by the coalition in power. It might be explained that the economic political measures described in the following survey are approved in principle by both of the leading political parties, though it may be that they differ somewhat as to the means and methods of reaching determined aims of political economy.

185 The problem of increasing economic productive-
433 ness receives particular attention from the Austrian Federal Government and the Austrian Productivity Center. Labor and management are equally represented in this

Center in order to safeguard and coordinate professional interests. The steady increase of economic productiveness is intended to be reached by fostering rationalization of managerial dealing and plants as well as by cutting down the cost of production. This too would promote Austrian export trade with an eye to reaching full compensation of export and import figures and thus ultimately to achieve an active balance of payments. In the matter of this problem it should, however, expressly be emphasized that such balance of payments--inasmuch as it has been achieved by new equipment and modernizing of Austrian industry initiated during the last years--can be reached only by and by. It was at a rather recent time that investments could be made in Austria (1950). Consequently, an efficient and satisfactory result from such investments, especially from the big investments, may not be expected before 1954 or 1955. Austria should be allowed, therefore, a reasonable interval of recuperation to overcome the handicap of its very precarious situation. Nor should it be overlooked that Austria, as a country which is strongly dependent on a wide range of imports, is extremely sensitive to all fluctuations and developments on the world markets. Each change on those markets of necessity and automatically has repercussions on the price level in the Austrian domestic markets.

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It is certainly a matter of the highest importance for the further development of Austria that the chief foreign markets should be opened for the sale of Austrian products, and especially those which are the result of intensive development. The Marshall Plan having become obsolete, it will be possible in this way only to realize the adjustment of the balance of payments. A balance of payments would, without strongly hurting the social structure of the country, open the way towards the gradual abolition of trade barriers and restrictions, to the alleviation of foreign exchange impediments, and, thus, to a progressive integration of Austrian economy into that of the Continent and beyond that to the world at large. The extension of the foreign trade volume and the increase of the invisible export, chiefly the foreign tourist and transit traffic, are a means of realizing foreign exchange reserves required for financing Austrian imports and the maintenance of an adequate satisfactory volume of employment. The persevering energy and intrepidity of both of the responsible big parties of Austria have been leading the way towards the political and economic consolidation

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433 of this country. If it may be asserted that Austria, at the present date, has already exceeded the prewar standard of industrial production (especially as regards the industries creating investment goods) and is approaching the index of the years preceding 1938 in the industry of consumer goods, a careful and unbiased examination of the situation of Austria should also give due consideration to the extremely poor condition of the country at the time when the ERP started its work. In contrast, the Western European countries, at that time, were fortunate enough to enjoy already a much greater degree of favorable economic conditions on which to base their reconstruction. This and the related general changes are factors arising particularly from the traditional markets of Austria, the Southern European countries, which continuously handicapped the economic consolidation of Austria to a very large extent.

As this report surveys the disciplined efforts of the Austrian people to work under great hardships and handicaps the reconstruction of their country, it has also the record the liberal assistance received under the famous ERP, which made it possible to reach the level of economy of today. In doing this, the study becomes the expression of gratitude on the part of the government and the people of Austria.

Winter 1951-1952,
supplemented mid-1952.

Franz Heissenberger

In addition the Institute had been entrusted with a number of tasks by public institutions or by agencies working for public interests. The Federal Chancellery, Central Office for ERP Affairs, entrusted to the Institute the preparation of reports and the expression of opinions as well as other tasks, while the Central Office itself, in accordance with Article VI, paragraph 2, and Article VII, paragraph 4, of the bilateral agreement between the United States of America and Austria of July 2, 1948, prepared the quarterly economic reports, outlining results achieved with ERP means and the economic measures undertaken. The Austrian Investment Program of 1950-1952 has been designed in collaboration with the Institute. 204 816 [648]

A close cooperation exists between the Institute and the "Oesterreichisches Produktivitätszentrum" (OPZ) (Austrian Productivity Center), Vienna. The Zentrum was created by a ministerial decision of March 6, 1950. Dr. Taucher, Chief of the Federal Chancellery, Central Office for ERP Affairs, serves as president. Dr. Nemschak acts as manager. Within the scope of this cooperation a number of problems were investigated: the scarcity of vocational employment for youth and combating it; the Austrian paper industry; the processing of Austrian foreign trade transactions; the Viennese housing requirements and its future development; opinion studies of managers, engineers, foremen, and employees relative to production increases; possibilities of increased yield from the tourist trade through elimination of seasonal trends; cooperation in the designing of rules permitting the ascertainment of production index numbers of cotton textile mills relative to a coordination of the averages with upper and lower margins. Shortly released will be: structural analysis of the Austrian textile industry; analysis of the employment possibilities and causes of unemployment in the catering trade; preparation of a memorandum about the effects of a prolonged scarcity of imported raw materials upon Austrian production and employment situation; the Austrian railroad-trucking problems; the development of productivity since the end of the war; extension of a wage and earning index in collaboration with the Bundeskammer der gewerblichen Wirtschaft; comparison of the living cost indexes of various countries; development of raw material consumption, investment activity and turnover; improvement of living costs and wage index calculations for which additional statistical investigations are necessary. The Austrian Productivity Center published monthly a pamphlet Der Schüssel (The Key), intended to foster within an extended circle of readers understanding of production step-ups and exchange of technical experiences. [647] [1137]

204 177 647 433 Operating within the Austrian Productivity Center there is a sub-section for "Technical Assistance." This provides Austrian experts of various establishments with opportunities to acquaint themselves with the latest developments of their business lines in the United States. The results of these study trips are evaluated in a publication Die Studienreise, in which the impressions and experiences of the technical assistance delegation are brought to the attention of a large circle of interested persons. The first publications are entitled Moderne Holzernte (Modern Lumber Crops) and Gäste aus Amerika (Guests from America). To acquaint the public at large in a comprehensive manner with the productivity problem, a popular pamphlet series Der Ausweg (The Way Out) has been published, its first number being entitled Produktivitätssteigerung--der Ausweg (Greater Productivity - the Way Out).

Particularly valuable for the exchange of ideas, formulas, etc., is the Economic Technical Information Service of the Austrian Productivity Center which developed into a liaison office between domestic and foreign information centers. Collaborating with Technical Assistance, it answers inquiries about American production processes, firms and equipment, and loans small-sized motion picture films and projection apparatus. It further provides, in cooperation with OEEC countries, trade or professional journals and books, furnishes excerpts of the latest American professional literature ("Digest and Abstracts Service") and answers inquiries about American licenses and patents. This service is supplied and supported by a documentation center.

647 816 [204] A special cooperation for the furtherance of statistics exists between the Oesterreichisches statistisches Zentralamt, Wien (Austrian Statistical Central Office, Vienna), and the Institute of Economic Research. The Statistical Central Office publishes monthly, in collaboration with the Committee of Economic Central Offices and Chambers, the official Statistische Nachrichten (Statistical News), the editor-in-chief of which is presently Hofrat Dozent Dr. Arnold Madlé. In this connection the Oesterreichische Statistische Gesellschaft (Austrian Statistical Society) should also be mentioned. It was established March 31, 1951, for the purpose of cultivating statistics in all sections of the social and natural sciences besides furtherance of statistical teaching. Chairmen of the board of trustees are: the president of the Austrian Statistical Central Office,

642 On December 3, 1945, a committee of the political parties entrusted Secretary of State Figl with the formation of a government, which the Allied Commission approved on December 18, 1945. On December 20, 1945, a session of the Federal Assembly (Nationalrat and Bundesrat) with a vote of 204 out of 205 elected Dr. Karl Renner to the presidency. He accepted the office for the term of six years.

642 The new federal government as well as the presidency were recognized by notes of the various 644 powers although these notes showed deviations in texts. Thus the first phase of the constitutional reestablishment of the Second Austrian Republic was concluded. The federal government could proceed with the task of solving the most important economic problems.

2. The Situation after the Cessation of Hostilities and the First Economic Reorganization Measures, 1945-1947.

727 The reestablished Second Austrian Republic faced a great economic task. The losses and damages from the war destroyed almost a quarter of the total national capital which had amounted to about 38 billion schillings.

[364] In Vienna alone, 37,000 apartments were completely destroyed and 50,000 partly destroyed, while 25,000 were less severely damaged. Aside from extensive destruction of raw materials was the loss of machinery through dismantlements, especially in the eastern part of the country after 1945, which caused deficiencies in extremely valuable production material amounting to at least 1.2 billion RM (at prices fixed as of 1940). Plants of the electric, vehicle, machine, iron and metal industries, and steel mills lost more than 46,000 machines. This meant that in some instances, the combined loss of the war and postwar period amounted to 80 percent of the [493] machines and equipment. These deficiencies were all the more burdensome since the destruction and the removal of the production means led unavoidably to severe disturbances in the general economic scheme.

[162] Austria also suffered substantial losses in human lives. Out of a population of 7,000,000, the number of dead or missing totalled 350,000 and the wounded 170,000. These losses were mainly from the ranks of the able-bodied age groups (13 percent).

In comparison to prewar times a definite lowering of 727
individual performance efficiency had set in among
the rest of the population caused by years of under- [46]
nourishment and poor general physical condition [433]
aggravated by a series of psychological strains up to
1947. Another thing to be taken into account was the
reorientation of the entire European economic
structure in the wake of political changes, particu-
larly the solution of certain problems of large in-
dustrial enterprises (the iron and steel industry).
Last but not least were the great economic and
political changes which had taken place in the areas
of Austria's traditional markets, eastern and south-
eastern Europe.

The destruction of capital substance weighed [454]
particularly heavy. It was obvious that the greater
part of savings capital, accumulated prior to 1945,
was economically no longer covered. Within the scope
of a planned war economy that money had either been
invested in weapons and war material which became
valueless, or it was originally invested in profitable
enterprises which were destroyed or diminished through
the effects of the war, e.g., plants, equipment, razed
woodland, etc. On the other hand, in accordance with
instructions of the German finance administration,
great parts of the liquid assets and reserves of banks,
the premium reserves of large insurance companies,
etc., had to be invested in bonds of the German Reich
(especially Reichsschaftsanweisungen), whose value be-
came as questionable as savings deposits.

In view of these circumstances the Austrian 652
federal government faced difficult problems. For the
sake of simply existing it was necessary to reestablish
the financial foundation, a task impossible to ac-
complish without a proper Austrian currency (to be
newly created), without gold or foreign exchange re-
serves to cover this currency, without a national bank
of issue, without reconstruction of a banking and credit
apparatus, and particularly without first straightening
out the balances essential to large banking institutions.

Not any less difficult to solve, in relation 433
to the previously mentioned conditions, was the second
problem: the revival of production and trade. Apart [438]
from incurred losses in plants, machinery and raw
materials, the disorganization of communication and the
dislocation of great parts of the population, valuable
components of the production apparatus as well as other
natural assets of the Austrian economy, classified as

433 so-called "German property," were lost to Austrian control and thus lost to the economy.

652 [127] In the foreground, however, was the organization of the currency and credit structure. Until November 1945, Allied Military schillings and the Reichsmarks of the former German administration formed the currency basis of the country. Approximately 7.7 billion Reichmarks and 1 billion Allied Miliary schillings were in circulation, representing an inflation of 850 percent above the 1937 level. This circulation, compared with the almost negligible volume of goods and the low production capacity, made the money practically worthless. Here, therefore, was where the first measures of reform had to be effected.

In 1945 the provisional government provided the first legal foundation for the reorganization of currency and the credit system by the law covering payments by banks (Schaltergesetz), the law covering public and private credit extension (Kreditlenkungsgesetz) as well as the "Notenbanküberleitungsgesetz," which reestablished the Austrian National Bank. It created therewith the preliminaries for an orderly banking and payment service, for the time being still under the statutory power of the then provisional government. With the "Schillingsgesetz" of November 30, 1945, introducing the first currency reform and establishing the schilling as legal tender, the three aforementioned laws were extended to cover the three western occupation zones, the country as a whole received a uniform currency and banking system.

The "Schillingsgesetz" and the conversion decreed reduced currency in circulation (paper) from approximately 7.7 billion Reichsmarks and 1 billion Military schillings to 3.3 billion schillings and the aggregate circulation (banknotes plus contingent liabilities of the National Bank) to about 7 billion schillings. Parallel with this--the first control of all deposits having been effected by the previously mentioned "Schaltergesetz"--occurred a further appropriate blocking of deposited means to restrict purchasing power and inflationary price rises.

652 453 Beginning March 7, 1946, the issuance of bank notes was subjected to Austrian control, the legal basis ensued through an amendment of the "Notenbanküberleitungsgesetz," June 30, 1946, which also promulgated the statutes of the Austrian National Bank as a bank of issue. With the enactment of June 25, 1946, the Austrian National

During July 1946, the parliament passed the first nationalization law (see part A, III, paragraph b). This nationalized, in addition to enterprises of heavy industry, mining and shipping, the three largest Austrian commercial banks (the Creditanstalt-Bankverein, the Oesterreichische Länderbank A. G. and the Hypotheken- und Creditinstitut). With the federal law of March 26, 1947 (second nationalization law), establishments and plants producing and distributing electrical energy were nationalized, because 90 percent of these establishments were already publicly or municipally owned.

During the years 1945-1946 only the greatest difficulties were eliminated. A noticeable production increase, fostered by increasing imports of raw materials and food stuffs, occurred during 1947 at which time the coal situation was also eased and the crisis in the power sector could be ameliorated. The decisive turn of events in the economic consolidation, however, remained to be accomplished with the assistance of the Marshall Plan.

3. Special Problems in Austrian Reconstruction.

a) The question of "German Property."

At the end of the war, when Austria received her independence (perforce limited because of occupation statutes), her economic situation had been basically altered in comparison with 1937. The economically and organically different set-up of the German Reich made a reorganization of the economic status necessary. Austrian production means were diminished further by transfers of private as well as public production establishments into German hands, particularly after 1938. This "German Property" became fateful in Austrian economy with the Potsdam Agreement of August, 1945.

According to the agreed terms of the Allied Powers, German reparations were to include German assets located in countries previously occupied or controlled by Germany; these assets were to be subjected to the control of the various Allied Powers relative to their geographic location (in Austria according to occupation zones).

Under this title more than 200 enterprises in Austrian territory, mostly in the eastern part of the country (among them the entire oil industry,

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Closely connected with the procurement of capital is the problem of liquidity upon which, internationally, the repute of a banking organization rests. Therefore, considerations about reconstruction measures will have to include the problems covering the organic cohesion of public and private credit extensions and also currency essentials.

The problematical scope of the entire reorganization of Austrian credit institutions is an extended one containing, besides questions of the budget and currency problem, the problem of capital procurement. In addition to the tax-exempting provisions, it will be necessary to effect certain changes in corporation law. The credit institutions, especially the banks, progressively liquidating relics of a past era, will eventually reestablish their previous traditional business relations with the world's financial centers in the interest of Austrian economy and by doing so, as agents for a progressive productivity, provide the necessary means. The purpose of the entire reconstruction, last but not least, strives towards an increase of the national income.

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B. Marshall Plan Assistance as the Material Basis of the Austrian Economic Policy.

1. The Legal Foundations of Marshall Plan Assistance.

a) Austria's position prior to Marshall Plan aid.

[433] The first two years following the establishment of the Second Austrian Republic permitted arranging a basis for the progressive development of the economy. However, the country's position remained precarious due to insufficient agricultural and industrial output. Domestic agriculture at that time provided only 36 per cent of the "subsistence level" needed to feed the population not engaged in agriculture. Industry, which prior to the war achieved export excesses, was unable to finance its raw material requirements. This caused a need for imports, primarily of food and mineral fuels, which caused a deficit in the payment balance amounting to 2 billion schillings.

However, this deficit was entirely covered by relief shipments and credits. Below is a breakdown of the most important deliveries and credits received during 1947:

Consequently, the Austrian Federal Government in collaboration with the Austrian National Bank decreed, effective October 5, 1950, a uniform rate of exchange for the traffic in goods (with the exception of some food items). This rate was identical to the mixed exchange rate of 21.36 schillings to 1 U. S. dollar. The basic rate of exchange was discontinued. For tourist traffic, traffic in capital and for certain kinds of services, the premium rate of exchange (26 schillings to 1 U. S. dollar) remained in force. Simultaneously, compensation deals in goods were prohibited, excepting a few to avoid losses of foreign trade interests. 652 457

In addition the Austrian National Bank effected, according to newly published bid-rates, a revaluation of its foreign exchange holdings and increased the price of gold to 22,834. schillings per 1 kg fine. Thus, the Nationalbank's holdings of foreign exchange were brought in line with the uniform rate of exchange in force for the traffic in goods while its gold holdings were revaluated as mentioned before. (The revaluation of the gold and foreign exchange holdings brought about a surplus value. Since, in accordance with the Notenbanküberleitungsgesetz, the weekly statement of the Austrian Nationalbank has to contain only gold and foreign exchange holdings necessary as cover, the excess holdings thus derived have been eliminated together with other heretofore not published assets. Meanwhile, until a decision about their employment is found, these excess holdings are accounted transitorily.)

A further development, this time upon an international platform, occurred with the signing of the agreement establishing the European Payments Union (EPU) on September 19, 1950, at Paris, within the scope of which Austria received from the ECA an amount of 80 million dollars to cover her trade deficit with other EPU member countries for the period July 1, 1950, to June 30, 1951. [648]

Although the preceding years had resulted in remarkable economic reconstruction, the Austrian authorities, nevertheless, were aware of the fact that a step-up of economic productivity was necessary to come as close as possible to the mark set by the ECA for 1952. In estimating Austria's endeavors one must take into account her heavy losses of national wealth, so that the effect of ERP assistance became visible only in 1950. This makes the balancing of her payments balance within the limits of the ERP program rather doubtful. 457 433

457 [511] 433 There is no doubt, however, that the desired higher standard of living requires greater accomplishments from the economy if, as is the case today not only in Austria but also in other ERP member countries, edible foodstuffs, raw materials and machinery are not to be continuously supplied by foreign aid. In this connection it is useful to recapitulate the value of such aid. Thus the total value of direct and indirect aid, congressional aid, interim aid, surplus goods, gifts, etc., amounted in 1948 and 1949 to approximately 300 million dollars yearly, an amount sufficient to cover the deficit of the payments balance up to now. In other words, the Austrian economy received more than 6 billion schillings which increased the gross national product available for consumption and industrial investments by 20 per cent. Foreign aid in 1950 amounted to 200 million dollars or 4 billion schillings and in 1951 to 100 million dollars.

433 As a matter of fact, production and productivity increased rapidly during the last years. However, this rapid increase was due to the extraordinarily low starting point. It is true that present industrial production exceeds the prewar level by 40 per cent, but it is a result of using about 50 per cent more than in 1937. At the end of 1950 the individual output index of both industrial as well as agricultural labor amounted to 90. Today, the task of increasing productivity rapidly is far more difficult since, in addition to diminishing foreign assistance, any reopening of idle capacities and procurement of additional raw materials and coal is almost impossible. It follows that every percentage of productivity to be gained requires greater efforts than before.

433 439 454 In connection with the above, there arises in Austria a specific coordination problem with regard to output gains already achieved in other nations, the question of cost computation. (Compared with Austria's present production ability the American, Swiss, Swedish, and English national economies, during 1949, furnished respectively 7, 4, 3 1/2, and 2 1/2 times as much goods and services per capita. This fact is intensified by the progressive industrialization of the previously agricultural countries of southeastern Europe.) If Austrian manufactured goods (as producers of foreign exchange, and therewith as guarantors of sufficient raw materials, employment and living standard) are to be competitive on international markets, the question of decreasing production costs per unit becomes imperative. Such a decrease, excluding developments beyond the control of

plant managements, can be achieved only through accumulation of an adequate yearly (savings) investment percentage (during 1950 investments in plants, structures, rolling-stock, equipment, etc., amounted to 20 per cent of Austria's national income, against 6 per cent in 1937; the 1950 investments were to a large extent the result of foreign assistance), as well as technical progress, rationalization of plant operations and adoption of modern psychological working principles. 433 439 454

Only such a procedure assures a genuine increase of the real income. However, whether an increased production output is followed by a decrease of prices or by an increase of wages (raising the living standard) or whether necessity demands a combination of both is problematical. [434]

On the basis of a favorable world-wide political scene it is hoped that Austria will realize her economic program as worked out with the help of international experts. Better technical equipment will lower the individual wage quota, thereby establishing a more favorable competitive basis. Thus, together with a transfer of skilled labor to production of export goods, the desired adjustment in the balance of payments will be achieved. In this connection the resettlement drive, initiated by the ERP, furnished a possibility to shift needed manpower to plants short of help. The higher real wages, resulting from an increased productivity, will then provide a basis for the accumulation of savings capital needed for additional investments. However, considering the special position Austria occupies, it will be necessary to grant her a breathing spell for achieving her economic aims. 433

d) Budgetary developments.

Within the scope of combined reorganization procedures, special attention is directed towards the balancing of the budget. Due to the large expenditures covering the reconstruction of public enterprises and administrative organizations damaged by the war and the increase in economic tasks of the government, e.g., occupation costs and the expenditures in connection with "Auslandsfürsorge" (welfare of the DP's, expellees, refugees), the consolidation of the budget (in spite of a rising national income) was only partly possible in 1949 and 1950 inasmuch as fluctuating demands exceeded narrow tax receipts. 652 727

explained, come from ERP countries and comprise such goods as were, up to this date, to a considerable extent under indirect aid and were refinanced previously by the Nationalbank. There were special lists for all goods in question. 439 652 457

The cashing of these drafts takes place under the same conditions which apply to imports of semi-manufactures out of ERP funds; the Nationalbank discounts the incoming drafts at the prevailing bank-rate (now 3 1/2 per cent); other banks have a rate 1 1/2 per cent higher.

The total amount which all credit institutions can present in such drafts does not exceed the amount of the refinancing granted for financing imports out of indirect funds.

3. The Structure of Production.

a) Principles of industrial investment.

In accordance with the principles of ECA, ERP funds are used only to finance investments which serve to balance payments in the shortest possible time, that is, investments which: 1) bring in foreign currencies (by starting new or extending existing production of export goods); 2) save foreign currencies (production of goods important to internal supply, which previously had to be imported from foreign countries, or by improving their competitive position); 3) cause an essential increase in the total economic productivity, i.e., a reduction of production costs and increasing the ability of the Austrian economy to compete with foreign countries. 652 454 457

When hostilities ceased in 1945, most of the industrial enterprises showed great impairment. This was due to: 1) extensive destruction during the actual fighting; 2) confiscation through which valuable equipment for production was removed after the end of the fighting, whereby functional coherence of production was disrupted; 3) changes in economic aims. Before 1945 (not considering the aims of wartime economy) a large number of enterprises were structurally organized on a broader economic territory; after the war, therefore, the industry of Austria had to return to the more specialized industrial capacities of the pre-1938 period; 4) an acute shortage of capital caused by amounts necessarily written off as war losses, funds lost as outstanding claims, etc. 433 727

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311 In other fields too there were noticeable losses and a decline in real capital. One might observe in agriculture, for example, a deterioration of soil owing to the shortage of fertilizers and cultivation during the war years, a lack of seeds, fodder and agricultural machinery as well as declining yields in forestry due to overcutting of trees, obsolescence and lack of means of transportation from the forests to the mills. The robbing of coal mines, failure to introduce rationalization and the forcing of unrealistic work in other mines (metals) give us a full picture of a declining economy.

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433 Reconstruction of a productive national economy could be successful only if the economic forces
185 specifically characteristic of the country were activated and coordinated to secure an optimum of the whole
454 economic productivity. This presupposes a knowledge of possibilities based on an inventory of the internal economy and lining up problems according to their importance (to avoid mistakes in investments or overextension). It also presupposes establishing a time schedule for the financial fulfillment of individual projects with a view to the existing shortage in capital. The reconstruction of primary production, as well as the most important industries, have been carried out according to special plans which were worked out by government authorities in cooperation with interested industrial circles. Planning covered, in particular, production of energy, coal mining, the iron and steel industry, and ore mining and the metal industry.

These plans are not limiting as to quantity or time but are a type of structural plans without time limitations, the realization of which is bound to certain financial or material possibilities. With the maximum supplying of internal requirements of energy, coal, iron, metals, etc., they intended to assure lower prices in the finishing industries. In this way a sufficiently high quota of exports should be obtained for a balance of payments. These plans form the theoretical basis for those investment programs which the Austrian government presents to the ECA in Washington and which are realized step by step with the help of the ERP funds.

Just as with other ERP participants it is Austria's primary aim in its investment policy to make the utmost use of all possibilities offered by the Marshall Plan up to 1952. In addition to the development of primary industry, the greatest effort is being made

to bring the capital goods industry to the highest technical level. The direction of this policy is determined not only by the high demands for reconstruction within the country itself, but also by the rapid tempo of industrialization of European and non-European regions. If Austria is to be able to compete on the world market after the end of the ERP, it must not only close the gaps in its production but also provide for further undisrupted technical developments. It is clear that Austria has to divert annually from its national income a sufficiently high quota for investment (now about 21 per cent with the help of the ERP) in order to keep pace with other developments.

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In view of the time limitations and the gradual reduction of Marshall Plan aid, it will be the principle of the investment policy from 1949-50 on to give primary consideration to those big investments (for example, in energy and iron-ore industries) whose development was pushed by high capital expenditures and to have them achieve an economically and technically sound condition, if possible, within the period of the duration of the ERP. Basically, the counterpart funds are used for those investments from which payments are expected on the shortest terms so that, along with big projects, numerous smaller and medium sized projects which increase exports get under way. In disposing of counterpart funds, however, those enterprises which demand ERP-financing are forced to cover part of their planned investment out of their own funds (profits, private credits and various deductions).

The main items of the investment policy for future years, excluding the arrangements of the so-called "Long-term Program," have been fixed by the Reconstruction Program 1950-52, which was presented to ECA in the summer of 1950 and amended in the late fall of 1950, owing to price alterations. Based on the 1949 price level, the investments for the three year program had been set originally at 24 billion schillings. This figure was revised to 27 billion schillings in accordance with the change in prices and wages which occurred in October 1950. It was the aim of the partly transferred investments to create such conditions as to obtain an increase of production of domestic raw materials, to save foreign currency and to set at the disposal of the domestic economy those raw materials which can be found to a suitable extent in the country itself. As part of this plan, for example, the construction of four more power plants will be started, the output of coal shall be increased to 6 million tons from the present 4 million

652 tons, the production of iron and steel to 1 million
[195] tons annually, the output of rolling mills to ap-
433 proximately 750,000 tons. Further increases in pro-
454 duction will be provided in: bauxite mining, aluminum production, production of cellulose, paper and pulp. In the same manner the export capacity of nitrogen plants (Sticksstoffwerke in Linz), one of the most important producers of foreign currencies in the Austrian economy, will be increased by 50 per cent. In the chemical industry additional investments will make it possible to start production of sulfuric acid and phosphate fertilizer. The single projects will be discussed in detail in another connection.

b) The renovation and rationalization of the primary industries.

The Austrian government holds to the principle (insofar as none of the theoretical considerations in the preceding chapter interferes) that in building up its program of investments cheap primary products lower the production costs in the finishing industries and this allows them to compete in the sharp competitive battle with other highly industrialized
[655] European countries. Certain focal points of investments have been formed, encompassing especially coal, iron and steel, ore mining, and the smelting industry as well as electrical power. These are mainly nationalized enterprises. For investment purposes in the years 1948 and 1949 they received a total sum of 1,627.4 million schillings out of public funds. Of this amount, 958.5 million schillings were reconstruction credits, 481.6 million schillings were capital payments of the Federal government, 31.2 million schillings were federal loans and 156.1 million schillings were credits guaranteed by the state. In 1950 a sum of 30 million schillings was provided in state capital contributions; in the same year (fall of 1950) the funds released from the ERP for the above-mentioned branches of industry totaled 133 million, 283 million and 418.5 million schillings used essentially as follows.

316 (1) Investments in coal-mining.
454 During the war the coal mines (predominantly brown coal in Austria) suffered greatly in their development because of overproduction and neglect of needed renovation as well as delay in planned expansion. Within the scope of the Marshall Plan the necessary renovation and rationalization of operation, mining improvements, shaping of daily operations, deep mining,

there is an increase of the total imports to 6366 million schillings in 1949. In the structure of imports coal and foodstuffs formed a relatively important part in 1948 and 1949. The imports of primary foodstuffs (such as bread grains, flour, fats, sugar, meat, livestock and leguminous plants) were 111 per cent of the 1937 figure in 1947 and increased to 113 per cent and 122 per cent in 1948 and 1949, respectively. 439

The high demand of the Austrian industry for coal (especially hard coal, blast furnace coke and coke) could only be covered by sufficient coal imports since the demand is far higher than in the prewar period. The volume of coal imports was 69 per cent and 88 per cent more in 1948 and 1949, respectively, than in 1937. Although the continuing extension of electric energy may allow lower coal imports, the proportion of coal imports to the total imports will remain higher than the prewar level due to structural changes of the Austrian industry. The import of foodstuffs and coal constituted in part a handicap to the import of raw materials. Of the total raw material imported (excluding coal) in 1937, similar imports reached only 25 per cent in 1947, 64 per cent in 1948 and 85 per cent in 1949, in which year total imports exceeded the prewar level.

Austrian industry in this period, therefore, was supplied with foreign raw materials to a lower extent than in 1937. That it was able to exceed prewar production despite this condition is mainly due to the favorable development of industries producing production means (based on domestic iron ore production). Moreover, foreign raw materials, aided by the investment program, could be replaced in part by domestic products (such as rayon staples). The extraordinary high quota of the import of finished goods can be explained by the high demand for invesment goods in the country itself, which could be covered only partly in domestic production. [433]

The structure of imports is regionally very different from that of the prewar era. Whereas in 1937 the state regulation of foreign currencies, fixed quotas and clearing agreements formed an elastic system which was capable of using the cheapest sources of imports, in the first years after the war imports were forced into quite different direction by intensified bilateralism (which has been relaxed since by increasing 439 457

(271 million schillings), cotton goods (204 million schillings), fireproof bricks (200 million schillings) and glassware (201 million schillings). 439

The total index of import prices in 1950 was 627, that of export prices 531 on the basis of 1937 = 100. The corresponding figures for 1949 were 407 and 387. The increase of prices for import goods, therefore, were on an average far higher than was the case with exports (54 per cent as against 37 per cent).

A comparison of the commercial imports with exports for 1950 shows an unfavorable balance of 576 million schillings (as against a balance of 1.2 billion schillings in 1949). Including gratis deliveries within the scope of the ERP, the deficit, however, increases to 2.7 billion schillings (in the previous year the deficit of the total exchange of goods was 3.7 billion schillings). The deficit in the exchange of goods with foreign countries was covered in the first half of 1950 by drawing rights and in the second half of 1950 by using up the Austrian credits at the Bank for International Payments after the agreements with the European Payments Union had gone through.

Further betterment of the Austrian economy is intended through the following. The Export Advancement Law (Ausfuhrförderungsgesetz) provides granting medium and long-term credits up to a limit of 500 million schillings under state guarantee. [Up to March 23, 1951, the Nationalbank received applications for credits totaling 174.5 million schillings; 79 million schillings of which represented refinancing. As the state guarantee comprises only 80 per cent of the export credit, 77.6 million schillings (80 per cent of the 97 million schillings) were tied up on the key-date in accordance with the Exporterförderungsgesetz, i.e., 15 1/2 per cent of the maximum of 500 million schillings.] The Austrian Export Funds A. G. (Oesterreichische Exportfonds A.G.) will support exports of craft goods to hard currency countries through credits. They will start with 25 million schillings. [The first interim balance of the corporation shows credits amounting to 16.4 million schillings, i.e., about two-thirds of the export funds (25 million schillings) at the end of March, 1951.] On October 5, 1950, an agreement was reached for simplification of exchange rates together with measures for 652 [433] 457

434 schillings in 1937. Although this increase from 1948 to 1949 was caused mainly by changes in prices, the fact remains that the gross national product increased in 1948 by 15 per cent and in 1949 by another 12 per cent. Thus, the prewar level was [432] approximated. The increase of capacity and at the same time the increase of the gross national product in the years 1948-50 is due to the rise in productivity of the whole economy. However, further increase will be even more difficult because the utilization of capacities and of available labor reserves will advance. Although industrial production had reached a level in 1947 equal to 56 per cent of the 1937 level (in 1949 119 per cent and in 1950 140 per cent of the prewar volume), the productivity increased in the same period from 47 per cent to 79 per cent (in 1949) and 90 per cent (in 1950). Therefore, it still lags behind the prewar period. The same holds true for agriculture; the total production (agricultural and livestock production on the basis of 1937) reached only 55 per cent of the 1937 level in the year 1947, 80 per cent in 1949 and approximately 84 per cent in 1950, but the productivity reached only 90 per cent.

[439] Remarkable progress was attained as compared to the years 1945-46. By its own efforts and with the help of foreign aid Austria could satisfy the urgent demand for imports and the volume of imports was increased above the prewar level. The exports, however, lagged behind as measured by the quantum-index. The same holds true for the balance of services. On the basis of economic data the balance of payments of Austria in 1950 is presented in the following table.

Explanatory notes to table:

457 a. Quoted in dollars due to change in exchange rate.
b. Calculated in dollars for 1949 and 1950 by the Oesterreichische Statistisches Zentralamt.
c. Other services.
d. Up to June 1950 including drawing rights.
e. Among them aid deliveries in form of credits; no decision has been made about the obligation for repayment.
f. Net payment of drawing rights up to the end of June 1950, and Initial Position payments since July 1950.
g. Provisional figure.

aid which was granted.) The result was not only a very early claim upon direct aid (in the third ERP year, i.e., from July 1, 1950, to June 30, 1951--8.81 million dollars) but also an exhaustion to a very considerable degree of the Initial Position supplied by the EPU in the amount of 80 million dollars. To ease the precarious situation, the OEEC was asked to increase the direct aid and to extend the Initial Position. This was granted by ECA after complicated discussions with regard to the special situation in Austria; at last, amounts of 18.2 and 10 million dollars, respectively, were granted for the period up to June 1951. 457

B. Credits, Wages, Prices and Subsides (Measures and Agreements).

The higher prices of foreign raw materials, their shortage, and the reactions which followed the fourth price and wage agreement reached between the Chambers of Economy (Wirtschaftskammern) in September 1950 led eventually to an actual transfer of the single cost elements, thus endangering the potential exports of Austria designed for the international market. In 1950 the center of gravity in the foreign trade policy lay with the foreign currency policy and was the main concern of the Nationalbank. The existing international shortage of raw materials shifted this center to the planning of quantities of imports and exports. The Austrian Federal Government, therefore, had to coordinate Austrian economy with world economic conditions. A number of economic-political proposals were introduced in the National Assembly which, limited in time to June 30, 1952, were enacted in the last session of the Fall Convocation 1950-51 (ending in February 1951). These were the laws enacted: 652 [439]

1. The law concerning the creation of an economic directorate (Wirtschaftsdirektorium) consisting of members of the Federal Government; it has as its task coordination in the fields of production, prices, food supplies and foreign trade policy; [656]

2. An amendment to the price control law (Preisregelungsgesetz) to exercise a rein upon prices; [435]

3. An amendment to the raw materials allocation law (Rohstofflenkungsgesetz) which is supposed to channel raw materials of which there is a shortage toward those goals which are most urgent economically; [433]

652 To evaluate these consequences, the changes
454 in the structure of production are of main interest.
433 According to the Austrian school of national economy, and according to the conception of competent representatives of this science in Sweden and in the Anglo-American area, the main consideration has to be given to changes in the relations between productive and consumptive utilization of capital. As in European countries other than Austria, the production indices of production goods industries increased at a higher scale than those of the consumer goods industries. This economic center of gravity becomes more clear by listing the release of the ERP funds for the total industry. Excluding public investments and means for covering special reconstruction problems, approximately 2 billion schillings out of a total of 2.6 billion schillings flowed into the production goods industry (power plant construction, coal and ore-mining, iron producing industries, etc.) and 607 million schillings into consumer goods industries (textiles, foodstuffs, paper). The distribution of these funds was aimed at affording Austria the opportunity to match the technical and industrial developments in the rest of the world, at least in the field of primary materials and semi-manufactures. The use of a big part of the credit volume, therefore, is fixed by the purposes of the official investment programs which are worked out by the Austrian government in consultation with economic circles and the ECA in Washington. Complementary credit demands (Betriebsmittelkredite) are tied to this credit as a consequence of the extension of capacity and the industries participating directly in these investments.

652 The agreement on qualitative and quanti-
453 tative credit measures reached between the Federal
452 Ministry of Finance and the joint stock banks in the spring of 1951 was followed by an additional agreement of October 10, 1951, paralleling the general international development. This later agreement allowed an increase in the total credit provided or promised by a bank, as of August 31, 1951, under certain conditions. [These are schilling credits in current amount, draft credits regardless whether the drafts remain in the portfolio of the bank or whether they are rediscountable moreover, mortgages and municipal loans (unless they already serve to cover issued mortgages and municipal obligations), as well as requirements against Austrian credit institutions which do not exceed a thirty-days' validity. Not included in the total are reconstruction credits, credits granted for financing exports and

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	1947[a]	1948	1949	1950[b]
	(In millions of schillings)			
A. Current Expenditures				
Import of Goods	312.0	489.8	603.7	481.6
Invisible Expenditures	4.3	6.0	21.1	28.5
Total	316.3	495.8	624.8	510.1
B. Current Income				
Import of Goods	90.7	206.9	291.5	335.0
Invisible Income	19.8	21.7	37.8	46.1
Total	110.5	228.6	329.3	381.1
C. Deficit of the Current Balance of Payments	205.8	267.2	295.5	129.0
D. Increase in Deposits of Foreign Currency	7.3	19.4	11.1	30.3
E. Debt Liquidation	--	8.0	7.5	6.9
F. Statistical Correction	† 6.0	† 6.7	- 1.3	†45.5
G. Import of Capital, including Aid Deliveries	219.1	301.3	312.8	211.7

a) According to estimates of the International Monetary Fund.
b) 1948, 1949 and 1950: According to reports of the Board of Directors of the Austrian Nationalbank.

In spite of the initial difficulties and in spite of the impossibility of taking up the threads of development as they were before 1937 (attention is called to fundamental changes in the political, economic and social structure of central and south-eastern Europe), Austria was able to hold to a level which secured inner stability and an equilibrium in external relations. With the help of foreign aid granted in the last few years, Austria was thus able to achieve, among other things, a balance of payments.

Since 1946, when the gross national product available for consumption and investments (goods and services) had sunk to almost half the prewar amount, the gross national product and productivity has been doubled in the last few years. By 1950, the prewar level was exceeded by 10 per cent. In the same period industrial production increased two-and-a-half times and the volume of the total agricultural production increased by approximately one-half. A relatively high 434 433

433 434 investment rate as well as an increase of the general level of consumption was made possible by this extension of the gross national product.

In 1951, the gross national product (according to provisional calculations and estimations of the Oesterreichische Institut für Wirtschaftsforschung) increased by about 7 per cent in spite of production bottlenecks. This figure, however, is slightly lower than in 1950 (10 per cent), but still higher than could be expected in a normal economy. This increase was almost exclusively due to the industrial production which, owing to the 10 per cent rise in productivity, could produce 14 per cent more goods than in 1950. In this way reactions on the level of prices could be neutralized in some ways [457] through the greater quantity of goods. However, as the exchange conditions in Austrian foreign trade deteriorated by 10 per cent, and as the increase in prices on the world market lowered the real value of foreign aid by one-third, the Austrian economy in 1951 had only about 4 per cent more goods and services (i.e., about 2.3 billion schillings) for consumption and investments at its disposal than in 1950. Tourist traffic showed an increase of about 20 per cent more overnight guests in 1950-51 than in the preceding season, but the remaining sectors of economy, especially agriculture, showed only slight progress.

434 454 In the previous six years, especially since 1948, a far greater part of the gross national product was invested than before the war. In 1937 only about 6 per cent of the available gross national product was used for investments. The percentage increased from 17 per cent in 1948 to 20 per cent in 1950. As a comparison, the annual average in Great Britain is about 18 per cent. In 1951 the increase of the gross national product invested reached its highest extent, about 21 per cent. The greater part of these investments was carried out within the scope of the public budget or through special funds (for instance, reconstruction fund for dwelling units) and out of ERP funds. (In 1951 about 3.7 billion schillings flowed in from the purchase of ERP goods upon counterpart accounts). The high level of the investment rate, however, was only possible with foreign aid. It will be one of the main considerations of the Austrian economic policy to keep to or divert an adequately high rate after the end of the Marshall Plan. In this connection the adjustment between the investment rate and the monetary stability as well as the distribution of investments between

industries of production goods and consumer goods, will gain top importance. 434 454

During the Marshall Plan period preference was given to short-term investments within the scope of the Austrian Investment Program 1950-52. The aim was to ease the strain on the balance of payments, either by an increase of exports or by a decrease of the import demands, whether by direct or indirect means (for instance, by lower prices for semi-manufactures in industries which depend upon exports). The decisive factor for the selection of investments was the degree of contribution to the balancing of payments within the shortest time possible. This had to be coordinated with the requirements for big projects which had been started or were far advanced. In this way the projects could be completed in a technically and economically sound way. By finishing the started projects, especially in electric energy and in the iron and steel industry, Austria should be enabled to use its rich natural resources (water power, iron ore) as rationally as possible and better than was the case before. In view of the low capacity of the domestic capital market these projects had to be carried out, as far as possible, within the ERP period. In spite of the continuation of big industrial projects, the main tendency of the three-years' program (1950-52) is to give industries and crafts which need export outlets as well as the tourist traffic higher counterpart sums in the last two years than they received in 1948-49. It is self-evident for reasons of export and social policy that the investment plan tries to support, above all, small and medium-sized enterprises of the semi-manufactures category and the crafts. [457] 652 454 457

Development of the most important economic fields is on the average satisfactory. One has to consider, however, that the full results of investment projects, especially the big ones, will not show up until 1954-55. Most impressive has been the development of the iron producing industry. Thus, for instance, in 1950 about 15 times more raw iron and 5 times more raw steel and rolled products were produced than in 1946. The production of the iron producing industry surmounted that of the prewar level in 1945. Compared to 1937, by 1950 the production of raw iron was higher by 128 per cent, that of raw steel by 46 per cent, that of rolled products by 37 per cent, and that of pressed and wrought iron products by as much as 246 per cent. This development continued in 1951. Thus, the production of 433 327

433 raw iron was increased to about 1.04 million tons (as
[387] compared to 883,000 tons in the preceding year) and
the raw steel production to about 1.03 million tons (as
compared to 943,350 tons in the preceding year). This
increase in production was possible through an increase
in mining output, which amounted to approximately 2.37
million tons in 1951, as compared to 1.86 million tons
[398] in 1950. In the car industry, emphasis lay on the pro-
duction of tractors, heavy trucks, busses and motor-
[392] cycles. Agricultural machinery production was 119 per
cent higher in 1950, lathes 110 per cent higher, ball-
bearings 327 per cent, nails and screws 56 per cent
more than in 1937. Although the electrical industry
[393] had suffered most seriously from war damages and dis-
mantling, and although various raw materials, mostly
of foreign origin (such as electric thin-gauge plate,
copper, lead and various special products), could be
obtained only with difficulty, the total production in
1950 was double that of 1937. This favorable development
has continued in 1951 despite the shortage in raw
[387] materials. The chemical industry reached a capacity far
higher than before the war in spite of extensive war
damages. The Linz Stickstoffwerke, for example, not
only cover the domestic demand for nitrogen but export
considerable quantities of nitrate of lime and phos-
phate. Production of the latter amounted to 525 tons
per month in 1938, during the first six months of 1951
it reached an average of 35,000 tons per month. The re-
sults in some finishing and consumer goods industries
lagged behind, but even so substantial increases could
be reached, especially in enterprises which are important
[289] for export (for example, the paper industry). By 1950
three per cent more paper was produced than in 1937.

[316] A remarkable increase was made in domestic
soft coal mining. The production of electric current
[377] rose from 3,050 million kwh, 1946, to 4,911 million kwh,
1950, an increase of 61 per cent. This remarkable in-
crease of capacity in 1950 is almost exclusively due to
water power, the production of which increased to 690
million kwh. In extending and financing electric power
projects differentiation must be made between finishing
started projects (water-power plants, steam plants,
transmission lines and transformers), new construction,
international projects, export, and projects of local
importance (see Wirtschaftsberichte No. 12, October 1951:
"Oesterreichische Wasserkräfte als Beitrag zur Energie-
versorgung Westeuropas," by Erich Heller and Oscar Vas).

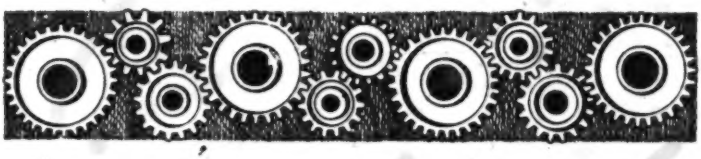
Industrial Production Index - Comparison of Averages for October (monthly average 1937 = 100) 433

	1951	1950	1949
Total Index of Production	180.3	145.4	122.8
Production Goods	230.7	178.6	151.6
Consumption Goods	138.8	117.3	98.3
Total Index of Productivity	105.7	91.8	82.1

Although agriculture and forestry showed some results production was lagging behind due to many soil-improvement measures which were neglected during the war. It remained behind the prewar level. Further investments are now being made in this field. Considerable increase can be seen in the traffic capacity of the Federal Railways. The extension of electrification, modernization of traffic installations, of rolling stock, and of railway stations are among the projects. [311] [497]

Tourist traffic is of special importance to achieving balance of payments. Tourist traffic was one of the most important foreign currency earners before 1937. In 1948-49, 31.6 per cent of the number of overnight guests for 1937 was reached. This proportion rose to 70.4 per cent in 1949-50 and to 74.3 per cent in the winter season of 1950-51. However, the income from foreign tourist traffic lagged behind that of the prewar period. It amounted to 15.1 million dollars in 1950. With regard to its purchasing power, it reached one-fifth of the 1937 level. In this field also investments for modernization and extension of enterprises are continuing. The aim is to reach a reasonable balance between investments and incomes from foreign currencies. Similarly motivated is the aim of opening areas of the country which might be very important for tourist traffic by building new roads and means of transport, such as cable cars and ski-lifts. In the investment program for 1950-52 net investments of 960 million schillings are provided for this sector alone. 457 [529]

The main vehicle for the balancing of payments is foreign trade.



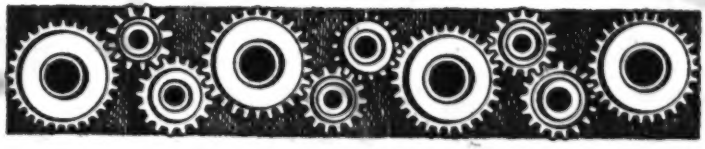
THE AUSTRIAN ECONOMY AFTER 1918.

439 The disintegration of the Dual Monarchy was immediately followed by severe economic disturbances. These were by no means small, even in comparison with the position after 1945. The heart of Austria, with its highly developed trade, was suddenly completely cut off from its former inland sources of raw products and markets. The oilfields of Galicia, like the important coal deposits in the lands of Bohemia, Moravia and Silesia, were lost, having fallen to the Succession States, and the loss of the agricultural surplus areas produced a threat of famine.

433 439 The Succession States—Czechoslovakia, Yugoslavia and Hungary—each attempted to build up a national economy, to balance its economic structure and to make itself as far as possible independent of raw and semi-manufactured materials and finished goods. A division of labour which had grown during decades into one complete organism was thus broken up, to the detriment of all peoples living within this territory. For Austria this meant that an intensive system of internal trading suddenly turned into one of foreign trade, where great difficulties had to be overcome. At first even inter-state transport communications were further complicated by barriers created by the Succession States.

728 433 458 The nadir of those days was reached with the signing of the Treaty of Saint-Germain, which revealed the full extent of the catastrophe. Austria's tragic path at that time was blocked by a series of apparently insurmountable obstacles to the procuring of essential foodstuffs, coal and raw materials. Inflation to an extent never before seen set in and led to a selling-out of national assets. The unfavourable basis of the rump economic structure as well as the instability of Austria's relations with foreign countries seemed to doom all her efforts to failure.

648 457 652 After difficult but very skilfully conducted inter-state negotiations, the governments of Czechoslovakia, France and Italy were persuaded to advance credits to the Austrian Republic. The Allied Powers convinced themselves that Austria, if help came from the League of Nations, would exert her own energies to the utmost in order to put her finances and trade on a sound footing. The will of the Austrian Government to stabilise the budget, demonstrated by the previous abolition of food subsidies (in December 1921), did much to assist these efforts. The Financial Recovery Plan which was signed at Geneva on October 4th, 1922, proved the turning



point. The banknote printing presses were stopped and national administration 652
put on a firm footing through drastic measures of economy.

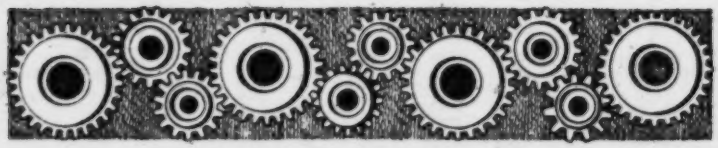
However praiseworthy the efforts which led to a balancing of the budget, the 433
difficulties which still confronted Austrian trade remained considerable. Austria's 439
productive capacity was far greater than its markets (which had shrunk to an eighth
of their former size) could possibly absorb. As a great part of Austrian industry
was devoted to manufacture, the country was dependent on the import of foreign
raw materials (textile, metal and chemical raw materials, hides, furs etc.) and
auxiliary materials (above all coal). On the other hand, the social services (unem- [745]
ployment pay, emergency aid, health insurance etc.) which were more extensive
than in all the other Danube States made the costs of Austrian production comparatively high.

All Austria's efforts were directed towards export. In 1931, 25 per cent of all inland output was exported, 45 per cent of this being industrial production. If one works out the value of goods exported per head of population and compares it with the exports from other countries it will be seen that in 1937 Austria was ahead of Germany, France and the U. S. A., the comparative figures being 39 : 36 : 34 : 28.

As an industrial country, Austria was forced through the ceding of her agricultural
surplus territories to rely on the import of foreign foodstuffs. These imports had 457
to be paid for by the export of industrial goods, as had also the raw and auxiliary materials.

According to the balance of payment figures for the year 1934, the exchange of commodities, which amounted to 63 per cent of all listed inter-state payments was the most important item of Austria's inter-state economic transactions. Second in importance were payments under the heading of invisible imports and exports (balance of services), which amounted to 23 per cent of the total payments. Austria made a profit on these transactions of about 200 million schillings. That proportion of the goods imported which could not be covered by exports alone was therefore paid for by services in the strictest sense of the word. Of these services, the tourist trade and transit trade were the most important.

Through the loss of former markets, Austria was forced to form new export connect- 439
ions in the north, south, west and overseas. As the goods which had formerly been exported to the east and south-east were not automatically marketable in these



439 territories, Austrian producers were forced to adapt their output to these new conditions. This was of course only possible through the painful process of making certain changes in the economic structure.

439 The main bases of Austrian trade, as vital then as now, were:

135 a) the abundance of forests which ensure timber for export as well as for the furniture-making and paper industries.

b) The deposits of iron ore which form the basis of iron and steel production and the iron-working industry.

c) The wealth of water in the alpine districts, constituting an extensive source of power which is being increasingly exported in addition to supplying Austrian industry with current.

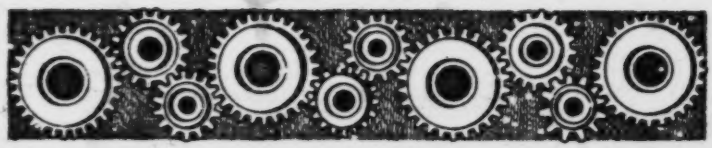
d) The recently-discovered inland oil fields (at Zistersdorf).

e) The fashion and luxury-article industry, an export factor of increasing importance.

f) The credit balance of services (tourist trade and transit trade).

433 It is one of the characteristics of industrial-commercial production that Austria, as a result of her comparative lack of capital, should be at a disadvantage whenever it is a question of mass production. But wherever there is a chance for painstaking finishing, special skill or workmanship, as well as good taste and original ideas on the part of the producer to play a rôle, the prospects of success are excellent. It is not only, as is often mistakenly imagined, the fashion and luxury industries to which this applies, but all the many branches of manufacturing where it is the quality of the work which counts. These factors are 472 strengthened by the prevalence of small concerns in Austria. Factories with up to 100 employees amount to 75 per cent of the total, those with 100 to 1000 employees to a little over 20 per cent, and the factories employing over 1000 persons to only 4·4 per cent.

652 After the stabilisation of the currency, production and export trade showed 433 a favourable increase between the years 1923 and 1929. Production rose during 458 this time by nearly one third. Then followed the general slump, especially serious for Austria on account of her great dependence on export. The development which had begun so hopefully was now brought to a standstill through the external crisis.



Banking in Austria is carried on chiefly by joint stock banks, some of which have an extensive branch business. A few of the smaller concerns are situated in the provinces. Apart from these there are a number of highly respected banking houses and nine provincial mortgage banks. Two special characteristics of the first named are their ability to give individual attention to clients and their valuable foreign connections. The provincial mortgage banks are public bodies which have the principal duty, apart from other banking transactions, of attending to mortgage and municipal credits, financing the loans they grant through the issuing of bonds of mortgage.

Despite the difficulties still to be encountered in the reconstruction of Austria and its economy, the Austrian banks will continue to place their services at the disposal of the nation's commerce in accordance with their traditions, and to assist in securing for the Motherland a brighter future after long years of impoverishment and peril.

THE AUSTRIAN INSURANCE SYSTEM.

Insurance, with its estimation of risk and liability, of success or collapse, forms a mirror of Austria's development from the First to the Second Republic.

Within the space of not quite thirty years—1918 to 1945—the Austrian insurance concerns were faced with

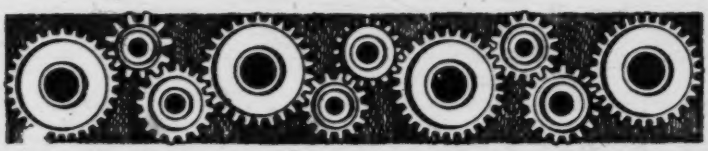
a food catastrophe would have been inevitable 727
and the work of reconstruction have been indefinitely postponed.

From the outset, everything possible was done 727
to help build up foreign trade again. At first, in 439
view of transport difficulties, only trade with neighbouring countries came into consideration. The initial results were not great, since all these countries were busy with their own reconstruction and usually themselves needed the goods which Austria wanted. It was only gradually that by means of compensation agreements and later of clearing agreements, the trade relations which in 1938 had been broken off with Austria's most important suppliers and customers could be resumed.

In this way raw materials and auxiliary products as well as the means of production for industry were brought into the country, thus forming a basis for the recovery of industrial-commercial production. With the improvement of food conditions, the power situation and the increasing exploitation of available resources, output again began to rise.

In 1947 it was possible to reach 61 per cent 433
of the industrial production of the year 1937; for the first time in 1948 output rose above 85 per cent of the former figure. Industrial employment [464]
figures for 1947 were 19 per cent and those of the year 1948 were about 30 per cent higher than those of 1937.

The most rapid strides in industrial production were first made in the branches more remote from



433 the consumer—mining, the iron industry, metal works and the chemical and silicate industries, while progress in consumer goods was comparatively slow.

439 This was due to the prime necessity of reconstructing the country's own trade and of a similar need in those European countries which buy goods from Austria. In proportion as world trade again becomes normal, however, the structure of Austrian commerce will take another shape and the share of specific export goods in the total sent abroad will increase. It is thus necessary to avoid excessive development of the industries manufacturing capital goods, or there will be a danger that the problem of supporting undesirable investments which arose just before 1938 may once again rear its head to hinder the progress of Austrian trade.

In any case the threatening economic vacuum of the year 1945 has been overcome and the development of the productive powers of the Austrian economy is growing. But there is still a great deal to be done in the way of reconstruction. This does not mean only the replacement of objects and material destroyed by the war. Still more important is it to work out the new shape of Austrian trade and the forms best suited to it. Conditions are in so far more favourable than those in the period after 1918 in that the work of reconstruction itself offers an opportunity of adapting the new framework to actual economic conditions and thus of gradually completing the

the double task of coping with the results of two wars and of adapting themselves three times to altered territorial condit' ns.

Despite the political liquidation of Austria-Hungary in the year 1918, Austrian insurance companies were generally able to keep, in one form or another, the position which they had built up during decades of pioneer work in the territories of the newly created states. One may say that with the setting up of the insurance system in Austria-Hungary, an economic and civilising mission had been carried out. Until quite recently the management of important businesses in the territories of the former Monarchy meant—either through the systematic grouping of affiliated concerns, through reinsurance connections or through the establishment of branches of the main concern—a useful fusion of trade interests in the Danube region with a consequent favourable effect on the prospects of peace in this area.

Even though it has been possible to avoid inflation since the Second World War, the year 1945 placed Austrian insurance in a much more difficult situation than that in which it had found itself in 1918. The period of German occupation had left behind it an unenviable inheritance. There was first the direct effect of

131 democratic neighbours, is therefore an essential condition
for checking Germany's "*Drang nach dem Osten*" in the
721 future. Indeed, if the Austrian state had not existed it might have been necessary to invent it.

721 Fortunately, no such invention is needed. The events which have taken place in Austria in the days of liberation,
642 and since, testify to the ardent desire of most Austrians to rebuild their country on a firm, independent, and democratic basis. Austrians from all sections of society took part in the armed expulsion of the German occupationists. The liberating armies in the east and in the west were everywhere greeted with joy. For the first time in Austria's history, there is a spirit of unity and common purpose among all democratic Austrians. This has enabled them to form in a surprisingly short space of time a truly representative government, free trade unions, a progressive youth movement, and other democratic bodies which have made a bold start in rebuilding the shattered
[668] political and economic fabric. Remnants of Nazi cells and of Nazi ideology have certainly survived and remain to be dealt with. But there is no doubt that the vast majority of Austrians have been cured of any illusions they may have entertained about the necessity or desirability of an *Anschluss*.

• 433 This is a very welcome fact. It is, indeed, an essential condition of any democratic revival. But it is not, by itself, sufficient. As the Moscow Declaration rightly indicates, the creation of satisfactory economic conditions is essential if stability and peace in that area are to be secured. And it is on this score that some poeple, who are otherwise entirely in favour of Austrian independence, begin to raise their doubts. They remember the prolonged controversies after the last war which centred on this very point: whether the new Austrian Republic would

be able to lead a healthy economic life. These are doubts which have persisted down to the present day, in spite of twenty years of an independent Austrian economy. 433

At first sight, it seems rather strange that Austria should be singled out in this way. Why is the same question never raised with regard to other small nations in Europe or South America? For Austria is in many ways far better placed than many other countries. She possesses a considerable variety of important natural resources; far more, for instance, than her wealthy western neighbour, Switzerland. There are almost unlimited sources of water-power; there is a wealth of timber, iron ore, and oil; the population contains a high proportion of skilled workers in a large number of industries; and Austria is situated at the junction of a number of major European trade routes. Thus we find that Austria is better off than any of the other eastern and south-eastern European countries, about whose viability there has been no question whatever.

Nevertheless, it is not difficult to discover why Austria was singled out for this kind of discussion. The end of the last war saw the break-up of the Habsburg Empire and the birth of a number of new national states. Now, while each of these states was faced with problems arising from the new economic set-up, Austria, above all others, was regarded as the mutilated remnant of the old Monarchy. This country, with its 6½ million inhabitants, formerly a metropolitan province of a 50 million empire and closely integrated into its economic life, had now to adjust itself to a completely new economic and political environment. Would the new Austria, impoverished by war and inflation, be able to accomplish this task smoothly and within a reasonable space of time?

As we shall see later, Austria managed, after some difficult and troublesome years, to tackle this problem and 648

648 to stand on her own feet. But the doubts about Austria's viability were not silenced. On the contrary; they were raised with increasing insistence in at least one quarter: amongst the Pan-Germans in Germany and in Austria. To-day, we see more clearly, perhaps, than ever before how the arguments against Austria's economic independence were used to further Germany's imperialist designs, both before and after Hitler's access to power in Germany.

It was not without effect. The constant repetition of the same argument weakened Austria's power of political and economic recuperation and progress.

Nor, as we have seen, has this propaganda failed to make headway elsewhere. The doubts of 1920 still linger on. 121 If, in the following pages, we tell the story of Austria's economic development in her twenty years of independent existence, this is not only to show what has been achieved, and what lessons need to be drawn from the experiences and mistakes of the past, but also to destroy finally the myth of Austria's "inability to live".

727 At present, there are naturally many initial difficulties to overcome before Austria will become prosperous and 433 economically healthy. These difficulties, however, are simply consequences of a process of looting in the course of seven years during which Austria was harnessed to the German war economy, and of heavy destruction wrought during the last phase of the war. Disruption of transport and traffic, acute shortage of food and other essentials, temporary isolation from the outside world—these are consequences of war which Austria shares with all states of Europe which had been under German rule. It is absolutely clear that without large supplies of food and fuel Europe as a whole will barely be able to live through the first years of peace. Thus, in Austria, too, all available

INTRODUCTION

energies will have to be directed to securing by improvisation the bare means of existence and survival. Even after the initial period only a gradual progress in reconstruction is to be expected. This book does not intend to deal with the difficult and manifold problems of the immediate post-war emergency measures. It has a wider aim. It proposes, by a critical study of the inter-war period, to outline more generally how Austria, by harnessing all her resources and adapting herself to their best possible use, is able to attain prosperity and to keep pace with a corresponding process of world economy.

Before turning to the development of the inter-war years, however, a few words should perhaps be said about Austria's natural resources and about her economic development before the last war.

NATURAL RESOURCES

Austria, like Switzerland, is a mountainous country, and so the scope for agriculture is naturally limited. Only 28 per cent of the total area is arable land, while another 30 per cent is taken up by permanent meadow and pasture. This compares with 47 and 18 per cent respectively for Czechoslovakia, 68 and 19 per cent for Hungary (a typical agricultural country), while the percentages for Germany[1] are 46 and 17 and for the United Kingdom[2] 24 and 31 respectively. Accordingly, Austria belongs to the industrial and food-importing nations of Europe. Even so, her soil and climatic conditions have favoured the growth of certain special branches of agriculture, such as those connected with milk and milk products and fruit growing.[3] In these fields an export surplus had been achieved by the beginning of the thirties.

"Land not under cultivation" takes up as much as 42 per cent of the total. That 42 per cent represents, how-

1 [In 1930, i.e. exclusive of the Saar Territory]
2 [Figures for 1937]
3 [Cf. op. cit. 116, p. 12 — Analyst]

487 Pass and the Semmering Pass allow goods from central and northern Europe to cross the Alpine barrier and to travel south to the Mediterranean countries. Further, a number of other important lines of communication fan out from Vienna, enabling Austria to provide important transit services to other countries.

The natural beauty of the Austrian countryside is well known, and the rapid growth of tourist traffic in the inter-war period shows that Austria, like Switzerland, is a natural "recreation centre" not only for her own citizens but for a large number of people from all parts of the world.

AUSTRIA'S DEVELOPMENT BEFORE THE LAST WAR

178 The feudal character of the Habsburg Monarchy was no fertile soil for the development of an industrial bourgoisie. The industrialization of Austria-Hungary started rather late and proceeded slowly as compared with that of Germany and western Europe. When, however, railways began to be built after 1830, manufacturing establishments sprang up in growing numbers, both to provide for the needs of the railway companies and to make use of the new transport facilities. This process of industrialization gathered momentum after the middle of last century, when the foundations were laid for a great variety of industries. The great depression of 1873 resulted in a serious setback, but progress was soon resumed, though at a somewhat slower rate.

•433 A few figures will help to illustrate the rate of growth in that period.[6] Between 1841 and 1871 the production of
178 pig-iron increased from 200,000 tons to 770,000 tons. In 1871 Austria[7] possessed 1½ million cotton spindles and 580,000 wool spindles. Between 1870 and 1913 the production of coal increased from 3·4 million tons to 16·5

[7] [CA CAT. 116, p. 12 — ANALYST]
[8] [CA CAT 116, p. 12 — ANALYST]

million tons, of lignite from 3·1 to 27·4 million tons, of pig-iron from 0·25 to 1·8 million tons. The railway network increased in the same period from 6,000 km. to 23,000 km. and considerable strides were also made in agriculture and in foreign trade, though the latter played only a comparatively small part in the economic life of the Empire.

The trend towards industrialization is also shown by the percentages of persons engaged in Industry and Commerce at various dates (figures for Austria-Hungary).[8]

	1869	1890	1900	1910
Industry	19·7	21·3	22·2	24·2
Commerce and Transport	5·2	6·2	7·3	8·8
Agriculture	67·1	62·4	58·1	56·8
Services, Professions and others	8·0	10·1	12·2	9·9

These figures suggest that, in spite of a constant process of industrialization, the Austrian-Hungarian Monarchy was still a predominantly agricultural country. Moreover, this process was spread very unevenly over the whole area, leaving some regions seriously undeveloped while others attained a highly industrial character. While, for instance, the percentage of persons employed in agriculture in 1910 was 57 for the whole monarchy, it was 69 for Hungary alone but only 40 for Bohemia. In fact, industrialization was largely concentrated in a few areas, viz. the Bohemian-Moravian-Silesian region, rich in coal, the area round the Styrian iron ore deposits, and the Vienna district. Later, another industrial region sprang up in Upper Austria, between Steyr, Enns, and Linz.

Several factors were responsible for this high degree

[CA CAT. 116, P. 12 — ANALYST]

CHAPTER II

THE BIRTH OF A NEW REPUBLIC: EARLY DIFFICULTIES

AUSTRIA'S EXHAUSTION AFTER THE GREAT WAR

727 FROM the moment of birth of the new Austrian Republic, on the 12th November, 1918, it was clear that this small country, descendant of the old 50 million Empire, was faced with a colossal task of economic and political readjustment. But this was not all. By 1918 the old Monarchy had ceased, in every sense, to be a "going concern". This rendered the resumption of normal economic life particularly formidable. For in addition to the loss of capital and of human life invariably associated with war, the cumbersome working of the Habsburg bureaucratic machine, the antagonism of the suppressed minorities, and above all the ruthless military and economic exploitation of the half-hearted Austrian war partner by the "efficient" German war machine, had all exhausted the entire economic life of Austria.

722 It had become clear, as early as 1916, that the Empire was unprepared for a long war on two fronts and unable to cope with the growing difficulties of internal inefficiency and of the blockade. By 1917 the economic and military position was so serious as to prompt the Emperor Karl to explore the prospects of a separate peace. These attempts were however quickly frustrated by the then all-powerful Germans.

722 Shortages now appeared in every field. Owing to the
433 dearth of raw materials, the indiscriminate call-up policy

of the first war years, and the growing anti-war feeling of the population, production fell to utterly inadequate levels. By 1917, the yield of the wheat harvest had fallen to 47 per cent of the 1913 level, rye to 43 per cent, barley to 29 per cent, oats to 25 per cent, potatoes to 51 per cent (in 1916), and sugar beet to 43 per cent.[1] There were similar reductions in the output of practically all agricultural products, with the one notable exception of turnips, whose output increased to 213 per cent over the same period. 722 433

There is no reliable index for industrial output as a whole during that period, but figures for certain specific products may serve to illustrate the general trend. Between 1913 and 1917 the production of sugar fell to 43 per cent; of beer, to 7 per cent; of margarine, to 6 per cent. While the output of cast iron rose to 189 per cent and of the number of locomotives built to 170 per cent that of pig iron fell to 64 per cent. In textiles, the production of raw silk fell to 53 per cent and the amount of wool consumed to 20 per cent. Paper production fell to 47 per cent.[2]

In view of this catastrophic fall in production (particularly in essentials) the living conditions of the population deteriorated rapidly. Rations were constantly reduced, and even then they were not always obtainable. Universal malnutrition and actual famine conditions in some areas resulted in a great increase in disease and mortality. Clothing was defective and inadequate. Thousands of families lived in cold, dark rooms in the winter of 1917–18. Nor were the soldiers any better off. Not only was there a serious shortage of munitions: even those who were fighting under the most adverse conditions on the eastern front were short of food and clothing. One soldier might have a jacket but no shirt, the other a shirt but no jacket. Sawdust was added to the flour in order to make rations go 722

1 [CP. CAT. 116, p. 34 — ANALYST]

722 further. There were cases when soldiers "deserted" from their training barracks to the front line because there rations were at least somewhat larger.

727 When finally peace came to the war-weary country, economic conditions, instead of improving, actually 433 became worse. The economy was now completely disrupted, mainly because the new Austria was suddenly cut off from all normal sources of supply. Austria had habitually had an import surplus with the other parts of the Empire. Now these channels of supply were almost hermetically closed through the newly erected national frontiers. The new countries had their own serious problems of reconstruction and were of course unwilling to export important raw materials except on a strict barter basis. But in those days there was pitiably little that Austria could offer in return.

727 The result was that everything was short—food, coal, raw materials—and many sections of economic life came practically to a standstill. The position of the population became worse; in Vienna, particularly, conditions were desperate. Not only were the usual supplies from Hungary and Bohemia no longer forthcoming; the rural provinces of Austria proper, too, withheld their produce so as to cover their own shortages. Also, war-requisitioning and the lack of industrial goods had made the peasants suspicious and hostile towards the capital. The food situation in Vienna quickly became hopeless. From August to December, 1919, the maximum obtainable per day on the bread and flour ration was 100 to 170 grammes of flour. Milk supplies (which had amounted to 900,000 litres daily before the war) dropped to as little as 30,000 litres. Even infants and invalids had to go short of milk. After more than three years of hard work and malnutrition these shortages could not but have the most damaging effects on

457 of countries and also by the neutral states. Altogether,
727 between 1919 and 1921, relief credits to the value of about £27 million were given to Austria, of which £9 million came from Great Britain, the largest single lender. These relief credits were secured by a mortgage, with priority over all other charges, on Austrian State property.

But while the relief of the food situation was the most
433 pressing need, the plight of the industrial sector was no
727 less serious. All coal supplies from Bohemia and Upper Silesia were, at first, cut off. The domestic coal ration was 15 kg. per family per week, and even this was not always available. On the main line from Vienna to Salzburg there was only one slow train per day. It stopped at every station, and its time of arrival was anyone's guess as the breakdown of the old rolling-stock and the lack of coal caused frequent and lengthy hold-ups. Often the travellers had to walk beside the train because the locomotive could not pull the load over a steep hill. Of the blast furnaces in Upper Styria only one could be kept working; and that at a time when there was an enormous need for all basic materials. In fact, practically all important raw materials were in short supply. In consequence production had to be cut down or stopped altogether.
[457] The amount of supplies from abroad was determined by so-called "compensation treaties": barter agreements on a strictly quantitative exchange basis. There were further complications. For instance, until the rolling stock of the old Monarchy was finally divided up among the various "Succession States", all goods had to be unloaded at each frontier station, as no state would allow its waggons to leave their own territory. This tended to raise costs and to cause greater delay, reducing still further the already meagre flow of goods.

It is, therefore, not surprising that in its initial stages

production was in a chaotic state and could not absorb the men who came back from the army and from the munition industries. Unemployment, which had been at a level of about 46,000 in December, 1918, rose quickly to a peak of 186,000 (131,500 in Vienna) in May, 1919, at the very time when the Western democracies enjoyed a short-lived post-war boom. After that, unemployment decreased steadily until it reached its lowest level in November, 1921, when there were 8,709 unemployed on the register.

THE INFLATION

The extent of Austria's economic exhaustion after the last war has been deliberately described at some length so as to indicate the level from which reconstruction had to start. No doubt, it was a tremendous job. But, with the relief credits to help out in the first period of distress, it was surely not beyond the strength of the Austrian people to build up a working economy. The tens of thousands of workers who struck work in January, 1918, in order to finish the war, the soldiers who returned disgusted with the war and the old régime, the peasants who had more than enough of the constant military requisitioning, all combined to turn out the Emperor, practically without any bloodshed; and they now looked confidently to the new Republic to lay the foundations for a new life.

There was much enthusiasm here that could have been harnessed to a great crusade for the rebuilding of the nation's life. But it was the tragedy of the situation that the statesmen of the day, those of the right and those of the left alike, completely lacked the required conception of leadership. Instead of stimulating the patriotic and social aspirations of the masses and guiding them in the difficult tasks of reconstruction, the general attitude of the leading politicians, reared in a 50-million empire, was to profess

1 [C+ CAT. 116, P. 34 — ANALYST]

458 745 pensioners and others dependent on small fixed incomes. These people were reduced to abject poverty; they were compelled to sell most of their belongings and to turn to public assistance. These reductions in income occurred side by side with the creation of a small class of new rich—the inflation profiteers who had been able, through skilful buying and selling, to amass considerable wealth.

458 But there was also a brighter side to the picture. In the first stage of inflation, at least, the rising price level and 433 the flow of new money stimulated industry and quickly 464 raised production above the stagnating post-war level. The unemployed, whose number had greatly risen after the end of the war, were almost completely absorbed into work:

NUMBER OF UNEMPLOYED RECEIVING RELIEF

	1919	1920	1921	1922
February	162,104	69,427	16,217	33,554
May	186,030	45,883	9,518	44,281
August	133,362	23,970	11,702	30,967
November	—	14,733	8,709	55,008

458 Production increased in almost every field. Agriculture, 433 for instance, largely regained its pre-war productivity in this period; and agricultural production was also increased by an extension of the area under cultivation.

YIELD PER HECTARE IN QUINTALS

	1913	1919	1923
Wheat	14·8	9·3	12·6
Rye	14·7	8·0	10·8
Barley	13·9	8·8	12·7
Oats	13·5	8·0	11·6
Maize	16·3	12·7	15·1

THE BIRTH OF A NEW REPUBLIC

Sugar production rose from about 57,000 quintals in 1919–20 to about 138,000 in 1920–1 and to 160,000 in 1921–2. Production of chemical pulp increased from 75,000 tons in 1919 to 102,000 in 1921 and 128,000 in 1922, while exports increased from 17,000 tons in 1921 to 46,000 tons in 1922. Paper production, which was 92,000 tons in 1919 and 94,000 tons in 1920, went up to 128,000 tons in 1921 and to 151,000 tons in 1922. 4/58 433

The industrial situation was further relieved by the crisis which followed the post-war boom in western Europe and the United States. Raw-materials which had been in very short supply in the immediate post-war period were now easily obtainable and the fall in world prices to some extent counteracted the rise in Austrian import prices due to the rapid rise in the value of foreign exchange. Imports of vital raw materials increased quickly. 438 439 433

There is then no doubt that the inflation accelerated the impending recovery. At the same time the extent of the inflation and the resulting distortion of the price structure prevented the reconstruction of industry on new lines. With prices and costs rising almost hourly, speculation became far more important and profitable than the careful consideration of technical improvements and of long-term development. The proper timing of buying and selling—be it labour, goods, or foreign exchange—became the main pre-occupation of business. Perhaps the main thing after 1919 was to get the productive mechanism going in one way or other. This was largely achieved in the inflationary period. But the process of readjustment was still to come.

Inflations normally stimulate exports and discourage imports. For the extraordinary demand for foreign exchange, the "flight from the currency" drives up the exchange rate at a quicker rate than the domestic price level so that exports become cheap and imports expensive.

AUSTRIA'S ECONOMIC DEVELOPMENT

458 This was precisely what happened in Austria. But while
• 433 exports increased more than imports the balance of trade
439 continued to be unfavourable.[10]

This was partly due to the fact that production in Austria was as yet insufficient to provide exports on any scale; partly because Austrian exports have a high "import content" so that every increase in exports involves increased imports. Also, the fall in world prices in 1920 tended to reduce the margin between the Austrian and the world price level.

Unfortunately, we have no statistics on invisible exports. But there is every indication that these exports increased considerably. Vienna soon regained her importance as a transit centre: by 1920, the weight of goods passing through the great municipal warehouses had already increased over three times as compared with 1913. The Viennese banks again played an important part in the "Succession States" and the Balkans, and the low value of the Crown attracted an increasing number of foreigners to Austria. The number of foreigners arriving at hotels in Vienna rose from about 230,000 in 1920 to about 330,000 in 1922. On all these scores a considerable income must have accrued to Austria which helped to fill at least part of the gap on the balance of trade.[11]

458 But the low value of the Crown and the insatiable
hunger for foreign exchange did not only stimulate current
471 exports. It also led to the sale of capital. Real estate, houses, and industrial shares were sold to foreigners and part of Austria's industry thus came under foreign control. It was in this period that a decisive parcel of shares of the Alpine Montan Gesellschaft, Austria's most important heavy industrial concern, passed into the hands of a group of Italian capitalists from where they wandered on until they became the property of one of the firms belonging to

1 [CA. p. 35, CATEGORY 116 -- ANALYST]

457 world, and the field was left open to private investors who failed to appreciate the long-term needs of that area.

433 But in spite of the heavy unemployment, production continued to increase; though there were some setbacks in the capital-goods industries which had benefited most from the inflation. The following figures may serve to illustrate the trends of this period (no general index of production is available for these years):

Production	Unit	1922	1923	1924
Coal, lignite	Thousand tons	3,136	2,659	2,777
Steel	" "	481	499	370
Paper	Waggons	15,108	15,285	17,211
Wheat	Thousand tons	202	242	231
Rye	" "	345	402	411
Potatoes	" "	1,398	1,426	1,647
Sugar	Quintals	244,680	472,555	750,102
Merchandise carried by railway	Thousand tons	—	5,493	6,174

The general rise in production was mainly due to the installation of modern plant during and after the inflation, to the resumption of more careful costing and accounting practices, and to a considerable rise in output per head. By 1925, total output reached about 80 per cent of the pre-war level.[2]

464 The overall figures of unemployment conceal, however, the very uneven incidence of unemployment in the various industries: a consequence of the structural changes then taking place. In February, 1925, when unemployment had reached the high level of 193,000, the percentage of unemployed was fairly low in the quickly expanding light and consumer goods industries—8 per cent in the food processing trades, 4 per cent in the paper industry, 6 per

1 [CR. CATEGORY 116, p. 50--ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

331 beginning of a great housing programme which replaced
362 slums by beautiful modern houses and attracted the atten-
633 tion of experts from all over the world, and which revived the building trades and with it, a great number of related industries in Vienna and the rest of the country.

CONSOLIDATION

433 Once the currency was stabilized and more normal conditions established, the upward trend in industrial and agricultural production became more marked as well as more general. It now seemed as if the earlier economic problems of Austria would soon find their solution and that a sound basis for a new national economy would be formed. And this would have doubtless been true if the process of consolidation of that period had not come to an abrupt end in the world economic depression.

For progress was quite considerable. Industrial production increased quickly and at a rate which compares not unfavourably with development in other countries during the same period.

INDICES OF INDUSTRIAL PRODUCTION

(Average 1925–9 = 100)

	Austria	Germany	Czecho-slovakia	United Kingdom
1925	89	87	88	99
1926	89	87	86	76
1927	100	109	100	109
1928	110	108	111	104
1929	113	109	115	112

Two points should, however, be noted in this connection. Firstly, the increase in output was achieved not so much

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

by the absorption of the unemployed but rather by a widespread policy of rationalization. Secondly, from about 1927 onwards, industrial development came under the influence of an increasing degree of protectionism.

Protectionism, coupled with tax reliefs and subsidies, became more important still in agriculture. Once it was clear that the high tariff policy of the "Succession States" made a return to the old economic relations impossible, it was decided to foster agriculture in order to render Austria less dependent on food imports. Agriculture in Austria had been badly neglected before 1918, mainly owing to the influence of the Hungarian gentry who wanted to maintain their monopolistic position in the agricultural sector. Now that this influence was weakened, and the peasants' confidence in Austria's economic stability restored, there was a remarkable increase in the area under cultivation and in productivity.

	Wheat			Rye		
	Area in ha. (000's)	Yield in thous. q.	Yield per ha.	Area in ha. (000's)	Yield in thous. q.	Yield per ha.
1925	195	2,904	14·8	383	5,500	14·3
1929	208	3,154	15·1	374	5,104	13·6

	Barley			Oats		
	Area in ha. (000's)	Yield in thous. q.	Yield per ha.	Area in ha. (000's)	Yield in thous. q.	Yield per ha.
1925	140	2,006	14·2	307	3,884	12·6
1929	158	2,694	17·0	296	4,510	15·2

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

• 433

	Potatoes			Sugar		
	Area in ha. (000's)	Yield in thous. q.	Yield per ha.	Area in ha. (000's)	Yield in thous. q.	Yield per ha.
1925	176	20,684	117·4	20	4,925	244·1
1929	189	28,030	147·6	30	6,912	227·6

As a result, Austria's dependence on food imports was somewhat reduced. This applied particularly to rye, sugar, and potatoes; in the case of potatoes the import surplus actually gave place to an export surplus. More important, there was a change in the structure of Austria's agriculture. Great strides were made in the spheres of stock-raising and the dairy industry which are particularly suited to Austria's topographic conditions. Between 1925 and 1930 the proportion of home-raised live cattle supplied to the Vienna market rose from 19 to 44 per cent. For beef the proportions were 17 and 33 per cent respectively, and for pork 47 per cent and 52 per cent. The establishment of 310 new co-operative dairy-farming and cheese-making companies greatly stimulated expansion in the dairy industry. In spite of increasing consumption, imports of milk and other dairy products fell from 40·1 to 9·1 million schillings between 1924 and 1929, while the exports of these products increased from 1·1 to 10·5 schillings over the same period. Within six years an adverse balance of almost 40 million schillings in this group was thus wiped out and an export surplus established.

464 In spite of all this progress the problems of unemployment and of an adverse balance of trade remained as yet unsolved.

It had already been suggested that the increase in indus-

[439]
457

AUSTRIA'S FOREIGN TRADE

(in million schillings)

	1926	1927	1928	1929
Imports	2,771·3	3,094·1	3,230·1	3,248·3
Exports	1,706·4	2,040·5	2,202·1	2,169·0

But the adverse balance remained uncomfortably high throughout. The larger part of this deficit—probably 700 to 800 million schillings—was covered from income on the various invisible items mentioned earlier. The remainder is accounted for by foreign borrowing. It has been estimated that between 3,000 and 4,000 million schillings had been borrowed between 1923 and 1930.[8] This would not have mattered greatly in normal world economic conditions, except that a large part of these loans consisted of short-term advances to the banks. A large part of this money was lent to industry on, what was in fact if not in form, long-term conditions. The dangers of a sudden withdrawal of these funds should have been obvious. Moreover it was clearly impossible to continue indefinitely with an import surplus of that size since, in addition to current interest payments, the capital itself would ultimately have had to be repaid.

•433 But it was not easy to find a solution. Austria's demand for her imports—mainly food and raw materials—was
439 highly inelastic and could not be easily adjusted to changing conditions; while her exports—mainly manufactured goods—were increasingly excluded by the tariff walls that sprang up all over Europe. Slow, and sometimes painful, structural changes did, however, take place which prepared the ground for later improvements.

Reference has already been made to the improvements

1 [CP COTEGORY 116, P. 50. — ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

in agriculture which reduced the need for imports. Industry, too, increasingly adapted itself to the new conditions. When it became clear that the traditional markets in southeastern Europe became less accessible and that the outlets for some of the staple exports diminished, both the commodities produced and the markets supplied became more diversified. The export of textiles, for instance, declined from 25 per cent of total exports in 1924 to 20 per cent in 1929 while the share of the newer light and fashion industries increased. An increasing share of exports went to Western Europe and overseas. Exports to Hungary, Yugoslavia, Roumania, and Bulgaria, on the other hand, dropped from about 38 per cent in 1924 to about 27 per cent in 1929. 433 439

The new Austria was, in fact, beginning to find its feet. There were difficulties which were common to all countries at that time and others which arose from Austria's recent past. It was clear that these difficulties were capable of being overcome, given time and effort. Suddenly however the economic progress of Austria, like that of most other countries, was sharply interrupted.

458 [439] purchasing power, followed by an orgy of tariffs, quotas, and currency wars, was therefore bound to hit Austria severely. Moreover, Austria was particularly vulnerable owing to the fact that the financial problems inherited from war, inflation, and foreign borrowing suddenly became acute and led to a severe crisis.

The turning point, as in most other countries, came in the third quarter of 1929. Prices tumbled down, production declined, unemployment grew, foreign trade vanished. The following figures indicate this process of decline in Austria and some other countries.

[433]

INDEX OF INDUSTRIAL PRODUCTION

(1929 = 100)

	1929	1930	1931	1932	1933	1934
Austria	100	85	70	61	63	70
Czechoslovakia	100	89	81	64	60	67
Hungary	100	95	87	82	88	99
United Kingdom	100	92	84	84	88	99
U.S.A.	100	81	68	54	64	66
Germany	100	86	68	53	61	80

[464]

PERCENTAGE OF WORKERS UNEMPLOYED [1]

	1929	1930	1931	1932	1933	1934
Austria	12·3	15·0	20·3	26·1	29·0	26·3
Czechoslovakia	2·2	4·5	8·3	13·5	16·9	17·4
Great Britain	10·4	16·1	21·3	22·1	19·9	16·7
U.S.A.	8·2	14·5	19·1	23·8	24·3	20·9
Germany	9·3	15·3	23·3	30·1	26·3	14·9

1 [CF. CATEGORY III, p. 63 -- ANALYST]

THE EFFECTS OF THE WORLD CRISIS

IMPORTS AND EXPORTS

Value in national currencies (000,000's omitted)

		1929	1930	1931	1932	1933	1934
Austria	Imp.	3,263	2,699	2,161	1,384	1,148	1,153
	Exp.	2,189	1,851	1,291	764	775	857
Czecho-slovakia	Imp.	19,942	15,680	11,725	7,459	5,799	6,349
	Exp.	20,485	17,460	13,106	7,329	5,843	7,267
United Kingdom	Imp.	1,111	957	797	651	626	680
	Exp.	729	571	391	365	368	396
U.S.A.	Imp.	4,339	3,114	2,089	1,325	1,433	1,636
	Exp.	5,157	3,781	2,378	1,576	1,647	2,100
Germany	Imp.	13,447	10,393	6,727	4,666	4,204	4,451
	Exp.	13,483	12,036	9,599	5,739	4,871	4,167

These figures clearly demonstrate the extent and the universality of the depression.

The decline in foreign trade, which was everywhere far more severe than the decline in production, affected Austria gravely. The increasing adoption of "beggar-my-neighbour" policies greatly restricted outlets for Austria's manufactured goods. Tariffs rose to incredible heights in central and south-eastern Europe; quotas, import prohibitions, and a hundred and one forms of administrative protectionism blocked the flow of goods.

Austria was compelled, in turn, to resort to increasing protectionism and her agriculture, in particular, was increasingly cut off from the world market. Home food prices were, in fact, maintained much more than prices of manufactured goods, and this resulted in an increase in agricultural production, contrasting strangely with the persistent decline in industrial output.

The workers, of course, had now to pay relatively higher prices for their essential needs. On the other hand, the stability and purchasing power of another important

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

CHAPTER V

RECOVERY

TOWARDS A BALANCED NATIONAL ECONOMY

IF the world depression had dragged Austria down with it, the subsequent world recovery reacted beneficially on her economic life. The deflationary policy pursued by the Government after the financial shocks of 1931 tended, indeed, to retard the upswing in Austria. Nevertheless, from the second half of 1933 onwards, there was a clear and unmistakable upward trend in all spheres of economic life. 458

Industrial production, which had fallen to 61 per cent of its level in 1932, increased rapidly until it reached a new record level in 1937, the last year of Austria's independence. 433

INDICES OF INDUSTRIAL PRODUCTION

(1929 = 100)

	Austria	Czecho-slovakia	Germany	Great Britain	U.S.A.
1932	61	64	53	84	54
1933	63	60	61	88	64
1934	70	67	80	99	66
1935	80	70	94	106	76
1936	86	80	106	116	88
1937	103	96	117	124	92

This increase in production naturally led to some reduction in unemployment. Unemployment figures, 464

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

464 which had passed the 400,000 mark in 1933, fell gradually to approximately 320,000 in 1937. This was, however, still considerably above the level of 200,000 unemployed in 1929. In fact, the problem of unemployment, particularly in the heavy industries and among commercial and administrative workers, remained virtually unsolved. The policy of the Government lay the foundation for a more solid and independent national economy. But it fell far short of an expansionist policy that would have ensured the full use of the country's human and material resources.

341 Of great importance was the conspicuous progress in agriculture which had been continuous ever since 1920.
433 In a world striving for self-sufficiency, where markets for manufactured exports became increasingly closed, it was necessary to reduce the import requirements for foodstuffs. This object was largely achieved. Taking 1923 as the first normal year in Austria's economic life, we obtain the following picture of development.

	Year	Production (in 1,000 quintals)	Per cent of Requirements
Wheat	1923	2,419	33
	1936	3,678	63
Rye	1923	4,023	76
	1936	4,605	81
Barley	1923	1,710	63
	1936	2,531	85
Oats	1923	3,754	82
	1936	4,029	94
Potatoes	1923	14,262	95
	1936	24,994	100
Sugar	1923	473	31
	1934–6	1,919	99

234 Even more important were the structural changes in
439 agriculture. In particular, great progress was made in dairy farming; an industry which had been badly neglected

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

471 typically Austrian high-quality consumer goods industries. Between 1938 and 1942, the number of business enterprises in Austria declined from about 21,300 to 16,300, while the corresponding number in Germany increased from 337,000 to 353,000 over the same period.

648 The changes were less spectacular in agriculture. But
423 many of the large estates belonging to the Church and the
167 monasteries as well as State-owned land came into German
728 ownership. Farmers who were in difficulties were not assisted but bought out and German "hereditary farmers" (*Erbhofbauern*) were settled in Austria. At the same time the sons of Austrian peasants were sent to Poland, Russia, and even to Bohemia and Moravia in order to "colonize" these areas. However, the changes in property relations were of less importance in the sphere of agriculture than the extreme regimentation of production and the system of forced deliveries which reduced the peasants to a state of serfdom.

728 It is too early as yet to give an exact picture of the effects
471 of seven years of German domination on Austria's economy. Some major results are, however, clearly discernible.

648 First, it is clear that the Germans completely changed
433 the economic structure of Austria. Austria's economy was wholly adapted to suit the needs of the German war machine. And since Austria, like Czechoslovakia, was for a long time the safest place from air attack in Hitler's *Festung Europa* it became one of the most important centres for the production of armaments. Heavy industry was greatly expanded. In Linz alone the Hermann Goering concern erected 320 coke ovens and 6 blast furnaces. In 1943, it was estimated that about 25 per cent of Germany's war industries had been concentrated in Austria.

On the other hand, many of the specifically Austrian

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

industries producing high-quality goods such as electrical equipment, precision instruments, food products, leather goods, arts and crafts, the fashion industry, etc., were either completely ruined by the dearth of raw materials, or they lost their identity by being absorbed into some German concern. Many smaller firms with a high reputation had to close down, and their carefully built up personnel was drawn into the army or into the armament industries. A considerable effort will be required to restore these enterprises which are of great importance for Austria's exports, particularly in her trade with Britain and the United States.

In agriculture, too, the many promising developments before 1938 were brought to an end and production was devoted to the sole purpose of yielding as great a surplus for Germany as possible. In particular, the output of vegetables, staple foods and industrial crops was greatly stepped up.

While Austria's economic structure has been altered, total production was greatly increased. Between 1938 and 1944 steel output, for instance, was doubled; the production of aluminium rose from about 4,000 to 72,000 tons, and the generation of electricity increased from 2½ million kW.h. to almost 10 million kW.h.

The upward trend in war industries was accompanied by considerable shifts in the location of industry. In particular, the Linz-Wels-Steyr area in Austria was greatly expanded and converted into a huge centre of heavy industry. Motor roads and inland shipping facilities were also greatly extended.

These increases were achieved through a considerable reduction in the output of the consumer goods industries, by neglecting the replacement of worn-out machinery, by moving German capital equipment and German and

648 foreign labour to Austria,[10] and also by making much
728 fuller use of Austria's resources than ever before. Indeed,
the organization of a war economy has revealed the
• 433 potential wealth of Austria—as of other countries—
471 showing what could be achieved in peace time if only
proper use were made of existing opportunities.

The increase in production, however, was also achieved by eating deeply into Austria's resources. In many cases it will take years before the damage can be repaired, if indeed it can be repaired at all. In the case of timber, for instance (an extremely important export commodity in Austria), a reckless policy of exploitation has undone many years' work of careful afforestation. The intensive cultivation of the soil and the lack of artificial fertilizers and of animal feeding-stuffs has had the most damaging effects on agriculture. Up to the middle of 1942 harvests and herds of livestock were maintained at the pre-war level; but the position has greatly deteriorated since then. 1943, in particular, was a bad year and large numbers of livestock had to be slaughtered.

The increase in the output of oil in Zistersdorf from about 30,000 tons in 1937 to something like 1 million tons (which is considerably more than Austria's total peace-time requirements) may, it is feared, have dangerously exhausted these valuable resources. Similarly, the rate of exploitation of the iron ore deposits reached an undesirably high level.[11]

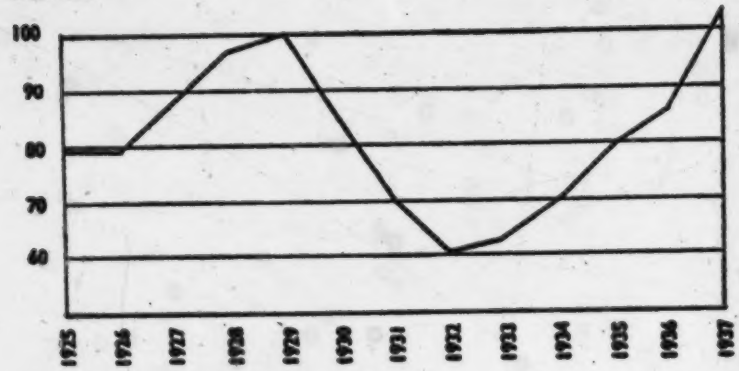
727 Our provisional economic balance sheet would not be complete without remembering the tragic destruction of manpower: the thousands of Austrians killed in Hitler's war and the many brave men and women done to death in concentration camps and at the hands of the executioner.

[CR CATEGORY 116, P. 92 — ANALYST]

INDEX OF INDUSTRIAL PRODUCTION

1929=100

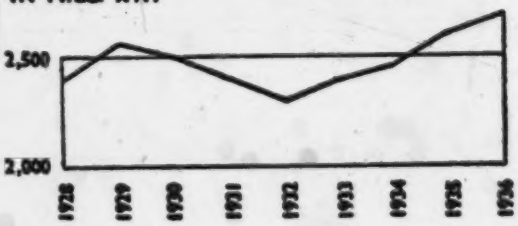
• 433



ELECTRICAL ENERGY

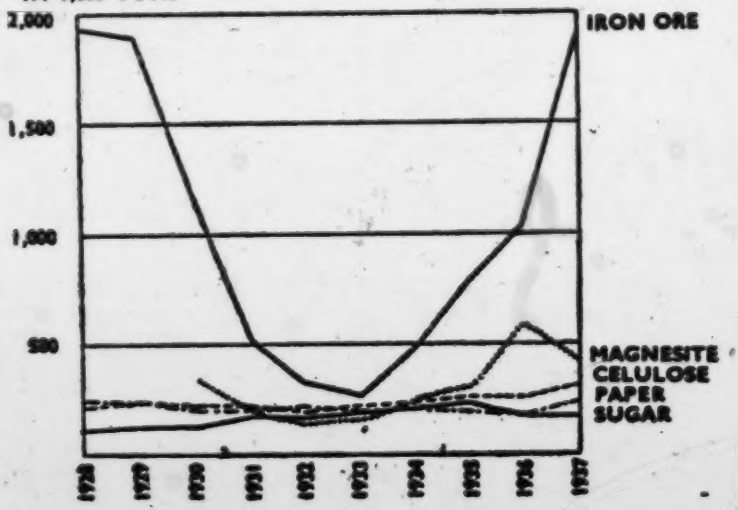
[377]

IN MILL. KW.



OUTPUT OF CERTAIN COMMODITIES

IN 1,000 TONS



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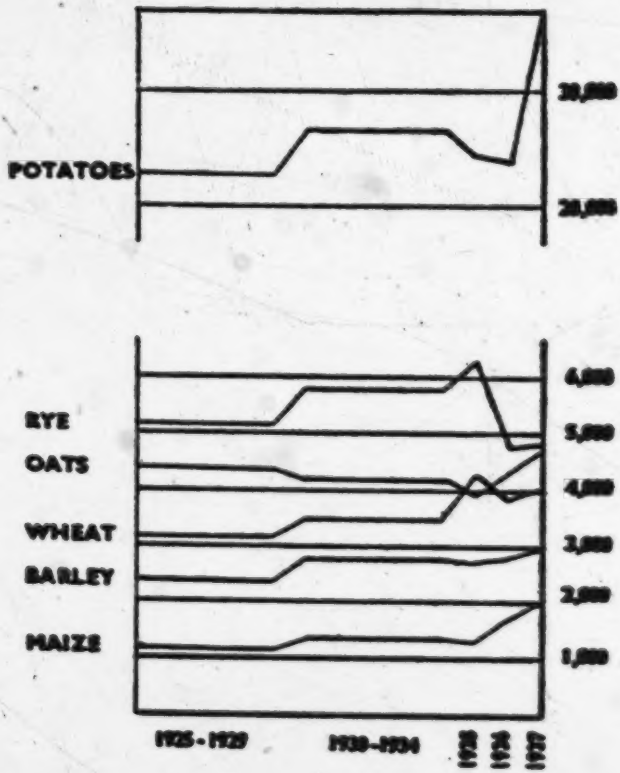
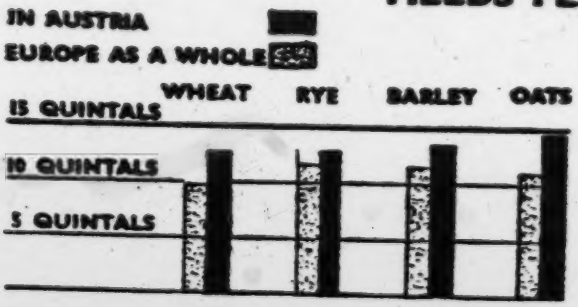
PRODUCTION OF CERTAIN AGRICULTURAL PRODUCTS
IN THOUSAND QUINTALS



COMPARISON BETWEEN AGRICULTURAL YIELDS PER HECTARE



[p. 120]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

[R81]

VI

UNRRA and Foreign Relief

THE most urgent economic problem in Austria after the War was the lack of food. It was a problem that could not be dealt with adequately by the first-aid measures that have been described.* The assistance given by the occupying Powers in the summer and autumn of 1945 led to a temporary rise in the ration scale, but in the spring of the following year the situation deteriorated. The normal consumer's ration was reduced during March to a theoretical level of 1,200 calories a day. In Vienna during May it amounted in practice to only 950 calories; 'too many to cause death and too few to sustain life', as one member of Parliament put it. 146 434 511

In October 1946 the Federal Chancellor stated in Parliament that Austria had the lowest rations of any country in Europe. According to the official history of UNRRA, Austria had a lower calorie level than any other country in receipt of UNRRA aid. What strained the patience of the Austrian people most severely was an announcement by the occupying Powers in Germany of a higher ration for the ex-enemy country. When this news was made known, food riots broke out in Vienna, and popular indignation was so strong that in November the Austrian Government announced a similar ration of 1,550 calories for Austria. It did so without the approval of the Allied Council and without consultation with UNRRA. There was therefore no guarantee that the necessary supplies would be forthcoming. But the combined efforts of UNRRA and the Governments of the United States and the United Kingdom were equal to the challenge.

The effects of the low calories scale were made worse by the nature of the rations available. They were particularly deficient in fat, animal protein, calcium, and certain vitamins. For two

* [Cf. category 116, p.20 — Analyst]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

146 to three months during 1945 in Vienna milk could only be
434 provided for infants in arms and the seriously ill. It was only
511 by gradual and progressive stages that the supply could be organized for children between one and twelve years of age. At the worst period only about 5,000 litres a day were being distributed in the capital, whereas the normal daily consumption in 1952 was approximately 700,000 litres.

[165] The infant mortality and tuberculosis rates in Vienna show the results of under-nourishment. For every thousand live births the mortality rate amongst infants was 191 in 1945, as opposed to 53 in 1938. New cases of tuberculosis numbered 2·87 a thousand in 1946 compared with 1·11 in 1940. The tuberculosis death-rate for the first half of 1946 was nearly double the pre-War figures and about three times as high as in Britain.

The food situation naturally varied a great deal between the country and the towns. In most parts of Austria there was little real shortage on the land, and the consumption of those engaged in food production probably averaged about 3,000 calories a day. In the small country towns, from which access to the farms was easy, official rations could usually be supplemented. It was in the large towns, above all in Vienna, that the position was very serious.

The emergency was aggravated and prolonged by the requirements of the refugees and displaced persons. The return of hundreds of thousands of Austrian prisoners of war during 1945 and 1946 also increased the scale of the problem.

434 One of the worst features of the whole situation in Vienna
511 was the acute shortage of fuel that accompanied the meagre rations. Gas and electricity were severely rationed, and the supply of both was unreliable and limited to a few hours a day. Fuel of all kinds, whether coal, coke, wood, or oil, for the average person was almost unobtainable. The official ration of coal per household during the winter of 1947–8 was 300 kilograms, and even this quite inadequate amount could not be
511 delivered in full. Yet a great many rooms in the city had broken windows, and glass was in very short supply and

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

648 purchase of raw wool. During the course of 1947 about
457 £4 million worth of surplus British military supplies was also handed over to Austria.

That Britain set an example at this critical juncture is a fact that has not been forgotten by Austrian statesmen. Yet it was clear that the United States alone had the resources to provide assistance on the scale that was required. Generous American help was soon forthcoming. In the first place, a special War Department grant, intended for the American zone, was made available for the whole of Austria. In February 1947 Herbert Hoover visited Vienna to investigate the food situation as President Truman's Special Representative. In a subsequent report he recommended a post-UNRRA relief programme lasting until July 1948, and Congress voted special funds for the purpose. Over $15 million worth of surplus American military supplies was also made available to the Austrians. The help received by Austria from the United States under all these headings during the course of 1947 reached a total of over $100 million, and it was continued during 1948 until the beginning of Marshall Aid.

The Canadian Government provided assistance to the value of $3,400,000, and valuable consignments of food were also received from the Norwegian and Irish Governments.

Austria was thus dependent on supplies direct from the Allies both before and after the period of UNRRA administration, and the greater part of them were provided by the United States and Great Britain. The importance of this contribution to the Austrian economy can hardly be exaggerated, the amount supplied being considerably more than the total UNRRA deliveries. In 1947 only 1 per cent of the rations of Austria's non-agricultural population was covered by commercial imports, although nearly two-thirds of them were imported. Over 60 per cent therefore came from outside sources, and UNRRA itself had ceased operations in Austria by the middle of the year.

434 During the post-UNRRA period the ration situation considerably improved. In the second half of 1947 the basic ration

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

was raised successively to 1,600 and 1,700 calories a day. In June 1948 it went up to 1,800, and the following September to 2,100. Between December 1947 and December 1948 black-market food prices fell from 64 per cent to 15 per cent of the figures for January 1946. This meant that it was at last reasonable to devote a smaller proportion of foreign aid to foodstuffs and a greater amount to economic rehabilitation. Of the £8,500,000 provided by Britain, less than £1,500,000 was spent on food, about the same amount on agriculture, £2 million on coal, and over £3 million on the most urgent industrial needs. Of the American Congress aid allocated for the first half of 1948 just under 60 per cent was devoted to food and just under 40 per cent to agriculture and coal, which was of such vital importance to industry.

The administrative responsibilities of the British and Americans in Austria made them highly sensitive to the country's needs. In spite of the obvious drawbacks of the occupation, there were certain advantages for Austria during the first precarious post-War years in the presence of the Western Allies on her territory. Without them the process of rebuilding the administration and economy after the collapse of the Nazi system would almost certainly have been accompanied by even more acute material shortages than those that were actually experienced.

Though the Austrian basic ration did not rise above 1,600 calories a day until November 1947, the minimum physiological needs of the normal consumer have been estimated at 2,160 calories. It might have been expected, therefore, that the results of so long a period of under-nourishment after the strain of the War would have been far worse than they actually were. One reason why they were not has already been mentioned: a large number of people resorted to the black market. But there were two other explanations.

During 1947 there were approximately 5 million Austrians in the rationed, as opposed to the self-supplying, category. Of these only about 2 million were normal consumers in receipt of basic rations. All the rest, either as employees, workers,

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

146 heavy workers, children, or nursing and expectant mothers, were entitled to additional or special rations. Children had less
•434 calories, but received a special allocation of milk. In the case of employees the addition was small, but for workers of all categories and for nursing and expectant mothers it was considerable, though the minimum requirements were correspondingly greater.

648 The second explanation was the widespread and well-organized relief work undertaken by a large number of foreign organizations, mostly on a private and voluntary basis.

Of the countries that had themselves been engaged in the War, the United States and Britain took the lead in providing voluntary relief for Austria. By the beginning of 1947 a group of British societies, pooling their resources and working with the British Red Cross, had, together with the Irish Red Cross, delivered over 5,000 tons of food, 400 tons of medical supplies, and forty tons of clothing to Austria. During the summer of 1946 the British Forces in Austria organized a highly successful Searchlight Tattoo, the proceeds of which, amounting to 400,000 Austrian schillings, were handed over to the mayor of Vienna for the benefit of the children of the city. By the beginning of 1947 various American charitable organizations had delivered to Austria over 9,500 tons of food and 320 tons of clothing. A large-scale relief scheme had been organized, known as the Co-operative American Remittances to Europe, which was happily abbreviated to the word CARE. Throughout the post-War years the arrival of large food parcels, known as CARE packets, was a cause of much happiness and gratitude amongst a great many individuals and institutions in Austria. The Quakers of both countries, in addition to distributing food and clothing, made a special contribution by organizing holiday homes for young people.

Of the neutral countries, Switzerland and the Scandinavian nations made the outstanding contributions.

The first help from Switzerland arrived in the Tyrol and the Vorarlberg as early as May 1945, and by November provisions and medical supplies had begun to reach Vienna. During the

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

cerned to increase the efficiency of all branches of the national economy. 000

Marshall Aid resulted almost at once in a marked acceleration in the rate of Austrian recovery. Whereas industrial production was only about 43 per cent of the 1937 figure in 1946 and only rose to 56 per cent in 1947, in 1948 it jumped to 92 per cent, in 1949 to 123, and in 1950 to 145. After this the rate declined, partly because the return to more normal conditions made any further acceleration impossible and partly because the outbreak of the Korean War, by increasing the price of raw materials, reduced by a third the real value of ERP dollar payments to Austria. 433 457

By the end of 1951 the extent of Austria's recovery was impressive, and it could not possibly have been achieved without the steady, well-planned assistance on a vast scale that Marshall Aid implied.

The Austrian gross national product in 1951 had more than doubled since 1946 and was approximately 18 per cent above the pre-War level. Industrial production had risen to 165 per cent of the 1937 figure, while agricultural production, having risen from 56 per cent in 1947 to 90 per cent in 1950, remained at about the same level in 1951. Industrial productivity was more than doubled between 1947 and 1951, and in the winter of 1951–2 stood approximately at the 1937 level. 433

These figures taken on their own, however, are somewhat misleading. For two reasons the real per capita income and the standard of living of the Austrian people were still slightly short of the pre-War level at the end of 1951, although probably about three times as high as they had been immediately after the War. The population had increased by more than 2 per cent, and there were therefore more mouths to feed than there had been in 1937. In addition, a much higher proportion of the national income was being invested than before. After four years of Marshall Aid the average Austrian was eating little more than a third of the quantity of meat eaten by the average American. 434

If the different branches of the Austrian economy are 000

454 corporations reflecting open problems to be solved by the state treaty (German property, compensations, etc.). The combined index of free and nationalized enterprises bears out the development sketched above. There is a decrease from 363 in 1948 (March 1938 = 100) to 309.7 in 1949 and 244.7 in 1950, although the [434] purchasing power of money decreased from 1938 to 1950 by 5/6.

Under these circumstances it is not surprising that the stock exchange presently plays a small role in the raising of capital and the placement of new shares in the capital market. Thus, for example, during 1950 only four corporations increased their capital: The Österreichische Brown Bovery A. G. (from 2.4 to 3 million schillings), the Brauerei Schwechat A. G. (from 20.83 to 21 million schillings), the Semperit A. G. (from 10 to 30 million schillings) and the Wagner Biro Maschinenfabriken A. G. (from 5 to 10 million schillings).

[455] A similar situation prevailed in the bond market. The report of the Vienna Stock Exchange states: "In April 1950, when the 5 per cent Reconstruction Loan of 1949 was listed on the exchange at 85 (subscribed up to 324.6 million schillings), the investment market had partially adjusted itself to the prevailing new interest rates. Issues of the provinces and municipalities, generally bearing interest at a rate of 4 per cent, decreased in value from 100 per cent to 92 per cent. The market in debentures (up to the end of 1950 debentures and municipal bonds amounting to 596.4 million schillings at par were circulating) had to overcome certain difficulties, since it is based on a 4 per cent interest rate and the change of quotations in connection with the credit extension to debtors represents a difficult problem...." During the summer months of 1950 a new type of debentures appeared. They matured after 6 years (previously they had been 40-50 years) with which, naturally, only credits extending for an approximately similar period of time could be financed. The amounts derived from such issues were primarily used for public investments.

It is a fact that presently bonds are quoted below par value since, besides the above-mentioned reasons, the scope of buyers is a rather limited one. From September 30, 1948 (the first time after the currency reform that particulars about the circulation of debentures and municipal bonds were published) to the end of 1950 only 95 million schillings in debenture bonds and

454 434 With the gradual diminution of the ERP aid, the raising of new capital gains significance. It is a question made particularly difficult inasmuch as prices rose on the world markets during the last half year and the decline in the purchasing power of the schilling caused by the lag in wages. (Running parallel is the sharp decline of the value of savings deposits.) A number of other factors retard the creation of savings capital: the lowered real wages, the long pent-up consumer demand of the broad masses, the lack of investment-seeking capital from insurance institutions which, as holders of collective saving, normally placed substantial amounts at the disposal of the capital market, the use of retained profits for self-financing of investments and, last but not least, the stress of fiscal necessities.

Naturally, Austria shares these developments with other European nations. Even France, the country of savers, according to latest reports has experienced a decline in savings to 4.3 per cent of the national income.

458 [652] Despite progressive credit extension (which is, qualitatively as well as quantitatively, being held under control by measures adopted during the first quarter of 1951), in contrast to other economically stronger nations, there seems to be no dangerous monetary development even though the political situation in the world in the fall of 1950 caused an increase in the volume of money and payments.

plant managements, can be achieved only through 433
accumulation of an adequate yearly (savings) invest- 439
ment percentage (during 1950 investments in plants, 454
structures, rolling-stock, equipment, etc., amounted to 20 per cent of Austria's national income, against 6 per cent in 1937; the 1950 investments were to a large extent the result of foreign assistance), as well as technical progress, rationalization of plant operations and adoption of modern psychological working principles.

Only such a procedure assures a genuine in- [434] ●
crease of the real income. However, whether an increased production output is followed by a decrease of prices or by an increase of wages (raising the living standard) or whether necessity demands a combination of both is problematical.

On the basis of a favorable world-wide po- 433
litical scene it is hoped that Austria will realize her economic program as worked out with the help of international experts. Better technical equipment will lower the individual wage quota, thereby establishing a more favorable competitive basis. Thus, together with a transfer of skilled labor to production of export goods, the desired adjustment in the balance of payments will be achieved. In this connection the resettlement drive, initiated by the ERP, furnished a possibility to shift needed manpower to plants short of help. The higher real wages, resulting from an increased productivity, will then provide a basis for the accumulation of savings capital needed for additional investments. However, considering the special position Austria occupies, it will be necessary to grant her a breathing spell for achieving her economic aims.

d) Budgetary developments.

Within the scope of combined reorganization 652
procedures, special attention is directed towards the 727
balancing of the budget. Due to the large expenditures covering the reconstruction of public enterprises and administrative organizations damaged by the war and the increase in economic tasks of the government, e.g., occupation costs and the expenditures in connection with "Auslandsfürsorge" (welfare of the DP's, expellees, refugees), the consolidation of the budget (in spite of a rising national income) was only partly possible in 1949 and 1950 inasmuch as fluctuating demands exceeded narrow tax receipts.

C. Tourist Traffic

Along with the increased economic consolidation, there has been a rising development of the tourist traffic, which is of great importance to the Austrian payments and foreign currency balance. The number of overnight guests increased from 10.9 million in 1949 to 14.09 million (an increase of 29 per cent) in 1950. The upward trend started immediately after the exchange rates were altered in November 1949, and concerns primarily foreign visitors. There were 4.58 million foreign overnight guests in 1950 alone, an increase of 155 per cent as compared with the preceding year. This, however, is only 70 per cent of the 1937 level. Among the countries from which most foreign guests came were Italy, Great Britain and Switzerland, in that order. 457

Foreign currencies derived from these services amounted to 15.05 million dollars (391.3 million schillings) in 1950. In the scope of the payment balance this corresponds approximately to the expenses for freight and transportation or, in other words, to 10 per cent of the whole deficit from foreign trade. In 1937, the influx of foreign currencies from this source amounted to 41.2 million dollars or 220 million schillings (i.e., at the present dollar exchange rate, 80 million dollars). The present income in foreign currencies, therefore, corresponds in purchasing power to only 20 per cent of the prewar income from the same source. To support the tourist traffic (modernization and extension of hotels, resorts, etc.) 280 million schillings from counterpart funds are being provided in the investment program 1950-52. Of this amount 28.8 per cent (109.3 million schillings) have been allocated during 1950.

D. Balance of Payments and the "Gross National Product."

According to calculations of the Oesterreichisches Institut für Wirtschaftsforschung, the Austrian "gross national product" amounted to 30.0 and 36.8 billion schillings in 1948 and 1949, respectively. Figures are not available for 1950. Compared to the price level of 1937, the gross national product for 1948 is 7.7 billion schillings and for 1949, 8.6 billion schillings, as compared with 8.5 billion 434

434 schillings in 1937. Although this increase from 1948 to 1949 was caused mainly by changes in prices, the fact remains that the gross national product increased in 1948 by 15 per cent and in 1949 by another 12 per cent. Thus, the prewar level was [433] approximated. The increase of capacity and at the same time the increase of the gross national product in the years 1948-50 is due to the rise in productivity of the whole economy. However, further increase will be even more difficult because the utilization of capacities and of available labor reserves will advance. Although industrial production had reached a level in 1947 equal to 56 per cent of the 1937 level (in 1949 119 per cent and in 1950 140 per cent of the prewar volume), the productivity increased in the same period from 47 per cent to 79 per cent (in 1949) and 90 per cent (in 1950). Therefore, it still lags behind the prewar period. The same holds true for agriculture; the total production (agricultural and livestock production on the basis of 1937) reached only 55 per cent of the 1937 level in the year 1947, 80 per cent in 1949 and approximately 84 per cent in 1950, but the productivity reached only 90 per cent.

[439] Remarkable progress was attained as compared to the years 1945-46. By its own efforts and with the help of foreign aid Austria could satisfy the urgent demand for imports and the volume of imports was increased above the prewar level. The exports, however, lagged behind as measured by the quantum-index. The same holds true for the balance of services. On the basis of economic data the balance of payments of Austria in 1950 is presented in the following table.

Explanatory notes to table:

457 a. Quoted in dollars due to change in exchange rate.
b. Calculated in dollars for 1949 and 1950 by the Oesterreichische Statistisches Zentralamt.
c. Other services.
d. Up to June 1950 including drawing rights.
e. Among them aid deliveries in form of credits; no decision has been made about the obligation for repayment.
f. Net payment of drawing rights up to the end of June 1950, and Initial Position payments since July 1950.
g. Provisional figure.

bringing new problems of adjustment. These were solved by a new general agreement of the Chambers of Economy (in July 1951), in which the main considerations were: the out-of-line prices in agriculture, the necessity of decreasing the subsidies for imports still existing, and the boosting of tariffs. Special aims of the economic policy were: 652 [435]

1. To restrict the utilization of foreign aid for consumption goods in order to afford a bigger part of the total volume of goods and services for investment activities or, at least, a non-fluctuating part in the case of a decrease in foreign aid. The top aim was a change in the utilization of the gross national product. [434]

2. To balance the agricultural prices which were out of line. In this way, conditions were to be created for an optimal distribution of the available aids through the price mechanism (changes in the constitution of the gross national product). [435]

3. To effect conditions for a new distribution of income; this referred, in the first place, to agriculture and employment in public services, to persons living on state relief and pensionists (for these last two groups an adjustment of the real income was secured by the so-called "Nachziehverfahren"); the real wages of the other wage earners should be kept on the existing level (changes in the personal distribution of the gross national product). [454]

It was not easy to encompass these aims within the concept of economic policy, since automatically secondary and tertiary reactions to these changes were to be expected upon the total price structure. Be that as it may, the immediate results of this agreement were the following regulations:

1. Agriculture received higher production prices for wheat, rye and milk, by which a better market capacity might be obtained (stimulation of the production). [435]

2. The subsidies for the import of bread grains, fodder grains, and raw materials for fats were diminished. Consumer prices corresponded generally to the average (newly calculated) prices of the producer (unless fixed by special regulations). As far as import subsidies continued, they became part of the budget while the incomes from sales were kept on the same level of value as those from the ECA counterpart accounts. [654] [439]

these aims will be discussed later), which becomes more and more urgent because of the decrease in ERP funds, means from counterpart funds for investment aims had to be released to an increasing degree. 457 652

The Austrian government declared, therefore, its readiness as early as the fourth price and wage agreement to abolish all ERP subsidies for imports. In the interest of keeping living costs at the lower level, also, certain quantities of vital goods were provided at lower prices in 1951. Besides fertilizers and raw materials for fats (which continued to be calculated on the basis of former prices), the prices of wheat and fodder corn were increased but they still remained far below the prices on the world market. In addition, smaller subsidies were provided to support the prices of sugar, glass, drugs, and hides. 652 435 439 654

In spite of the partial abolition of subsidies, they still amounted to approximately 1 billion schillings for the period from October 1950 to June 1951. Seven hundred and fifty million schillings went to the debit of the counterpart accounts and 250 million schillings to the debit of the budget. Further subsidies had to be faced for two reasons: a sinking of the allocated means in the last year of the Marshall Plan (1951-52) had to be taken into consideration; and further means were necessary to continue investments which already had been started.

The agreements, therefore, provided adequate increases in sale prices for the import of individual goods. In spite of these price correction measures by which the difference between the import prices for wheat, rye, fodders and raw materials for fats and the prices on the world markets could be diminished, but not fully absorbed, there still remained a considerable burden on the budget because of the existing prices on the world market and the projected quantities of imports, as well as by changes in the ways of financing (transfer of counterpart accounts to the public budget). Thus, the differences had to be covered by the next balance period, a fact which the government budget 1951-52 had to take into account. This problem will rise again with the end of the Marshall Plan aid in June 1952.

If one considers the results of these agreements as a whole, a clear success had been scored in the prevention of further increases of subsidies, in the improvement of real income of public servants. 652 434

434 pensionists and persons dependent on state relief.
652 The correction of some out-of-line prices was also effected. To achieve these results the gross income of wage earners increased by approximately 6.1 billion schillings, the tariffs by 1.5 billion schillings and the incomes of agricultural workers by 640 million schillings. A flow of money has been effected surmounting by many times the net effect of the transfers in incomes. Future regulations will provide the final easing of tensions caused by the structure of prices and wages. By the same token, the final solution of certain apparent budgetary problems (remaining subsidies) and problems of the economic policy must be postponed, especially in view of social considerations.

The increases of prices, wages, taxes and
435 tariffs by the fifth price and wage agreement caused, in many respects, a considerable movement of prices even in fields other than those comprised in the agreement. The intensity of this movement, however, was diminished by the continuing high industrial production (the number of employed reached more than 2.million people in the middle of the year) and by the sinking of prices in the world markets. However, there were a number of secondary, even tertiary, reactions which could not be avoided, although these reactions raised the general level of prices as a result of increasing demands in the second half of the year.

435 The prices of raw materials, however, were
439 stable in the early summer. The wholesale trade index of the Statistisches Zentralamt sank by 0.6 per cent (from 795 to 790; based on the formula 1938 = 100) from the middle of July to the middle of August. This was caused mainly by price reductions of the most important foreign raw materials (wool, rubber, tin), while domestic raw materials and semi-manufacturers (leather, petroleum, gasoline, building materials, aluminum and cellulose, among others) brought higher prices. This backward development led to a rise of domestic prices of raw materials and semi-manufactures so that they approximated the highly increased prices in the world market after the outbreak of the Korean conflict. Special problems in the development of foreign trade became acute because the prices of domestic finished goods had to adjusted to the levels of world market prices.

457

	1947[a]	1948	1949	1950[b]
	(In millions of schillings)			
A. Current Expenditures				
Import of Goods	312.0	489.8	603.7	481.6
Invisible Expenditures	4.3	6.0	21.1	28.5
Total	316.3	495.8	624.8	510.1
B. Current Income				
Import of Goods	90.7	206.9	291.5	335.0
Invisible Income	19.8	21.7	37.8	46.1
Total	110.5	228.6	329.3	381.1
C. Deficit of the Current Balance of Payments	205.8	267.2	295.5	129.0
D. Increase in Deposits of Foreign Currency	7.3	19.4	11.1	30.3
E. Debt Liquidation	--	8.0	7.5	6.9
F. Statistical Correction	† 6.0	† 6.7	- 1.3	†45.5
G. Import of Capital, including Aid Deliveries	219.1	301.3	312.8	211.7

a) According to estimates of the International Monetary Fund.
b) 1948, 1949 and 1950: According to reports of the Board of Directors of the Austrian Nationalbank.

In spite of the initial difficulties and in spite of the impossibility of taking up the threads of development as they were before 1937 (attention is called to fundamental changes in the political, economic and social structure of central and south-eastern Europe), Austria was able to hold to a level which secured inner stability and an equilibrium in external relations. With the help of foreign aid granted in the last few years, Austria was thus able to achieve, among other things, a balance of payments.

Since 1946, when the gross national product available for consumption and investments (goods and services) had sunk to almost half the prewar amount, the gross national product and productivity has been doubled in the last few years. By 1950, the prewar level was exceeded by 10 per cent. In the same period industrial production increased two-and-a-half times and the volume of the total agricultural production increased by approximately one-half. A relatively high 434 433

433 investment rate as well as an increase of the general
434 level of consumption was made possible by this extension of the gross national product.

In 1951, the gross national product (according to provisional calculations and estimations of the Oesterreichische Institut für Wirtschaftsforschung) increased by about 7 per cent in spite of production bottlenecks. This figure, however, is slightly lower than in 1950 (10 per cent), but still higher than could be expected in a normal economy. This increase was almost exclusively due to the industrial production which, owing to the 10 per cent rise in productivity, could produce 14 per cent more goods than in 1950. In this way reactions on the level of prices could be neutralized in some ways
[457] through the greater quantity of goods. However, as the exchange conditions in Austrian foreign trade deteriorated by 10 per cent, and as the increase in prices on the world market lowered the real value of foreign aid by one-third, the Austrian economy in 1951 had only about 4 per cent more goods and services (i.e., about 2.3 billion schillings) for consumption and investments at its disposal than in 1950. Tourist traffic showed an increase of about 20 per cent more overnight guests in 1950-51 than in the preceding season, but the remaining sectors of economy, especially agriculture, showed only slight progress.

434 In the previous six years, especially since
454 1948, a far greater part of the gross national product was invested than before the war. In 1937 only about 6 per cent of the available gross national product was used for investments. The percentage increased from 17 per cent in 1948 to 20 per cent in 1950. As a comparison, the annual average in Great Britain is about 18 per cent. In 1951 the increase of the gross national product invested reached its highest extent, about 21 per cent. The greater part of these investments was carried out within the scope of the public budget or through special funds (for instance, reconstruction fund for dwelling units) and out of ERP funds. (In 1951 about 3.7 billion schillings flowed in from the purchase of ERP goods upon counterpart accounts). The high level of the investment rate, however, was only possible with foreign aid. It will be one of the main considerations of the Austrian economic policy to keep to or divert an adequately high rate after the end of the Marshall Plan. In this connection the adjustment between the investment rate and the monetary stability as well as the distribution of investments between

industries of production goods and consumer goods, will gain top importance. 434 454

During the Marshall Plan period preference was given to short-term investments within the scope of the Austrian Investment Program 1950-52. The aim was to ease the strain on the balance of payments, either by an increase of exports or by a decrease of the import demands, whether by direct or indirect means (for instance, by lower prices for semi-manufactures in industries which depend upon exports). The decisive factor for the selection of investments was the degree of contribution to the balancing of payments within the shortest time possible. This had to be coordinated with the requirements for big projects which had been started or were far advanced. In this way the projects could be completed in a technically and economically sound way. By finishing the started projects, especially in electric energy and in the iron and steel industry, Austria should be enabled to use its rich natural resources (water power, iron ore) as rationally as possible and better than was the case before. In view of the low capacity of the domestic capital market these projects had to be carried out, as far as possible, within the ERP period. In spite of the continuation of big industrial projects, the main tendency of the three-years' program (1950-52) is to give industries and crafts which need export outlets as well as the tourist traffic higher counterpart sums in the last two years than they received in 1948-49. It is self-evident for reasons of export and social policy that the investment plan tries to support, above all, small and medium-sized enterprises of the semi-manufactures category and the crafts. [457] 652 454 457

Development of the most important economic fields is on the average satisfactory. One has to consider, however, that the full results of investment projects, especially the big ones, will not show up until 1954-55. Most impressive has been the development of the iron producing industry. Thus, for instance, in 1950 about 15 times more raw iron and 5 times more raw steel and rolled products were produced than in 1946. The production of the iron producing industry surmounted that of the prewar level in 1945. Compared to 1937, by 1950 the production of raw iron was higher by 128 per cent, that of raw steel by 46 per cent, that of rolled products by 37 per cent, and that of pressed and wrought iron products by as much as 246 per cent. This development continued in 1951. Thus, the production of 433 327

AUSTRIA'S ECONOMIC DEVELOPMENT

458 What were the effects of the inflation on Austria's economic life? It is impossible to give a comprehensive answer because an inflation of these dimensions affects practically every aspect of society. Nevertheless, some of its more important consequences must be indicated at this point.

Perhaps the most fatal effects were those on wealth and income. Wealth in money-form lost its value almost overnight. This was particularly hard on the small saver who had not the same knowledge or opportunities as the big investor or large company who quickly learned how to turn their liquid money into foreign exchange or into goods. By 1922, of course, practically everybody had realized the implications of a rapidly depreciating currency; even schoolchildren hoarded a few Swiss francs, dollars, or Czechoslovak Crowns which they had obtained in one way or other. But by that time the greater part of the savings of the middle and working classes, accumulated over decades, had melted to nothing.

458 The distribution of income, too, was greatly affected. Inflation is essentially a method of taxation which leaves
• 434 the actual money in the hands of the income receiver but reduces its purchasing power. It is, however, a form of taxation that falls very unevenly on different groups of the population. Some find their income reduced to a starvation level while others find their real income considerably increased. Huge profits were made as prices rose rapidly while costs lagged behind (at least before 1922 when most costs and particularly wages were more rigid than the price level). Those firms which grasped the essence of inflation at an early stage and turned these profits at once into plant, stocks of goods, or foreign exchange, emerged in greater strength at the end. Small firms, on the other hand, which had neither the financial experience nor the

same opportunities of quick and cheap buying, found their receipts insufficient to replace their working capital. The tendency towards concentration was thus greatly accelerated in this period. The larger concerns and the banks especially were able to expand at the expense of the smaller enterprises. 458 434

Although money wages rose considerably during the inflation, they lagged greatly behind the cost of living. This was true at least until 1922 when both prices and wages came to be fixed in terms of dollars (and thus rose automatically with every depreciation of the Crown). The following wage indices for certain categories of labour show the deterioration of real wages: 465 458

INDEX NUMBERS OF WEEKLY WAGE RATES OF WORKERS IN VARIOUS OCCUPATIONS IN VIENNA[1]

(1914 = 1)

	Bricklayers	Printers	Joiners	Metal Workers	Tailors	Cotton Spinners	Cost-of-Living Index
1921.							
Dec.	541	385	503	394	338	424	661
1922.							
Mar.	858	617	603	585	666	627	989
June	1,180	935	1,131	810	915	1,477	2,339
July	2,030	1,280	1,290	1,546	1,419	1,419	3,308
Aug.	2,910	3,270	3,019	2,162	4,481	4,675	7,422
Sept.	8,980	6,060	6,570	6,603	5,377	6,358	14,153
Oct.	11,600	7,270	8,333	8,637	7,618	7,714	12,965
Nov.	11,600	7,270	8,333	8,637	7,618	7,188	12,158
Dec.	11,300	7,270	7,666	7,786	7,085	6,837	11,737

Salary earners (such as clerks, teachers, and civil servants) were even worse off than wage earners as their incomes were revised upwards only at rare intervals.

Worst of all, of course, was the position of old-age 458 715

1 [CP CAT 116, p. 35 -- ANALYST]

RECOVERY

1932 League of Nations Loan to lower interest rates, 457
greatly eased the burden of Austria's foreign debt service. Interest payments fell from 282 million schillings in 1932 to 110 million schillings in 1937.

The improved position in the spheres of foreign trade 652
and foreign indebtedness, and the reorganization of banking after the fall of the Credit-Anstalt,[3] put Austria's finances on a thoroughly sound basis. The gold and foreign exchange reserves of the National Bank recovered to a comfortable level. This enabled the Government to do away with most of the exchange control introduced at the height of the crisis; and the value of the schilling was successfully maintained when, in 1936, three of Austria's neighbours—Italy, Switzerland, and Czechoslovakia—devalued their currency.[3] For the second time in her short history Austria had emerged successfully from a very difficult financial position. Confidence in her stability was restored, and in 1937 Austria was in the unique position among all the European debtor nations of obtaining short-term commercial credits on the London market.[4] There can hardly be any doubt that Austria could have solved her problems without any further foreign assistance had she been able to maintain her national independence.

Altogether, then, it may be said that Austria had passed 511
through a period of sound, if stormy, development in the twenty years of her existence. Many improvements were 434
still required, many mistakes remained to be made good. Nevertheless, Austria had reached economic standards which compared very favourably with those of most other countries in central and eastern Europe. Her economic structure was much more similar to that of the Western industrial nations, though her standard of living fell greatly short of, say, British standards. To illustrate

1 [CA CATEGORY 116, p. 77 --ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

AUSTRIA'S ECONOMIC DEVELOPMENT

511 Austria's intermediate position between the countries of eastern and western Europe, two sets of comparisons may 434 be given: one showing estimates of the national income of some of the countries in question; the other showing the yearly consumption of some manufactured consumer goods.[5]

ESTIMATES OF NATIONAL INCOME

Country	Year of Estimate	Approx. National Income per Head in U.S. Dollars
Austria	1935	150–160
Czechoslovakia	1937	150–160
Hungary	1937	90–100
Yugoslavia	1937	55–65
France	1936	270–280
United Kingdom	1935	490–500

ESTIMATED YEARLY CONSUMPTION OF SOME MANUFACTURED GOODS PER HEAD OF POPULATION

(Year: 1937)

	Cotton Goods (kilos)	Paper (kilos)	Sugar (kilos)	Wireless Sets (No. of Licences per 1,000 Persons)
Austria	5·1	14·8	19·5	92
Czechoslovakia	4·2	13·9	22·4	69
Hungary	2·4	10·0	12·7	43
Yugoslavia	2·0	3·5	5·4	7
Western Europe	8	30	32	120

THE NEW POLITICAL FRAMEWORK

178 In this second period of recovery Austria thus acquired what had only been half accomplished in the years from 1923 to 1929: a sound and stable economic foundation. But the recovery after 1932 did not simply pick up the threads of 1929. Political conditions had changed considerably, both at home and abroad; and this decisively

[5] [CP CATEGORY 116, P. 7 -- ANNEX -]

influenced the economic structure which emerged in these last years of Austria's independence. Two factors, in particular, were of importance: the changeover from a democratic to an authoritarian régime; and the rapid growth of the German trade offensive in south-eastern Europe.

At home, the most obvious results of the destruction of democratic institutions were of course to be found in the political field. But there were also important economic concomitants. The dissolution of free trade unions and of other democratic bodies eliminated every organized force which might have safeguarded the share of the mass of the population in the national income. While production as a whole returned to and even surpassed the 1929 level, the production of consumption goods—contrary to the experience in most of the other countries—remained far below it. The trade revival came largely from increased exports, rearmament, and public works.[7] The strong cartels which covered a large part of Austria's industry (e.g. in the iron and steel trades, in electrical engineering, in chemicals, rubber processing, sugar refining, in the paper and brewery trades, etc.) absorbed a large proportion of the rising national income into profits, and the revival failed to spread to the consumption goods industries which remained depressed and were a source of unemployment.

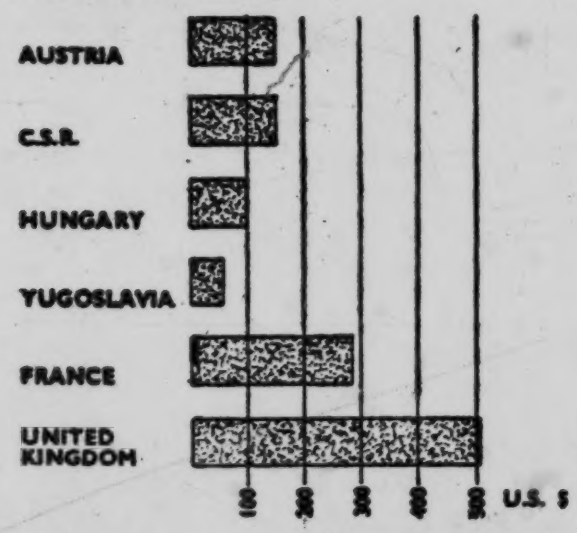
The external effects of the changed political situation were even more marked. In the inter-war period, and particularly after 1929, when tariffs, quotas, currency wars, etc., became the order of the day, the economic relations between most countries ceased to be governed by transactions between private traders. Foreign trade increasingly became the concern of governments, and economic policy a special aspect of foreign policy. Austria

[illegible] THE CHANGED political CONDITIONS OTTO L. 1932 [illegible]
[illegible] 116 P 71 [illegible]

1434

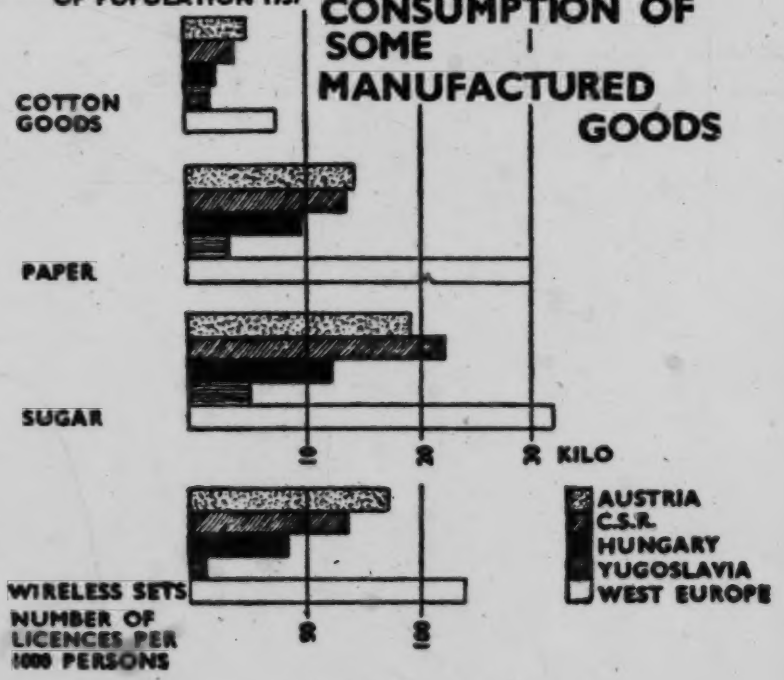
ESTIMATES OF NATIONAL INCOME

PER HEAD IN 1935 - 1937



ESTIMATED YEARLY CONSUMPTION OF SOME MANUFACTURED GOODS

PER HEAD OF POPULATION 1937



[p. 116]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

437 sufficient, the black market was in luxuries, and the people, on the whole, were law-abiding. The problem therefore was 433 primarily one for the police. In Austria rations were insufficient, the black market was in necessities as well as luxuries, and the consciences of the people were attuned to God and reason rather than to the law. The problem was thus rather a matter of economics, and in any case the Austrian police force was inexperienced and under strength.

437 The existence of the black market and the widespread use that was made of it were obstacles to the improvement of the 435 food situation as a whole. The fact that foodstuffs were being sold at such extravagantly different prices made the farmers reluctant to increase their official deliveries. The black-market rates were excessive, but the official rates were beneath world levels and unfairly low for the producer. In spite of the efforts of the authorities, which included the threat of imprisonment, the farmers did little to help. Some of them dealt on the black market, and others found it more profitable to feed grain to their animals than sell it at the official price. During the difficult spring of 1946, the meat deliveries from the provinces to Vienna fell 90 to 100 per cent short of the allocations.

If the attitude of the farmers was neither helpful nor patriotic, it was the ineffectiveness of the whole system that was chiefly to blame. In these circumstances the Austrian Government's own measures to deal with the food problem were slow to show results.

433 There were two further reasons why the shortage persisted. 439 Additional food supplies were required from abroad. But Austria's traditional sources of supply had been Hungary, Poland, and Yugoslavia, and immediately after the War these countries were not in a position to export foodstuffs. Hungary and Poland later fell increasingly under Russian economic influence. Secondly, Austria had not the resources with which to pay for imports. In terms of exports grain now cost nearly twice as much as before the War, and such foreign exchange as was earned was required to buy raw materials and equipment for industry. A vicious circle was in operation: exports

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

was raised successively to 1,600 and 1,700 calories a day. In June 1948 it went up to 1,800, and the following September to 2,100. Between December 1947 and December 1948 black-market food prices fell from 64 per cent to 15 per cent of the figures for January 1946. This meant that it was at last reasonable to devote a smaller proportion of foreign aid to foodstuffs and a greater amount to economic rehabilitation. Of the £8,500,000 provided by Britain, less than £1,500,000 was spent on food, about the same amount on agriculture, £2 million on coal, and over £3 million on the most urgent industrial needs. Of the American Congress aid allocated for the first half of 1948 just under 60 per cent was devoted to food and just under 40 per cent to agriculture and coal, which was of such vital importance to industry.

The administrative responsibilities of the British and Americans in Austria made them highly sensitive to the country's needs. In spite of the obvious drawbacks of the occupation, there were certain advantages for Austria during the first precarious post-War years in the presence of the Western Allies on her territory. Without them the process of rebuilding the administration and economy after the collapse of the Nazi system would almost certainly have been accompanied by even more acute material shortages than those that were actually experienced.

Though the Austrian basic ration did not rise above 1,600 calories a day until November 1947, the minimum physiological needs of the normal consumer have been estimated at 2,160 calories. It might have been expected, therefore, that the results of so long a period of under-nourishment after the strain of the War would have been far worse than they actually were. One reason why they were not has already been mentioned: a large number of people resorted to the black market. But there were two other explanations.

During 1947 there were approximately 5 million Austrians in the rationed, as opposed to the self-supplying, category. Of these only about 2 million were normal consumers in receipt of basic rations. All the rest, either as employees, workers,

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

458 Such conditions, combined with the hardships that have already been described, carried with them the danger of serious 435 unrest, and it is fortunate that a method was worked out in 465 1947 by which wages as a whole could keep pace with the steadily rising prices. The method, which was used each year between 1947 and 1951, had its good and bad sides. On the one hand, it contributed to the steady and controlled nature of the inflationary process and ensured the harmonious settlement of the wage question. On the other hand, after the first two years, when its effects were predominantly good, it accentuated inflationary tendencies.

The system involved the co-operation of the Government, the trade unions, and the Chambers of Industry, Agriculture, and Labour. The representatives of the employers and the employees in the Chambers and the trade unions worked out, in consultation with the Government, a general agreement covering the prices of basic necessities and the wages of the different classes of workers in all branches of the economy. The proposals were then submitted to Parliament for approval.

This procedure was only possible owing to the spirit of co-operation and conciliation called forth by the emergency. Austria would not have recovered as soon as she did from the post-War economic crisis had her revival been held back by serious industrial disputes, and the political consequences of such disputes would have endangered the country's unity. The Coalition Government fully realized the position, and its broad composition fitted it well for a mediatory role. The employers' representatives and the trade unions were also aware of the dangers. The common sense and intuition of the Austrian people led them to support their leaders.

467 The country was fortunate both in the organization of its trade unions and in the nature of their leadership at the time. The fact that the Austrian Federation of Trade Unions had been established on an all-party basis in 1945 was of decisive importance in the price–wage negotiations. It meant that in spite of the Socialist preponderance among union members every party was represented on the workers' side in the dis-

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cussions. Herr Johann Böhm, President of the Federation, revealed himself as one of the big personalities in post-War Austria. Like Ernest Bevin in war-time England, he combined loyalty to the workers whom he represented with breadth of outlook and courageous patriotism. 467

Between the spring of 1946 and the summer of 1947 wages followed prices upwards in a dangerous spiral movement, though they lagged slightly behind prices and were in reality still farther behind owing to the need to purchase food on the black market. Yet the prices charged for such public utilities as gas, electricity, and transport were below the level that production costs justified. And official food prices were unreasonably low, whether judged by world levels or by the cost of producing home-grown food. The two main purposes of the First Price–Wage Agreement were to check the spiral movement, which showed signs of getting out of control, and to make an adjustment in wages to allow for the higher food prices and public utility rates that were approved at the same time. 458 435 465

The Agreement took effect on the 1st of August 1947. Food prices were raised on an average by 58 per cent, while the rise in public utility rates varied from 50 to over 100 per cent. Wage and salary increases varied considerably between different categories. But, on the whole, salaried employees obtained less than wage-earners, and skilled workers less than unskilled; that is to say, the poorer paid received the greater proportionate increases. In addition, on the 1st of August the Government decided on certain tax-relief measures for those with small incomes. This levelling tendency was a characteristic of all the Price–Wage Agreements except the last. It was justified as a protective measure, when the total supplies available to the Austrian people were scarcely sufficient to cover their basic needs. But it reduced incentive to workers to earn promotion to a higher wage category by their own efforts and became less defensible, as economic conditions improved. 435 465

By the terms of the Agreement, individual trade unions renounced their right, while it lasted, to take independent action

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435 465 to increase wages. But it was recognized that the Federation of Trade Unions could terminate the Agreement, and demand higher wages, if at any time the cost-of-living index should rise more than 10 per cent above the wage-rate index. Actually this state of affairs occurred within three months, but currency reform was then imminent, and the trade unions decided to continue the Agreement. In the end it lasted for just over a year and performed a valuable service at a critical time.

When the year was over the cost of living had risen by an additional 15 per cent, and the Government was anxious to abolish some of its food subsidies, a procedure which would have the effect of raising it still farther. There had, however, been some progress towards economic recovery, and the national income was rising. In order that wage rates should keep pace with these two tendencies, the Second Price–Wage Agreement was made in September 1948. Government subsidies for meat, milk, and fats were removed. At the same time wages and salaries were increased by 6 per cent. A flat-rate food bonus of thirty-four schillings a month was given to every employee by his employer, and a family allowance of twenty-three schillings a month was paid for every child by the State. The policy of equalizing incomes was much less marked than in the First Agreement, but the introduction of the flat-rate bonus carried the levelling process one step farther.

The Third Price–Wage Agreement of May 1949 was due to the danger of a serious budget deficit. It was a much more complicated measure than the first two and involved the introduction of additional taxes and of an important piece of social legislation.

Railway and tram fares, postal charges and the cost of gas and electricity were all increased. Social insurance contributions were raised and higher taxes imposed on income, capital, and purchases. Government subsidies on coal, potatoes, and grain were abolished.

[745] To gild the pill as far as possible and offset in some measure the rise in living costs a series of concessions were made. An adequate system of old-age pensions for workers was introduced.

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duced. In place of the food bonus a flat-rate increase in wages and salaries of thirty groschen an hour or sixty schillings a month was introduced, on top of which there was to be a further 4½ per cent rise. Children's allowances were to be raised to thirty-seven schillings a month. The combined effects of the increased taxes and the various concessions, on this occasion, were strongly levelling in tendency. Medium incomes were particularly hard hit, and in some cases net incomes were actually reduced at a time when the cost of living went up by at least 14 per cent. But nobody came off very well. Even in the case of the average worker's family the net rise in wages was little more than half the percentage increase in the cost of living.

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The comprehensive nature of this Agreement and the fact that it was the third in three years suggested the danger that it was a device to which the Government might resort to solve all its financial problems. Certainly at this stage the economic disadvantages of the system began to outweigh the advantages. The Agreements regulated, but did not check, the inflationary process, and producers and consumers now began to reckon on rising prices. The habit of saving, which heavy taxation had already made almost impossible, was thus positively discouraged.

For a short period during the first half of 1950 prices began to fall, but with the outbreak of the Korean War in June rising prices again became a problem. There were two other reasons for the Fourth Price–Wage Agreement, which was approved in September 1950. In preparation for the end of Marshall Aid in 1952 the Economic Co-operation Administration wanted to remove the ERP subsidies on Austrian imports. Secondly, the farmers justifiably demanded that a higher price should be fixed for bread-grains, which were being sold at two and a half times the pre-War price, although the cost-of-living index was nearly five times as high as in 1938. The demand was not popular, as the farmers on the whole had suffered a good deal less than other sections of the community. But unless some adjustment were made there was no hope of increasing home

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production of bread-grain, and the farmers would continue to feed it to their animals.

The Agreement came into force on the 1st of October. ERP subsidies were reduced by more than a half, and higher prices were fixed for wheat, rye, and sugar-beet. To compensate for the increased cost of living, all wages and salaries were raised by 10 per cent, with a minimum rise of 100 schillings a month for the lower categories; pensioners received an extra fifty schillings a month and children's allowances went up to sixty schillings. This time special provisions were again made for the lowest-income groups, and it was intended that the main burden should fall on industry and the State.

The fifth and final Price–Wage Agreement was made in July 1951 and was one of the most comprehensive of the series. In the first place, it carried a stage farther the programme of the previous Agreement. The new prices fixed for agricultural produce in 1950 were the result of a compromise and still did not prevent farmers from using bread-grains as feeding-stuff. Increases were approved in the prices of wheat, rye, and milk, and these in turn led to a rise in the cost of butter, cheese, and flour. ERP subsidies on imports were removed altogether. One of the general results of the Price–Wage Agreements had been to bring Austrian prices nearer to world price-levels. This process was not yet complete, but in future such subsidies as were retained were borne by the Austrian budget and were therefore in no danger of being taken for granted by the Government.

The Agreement raised the rates charged by most public utilities, including railway and tram fares, postal and telephone charges. Social insurance contributions were also increased.

As compensation for the higher cost of living, wages were raised by 10 per cent, with a minimum rise of 140 schillings a month. Children's allowances went up to 105 schillings, and pension rates were increased.

The slight levelling tendency of these adjustments was more than offset on this occasion by certain provisions of the Agreement, which attempted to restore in some measure the former

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differentiation between wages and salaries that previous Agreements had progressively diminished. The increase rate for salaries at 12 per cent was slightly higher than that for wages. Furthermore, something was at last done for the long-suffering class of administrative Civil Servants, whose vital contribution to Austrian recovery had so far been rewarded only by measures discriminating against them. Their salaries were raised by rates varying from 28 to 58 per cent, with the highest increases going to the senior officers. But it must be remembered that these gross increases would be considerably reduced, especially at the higher levels, after taxation had been deducted.

All the Price-Wage Agreements had one thing in common: they tried to redistribute an inadequate national income during a period of inflation and at the same time give rise to a minimum of discontent. But the fact remained that there was not enough to go round, even judged by the low standards of the difficult years between 1918 and 1945. Each of the Agreements achieved something of value, especially the first two, but each was a kind of conjuring trick in which the Government tried to make everyone happy when the conditions for material satisfaction were absent. The trick was never more than temporarily successful, and it grew stale with repetition. Furthermore, the audience, who had no alternative but to watch, began to take precautionary measures that progressively reduced the conjurer's chance of a successful performance.

This weakness became unmistakably clear during the months that followed the Fifth Agreement. The increase in salary and wage rates very soon led to an alarming rise in prices at a time when world prices had become comparatively steady. Between the outbreak of the Korean War and November 1951 the cost-of-living index in Austria rose by about 50 per cent, compared with about 11 per cent in England and Germany, 9 per cent in the United States, and 7 per cent in Switzerland. In fact the attempt made in the Fifth Price-Wage Agreement to combine the removal of subsidies with raising incomes all round simply did not make sense. The higher wages and salaries soon led to a further rise in prices, and within a few

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465 435 months the real incomes of most Austrians were slightly lower than they had been before the Agreement. Such a development was the inevitable result of the abolition of foreign subsidies, and no amount of conjuring could prevent it. The Agreement did, however, have the harmful effect on Austrian exports that has already been described and that could have been avoided.

This situation was part of the background against which many Austrians decided that the time had come for the Government to adopt a new economic policy and against which the new Ministers of Trade, Finance, and Agriculture took office. The only way for Austria to raise her standards of living, now that foreign aid was coming to an end, was to produce more and strengthen the competitive power of Austrian goods in world markets by increasing productivity.

Yet a final judgement on the Price–Wage Agreements cannot be reached if they are regarded from an economic standpoint only. Their social and political consequences were of no less importance.

On Austrian society as a whole the Agreements had both good and bad effects. Their general tendency to equalize incomes by a levelling-up process was reasonable in the circumstances. At a time of desperate national shortage something had to be done to ensure that the barest needs of the lowest-income groups were satisfied. So far as organized workers were concerned, this result was achieved. But there were other poorly paid categories whose needs were largely or entirely neglected, such as young professional men and women and retired civil servants with small pensions. In December 1948, after the first two Agreements, the incomes of unskilled industrial workers had risen by 350 per cent since April 1945, while the figures for retired civil servants varied between 51 and 114 per cent. These anomalies, together with the injustices resulting from the currency laws, were not only wrong in themselves but, on a long view, constituted a threat to the whole structure of Austrian society.

The political results of the Agreements can be assessed more

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decisively. With all their faults, they ensured the smooth transition of the economy through an exceedingly difficult period. Production and the slow, laborious process of recovery were not held up by strikes. Nor were the opponents of true democracy in Austria given any encouragement to hope that Austrian workers would turn to totalitarian solutions through desperation. The relationship maintained by the Agreements between the cost-of-living index and the wage-rate index was a fiction, because basic necessities could not all be bought at the official prices on which the cost-of-living index was based. But in the circumstances it was a necessary fiction, and the workers were at least justified in their belief that the Government, the employers, and the trade unions were working together to achieve the justest solution possible. Perhaps most important of all, the Agreements were made possible owing to a sustained joint effort between Right and Left, between trade unions and employers, which was in marked contrast to the bitter hostility of pre-War years and was an educative experience of incalculable importance for the political future of the country.

INTRODUCTION

121 In my capacity as Foreign Consultant to the Library of Congress, I attempted to provide in this study a report on Austria's postwar economic problems accompanied by a short survey of the Austrian economic theory and related literature.

The survey deals with the reconstruction of Austria in the period from 1945 until 1952, and the major economic elements and features sponsoring the reconsolidation of the country are considered. 647 The ideological reflections elaborated therein are the result of those basic decisions which had been shaped within the scope of the Ministerial Committee for Economic Questions, which is a sub-committee of the Federal Austrian Government. The Ministerial Committee for Economic Questions is a joint bipartisan committee consisting of representatives of the Austrian People's Party and of the Socialist Party of Austria and functions in accordance with the constitutional rules of the Austrian Federal Government. Consequently, resolutions made by it require in each case unanimous vote of its members. Built up on this fundamental basis are the big investment programs of the Austrian Federal Government, which have been carried through during the last years, particularly after the ERP Program started. These programs are set up by the ERP Central Office of the Federal Chancellory in permanent consultation with the competent Ministerial Departments and the interested parties of industry, trade and commerce before a definite decision is taken by the Ministerial Committee for Economic Questions, whence they are reforwarded to the respective sections of the ECA Service.

465 As regards the five agreements about wages 435 and prices reached in the years from August 1947, 652 they were negotiated and passed as a result of common deliberations between the various interested economic associations (Federal Chamber of Industrial Activities, the Chamber of Agriculture, Labor and Trade Union), whereby, in this sector which is so important to the whole economy of the country, a middle line was maintained and the political interests coordinated as far as possible. In this connection it might be considered that all political parties agree in the view that the real wages and salaries of the workers and employees should be maintained, thus

435 preventing a disastrous decline in the buying power
465 of the broad classes of the population. The unavoid-
652 able adjustment of certain distortions in prices as well as the entire stabilization of wages and prices was undertaken on the basis of the economic, budgetary and credit policy. This applied also to the coordination of prices of specified agrarian products which, in the general development, have to a large extent re-
454 mained below an adequate level. These adjustments were
652 intended chiefly to insure an utmost favorable development of savings deposits and the initiated investment program without intensifying inflation. The promotion of capital accumulation, thereby encouraging the influx of new savings capital to the banks and institutions, and the systematic consolidation of capital reserves of the insurance companies and of the social insurance institutions will, particularly in Austria, gain special importance in the coming years. As a consequence of the elimination of the counterpart funds and of the relative slow reflux of the means invested, resulting in limited possibilities of rediscount with the National Bank, the necessarily long-postponed replacement of the long-term and expensive bank credit to the capital investment market has been initiated. Expressed in other words this means that the reconstruction of the capital basis of economy, by opening the cheaper sources of financing offered by the capital market, should facilitate new short and middle-term credits and consolidate long-term credits which had previously been granted (especially investment and reconstruction credits). It should also contribute to an improved competition of Austrian products on the world markets through an adequate reduction of one of the chief factors of the basic cost price, i.e., credit procurement.

All measures of an economic-political nature which are taken, however, are not applied in a purely dogmatic way. They are effected within the ideology of the two big political parties of Austria and thus of the Federal Government, which is sustained by the coalition in power. It might be explained that the economic political measures described in the following survey are approved in principle by both of the leading political parties, though it may be that they differ somewhat as to the means and methods of reaching determined aims of political economy.

The problem of increasing economic productive-
125 ness receives particular attention from the Austrian
433 Federal Government and the Austrian Productivity Center. Labor and management are equally represented in this

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		Million Schillings
I. Proceeds of sales		449.1
II. Charged to special account:		
a) Released for monetary purposes	75.0	
b) Released for the financing of the Austrian investment program	363.1	
c) Other releases	3.6	441.7
III. Balance of the special account (ECA account)		7.4

In carrying out the program the Austrian Federal Government, upon request of the ECA Mission, is required to deposit to a special account (Post I) the counter value of ECA dollar expenditures at the prevailing rate of exchange. This deposit is made by the Austrian National Bank for the account of the Austrian Federal Government. The Austrian National Bank, which credits the deposit to a special account of the Federal Ministry of Finance (Post II), later receives reimbursement upon receipt of sales proceeds. However, since some of the imported commodities are sold at cheaper price levels than prevailing domestic market prices the amounts thus deposited to the proceeds account (Post II) are insufficient to reimburse the Austrian National Bank for its advance to the Austrian Federal Government (Post I). Furthermore, since the imports and the sales of procured commodities never occur simultaneously (time-lag), the deposited sales-proceeds usually amount to less than the counter values. The difference (Post II b) between the original Government deposits (Post I) and the sales proceeds (Post II) therefore represents partly a subsidy (price gap or ERP subsidy) and partly an advance (time-lag deposits) against later proceeds deposits. Although the advances are being repaid currently and no advanced amounts will be outstanding shortly after termination of the ERP, this will not be the case with regard to price-gap amounts. The latter represent Government subsidies advanced by the Austrian National Bank (covered by Federal Bonds). The financing of the Austrian National Bank cannot result in inflationary tendencies since the amounts, blocked in the counterpart account, are not considered in release provisions. Therefore, not being released, they do not return to circulation. At the termination of ERP it will become necessary to stipulate provisions covering the

457 652 created a new situation. As a result of this devaluation process, the Federal Government, in November 1949, decreed a reorganization of the foreign exchange market. This was intended to be the first step towards the establishment of a uniform exchange rate system. The official rate of exchange, henceforth called the basic rate, was increased from 10 to 14.40 schillings per 1 U. S. dollar (in accordance with the devaluation of the English Pound Sterling). At the same time a variable premium rate of exchange, presently fixed at 26 schillings to 1 U. S. dollar, was established. Exporters were required to give up 40 per cent of their foreign exchange proceeds at the basic rate. The remainder they could retain for payment of their imports within a period of 60 days or could offer to the Austrian National Bank at the premium rate. Goods to be imported were classified into three groups. Those listed in schedule A were imported at the basic rate of exchange, those listed in schedule B at a mixed rate (21.36) and those appearing in schedule C at the premium rate. Goods imported within the scope of the ERP, commodities to be disposed at prevailing cheaper price levels, were grouped with the mixed rate. Service charges and capital transactions were dealt in at the premium rate.

457 435 465 652 There remained, however, a conspicuous discrepancy in the import exchange rates which introduced disturbances into the cost-price structure of the economy, and these in turn influenced living costs and wages.

[649] Upon recommendation of the International Monetary Fund, a unification of the exchange rates had been considered at the time the multiple exchange rate system was promulgated, i.e., during November 1949. At the [654] same time, and in order to ease budgetary strains, the system of subsidizing essential commodities like food, coal and agricultural necessities (which up to now had been sold at cheaper levels because of the ERP imports or imports financed under the basic rate of exchange) had to be substantially curtailed. Since any increase in the prices of grains and grain products was likely to impair living costs and wages, difficult situations arose. As a result of the changed price and wage relations, certain price and wage adjustments as well as a partial reduction of subsidies (covering sugar, coal and agricultural products) had already been promulgated in 1947, 1948 and 1949. After due consideration between political representatives and economic interests, a fourth price and wage agreement was enacted on September 27, 1950.

IV. AUSTRIA'S ECONOMIC POSITION IN 1951

452 The following points are characteristic of the economic trends in 1951.

1. In the monetary field: the tendency in the world economy toward forcing reductions in the credit policy; the figures will be rounded-up by an increase of the bank rates toward the end of the year;

652 2. In the budgetary field: the approaching end of
435 ERP aid makes it necessary to reduce the price supports still existing;

454 3. In the field of investment policy: a reasonable balance between the investments of the production goods sector and the consumer goods sector is to be prepared; by increasing the offer of goods ready for consumption and export the imbalance in the balance of payments will be overcome as rapidly as possible;

439 4. In the field of foreign trade: the shortage of raw materials and the existing discrepancy between the trade and foreign currency balance (deterioration of the exchange rates) make special laws and measures necessary to promote exports;

435 5. In the field of prices and wages policy: certain
465 discrepancies in prices, especially in the agricultural sector, make necessary adequate adjustments as well as improvements of real income of wage earners to the level of higher prices;

6. In the field of production and productivity: a general increase of the capacities and the extent of capacities, is necessary between the social partners and the abolition of burdens which prevent an increase in production. Adequate relations should be created.

A. International Economics and Austria's Reaction

000 A glance at the representative statistics prove that international development proceeded along quite different lines in 1951 than was expected at the beginning of the year. The steep rise of prices for raw materials, especially those of wool, tin, rubber, which started from the beginning of the Korean crisis have created an ever-increasing inflationary tendency.

aid which wat granted.) The result was not only a very early claim upon direct aid (in the third ERP year, i.e., from July 1, 1950. to June 30, 1951--$.81 million dollars) but also an exhaustion to a very considerable degree of the Initial Position supplied by the EPU in the amount of 80 million dollars. To ease the precarious situation, the OEEC was asked to increase the direct aid and to extend the Initial Position. This was granted by ECA after complicated discussions with regard to the special situation in Austria; at last, amounts of 18.2 and 10 million dollars, respectively, were granted for the period up to June 1951. 457

B. Credits, Wages, Prices and Subsides (Measures and Agreements).

The higher prices of foreign raw materials, their shortage, and the reactions which followed the fourth price and wage agreement reached between the Chambers of Economy (Wirtschaftskammern) in September 1950 led eventually to an actual transfer of the single cost elements, thus endangering the potential exports of Austria designed for the international market. In 1950 the center of gravity in the foreign trade policy lay with the foreign currency policy and was the main concern of the Nationalbank. The existing international shortage of raw materials shifted this center to the planning of quantities of imports and exports. The Austrian Federal Government, therefore, had to coordinate Austrian economy with world economic conditions. A number of economic-political proposals were introduced in the National Assembly which, limited in time to June 30, 1952, were enacted in the last session of the Fall Convocation 1950-51 (ending in February 1951). These were the laws enacted: 652 [439]

1. The law concerning the creation of an economic directorate (Wirtschaftsdirektorium) consisting of members of the Federal Government, it has as its task coordination in the fields of production, prices, food supplies and foreign trade policy. 656

2. An amendment to the price control law (Preisregelungsgesetz) to exercise a rein upon prices; [435]

3. An amendment to the raw materials allocation law (Rohstofflenkungsgesetz) which is supposed to channel raw materials of which there is a shortage toward those goals which are most urgent economically; [438]

652 4. An amendment to the foodstuffs control law (Lebensmittelbewirtschaftungsgesetz) which aims at assuring a basic amount of food for the people;

5. The foreign trade law (Aussenhandelsverkehresgesetz) aiming at providing a legal groundwork for the coordination of the procedures and decisions of the Economic Directorate with the activities of those officers who were entrusted with handling problems of foreign trade.

Moreover, it became necessary (as was already the case in other countries) to take certain measures in money and credit policy against the progression of inflationary forces.

652 One of the first results of internal measures was an agreement reached between the Austrian Nationalbank and the Association of Austrian Banks and Bankers on March 16, 1951, concerning the procedures for a qualitative selection of credits. Its aim was to prevent the extension of credits which could not be reasonably justified. A new definition of the economically non-justifiable credits stipulated a sharper selection of the individual applications. In extension of this agreement, another agreement was reached between the Ministry of Finance and the abovementioned group of credit institutions, sanctioned also by the Austrian Nationalbank, as of April 6, 1951. A quantitative control of credits was provided exceeding the items of the former agreement. The credit institutions which made this agreement accordingly obligated themselves to maintain, for the beginning, a liquid reserve of 25 per cent in foreign means. An increase of this reserve to 30 per cent toward the end of 1951 was anticipated, with the condition that then 10 per cent liquid means of first grade and 20 per cent of such means of the second grade must be kept on hand. (Liquid means of the first grade are: cash, deposits at the Austrian Nationalbank and at the Oesterreichisches Postsparkassenamt. Liquid means of the second grade are: negotiable federal savings bonds at the Austrian Nationalbank, checks, payable coupons, deposits which may be used as collateral at the Austrian Nationalbank, deposits payable daily at the Austrian credit institutions.)

435 After rising prices had relaxed somewhat in
652 May, prices in general rose again after June (partly seasonal). The indices of wholesale and retail prices as well as of the living cost were rising again thereby

bringing new problems of adjustment. These were solved by a new general agreement of the Chambers of Economy (in July 1951), in which the main considerations were: the out-of-line prices in agriculture, the necessity of decreasing the subsidies for imports still existing, and the boosting of tariffs. Special aims of the economic policy were: 652 [435]

1. To restrict the utilization of foreign aid for consumption goods in order to afford a bigger part of the total volume of goods and services for investment activities or, at least, a non-fluctuating part in the case of a decrease in foreign aid. The top aim was a change in the utilization of the gross national product. [434]

2. To balance the agricultural prices which were out of line. In this way, conditions were to be created for an optimal distribution of the available aids through the price mechanism (changes in the constitution of the gross national product). [435]

3. To effect conditions for a new distribution of income; this referred, in the first place, to agriculture and employment in public services, to persons living on state relief and pensionists (for these last two groups an adjustment of the real income was secured by the so-called "Nachziehverfahren"); the real wages of the other wage earners should be kept on the existing level (changes in the personal distribution of the gross national product). [454]

It was not easy to encompass these aims within the concept of economic policy, since automatically secondary and tertiary reactions to these changes were to be expected upon the total price structure. Be that as it may, the immediate results of this agreement were the following regulations:

1. Agriculture received higher production prices for wheat, rye and milk, by which a better market capacity might be obtained (stimulation of the production). [438]

2. The subsidies for the import of bread grains, fodder grains, and raw materials for fats were diminished. Consumer prices corresponded generally to the average (newly calculated) prices of the producer (unless fixed by special regulations). As far as import subsidies continued, they became part of the budget while the incomes from sales were kept on the same level of value as those from the ECA counterpart accounts. [654] [439]

435 655 [651] 3. The tariffs of the public corporations (Federal Railway, Posts, Tramways) as well as the prices for current were increased from 20 per cent to 100 per cent to keep pace with the prices on the world market which had increased due to increases in cost (especially the price of coal); the trend toward a deficit in the Federal Railway and public service enterprises had to be checked. In spite of these considerable increases, these price rises were only three to five times as high as the level of 1937.

[646] 4. On the basis of the newly calculated producer and import tax prices, new retailer prices were worked out; to balance this rise every receiver of gross wages received an additional income of from 10 per cent to 12 per cent per month, but at least a minimum of 140 schillings. For persons in the public service, special measures were taken on the ground of the so-called "Gehaltsüberleitungsgesetz."

[68] 5. Finally, in immediate connection with this agreement a number of taxes and duties were altered: progression of the taxes on wages and incomes; a change in the rates of the mineral tax; a change in the contributions of the employers to the balance funds for charitable relief; a change in the turnover-tax; on the grounds of the law of adjustment of social insurance of 1951, the basis of the maximum contributions to social security were changes.[2]

[648] [654] The most remarkable progress within the scope of this agreement, however, was (as already mentioned) the reduction of subsidies. As is known, the individual ERP countries obligated themselves in the bilateral economic agreements (Austrian agreement, August 2, 1948) toward the USA to pay the full value of the American relief deliveries in the currency of the recipient country on a special account (counterpart accounts). These accounts should be disposed of by the individual governments in accordance with the approval of the ECA to cover, as a rule, the financing of productive investments and to support currencies. The utilization of these means for financing for consumer goods should be limited as far as possible, although this had been tolerated in the beginning to raise the general standard of living. The purpose of this limitation was not to prolong the dependence upon foreign aid which was to end toward the end of June 1952.

457 652 With regard to the necessary balancing of the balance of payments (the special measures to achieve

1 [i.e., in July, 1951. Cf. cat. 116, p. 97, for rationale--Analyst]
2 [sic.,--Analyst]

these aims will be discussed later), which becomes more and more urgent because of the decrease in ERP funds, means from counterpart funds for investment aims had to be released to an increasing degree. 457 652

The Austrian government declared, therefore, its readiness as early as the fourth price and wage agreement to abolish all ERP subsidies for imports. In the interest of keeping living costs at the lower level, also, certain quantities of vital goods were provided at lower prices in 1951. Besides fertilizers and raw materials for fats (which continued to be calculated on the basis of former prices), the prices of wheat and fodder corn were increased but they still remained far below the prices on the world market. In addition, smaller subsidies were provided to support the prices of sugar, glass, drugs, and hides. 652 435 439 654

In spite of the partial abolition of subsidies, they still amounted to approximately 1 billion schillings for the period from October 1950 to June 1951. Seven hundred and fifty million schillings went to the debit of the counterpart accounts and 250 million schillings to the debit of the budget. Further subsidies had to be faced for two reasons: a sinking of the allocated means in the last year of the Marshall Plan (1951-52) had to be taken into consideration; and further means were necessary to continue investments which already had been started.

The agreements, therefore, provided adequate increases in sale prices for the import of individual goods. In spite of these price correction measures by which the difference between the import prices for wheat, rye, fodders and raw materials for fats and the prices on the world markets could be diminished, but not fully absorbed, there still remained a considerable burden on the budget because of the existing prices on the world market and the projected quantities of imports, as well as by changes in the ways of financing (transfer of counterpart accounts to the public budget). Thus, the differences had to be covered by the next balance period, a fact which the government budget 1951-52 had to take into account. This problem will rise again with the end of the Marshall Plan aid in June 1952.

If one considers the results of these agreements as a whole, a clear success had been scored in the prevention of further increases of subsidies, in the improvement of real income of public servants. 652 434

434 pensionists and persons dependent on state relief.
652 The correction of some out-of-line prices was also effected. To achieve these results the gross income of wage earners increased by approximately 6.1 billion schillings, the tariffs by 1.5 billion schillings and the incomes of agricultural workers by 640 million schillings. A flow of money has been effected surmounting by many times the net effect of the transfers in incomes. Future regulations will provide the final easing of tensions caused by the structure of prices and wages. By the same token, the final solution of certain apparent budgetary problems (remaining subsidies) and problems of the economic policy must be postponed, especially in view of social considerations.

435 The increases of prices, wages, taxes and tariffs by the fifth price and wage agreement caused, in many respects, a considerable movement of prices even in fields other than those comprised in the agreement. The intensity of this movement, however, was diminished by the continuing high industrial production (the number of employed reached more than 2 million people in the middle of the year) and by the sinking of prices in the world markets. However, there were a number of secondary, even tertiary, reactions which could not be avoided, although these reactions raised the general level of prices as a result of increasing demands in the second half of the year.

435 The prices of raw materials, however, were
439 stable in the early summer. The wholesale trade index of the Statistisches Zentralamt sank by 0.6 per cent (from 795 to 790; based on the formula 1938 = 100) from the middle of July to the middle of August. This was caused mainly by price reductions of the most important foreign raw materials (wool, rubber, tin), while domestic raw materials and semi-manufacturers (leather, petroleum, gasoline, building materials, aluminum and cellulose, among others) brought higher prices. This backward development led to a rise of domestic prices of raw materials and semi-manufactures so that they approximated the highly increased prices in the world market after the outbreak of the Korean conflict. Special problems in the development of foreign trade became acute because the prices of domestic finished goods had to adjusted to the levels of world market prices.

A comparison of the Nationalbank's position as of the key-dates (December 31, 1950 and 1951) gives the following picture. 652

	1951	1950	† or -
	(In millions of schillings)		
ASSETS			
Gold	51.1	50.3	† 0.6
Foreign currencies	582.5	449.3	† 133.2
Checks	1,709.8	809.2	† 900.6
Teilmünzen (coins)	2.3	2.8	- 0.3
Reconstruction credits	4,041.9	2,227.0	†1,814.9
Bonds (under par. 27 of the Währungsschutzgesetz)	807.0	749.3	† 57.7
Bonds (under par. 2, item 1, of the amendment of the Notenbanküberleitungsgesetz)	1,402.7	1,200.2	† 202.3
Loans	34.5	34.7	- 0.2
Money debts of the state	2,029.9	4,123.9	-2,094.0
DEBITS			
Circulation of bank-notes	8,032.0	6,348.9	†1,683.1
Free banking accounts of credit institutions	539.5	428.6	† 110.9
Others	580.6	987.7	- 407.1
Closed banking accounts of credit institutions	40.3	40.3	--
Others	1,469.3	1,841.4	- 372.1

Finally, one can state that in the course of the year 1951 the total volume of the means of payments increased by 20 per cent, the circulation of bank notes alone by about 26.5 per cent. At the same time there was an increase of the general level of prices by about 40 per cent. [436] [435]

The adjustments and reactions of the last year which are shown in the first half of the year in an extension of and in the last quarter of the year in a contraction of the credit volume are, however, only one side of a total economic problem. The problem itself is characterized by achieving a balance of payments.

439 If one examines the structure of these re-
457 sults more closely, one will see immediately that the
deficit of the trade balance is by far the biggest
652 burden to the total balance, which is not covered at present by the moderate assets of tourist traffic and the surplus of the transit traffic, plus other receipts from services. This deficit was covered up to the present from ERP funds, which must be replaced in the present year (at least in the second half of the year) by other methods if the import programs are not to be seriously restricted. Any restriction, however, would be most decisive. If reduction of the imports of foodstuffs were undertaken it would result in a grievous lowering of the general standard of living; if one attempts a restriction of raw material imports the plants and factories would have their operation curtailed and partial unemployment would result; if one lowers the import of coal and fuel the general tempo of production will suffer with all the consequences this would have upon the social and economic life of the country.

● 435 It is clear that none of these alternatives
439 would be acceptable since normal development must be to the interest of Austria as well as the whole of Europe. But where is one to find an acceptable solution? An analysis of the figures of foreign trade gives the following picture:

To begin with, the table shows the development of foreign trade in the last two years as compared to the last year before the war. To make the figures of 1937 comparable with those of 1950 and 1951 (which are inflated owing to currency devaluation), the amounts in new schillings were reduced to the previous schillings value by dividing them by the index of wholesale prices (1950: 553 and 1951: 742).

435
439

	Quantity in Millions of Centners		Value in Millions of Schillings
1937			
Imports	6.2		1,453.7
Exports	3.8		1,217.0
Deficit			237.0
1950			
Imports	8.5	New Schillings	9,200.0
		Old Schillings	1,664.0
Exports	3.5	New Schillings	6,513.0
		Old Schillings	1,178.0
Deficit		New Schillings	2,687.0
		Old Schillings	486.0
1951			
Imports	9.2	New Schillings	14,027.0
		Old Schillings	1,890.0
Exports	3.8	New Schillings	9,635.0
		Old Schillings	1,298.0
Deficit		New Schillings	4,392.0
		Old Schillings	592.0

A comparison shows that the quantity of imports (1951) increased by about 50 per cent as compared to the prewar period, while the value (reduced to old schillings) has increased only from 1,452.7 to 1,890.0 old schillings, i.e., by 30 per cent. Exports reached their prewar volume in quantity (3.8 million centners) but in value in old schillings the increase amounts to only 6.7 per cent (from 1,217.0 to 1,298.0 million schillings).

The fact that the value of imports lags behind the quantity of imports proves that the structure of imports underwent certain alterations. As compared to the prewar era, more goods with a cheaper rate per centner were imported, excluding some mass goods such as coal and bread grains, the dollar-per-centner price of which has doubled as against 1937. Moreover, the development of exports proves that by 1951 Austria had already reached the prewar level in quantity as well as in value. There is, therefore, no blame to be attached for not reaching the aim of the total capacity because the total deficit of 237 million schillings (1937) rose to 592 million old schillings in 1951. The reasons for this development, which tends toward a deficit, lie in large measure in the above-mentioned

439 deterioration of the exchange rate between imports
435 and exports (excluding the far larger import of investment goods). (The investments quota amounted to 6 per cent before the war and rose to 21 per cent of the gross national income in 1951. The comparatively high quota could be maintained, of course, only with the help of ERP funds.) These circumstances also caused difficulties in bigger and economically more powerful states because the real value of foreign aid suffered remarkably by these price developments since the middle of 1950.

439 Normalization of the trade balance must be
652 achieved in regard to both imports and exports. This
454 will be achieved through:

1) The increasing effect of the investments made within the scope of the Austrian Investment Program 1950-52 and by the revised investment policy. These are short-term investments which will be cheaper and more exportable by raising exports or, indirectly, by cheapening unfinished goods. Among these import saving investments only such investments shall be supported (excluding imports for agriculture) as will be justifiable within the scope of a liberalized foreign trade and in the framework of the international distribution of labor. In spite of the basic continuation of big industrial projects (in view of the end of ERP aid and counterpart funds it will not be possible to afford bigger amounts for big projects which will show their effect only after a long period because of financial and credit policy), the necessary shift in the center of gravity toward the typical export industries will remain a characteristic feature (the export industries are craft enterprises and the foreign tourist traffic, both of them real foreign currency earners). In this connection it should be remarked that part of the investments which have been carried out through public investment programs have not yet matured. Owing to the comparatively late start of real investments in Austria as compared to other ERP countries (1950), they will be fully effective only as late as 1954-55.

439 2) Exhausting all possibilities of the existing and future opportunities in the trade policy. Thus, for instance, the new German liberalization together with the new trade agreement opens the German export area to Austrian production so that, with an adequate support, a big part of the Austrian production capacity will be fully utilized. Also Belgium lowered the

457 foreign aid. While in 1951 about 200 million
652 dollars was available, this sum will be approximately 100 million dollars for 1952; the schilling counter value to foreign aid, therefore, will decline from 4.4 billion schillings to presumably 2.1
[435] billion schillings. Moreover, as the prices at the end of 1951 were higher by 12 per cent than the average for 1951, there will be about 2.7 billion schillings less out of foreign aid funds for investments than in 1951.) In addition, the budget is burdened by a number of price supports, the abolition of which will not be possible to a full extent under the present conditions. Immediate reactions on the prices for foodstuffs and new rises in wages would be the consequence. The policy of supporting prices must not be omitted when the system of subsidies is altered. [Since the fifth Wage and Price Agreement of July 1951 the existing method of financing important consumption goods was taken over from counterpart funds by the budget. Thus, there are still considerable budgetary expenditures under this title. They amount per year to about 40 million schillings for the support of domestic bread-grain prices, 366.5 million schillings for foreign bread-grains, 555.75 million schillings for fodder, 110 million schillings for fertilizers and 135 million schillings for raw materials of fats needed by the margarine industry. The term for supporting the prices of domestic bread grains (15 groschen per kilo) already has expired. The remaining subsidies will expire with the end of June. Discussions with the aim of continuing these subsidies are not yet finished. They tend, above all, to stimulate production by adequate prices.]

652 Already in the preceding year the stabili-
[453] zation of the money value was prepared to a considerable extent. Measures of this type were: the introduction of the quantitative and qualitative control of credits; the increase of the bank rate from 3 1/2
[435] per cent to 5 per cent; and the lowering of prices, started by private industry of its own volition--this latter measure applying to about 80 categories of goods. This materially and psychologically important premise of an organic policy for stabilization must be supplemented by an adequate budgetary policy. It cannot be denied that the measures which were taken in the preceding year had already brought about signifi-
454 cant results. The savings increased considerably in
652 the first two months of the present year; they rose from 2,275.1 million schillings (checking account deposits 8,898.7 million) to 2,619.5 million schillings

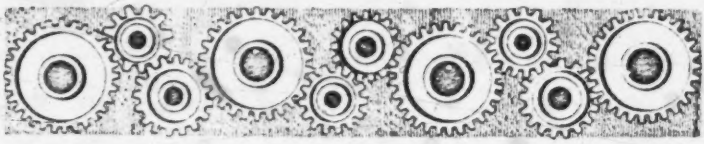
The increase in production resulting from all these measures was bound to increase the difficulties of marketing during the slump. In pig-raising it at last became necessary to resort to curtailment of output (prohibition of pig-raising for the market). An attempt was also made to increase the costs of cattle-rearing and thus limit the supply by raising the so-calledli cence fee for the import of fodder. 231 656

As a stimulant of milk production, a milk-equalisation fund was created to content with sales difficulties, through which the means for the export of dairy products at prices below production costs were raised by the imposition of a tax on fresh milk. 234 654

Thus it came about that in the 1930s Austrian products such as standard butter, high grades of cheese and cream could compete successfully on the markets with the dairy products of such leading countries as Denmark, Switzerland and Holland. The western alpine provinces especially profited by this arrangement, but at the same time a great demand was created for home milk products throughout the whole country. Gradually, in the Danube City which has been known from Roman times for its enjoyment of sweet wines, depôts were established where milk could be drunk in the busy streets and on public squares, giving the City a new attraction. 234 439 275

The doubtless necessary encouragement of dairy farming, just at this time, however, brought with it new problems which were aggravated by the effect of the world economic depression. The situation was made worse by the fact that the prices for agricultural and dairy products had sunk far lower than the prices for technical aids to agriculture. The discrepancy between these two sets of prices became still greater from 1933 to 1937. The comparative fixity of wages and the increase in public debts accompanied by sinking prices were not inconsiderable factors in bringing about general deterioration. 234 458 435

Problems of agrarian policy were bound to have a reaction on industrial-commercial economics. Austrian products had to compete with those of countries which had the advantage of considerably lower agricultural prices and thus of a lower cost of living. For a land such as Austria, which in the main can only secure the goods she needs through the export of her own products, it is essential that wages, an important factor in costs, should not be affected too unfavourably by the high price of grain. 241 439 435



241 439 435 Apart from the necessity for the existence of agriculture, the chief problem is to find a reasonable compromise between the legitimate aims of agriculture and the need of Austrian trade and industry to export at competive prices. This end can only be attained by the pursuit of a suitable economic policy and by an increase of agricultural productive capacity through measures of rationalisation, the discouragement of the drift to the towns and the setting up of a suitable system of administration.

439 The period between the two World Wars was too short to allow of full success on these lines, especially in view of the long duration of the world slump.

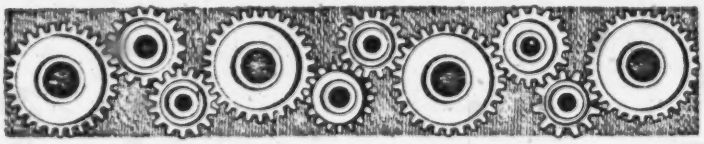
For the same reasons the efforts to develop the industrial-commercial system along new lines could not be brought to full fruition; attempts to maintain the status quo frequently held up progress. In times of international trade shrinkage any change of policy is not only exceptionally difficult but sometimes also a considerable risk.

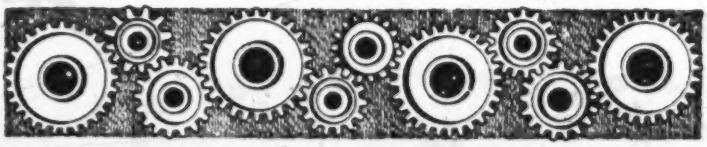
439 648 In spite of this Austria made repeated attempts in the course of the years to develop plans for economic rapprochement with neighbouring States. These efforts, however, were doomed to failure through the existence of most-favoured nation clauses and political obstacles. Already in May 1931, conferences were being held in Rome concerning the possibility of increasing trade connections between Italy, Austria and Hungary. From this time onward the preference

THE BANKING SYSTEM IN AUSTRIA.

The structure and economic activities of the Austrian banks since their foundation round about the middle of the last century have followed a different course to that of the credit institutes of the West. For while industrial progress in the latter was based on the active participation of a large circle of interested persons and a well-organised capital market, the development of the far-flung territories of the old Austro-Hungarian Monarchy was left almost entirely to the initiative of the Vienna banks, at first in connection with mechanised transport, and later in connection with industry. Thus, in contrast to the Western type of pure deposit banks, they became universal banks with much more comprehensive functions. Apart from receiving deposits, they gave credit of all kinds ranging from discount credit to long term mortgage credit, dealt in shares and put through stock exchange deals as well as carrying on note emission and syndicate business.

The end of the Monarchy in the year 1918 made it necessary to adapt the Austrian banking system to new conditions. How close the connections of the Vienna banking institutions were with the territories of the old Empire which have since separated from Austria is shown by the fact that of the 127 branches of the Vienna banks which existed under the old Monarchy, not even 10 per cent fell to the new Austria and that, for instance, the Creditanstalt had 16, the Anglo-





bank 34 and the Wiener Bankverein 29 branches outside the territory of present-day Austria.

Adapting the Austrian credit system to the conditions and needs of the Austrian Republic actually took more than one and a half decades. It was not until the year 1934 that this process could be considered as completed with the fusion of the Creditanstalt and the Bankverein. The enormous difficulties involved were still further complicated by the fact that the change coincided in point of time with far-reaching international crises of trade and finance, so that certain grave reactions on the Austrian economy were unavoidable. Notwithstanding this, the latter and its credit system proved themselves strong and vital enough to survive those troubled times and to prepare the ground for the favourable development of Austrian trade in general and the Austrian banking system in particular.

This development was broken off in abrupt and catastrophic fashion through the establishment of the National Socialist regime and the outbreak of the war which soon followed. Although the end of the war restored Austrian independence—in theory, at least—it left behind chaotic conditions—both figuratively and literally a heap of ruins.

In the realm of finance, the first attempts at reconstruction had to be directed towards the re-establishment of the means of payment, a solid national currency being of course a primary condition for the normal system in foreign trade became the guiding 439
principle, the narrowing down of inter-state 648
trade relations being shortly afterwards still more strongly emphasized through currency restrictions and the clearing agreements connected herewith. The currency devaluations of the 457
gold-standard countries towards the end of the year 1936 created new difficulties for Austrian 435
foreign trade. As devaluation was out of the question and an export subsidy was not considered to be a suitable political-economic instrument, the only remaining alternative was to lower the costs of production. The difficulties of such a course have been proved by practical experience in all countries, as the questions of fixed prices and wages combine to form an insurmountable obstacle to such a development.

Nevertheless Austria still succeeded in linking 458
up with the world boom which began in 1935—
1936. In the year 1937 her figures of production 457
were 6 per cent higher than those of the last characteristic boom year of 1929. The tourist trade developed exceptionally favourably, despite the "1000 mark limit" imposed by Germany, and the volume of foreign trade was constantly on the increase.

In view of the heavy burden of debt which 652
the country had to assume after 1918, of the increasingly protectionist tendencies throughout the whole of Europe, especially among Austria's immediate neighbours and considering the severe and long-continued world trade depression, as well as the crises of international currency,

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

Vienna, for Tyrol, for Salzburg, for instance; but the cohesive force of a national conception was largely missing. Moreover, the provinces feared that an unproductive Vienna would hang like a deadweight on their economy and some of the western provinces tried to break away and to join Germany or Switzerland. In addition, the small but active Pan-German minority [5] tried to use the defeatism of the major political parties to further their own imperialist aims of a Greater Germany.

Perhaps inflation was unavoidable by the time the war ended. After all, inflations swept practically all central and eastern Europe. But the course of inflation in Austria was greatly influenced by the weakness of a government which did not believe in its own and its people's strength. This is clearly shown by the speech made by the Christian Socialist Chancellor Seipel before the Council of the League of Nations in 1922, when he tried to obtain financial help for Austria. The collapse of Austria, he said, would be "a serious blow to the Treaties of Peace, for it would afford a proof that the new Austria which they created is incapable of existence, either now or in the future". [6]

What, then, was the main sequence of the economic events of the period of inflation, and what was its significance for the further development of Austria's economy? [7]

The roots of the post-war inflation went back to the war years. The strong inflationary pressure inherited from the past would have been difficult to restrain whatever the post-war setting. Taking July, 1914, as 1, the circulation of banknotes in the Austrian-Hungarian Monarchy had risen to 13·17 in November, 1918, and the cost-of-living [8] to 16·40 in the same month.

The financial situation did not ease with the ending of hostilities. The delay in the arrival of relief supplies and

458 the disruption of production and foreign trade caused a
435 continued and increasing shortage of goods. Though rationing of essentials was not immediately abolished, wartime controls were relaxed and the rise in prices was accelerated. This rise in prices, together with the dearth of so many industrial goods, induced many peasants to resort to a system of barter. This further diminished the flow of goods to the market, and with it the value of money.

At the same time, the socialist revolutions in neighbouring Hungary and Bavaria and the revolutionary tendencies among the Austrian people led to a mass transfer of capital to other countries. The various controls of the post-war period, designed to prevent capital movements and to preserve the precious foreign exchange for essential imports, were largely ineffective and the conspiracy against the Crown (the Austrian currency unit at that time) continued openly and in the numerous black markets. Consequently, the dollar exchange which—owing to the blockade and the practical cessation of international trade—had risen from 4·95 Crowns in July, 1914, to only 14·33 Crowns in November, 1918, began to soar rapidly (see the table on p. 25). With the dependence on imported raw materials and foodstuffs this quickly led to
652 further price increases. The governments of the day
458 should of course have adopted drastic measures to keep the inflationary pressure in check. In fact, their policy
435 intensified the inflation. Expenditure continued to run at a high level. Food subsidies, for instance, had to be continued in view of the rise in food prices. These subsidies were often quite considerable; in December, 1921, for instance, they accounted for more than half the budget deficit. Then there was the large item of civil service salaries. Not only did Vienna inherit the central adminis-

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

trative staff of a 50 million empire—and a very bureaucratic empire at that—but this staff had been considerably swollen in war time and was further enlarged by the absorption of all those Austrian officials who after the war returned from their posts in the "Succession States". To reduce this number of officials was one of the problems of readjustment which Austria had to solve; and in fact a drastic reduction was carried out later. But little was done in the first post-war period and salaries—inadequate as they were with the increasing depreciation of the Crown—were a heavy drag on the Exchequer. In other lines, too, expenditure continued to run in an unplanned and uncoordinated manner. This was perhaps an effect as much as a cause of the inflation; but it was also symptomatic of the Government's fatalism; for they considered all this as the natural expression of Austria's doom.

The Government's weakness also showed itself on the revenue side. Expenditure, however carefully planned, is bound to be high in any post-war period. The social and economic upheavals of modern wars call for a high degree of State control and interference so as to facilitate an orderly return to a peace-time economy. But if inflation is to be avoided this high level of expenditure must be matched by an equally high level of revenue—at any rate under conditions of more or less full employment. This, however, the governments completely failed to achieve. The years 1919 to 1922 were years of continuous budget deficits, as is shown by the table on page 24.

The failure of revenue to come anywhere near expenditure was due to a number of reasons. First, the rapid depreciation of the crown implied that every time lag between assessment and payment caused a reduction in the real value of the tax. This opened the way to tax evasion on a grand scale; for even the incidence of stiffer nominal rates

AUSTRIA'S ECONOMIC DEVELOPMENT

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Budgets	Receipts	Expenditure (Mill. of Crowns)	Deficit	Deficit in per cent of Expenditure
Jan. 1– June 30, 1919	1,339	4,034	2,704	67
July 1, 1919– June 30, 1920	6,295	16,873	10,579	63
July 1, 1920– June 30, 1921	29,483	70,601	41,117	58
July 1– Dec. 31, 1921	24,075	49,496	25,421	51
Jan. 1– Dec. 31, 1922	209,763	347,533	137,770	40

651 435 458

of taxation could be avoided by simply delaying payment for a little while. It was not until much later that the Government introduced "tax units" of a stable value to put a stop to this. Secondly, stronger measures, such as a capital levy and a compulsory loan, which were intended to bring some relief in this extraordinary emergency, were greatly watered down through endless delay and the strong pressure from vested interest. By the time they were finally introduced they were in fact quite ineffective. Thirdly, the Government was slow in adjusting the prices of State-owned enterprises to the rapidly rising price level, and considerable losses were incurred as a result.

458 435

Expenditure thus rose with rising prices while receipts lagged behind. The gap had to be filled. A loan was out of the question for nobody was willing to lend money which would probably be worthless by the time of repayment. So the printing press, which had proved a convenient servant in war-time, had to continue its work. More and more notes were printed, prices went up and with it the State's expenditure and deficit. The vicious spiral was set in motion.

The following table indicates the course of the inflation.

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

THE BIRTH OF A NEW REPUBLIC

INDEX OF NOTE CIRCULATION, PRICE INDEX, AND DOLLAR EXCHANGE RATE, 1919–22

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	1919			1920		
	Index of Note Circn.	Price Index	Dollar Rate in Vienna	Index of Note Circn.	Price Index	Dollar Rate in Vienna
	1914 = 1					
January	—	28·37	16·17	24·20	49·22	176
February	—	—	17·91	26·55	—	268
March	1·66	—	21·84	28·97	—	250
April	9·57	—	26·65	30·84	58·42	200
May	11·18	—	23·25	30·14	—	204
June	13·07	—	27·00	31·98	—	149
July	15·15	31·02	31·13	34·42	63·76	145
August	16·83	—	38·00	37·29	—	181
September	18·52	—	46·83	40·67	—	241
October	19·71	—	69·58	45·44	69·60	278
November	21·90	—	99·50	51·04	—	426
December	22·41	—	135·00	56·92	—	533
	1921			1922		
January	61	92	676	365	830	6,875
February	70	100	716	465	980	7,725
March	77	112	730	532	989	6,750
April	84	111	655	616	1,089	7,625
May	89	119	604	690	1,364	8,375
June	93	119	632	815	2,339	15,450
July	100	125	738	1,166	3,308	22,900
August	109	124	1,142	1,667	7,422	51,650
September	119	151	1,189	3,034	14,153	75,050
October	148	238	3,000	4,908	12,965	73,525
November	190	374	5,850	5,959	12,158	73,450
December	265	661	7,200	6,957	11,737	71,300

Source: J. van Walré de Bordes, *The Austrian Crown*, pp. 48–50, 82–3, 115–35.

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

THE EFFECTS OF THE WORLD CRISIS

IMPORTS AND EXPORTS

Value in national currencies (000,000's omitted)

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		1929	1930	1931	1932	1933	1934
Austria	Imp.	3,263	2,699	2,161	1,384	1,148	1,153
	Exp.	2,189	1,851	1,291	764	775	857
Czecho-slovakia	Imp.	19,942	15,680	11,725	7,459	5,799	6,349
	Exp.	20,485	17,460	13,106	7,329	5,843	7,267
United Kingdom	Imp.	1,111	957	797	651	626	680
	Exp.	729	571	391	365	368	396
U.S.A.	Imp.	4,339	3,114	2,089	1,325	1,433	1,636
	Exp.	5,157	3,781	2,378	1,576	1,647	2,100
Germany	Imp.	13,447	10,393	6,727	4,666	4,204	4,451
	Exp.	13,483	12,036	9,599	5,739	4,871	4,167

These figures clearly demonstrate the extent and the universality of the depression.

The decline in foreign trade, which was everywhere far more severe than the decline in production, affected Austria gravely. The increasing adoption of "beggar-my-neighbour" policies greatly restricted outlets for Austria's manufactured goods. Tariffs rose to incredible heights in central and south-eastern Europe; quotas, import prohibitions, and a hundred and one forms of administrative protectionism blocked the flow of goods.

Austria was compelled, in turn, to resort to increasing protectionism and her agriculture, in particular, was increasingly cut off from the world market. Home food prices were, in fact, maintained much more than prices of manufactured goods, and this resulted in an increase in agricultural production, contrasting strangely with the persistent decline in industrial output. 652 433

The workers, of course, had now to pay relatively higher prices for their essential needs. On the other hand, the stability and purchasing power of another important 458 435

458 section of the population was substantially preserved. Even so, to the extent that prices *did* fall, the real burden
435 of debt was increased. The smaller peasants, particularly those in the poorer mountain districts, suffered most and the Government was more than once forced to come to their assistance.

439 There can be no doubt that the growing protectionism reduced the advantages of international division of labour. But there was little choice in the circumstances. The loss of income from exports had to be replaced by home-produced income. While exports declined rapidly (until in 1933 they were only 35 per cent of the 1929 level [2]). Austria's readjustment of production allowed her to cut down imports in the same period to 35 per cent of the 1929 level. This went a long way in solving the long-standing balance of trade problem; but the way in which it was solved was hardly the ideal one. The import surplus, which had amounted to over 1,000 million schillings annually in the period preceding the depression, fell to 848 million schillings in 1930, 870 million schillings in 1931, 620 million schillings in 1932, 373 million schillings in 1933, and 296 million schillings in 1934.

453 The depression thus took its "normal" course in Austria: a fall in the national income and in production, a rise in unemployment, misery, and social tension, accompanied by frantic but unco-ordinated efforts by all governments to stop the catastrophe and to readjust the domestic economic structure. Austria travelled the same road as the rest of the world. But half-way through the crisis, in the beginning of 1931, there occurred an event which suddenly revealed, not only Austria's financial weaknesses, but those of the whole world. To this event, the breakdown of the Credit-Anstalt, we must now turn.

There were two major financial problems in Austria.

2 [CF CATEGORY 116, P. 63 - - ANALYST]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

VIII

Currency, Prices, and Wages

FOR those with no personal experience of rapid and uncontrolled inflation the full significance of the Austrian Government's post-War measures to regulate currency and prices is not easy to appreciate. The average Austrian found them complex and even mysterious, but he had no doubt about their importance. Between 1945 and 1951 the Government passed three major laws dealing with the currency and approved five agreements regulating wages, prices, and cost of living. Apart from their financial and economic results, these measures had considerable social and political implications. In fact, their effects on political life and society are likely to be the more lasting. 652 436

Immediately after the liberation Austria was faced with two major financial problems: she had no national currency of her own and the banks were virtually empty. The need to establish an Austrian currency was urgent. The country was being flooded with German mark notes from Czechoslovakia and Hungary, where they were considered valueless, and the occupying Powers were temporarily printing their own money, which soon reached a total of about a billion schillings. Almost all the banks' cash had been removed by the Russians, and their main 'assets' were in the form of valueless German Government Bonds. It was for this reason that the Provisional Government was unable to pay any public servant more than 150 marks a month. It was only able to do as much because the Russians made available as a 'loan' 600 million marks taken very largely from the sums that they had seized.

The Government decided that it could take no steps to establish an Austrian currency until the country was united. But on the 3rd of July 1945 the so-called *Schaltergesetz*, or Counter Law, was passed, covering withdrawals from banks. 652 454

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

The recognition of the Provisional Government by the Western Allies in October 1945 and the elections in November cleared the way for the re-establishment of an Austrian national currency. On the 30th of November the interim Government, without waiting for the formation of the Figl Cabinet, announced its approval of a 'Schilling Law', and one of the first acts of the new Parliament on the 21st of December was to pass this measure. 652 436

The law replaced the German mark and pfennig by the Austrian schilling and groschen at the rate of 1 for 1. All German currency except for denominations lower than ten marks was to be exchanged for the new Austrian schillings, and the same applied to the Allied Military Schillings which had been issued as a temporary currency. Everyone received 150 schillings in cash and the rest was credited to his account. Marks in lower denominations were exchanged for schillings during February and March 1946.

The second main purpose of the Schilling Law was, in general terms, to extend the provisions of the Counter Law from the area occupied by the Russians to the whole of Austria. The details were inevitably complicated owing to the different situations in each part of the country and owing to the decision to place in a separate category funds deposited between the 1st and the 22nd of December 1945. Roughly, however, the division of accounts continued into 60 per cent that was blocked and 40 per cent that was conditionally free, although minor alterations were made in the conditions under which the free funds could be used. Deposits made after the 22nd of December 1945 could be used without restriction. 652 454

Some disappointment and bitterness were felt in Russian-occupied Austria that 60 per cent of the 'new accounts' were now blocked, as the people had been given to understand that deposits made on or after the 5th of July 1945 would be freely at their disposal. On this assumption, after the Counter Law was passed, the public had confidently continued to use the banks for their savings.

Subject to Allied supervision, the Schilling Law gave back to 652

436
652

Development of the Currency Circulation at the End of 1950 (in millions of schillings)

[Calculation of the currency circulation in accordance with American standards: money in circulation plus contingent liabilities of the Austrian National Bank plus checking account deposits with banks, minus inter-banking and savings deposits.]

	Money in Circulation	Contingent Liabilities excl. Inter-Bank Deposits with the National Bank	Checking Deposits with Banks	Total of Currency Circulation
End of December 1949	5,721.0	1,221.6	5,987.5	12,930.1
End of September 1950	5,862.9	1,283.8	6,949.3	14,096.0
Increase during the first three quarters 1950	† 141.9	† 62.2	† 961.8	† 1,165.9
End of September 1950	5,862.9	1,283.8	6,949.3	14,096.0
End of December 1950	6,348.8	987.7	7,271.1	14,607.6
Increase or decrease during last quarter 1950	† 485.9	- 296.1	† 321.8	† 511.6

During 1950, currency in circulation increased 1,677.5 million schillings (from 12,930.1 to 14,607.6); 627.8 million schillings of this amount represented an increase of circulating money (37.4 per cent) while the so-called "Release Program" originally estimated an increase of only 300 million schillings. This overdraft had its cause in lower receipts of ERP accounts as shown by the following figures.

In 1950 about 2,884 million schillings were received in ERP counterpart accounts. The disposals (releases of 95 per cent plus 5 per cent ECA administration costs) amounted to 2,330 million schillings so that the actual increase in ERP accounts

652 totaled only 454 million schillings. In accordance
[436] with the original "Release Program" it should have amounted to 800 million schillings to neutralize other money-increasing factors. The minus-difference is based on the fact that the anticipated decrease of the price-gap subsidies was delayed, as a consequence of changes in world markets, in order to avoid too sudden changes in the price and wage structures.

[457] To summarize: in spite of and mindful of the world-wide economic fluctuations affecting her economy, Austria is carrying out reconstruction within the scope provided by ERP facilities. Aside from scheduled reductions any decrease in the real value of this assistance makes the accomplishment of her programs more difficult (especially the balancing of her balance of payments).

c) Prices and wages, elimination of subsidies, adjustment of exchange rates, increase of economic productivity.

652 With the progressing consolidation,
[448] resulting from ERP procedures, the Austrian Federal Government faced a number of problems. Aside from the
185 aspect of the stipulated gradual decrease of foreign aid, these problems gained importance when Austria signed the European Payment Union (EPU) agreement in September 1950. She had entered upon obligations which could be met only if her economic policy was directed towards certain external economic goals (expansion of direct and indirect exports). This required certain measures aimed internally (balancing of prices and wages) as well as externally (adjustment of exchange rates).

The measures to be adopted within the framework of economic relationships had the following points in view.

1) Counteract inflationary tendencies according to timely needs;
2) Decrease step by step the system of subsidies for essential commodities, like edibles, coal and agricultural products, in order to achieve, besides a budgetary relief, "genuine" prices;
3) Bring prices gradually in line with world market levels;
4) Establish an equilibrium between prices and wages, in order to guarantee, in relation to prevailing prices of manufactured goods, an equitable

out that the main proportion of the extension of credits (as a consequence of the first agreement) flowed out of the accounts for financing imports of vital raw materials and of credits for the support of exports. These conditions do not lie within the banks' sphere of influence (not taking into consideration the directives for credits as laid down in the public investment programs). The occasional considerable reserves of the banks, which are tied up with the allocation of foreign currencies, must be taken into consideration. 652 453 452

It is a fact that the individual measures already showed an impact toward the end of the year. According to the statistics on credits and liquid money of November 30, 1951 (i.e., one month after the enforcement of the second agreement) the volume of credit, which is under control, decreased for the first time since 1947 by 30 million schillings--a rather low amount. Even if one considers the financing of credits for exports, and the especially high financing of credits for the sugar beet harvest, there is a total decline in volume by 80 million schillings at a time when a general increase in credit demands could be observed.

There are today two methods of determining the total of the means of payment in an economy at any given date. The Anglo-American method takes into account the total volume of the means of payments in circulation, plus free obligations of the national bank, plus checking account deposits at the commercial banks, minus interim bank obligations (i.e., deposits of credit institutions at the national bank and at credit institutions). The Continental method does not take into consideration the checking account deposits at commercial banks. (Recently, the Anglo-American method has been used in Austria, too.)

If one compares the development of the volume of money (paper money in circulation, plus checking account deposits, plus free deposits not at the banks but at the Nationalbank) in the previous year, an increase is shown from 14,608 million schillings to 17,164 million schillings since the end of December 1950 to the end of October 1951 as against a credit volume of 10,677 million schillings and 14,780 million schillings, respectively. The circulation of paper money rose in this period from 6,349 to 7,326 million schillings, the checking account deposits from 7,271 to 8,939 million schillings. The free deposits of public agencies, which 436 652 453

[436] 652 453 are held at the Nationalbank, sank from 988 to 800 million schillings in the same period. At the end of December 1951 the circulation of paper money amounted to 8,023 million schillings, the free non-bank deposits to 987.7 million schillings.

The flow of the volume of money was mainly influenced by the expansion of credits as well as by the flow of counterpart accounts. Exits on the basis of releases and current payments from proceeds caused a decline in time-limited deposits of public agencies at the Nationalbank (mainly counterpart accounts) from 1,941 million schillings at the end of December 1950 to 1,290 million schillings at the end of October 1951.

Bank statements show a considerable reduction in the "Bundesnotenschuld," from 4,124 million schillings in October 1951, and 2,030 million schillings at the end of December 1951. In the first statement after the currency reform of 1947, this item was still 7,547 million schillings higher. The exits in the last four years amounted to about 5,517 million schillings. Out of this amount, 850 million schillings went to retirement of the national debt (as provided for the purpose of securing currency stability on December 31, 1948). Another approximately 4,461 million schillings went to the releases of ECA funds for ERP investments in industrial enterprises; the remaining 205 million schillings went for other economic and political-financial purposes.

Amounts increased, however, for refinancing the reconstruction credits. From December 1950 to the end of October 1951, the increase was from 2,277 million schillings to 3,612 million schillings, and exceeded by 4,042 million schillings the 4 billion limit at the end of December 1951. The subsequent treatment of these blocs of reconstruction drafts (which were no longer handled by the Nationalbank) and their transfer on the capital market has been treated in another connection.

The free endorsement deposits of the credit institutions sank with the extension of credits from 299 million schillings (at the end of December 1950) to 211 million schillings (at the end of October 1951). However, they recovered to 540 million schillings towards the end of December. This increase is very closely related with the obligations of the banks to keep 10 per cent of their credits in liquid means of the first grade.

A comparison of the Nationalbank's position as of the key-dates (December 31, 1950 and 1951) gives the following picture. 652

	1951	1950	† or -
	(In millions of schillings)		
ASSETS			
Gold	51.1	50.3	† 0.6
Foreign currencies	582.5	449.3	† 133.2
Checks	1,709.8	809.2	† 900.6
Teilmünzen (coins)	2.3	2.8	- 0.3
Reconstruction credits	4,041.9	2,227.0	†1,814.9
Bonds (under par. 27 of the Währungsschutzgesetz)	807.0	749.3	† 57.7
Bonds (under par. 2, item 1, of the amendment of the Notenbanküberleitungsgesetz)	1,402.7	1,200.2	† 202.3
Loans	34.5	34.7	- 0.2
Money debts of the state	2,029.9	4,123.9	-2,094.0
DEBITS			
Circulation of bank-notes	8,032.0	6,348.9	†1,683.1
Free banking accounts of credit institutions	539.5	428.6	† 110.9
Others	580.6	987.7	- 407.1
Closed banking accounts of credit institutions	40.3	40.3	--
Others	1,469.3	1,841.4	- 372.1

Finally, one can state that in the course of the year 1951 the total volume of the means of payments increased by 20 per cent, the circulation of bank notes alone by about 26.5 per cent. At the same time there was an increase of the general level of prices by about 40 per cent. [436] [435]

The adjustments and reactions of the last year which are shown in the first half of the year in an extension of and in the last quarter of the year in a contraction of the credit volume are, however, only one side of a total economic problem. The problem itself is characterized by achieving a balance of payments.

In comparison to prewar times a definite lowering of 727
individual performance efficiency had set in among
the rest of the population caused by years of under- [461]
nourishment and poor general physical condition
aggravated by a series of psychological strains up to [493]
1947. Another thing to be taken into account was the
reorientation of the entire European economic
structure in the wake of political changes, particu-
larly the solution of certain problems of large in-
dustrial enterprises (the iron and steel industry).
Last but not least were the great economic and
political changes which had taken place in the areas
of Austria's traditional markets, eastern and south-
eastern Europe.

The destruction of capital substance weighed [454]
particularly heavy. It was obvious that the greater
part of savings capital, accumulated prior to 1945,
was economically no longer covered. Within the scope
of a planned war economy that money had either been
invested in weapons and war material which became
valueless, or it was originally invested in profitable
enterprises which were destroyed or diminished through
the effects of the war, e.g., plants, equipment, razed
woodland, etc. On the other hand, in accordance with
instructions of the German finance administration,
great parts of the liquid assets and reserves of banks,
the premium reserves of large insurance companies,
etc., had to be invested in bonds of the German Reich
(especially Reichsschaftsanweisungen), whose value be-
came as questionable as savings deposits.

In view of these circumstances the Austrian 652
federal government faced difficult problems. For the
sake of simply existing it was necessary to reestablish
the financial foundation, a task impossible to ac-
complish without a proper Austrian currency (to be
newly created), without gold or foreign exchange re-
serves to cover this currency, without a national bank
of issue, without reconstruction of a banking and credit
apparatus, and particularly without first straightening
out the balances essential to large banking institutions.

Not any less difficult to solve, in relation 433
to the previously mentioned conditions, was the second
problem: the revival of production and trade. Apart [438]
from incurred losses in plants, machinery and raw
materials, the disorganization of communication and the
dislocation of great parts of the population, valuable
components of the production apparatus as well as other
natural assets of the Austrian economy, classified as

453 capital; the country's foreign credit was too closely bound up with the solvency of this bank. The Government
652 therefore stepped in within four days and, together with the Austrian National Bank and the House of Rothschild, assumed responsibility for its financial reconstruction. A number of measures followed in quick succession. The government guaranteed first the foreign, and later also the domestic deposits of the Credit-Anstalt. A committee was set up in London to represent the interests of foreign creditors. An agreement was signed providing that 500 million schillings of foreign short-term credits were not to be withdrawn for two years. Strict economies were introduced. Salaries and pensions were heavily cut by
453 decree; many of the bank's employees were sacked. The
652 problem of an overgrown banking system was at last being solved; but in a way which created much misery and
464 dislocation. No doubt, the Credit-Anstalt had somehow to be saved. But the Government was too concerned about the profitability of the concern and the interests of the shareholders. Its measures contributed to the already serious structural unemployment among the middle classes and served to prolong the depression. Moreover, the Government missed an unique opportunity of using its newly gained influence over the main credit institution to re-organize and direct the country's industrial structure in the national interest.

453 But the collapse of the Credit-Anstalt did not only call for far-reaching measures for the restoration of that
• 436 institution. It also had grave repercussions on Austria's
652 monetary system. The National Bank had been forced to re-discount a large number of Credit-Anstalt bills, and
457 the note circulation began to swell. At the same time, in spite of the Government's speedy assistance and guarantee, confidence had been shaken and funds were withdrawn

from the Credit-Anstalt on a large scale. Particularly foreign short-term credits, which had already trickled outwards ever since 1929, were now called in rapidly. About 1,000 million schillings were withdrawn from Austria within a year.

This put a severe strain on the foreign exchange reserves of the National Bank. The stability of the currency, which had rested on a firm basis since the inflation had come to an end, was threatened once again.[1] Support was urgently needed and, for the second time in its short history, the Austrian Republic had to appeal for foreign help. Some welcome, but sadly inadequate, help was rendered in June, 1931, in the shape of a 150 million schillings credit from the Bank of England and 100 million schillings from the Bank for International Settlements. This eased the strain for the moment, but soon there was a renewed decline in foreign exchange reserves. Germany and Hungary suspended their foreign payments. This meant not only a loss of expected income but it also undermined confidence still further and a flight of capital set in which threw the foreign exchange market completely out of gear.

On August 7th, 1931, the Austrian Government asked the League of Nations for a 250 million schillings loan. As in 1922, this loan was ultimately granted. But again the help did not come soon enough. After prolonged negotiations and investigations the Financial Committee of the League of Nations stressed in March, 1932, that the financial strain of Austria, Hungary, Greece, Bulgaria, etc., was mainly due to world causes over which they had very little control, and that there was an urgent need for international financial help. In the summer of 1933, two years after the first appeal, the loan was finally launched.

But in the meantime the position had gone from bad

1 [Cf CATEGORY 116, pp. 63-64 -- ANALYST]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

prohibitively expensive. The pathetic sight was common at the time of an old woman trudging back from a long tramp into the Vienna woods with sticks under her arm and a rucksack full of twigs on her back. The load would at most provide a little heat for a few hours, and the extremity of the need was proved by the lengths to which people would go to produce such small results.

Vienna is a cold city in winter. There is no doubt that the combined effect of unheated houses and inadequate food was responsible for the death of many old and ailing people. It was also partly responsible for the very high suicide rate. In 1946 there were 933 suicides or attempted suicides in Vienna alone.

The figures given regarding the food supply have referred to food coming from official sources. In Austria after the War there was an extensive black market in food, fuel, and a large number of luxuries. It was the time now often described by Austrians as the period of 'The Third Man', after the well-known film with its unflattering portrayal of Viennese conditions. The rationing system was unreliable as well as inadequate. People were justifiably sceptical as to whether they would actually receive the quotas that had been officially announced. In these circumstances it was understandable that they should turn to the black market as an alternative source.

In August 1945, when the shortage was at its worst, black-market food prices in Vienna were about 264 times as high as the official rates. The exorbitant prices reflect the intensity of the need. And there is no doubt that there were many who paid them. Otherwise the health of the people would have suffered much more than it did. There were very few rich. But the majority of the working population had been able to save during the War, when most articles were scarce. Many members of the impoverished aristocracy and middle class parted with their valuables to avoid starvation.

There was a considerable difference between the black market in Austria and that in England. In England rations were

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sufficient, the black market was in luxuries, and the people, on the whole, were law-abiding. The problem therefore was primarily one for the police. In Austria rations were insufficient, the black market was in necessities as well as luxuries, and the consciences of the people were attuned to God and reason rather than to the law. The problem was thus rather a matter of economics, and in any case the Austrian police force was inexperienced and under strength.

The existence of the black market and the widespread use that was made of it were obstacles to the improvement of the food situation as a whole. The fact that foodstuffs were being sold at such extravagantly different prices made the farmers reluctant to increase their official deliveries. The black-market rates were excessive, but the official rates were beneath world levels and unfairly low for the producer. In spite of the efforts of the authorities, which included the threat of imprisonment, the farmers did little to help. Some of them dealt on the black market, and others found it more profitable to feed grain to their animals than sell it at the official price. During the difficult spring of 1946, the meat deliveries from the provinces to Vienna fell 90 to 100 per cent short of the allocations.

If the attitude of the farmers was neither helpful nor patriotic, it was the ineffectiveness of the whole system that was chiefly to blame. In these circumstances the Austrian Government's own measures to deal with the food problem were slow to show results.

There were two further reasons why the shortage persisted. Additional food supplies were required from abroad. But Austria's traditional sources of supply had been Hungary, Poland, and Yugoslavia, and immediately after the War these countries were not in a position to export foodstuffs. Hungary and Poland later fell increasingly under Russian economic influence. Secondly, Austria had not the resources with which to pay for imports. In terms of exports grain now cost nearly twice as much as before the War, and such foreign exchange as was earned was required to buy raw materials and equipment for industry. A vicious circle was in operation: exports

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Communist control and to emphasize the importance of professional training and experience. At his suggestion, on the 23rd of May, Dr. Pamer, a former Police President, replaced a Communist as Police President of Vienna. Finally, on the 13th of June, the whole force was formally taken over by the Police Directorate, a purely Austrian authority. 625 648

By July the Vienna police were nearly 7,500 strong, though only some 1,000 of them had had previous police experience and many still owed their position to their political opinions. In September, at British instigation, the first meeting of the Allied Public Safety Committee was called. From then on the Austrian police were under Quadripartite supervision, and the three Western Powers were able to counterbalance Russian influence.

Dr. Renner's main concern, after his first few months in office, was to ensure the real unity of Austria. The Provisional Government had announced the restoration of the Austrian Republic and declared itself to be the Government for all Austria. Yet *de facto* its authority still only extended to those parts of the country that were occupied by the Russians; that is to say, Vienna, Burgenland, Lower Austria, and parts of Upper Austria and Styria. The Chancellor's two aims were to obtain the recognition of the Four Powers for his Government and reintegrate the country under its control. The continued division carried with it real dangers. Economically, the position was absurd. In so small a country, each part was dependent on the others for its survival. But the iron of Styria was cut off from the engineering industries of the Russian zone. The salt and meat of Salzburg and the Tyrol could not be brought to Vienna, and the oil, grain, and potatoes of Lower Austria were not available to the West. It had always been difficult to feed Vienna. Yet the task had become impossible in a house, as Dr. Renner put it, 'where the larder was walled off from the kitchen by zonal frontiers'. 642 438

Since 1918 the mutual suspicion between Vienna and the provinces had been a menace to the country as a whole. The interests of the city and the rural areas were utterly different, 369 631

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a time when the country was struggling to rebuild its economy, one of its main sources of wealth was in a state of convalescence.

Highly skilled workers are one of Austria's chief economic assets, and between the Wars consumer-goods and luxury industries played an important part in her economic life. This side of her economy declined seriously during the German occupation. As part of the deliberate plan to turn the country into an arsenal, workers were diverted from secondary industries and agriculture to the large new war-production centres that were established.

The great Hermann Goering Iron and Steel Works were set up at Linz, with their own coking plant. Sixty miles away at Ranshofen near the River Inn a big aluminium plant was built. There were several reasons for these developments. The fundamental idea was to provide a reserve of vital war industries in a district less vulnerable to enemy attack. Just as the Russians transferred some of their main war industries to Central Asia, so Hitler wanted to have some of his production centres farther away from Allied bomber bases. Secondly, there were certain economic considerations in favour of the two sites. Both were on important waterways. Linz was some sixty miles from the iron ore of the Erzberg, or Iron Mountain, in Styria and not far away from the low-grade ore of Bavaria. Ranshofen was reasonably close to the Hungarian bauxite deposits and conveniently situated in relation to the Third Reich's electricity network, cheap current being the main consideration in the siting of an aluminium works. Further, there were reasons of sentiment and prestige for the choice of location. Hitler was born in Braunau, a few miles from Ranshofen, and went to school in Linz. It seemed fitting that the scenes of the Führer's youth should become centres of war production.

From the purely Austrian point of view, however, such developments were not so satisfactory. Hardly one of the considerations that influenced German leaders would have carried weight with an independent Austria. The strategic and sentimental arguments were both irrelevant. Neither Bavaria nor

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727 Hungary could be relied on to supply iron ore or bauxite, and
327 the existing iron and steel works at Donawitz in Styria were
328 better situated than Linz to handle ore from the Iron Mountain.
438 Ranshofen was not well placed in relation to Austrian supplies of electric power. Above all, the Hermann Goering Works were entirely dependent on the supply of hard coal for their coking furnaces, and Austria was already seriously short of this essential commodity. Whereas Hitler had the coal-fields of Poland and Czechoslovakia at his disposal, Austria in pre-War years had already been dependent on imports for two-thirds to three-quarters of her coal supply. The requirements of the Linz works made the position much worse.

727 The new developments implied a fundamental change of
438 emphasis in the whole national economy, and it was by no means certain, or even likely, that the change would be for the better. It would probably have been sounder for Austria to rely on the traditional skill of her workers in the consumer-goods industries than to attempt to compete with the most powerful industrial countries in basic production. The dangers might not be apparent in the immediate post-War years, owing to the inflated demand for iron and steel products, but they were likely to reveal themselves in the course of time. A serious depression in the world's basic industries or a failure to obtain the coal and raw materials on which Austria's basic industries depend might have very serious consequences on the country as a whole. The choice, however, was not Austria's own. The change that occurred was the main positive legacy of the period of Nazi occupation.

727 Two of Austria's chief natural resources are her mineral
315 oil and her hydro-electric power. These were developed by the Germans rapidly during the War, but in each case with little regard to Austrian interests.

Under happier conditions Austria's oil-fields would have raised her from a struggling country to a prosperous one. It is one of the hardest blows that have fallen on the Austrian people that such a gift of Providence should have been exploited successively by two unscrupulous foreign Powers and should

133 489 ROUNDING OFF THE PICTURE. The broad belt of mountains whose waters flow into the Carinthian basin, towards which their valleys also run, and the uniform transport network which has consequently developed and has its centre here, have helped to give Carinthia remarkable political and economic unity.

361 438 Within its confines there are no dividing barriers. No one area of Carinthia could exist independently of the others. They supply one another's needs. Without serious loss no one of them could be separated from the others and attached to some neighbouring economic territory dependent on a too distant centre. Their life is indissolubly united with the whole Carinthian plain and its towns which are the essential nerve-centres—Klagenfurt, with its government-offices and most of the higher schools, a scientific centre of the Geschichtsverein (Historical Research Society) for Carinthia and the museum collections provides for administration and cultural life, Villach as a railway junction of great importance looks after the technical requirements of the communications system. These two towns with St.-Veit-on-the-Glan and the rest of the smaller towns give the area its necessary economic backing.

Thus this compact organisation is permeated by all those elements of which the living body of Carinthia is constituted. It is surrounded by the eternal symphony of colourful scenery, interesting through its peculiar mingling of culture and national dress, exciting by virtue of the far-away magic beyond its frontiers.

133 and raftsmen, leaving Altenmarkt behind it, the Enns, today the favourite torrent for adventurous souls in collapsible boats, flows across the frontier into Upper Austria.

[496] From Selzthal the railway runs upstream along the left bank of the Enns to Radstadt and Bischofshofen in the province of Salzburg. All along its course northwards stands a chain of the characteristic peaks of the Kalkalpen in exciting divergency—Hochmölbing, Totes Gebirge, Hochtausing, Grimming, Stoderzinken and the lower flanks of the massive Dachstein. Different again, less wild, but as unique in their own way, are the forested subalpine hills which run off here to the left. Behind them lies the wilderness of the Niedere Tauern with their many lakes.

361 Liezen at the northern edge of the valley, mention of which occurs in documents
[438] of 900 years ago, was the most important transport junction before the railway came into being. Trade and barter brought prosperity from the salt carriers and the traders who arrived by way of the Pyhrnstrasse. The growth of the neighbouring town of Selzthal has brought losses to the former roadside settlement, but the persevering inhabitants have found other means of livelihood and today its flourishing industries have raised Liezen to the status of a town.

[529] Wörschach, a pleasant and peaceful spot at the entrance to a gorge, attracts from afar holiday visitors and health seekers year after year to the healing springs of its radio-active sulphur baths. Mountaineers and ski-ers climb from here into the mountain world of Hochmölbing, Warschenegg and Hochtausing, the climber often finding summer conditions on the verdant heights of the Schneehitzalm and the Bärenfeuchten between the numerous herdsmen's huts. The mere pedestrian crosses the Taschnermoos within view of the towering Grimming and goes on to the Puttererseе by way of Aigen.

[346] From Wörschach the road leads westwards to Niederhofen, whose little gothic church deserves the attention of all lovers of art—and of Styria. This building contains curious tempera paintings from about the year 1500 and three carved altars from the 17th century. According to Ferdinand Tremel, the Styrian historian, we have in it one of the oldest churches of the Enns Valley. In Stainach, to which the junction of the Salzkammergut electric railway and the Bischofshofen—Selzthal line have brought new life and trade, we catch sight of the rocky nest of "in der Pürgg" above. The great gothic church there, noteworthy for its antiquity as well as for its unusually artistic architecture, well earns its local name of "Steyrisches Kripperl" (Styrian Crib). Inns and farmhouses surround it, completely filling the gap in the rocky cliffs.

On the other side of the valley lies Irdning, an impressive market-town whose busy life confers many advantages on the wide mountainous hinterland.

From Liezen onwards one is impressed again and again by a mountain which rises above lower wooded heights like a vast, glittering castle of rock—the Grimming.

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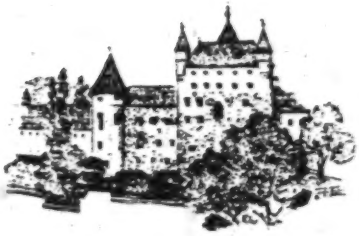

Schwertberg.

Downstream the raftsmen see from afar the massive blocks of the city tower of Enns. Known already to the Romans, Enns has been since olden times an important depot for salt, wood and iron. Goods not discharged there for road transport, stayed on the barges until the Danube Maut (customs house) was reached. The market-town there is still known as Mauthausen, and commands the waterway to Vienna and Hungary.

IN THE MÜHLVIERTEL. In the great quarries carved out of the steep Danube cliffs one glimpses the primitive Mühlviertel scenery, based literally on granite. How many blocks of it have been cut and shipped upstream and downstream from Mauthausen, and used to build railways, roads and bridges, making the name of this picturesque market-town known throughout Europe! On the same bank further downstream before the Danube enters the narrows of the Strudengau is a fertile stretch of land known as the Machland. The chief town is Perg, once famous for its sandstone quarries from which millstones were cut. Close by is Baumgartenberg, which rises abruptly with the massive tower of its entrance gates and its high-roofed church out of the spreading orchards.

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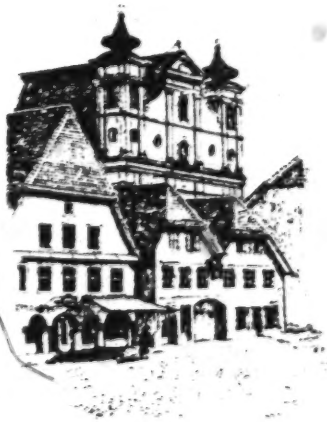

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Steyr; the old Dominican Church.

A secular building of equal interest is the massive Greinburg with its granite arcades built on a cliff jutting out towards the Danube, dominating the town of Grein, framed by the forests and reflected in the waters of the Danube. Ships navigating this part of the Danube have to be on the lookout for rapids and whirlpools. Warnings are exhibited on the banks near danger spots and where necessary, hoisted on flag poles. The tugs toil upstream laboriously hauling heavily-laden barges past the picturesque riverside villages of Sarmingstein and St. Nikola.

Northwards from Perg and Mauthausen the Mühlviertel countryside broadens

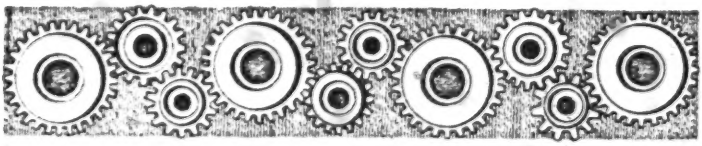
722 until in the final stage the whole country became a battlefield. Thus apart from the considerable consumption of stocks and capital goods owing to war production, there was a great deal of material damage.

727 In addition to the losses directly caused by
438 the war, new restrictions arose for Austrian trade at the conclusion of the fighting. The internal trade links of the country had to a great extent been disrupted through the setting up of four zones of occupation. At a time when in view of the tremendous losses it would have been advisable to ensure the full development of all the means of production, the necessary connections between the various parts of the country could often only be established or maintained under the most difficult circumstances. It is perhaps typical of this period that the various provinces entered into barter agreements with foreign countries independently of one another, often in order to get goods which would have been available within the country itself had unhindered trade been possible.

727 During the first days after the liberation a goods vacuum arose. Transport had almost completely broken down owing to the extensive destruction of roads and bridges and the lack of the necessary vehicles. Clearance and repair work was first necessary before trade activity could develop at all, and if the Allied Forces of Occupation and UNRRA (as well as other help granted by Congress, private charity organisations and credits) had not aided in bridging the gap,

the payment of interest on deposits since the beginning of 1949. On the other hand, credit demands on the banks resulting from the economic revival are so numerous that they are hard to meet, however severely they are scrutinised. This is all the more the case since Austrian industry, owing to the extensive damage and losses suffered by it during the last stages of the war and after its end, has a great need of capital and long-term credit for investments, as well as of business credit. In such cases, where genuinely justified demands for credit are concerned, the Marshall Plan will be of assistance. The main idea of this is to permit the technical modernisation of Austria's system of production, thus increasing her ability to compete in the international field, to encourage full exploitation of her natural assets, and to provide the country with a sufficient amount of raw materials essential to production during a certain initial period. It is to be hoped that this measure will assist Austria to attain economic independence and help towards the re-establishment of her position in international commerce.

The Austrian banks have a further duty indispensable to the security of smoothly running finance in the re-establishment of the Vienna Stock Exchange as the proper market for dealing in shares, not only to serve legitimate private interests but also to prove itself a suitable medium for the State issues which must be expected.



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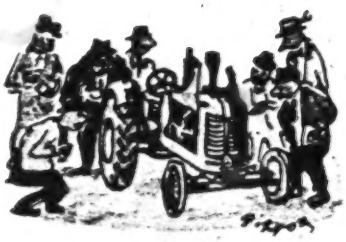

Day, who transported his goods by one of the prescribed highways enjoyed, no matter whence he came, the local governor's protection for his person, his goods and his waggons, a truly enviable privilege in the unsettled times of the closing 13th and the 14th century.

During the Middle Ages it was open to anyone from every country to bring what goods he liked to the two great Vienna markets, with the exception of wine and beer, which were available in abundance on the spot, and of excellent quality. People of every trade and every guild could sell and offer their wares freely.

After the Turkish Wars there was a fresh revival of Vienna market life in the 18th century. But then the discoveries of the weaving loom and the steam-engine began to take effect on production and trade. In the 19th century the railway rendered goods fairs superfluous and the markets began to be transformed into sample exhibitions.

The economic system of the Austro-Hungarian Monarchy was so well-balanced that it had at first no need of any special display of sample products within its frontiers. The exchange of goods between the agrarian and the industrial areas went on smoothly and although samples of all the products of the Empire were occasionally displayed at great exhibitions—Vienna owes the building of the Rotunde to the Great Exhibition of 1873—there was actually no need of special methods to advertise or boost them, for demand and supply were well adjusted, and connections between producers and their customers dated from the times of their fathers and grandfathers.

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After 1918 more than a third of Austria's population was engaged in industry and commerce, nearly a further third being occupied with agriculture and forestry. In both cases the small or medium sized concerns were predominant, a fact which explains the ability of Austrian economy to weather the storms of crises. It had never taken special measures to promote war industries. Never through war, but through the years of peace had the Empire prospered. When in 1866 Austria lost the war against Prussia it was because, despite the better training of her troops, the Austrian rifle was inferior to the Prussian.

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It is in concerns in which intensive labour and detail is important that the individual talent of the Austrian can find expression, not in great concerns resorting

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to capitalistic mass production methods. Thus at the Vienna Fair one finds a varied profusion of articles and goods. On the stalls and in the various departments in the halls and pavilions are to be found samples of all the industrial, commercial or agricultural goods produced in Austria, from the simplest tools to complicated precision and tool-making machinery, from building materials to the most modern power plant. Commerce, industry and agriculture unite here to present a complete picture of the Austrian economy.

Agriculture plays a big rôle in the Fair, which not only provides farmers with an opportunity of selecting their requirements in tools and machinery but also a choice of advertising methods to aid them in selling their own products. The latest developments in many fields are displayed with pride—stock-raising, grafting, crossing, products of the soil, qualitative and quantitative record achievements of every kind from field, stable, vineyard and forest. [241]

The Vienna Fair, which is for the Austrian producer the most successful sales market and the most effective propaganda organisation at his disposal, is for the foreign producer not merely a place where he can find just Austrian products and customers. So many foreign firms take part that apart from Austrian goods, eastern and south-eastern European wholesale and retail trades are well represented. In Vienna producers, traders and direct consumers meet from the whole of Europe and from the Near East as well as the Balkans, offering many possibilities of transit deals. Here the agrarian East of Europe and the industrial West exchange their wares. 543 439

The Vienna Fair is international and is open for all commodities and to all firms from all countries. There are at least 19 countries to be found regularly represented

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taken was a 'German asset', and therefore a legitimate form of 727
reparation. The damage inflicted on the Austrian economy 433
has been decisive in preventing its full recovery.

Russia's subjugation of East and South-east Europe has also 727
been a severe blow to Austrian commerce. Not only has 439
Austrian capital behind the Iron Curtain been confiscated; Austria also has very largely been cut off from her main market area. The Habsburg Empire in its economic aspect represented the material interdependence of the peoples of the Danubian basin. It was natural, therefore, that after the Empire had collapsed Austria should maintain her economic ties with the Succession States. In 1937, 27 per cent of Austria's exports went to the five eastern countries behind the Iron Curtain that are now known as the 'People's Democracies', and 31·5 per cent of her imports came from them. The corresponding figures in the summer of 1952 were 12·3 and 9·9 per cent. The decline is not due to any disinclination on Austria's part to maintain normal trading relations: in that year she signed trade treaties with both Poland and Hungary. Apart from foreign aid, Austria is dependent on her exports for the purchasing power with which to buy food and the equipment necessary for her recovery. Any serious contraction of her foreign markets involves a corresponding setback in her economic revival.

Austria's problems were further increased by her geographical [489]
position. After the War, Russia controlled the Danube and seized the steamers and barges belonging to the Danube Shipping Company. With no immediate access to the sea, therefore, Austria was entirely dependent on land communications and the availability of transport for her vital coal supplies and a large proportion of her food. She had less flexibility than better-placed countries like Germany in her search for new trading partners, when her industries gradually revived and she found her old markets closed to her. These difficulties were increased by the acute transportation crisis in Europe after the War, due to the shortage of locomotives, railway trucks, and road vehicles.

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437 sufficient, the black market was in luxuries, and the people, on the whole, were law-abiding. The problem therefore was
433 primarily one for the police. In Austria rations were insufficient, the black market was in necessities as well as luxuries, and the consciences of the people were attuned to God and reason rather than to the law. The problem was thus rather a matter of economics, and in any case the Austrian police force was inexperienced and under strength.

437 The existence of the black market and the widespread use that was made of it were obstacles to the improvement of the
435 food situation as a whole. The fact that foodstuffs were being sold at such extravagantly different prices made the farmers reluctant to increase their official deliveries. The black-market rates were excessive, but the official rates were beneath world levels and unfairly low for the producer. In spite of the efforts of the authorities, which included the threat of imprisonment, the farmers did little to help. Some of them dealt on the black market, and others found it more profitable to feed grain to their animals than sell it at the official price. During the difficult spring of 1946, the meat deliveries from the provinces to Vienna fell 90 to 100 per cent short of the allocations.

If the attitude of the farmers was neither helpful nor patriotic, it was the ineffectiveness of the whole system that was chiefly to blame. In these circumstances the Austrian Government's own measures to deal with the food problem were slow to show results.

433 There were two further reasons why the shortage persisted. Additional food supplies were required from abroad. But
439 Austria's traditional sources of supply had been Hungary, Poland, and Yugoslavia, and immediately after the War these countries were not in a position to export foodstuffs. Hungary and Poland later fell increasingly under Russian economic influence. Secondly, Austria had not the resources with which to pay for imports. In terms of exports grain now cost nearly twice as much as before the War, and such foreign exchange as was earned was required to buy raw materials and equipment for industry. A vicious circle was in operation: exports

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were a pre-condition for the purchase of food from abroad, 433
and undernourishment stood in the way of industrial recovery. 439

The food problem remained serious for at least three years. 433
In 1947 it was often found impossible to honour the inadequate 146
basic ration scales of 1,500 to 1,600 calories, and medical inspections established that nearly 50 per cent of Viennese school children were under-nourished. Until 1948, when Austria had its first good post-War harvest, the population as a whole remained noticeably under-fed. By then most people's savings had already been spent and their mental and physical powers of resistance had been seriously weakened.

In spite of this melancholy story, great efforts were made to deal with the situation. Had this not been the case, the prolonged deprivation and distress of the Austrian people would have ended inevitably in political disaster.

In the autumn of 1945 it was decided to invite the United 648
Nations Relief and Rehabilitation Administration to organize 657
a supply programme for Austria. The way had been prepared in August, when the UNRRA Council had decided that as Austria was a liberated country there was nothing to prevent relief and rehabilitation operations being undertaken there, provided the occupying Powers approved. At the time, however, the necessary funds were not available. In November the immediate initiation of an UNRRA programme was urged, particularly by the United Kingdom, and before the end of the month an UNRRA Working Party had arrived in Vienna to obtain preliminary information regarding requirements. In December UNRRA headquarters, following a request from the Allied Council, authorized negotiations for an agreement with the Austrian Government, subject to the Council's approval. Brigadier R. H. R. Parminter, who had been serving since September as chief of the UNRRA Displaced Persons Operations in Austria, took over the duties of Chief of Mission on the 1st of January 1946 and conducted the negotiations. An UNRRA Bureau was set up in the Austrian Federal Chancellery early in the New Year to co-ordinate the transport, administration, and distribution of UNRRA supplies. On the

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Pig-iron	56·15	Leather Goods	62·80
Raw Steel	54·89	Textiles:—	
Raw Aluminium	104·36	(*a*) Yarn	32·48
Magnesite	56·09	(*b*) Fabric	39·49
Electric Motors	21·54	Total Agricultural Produce (by value reckoned in terms of 1937 prices)	44·00 [1]
Paper	48·76		
Cellulose	24·62		

Since 1918 foreign trade has been of vital importance to Austria. Before the War her foreign trade quota per head of population was one of the highest in Europe, and after the War it was of urgent importance that this state of affairs should be restored. The country was dependent on imports for most of its coal, for an essential part of its food supplies, for the raw materials for some of its key industries, and for much of the machinery and equipment necessary for its economic revival. Foreign exchange for the purchase of these imports had to be earned by Austria's own exports. This was clear to the country's political leaders as soon as the Government was formed, and every effort was made under the most difficult conditions to revive foreign trade with the least possible delay.

During 1946 a series of primitive barter agreements were signed with foreign countries, starting with immediate neighbours. On the 11th of February the Allied Council approved such agreements with Czechoslovakia and Italy. In June a contract was made between Austria and Poland by which 45,000 tons of Polish coal were to be exchanged for Austrian scythes and sickles. In November an important trade agreement came into force between Austria and France which provided for the exchange of specific goods and defined the arrangements for payment. As time went on, the barter type of arrangement gave way to more normal commercial agreements. By the end of 1947 Austria had signed treaties, in

[1] Of all Austrian economic statistics those for agriculture are the least reliable As regards actual produce, in contrast to produce for which the farmers submitted returns, the above figure is probably too low.

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addition to those that have been mentioned, with Switzerland, Great Britain, Belgium, Holland, Sweden, Hungary, Bulgaria, Rumania, and the British–American zone of Germany.

During the War Austria had been cut off completely from the outside world. So it was natural that in the immediate post-War years the bulk of her foreign trade should be with her neighbours. In 1946, 64 per cent was with Switzerland, Czechoslovakia, and Italy, as opposed to 23 per cent in 1937, and only 7 per cent with overseas countries, in contrast to 17 per cent in 1937.[1] The following year Switzerland easily headed the list, followed by Czechoslovakia, Italy, West Germany, and Great Britain.

With a view to stimulating foreign trade, the Vienna Fair of Austrian manufactured goods was revived in May 1946. It was held again in October, and henceforth became a regular feature of Austrian economic life. The Spring Fair was a success. It aroused foreign interest in trading possibilities with Austria and produced orders from abroad. The Autumn Fair was visited by a million people, including 5,000 foreigners, and was a great stimulus to exports.

In spite of these efforts, improvement in Austria's foreign trade was slow. Commercial imports and exports in 1947 amounted to only 24 per cent and 26 per cent respectively of the 1937 level, after allowance had been made for the changed value of the schilling. The situation was made more serious by the alteration of the terms of trade to Austria's disadvantage. The foodstuffs and raw materials that Austria imported had become more expensive, while the finished goods she exported had become cheaper. Consequently, in 1947 Austria would have to export nearly twice as many finished goods as in 1937 to pay for the same quantity of grain. On the other hand, the improvement in foreign trade during the course of 1947 had been considerable, the figures for the second half of the year

[1] These figures refer to commercial foreign trade only. They do not include imports brought in by UNRRA or under the official or voluntary relief schemes of foreign States.

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being about 68 per cent better than for the first half. This was due partly to the fuel crisis in January and February, but it represented also a fundamental change for the better. 439

Such briefly was the state of the Austrian economy shortly before Marshall Aid began.

A long-term programme for Austrian economic recovery could have only one aim: to achieve self-sufficiency on a lasting basis. Yet the statement of such a simple objective in 1948 was a very small contribution to the solution of the problem. The situation at the time was so critical and exceptional as to make the quiet pursuit of a long-term plan neither desirable nor practicable. Austria's first requirements were food and the raw materials and equipment necessary to rebuild her industries and her export trade. These needs had to be met at all costs and to a large extent took precedence over the consideration of priorities for the future. The future itself was so uncertain as to make too much regard for it foolish. There were three major questions which no one was in a position to answer, however confidently he might speculate. How long was Russia to control Austrian oil? How soon was Austria to regain her political independence? And what kind of Europe would she find herself in when she was free? The enigma of the future is the whole world's burden. But at present it centres round the division of mankind into two great camps, and those on the dividing line between them are especially conscious of it. 185

In these circumstances the natural tendency to take the short-term rather than the long-term view, to prefer economic tactics to economic strategy, could be justified in some measure on rational grounds. Certainly, in drawing up an ERP[1] plan for Austria, the American authorities, on the one hand, and Austrian statesmen and economists, on the other, took full account of existing circumstances and of the urgency of present claims, sometimes inevitably at the expense of long-term considerations and of the well-conceived ideas of theoretical economists.

[1] European Recovery Programme.

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439 A further point that weighed with the planning authorities
185 was the state of the European and world markets at the time. The main demand was for investment goods with which to carry out reconstruction programmes. Few countries had much to spend on anything but bare necessities. The prices of primary goods were therefore high, while secondary goods were relatively cheaper. The pre-War Austrian economy, with its emphasis on consumer-goods production, would have been in a weak position in the post-War world, and for the time being the war-time transformation proved a blessing. Pig-iron was one of the main exports in 1947 and 1948, and iron goods headed the list of exports in 1948.

185 Closely connected with the question of markets was the problem of the large industrial plants left behind by the Nazis. Some held that the heavy industries endangered the country's economic future, and that Austria's true destiny was to concentrate on the development of her natural resources and on the craftsmanship and design for which she was already famous. Money spent on the development of heavy industries would in the long run be wasted, because the Linz works could not hope to compete with the industries of the foremost industrial countries, which were better placed from the point of view of transport and raw materials and had greater scientific and financial resources behind them. Others maintained that Austria's iron and steel industry should be concentrated in its traditional home. Donawitz in Styria already had the impressive plant of the Alpine Montan Company. It was closer to the ore of the Iron Mountain and to such coalfields as Austria possessed. Any capital available should be spent on the development of Donawitz. The country did not require and could not afford two different centres.

The position of the nitrogen and aluminium works was different. The whole output of artificial fertilizer could, if necessary, be absorbed by the home market. In the case of aluminium production, the determining factor was the availability of electric current, and the potential supply in Austria was more than sufficient.

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tourist industry in Austria, though it was not until 1950 that a substantial allocation of counterpart funds was first made. Help was needed for the rebuilding and modernization of hotel accommodation, for the construction of ski-lifts and cable railways in mountain resorts, and for the establishment of publicity offices and information centres abroad. The number of tourists from East and South-east Europe had fallen off considerably, while visitors from Italy, Western Europe, and North America were increasing. This meant that post-War tourists from abroad, on the whole, expected a higher standard of comfort and amenities than had been available in the past.

From an economic standpoint no country had a greater need than Austria for the assistance made available under the European Recovery Programme. In few countries, moreover, was the establishment of a sound economy as important from a political point of view. That these two considerations were appreciated by the Economic Co-operation Administration in Washington is shown by the fact that during the first year of Marshall Aid, Austria received a higher allocation per head than any other country. In the second year its share per head was exceeded by Holland only.

The establishment of the counterpart account made it possible for Austria to embark on a much larger investment programme than had previously been possible, at a time when war damage and the legacy of incomplete heavy industrial plant made such a programme particularly desirable. In 1937 only 6 per cent of the national income had been devoted to investment, while in the ERP years the percentage varied between 17 and 21. In the allocation of funds preference was given to projects which promised to improve Austria's trade balance within a short space of time, but this main principle had to be combined with the need to round off and complete, as far as seemed expedient, the great installations that had been left unfinished at the end of the War.

Direct aid was used at first mainly to import food and the raw materials necessary to enable domestic industry to resume production. As the general situation improved, it was possible

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457 to increase the proportion of raw materials imported and to
439 help production by bringing in machinery and industrial equipment.

The following figures show the total assistance given up to the end of June 1952 under the three categories and some of the main purposes [1] to which it was directed:—

	$1,000
A. Total Authorizations under Direct Aid [2]	632,401
Actual imports under Direct Aid include:—	
Food	248,579
Agriculture	64,047
Including:—	
Corn for Feeding	54,168
Fertilizers	5,642
Industry	148,083
Investments (Machinery)	50,042
Raw Materials	98,041
Including:—	
Wool	5,012
Cotton	41,161
Hides	8,707
457 B. Total Drawing Rights Granted under Indirect Aid	277,300
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	Millions of Schillings
C. Total Releases from the ERP Counterpart Account [3]	8,036·3
Allocations include:—	
Government Investments	1,451·9
Including:—	
Federal Railways	796·4
Post and Telegraph Services	203·7
Roads and Bridges	174·4
Agriculture and Forestry	52·7
Federal Forests	32·6

[1] Only details relevant to this chapter have been chosen.

[2] Prepared by the Austrian Institute of Economic Research from statistics of the Central Bureau for ERP Affairs; 31 March 1952.

[3] Figures prepared by the Austrian Institute of Economic Research.

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484 partly to the low Austrian prices, which themselves had contributed to the revival of the tourist industry, but even more to
457 the black-market dealings in foreign exchange, often carried out by the wealthier tourists, which cheated the country of its legitimate earnings.

439 The ultimate test of Austrian recovery, however, was the extent to which the country had approached national solvency. The success of Marshall Aid could best be measured by its effect on the revival of Austria's foreign trade.

Since 1950 the level of Austrian exports has been much more satisfactory than during the preceding three years. Between 1947 and 1951 the volume of exports expressed as a percentage of the 1937 figure rose from 26 to 110. During the same period the volume of commercial imports increased from 24 to 87 per cent of the 1937 level. During the second half of 1950 there was for the first time a surplus of exports over commercial imports, although commercial imports did not nearly cover Austria's total needs, which were still in a large measure satisfied by ERP deliveries.

These results were achieved only as a result of strenuous Austrian efforts in the face of great difficulties.

One of the chief obstacles to trade revival was the loss of markets in East Europe. In the past, Austria's East European customers had been happy to take her consumer goods in return for such vital Austrian requirements as food and coal. But since the War they had been unable to provide Austria with the food that she needed, and, as part of Russia's economic plan for the area, had been endeavouring to build up their heavy industries at the cost of renouncing all imports but basic necessities. In 1937 they had taken nearly half of Austrian textile and clothing exports. In 1950 they took only 7 per cent. What they wanted were such things as steel, aluminium, and cellulose, for which Austria had little difficulty in finding markets and which she was only willing to deliver in return for such goods as food and coal.

Thus Austria had to find markets for her finished products elsewhere. It was not easy to do so in Western Europe, where

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competition was strong. She therefore made a determined effort to develop trading relations with overseas countries, more especially with North and South America, Asia and the Middle East. Commercial treaties were negotiated with the Argentine, Brazil, Uruguay, India, Pakistan, Indonesia, and Turkey, and a trade mission was sent to the Far East. Between 1947 and 1951 Austria's exports to non-European countries just about doubled, and in 1951 amounted to approximately 20 per cent of her total exports. 439

Yet, in spite of the general improvement, to which Marshall Aid had greatly contributed, Austria's foreign trade position was still far from satisfactory. Every year there was a substantial deficit in the balance of trade. In 1951 it amounted to $201,300,000, and in the first half of 1952 to $121,700,000. The deficits were covered in the early years of Marshall Aid by ERP payments, but, as these payments decreased, this was no longer the case. Furthermore, as has been seen, such invisible exports as the earnings from the tourist industry and railway transit services were very much lower than in pre-War days. 439 457

In common with other countries, Austria began to experience difficulties with her export trade in 1951. During the first half of 1952 the volume of her exports dropped by 10 per cent to approximately the level of 1937. This was due partly to the import restrictions imposed by foreign governments, but the main reason was the considerable rise in Austrian costs of production and prices, following the fifth Price-Wage Agreement of July 1951, while prices in other countries remained relatively stable. According to the index drawn up by the Austrian Institute of Economic Research, the prices of Austrian exports rose by 15·8 per cent between June and December 1951, whereas the average rise in export prices of other European countries during the same period, according to United Nations statistics, was only about 7 to 9 per cent. Even more sinister and significant was the fact that the share of Austrian exports in total European exports fell from 2·2 per cent in 1937 to 1·5 per cent in 1950 and 1951. 439

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439 From the economic point of view Austria needs the markets and supplies provided by her natural trading partners in Eastern Europe. She produces goods which they cannot easily obtain elsewhere, and they are a source of some of the fuel and food that she herself requires. Under normal conditions Polish and Czechoslovakian coal would be a natural exchange for the Austrian oil and oil-products that are now being confiscated by the Russians. The low cost of transport in trade between neighbours is an important consideration.

648 Diplomatically Austria is best suited to be a conciliator. Her size and exposed position both point to the same conclusion. The weight she could add to either side would not be sufficient to prevent hostilities. In any war between East and West she would be one of the first to suffer.

These considerations are appreciated by every Austrian statesman. One of the most striking speeches on the subject was made by President Renner shortly before his death. On the 23rd of October 1950, in an address to the Youth Section of the Austrian League for the United Nations League he said: 'More than any other European the Austrian can understand the peoples of Eastern Europe to whom he has been closely linked by many centuries of economic, intellectual, and social relations. It is the responsibility of Austrian youth to see that this advantage is used in the service of ourselves and of the whole of Europe.' President Körner expressed his convictions in actions as well as words. While Mayor of Vienna he accepted an invitation to Russia to attend the celebration of Moscow's 800th anniversary in September 1947, though he went as the city's representative, not as a private individual.

In spite of the intense disappointment caused in Austria by the Soviet attitude and policy since the War, for about five years the Austrian Government showed great patience and reluctance to take sides. Public complaints against the Soviet Element were usually expressed in general terms that might apply to any of the occupying Powers. A clear proof of the Government's point of view was its willingness in 1949 to

Center in order to safeguard and coordinate professional interests. The steady increase of economic productiveness is intended to be reached by fostering rationalization of managerial dealing and plants as well as by cutting down the cost of production. This too would promote Austrian export trade with an eye to reaching full compensation of export and import figures and thus ultimately to achieve an active balance of payments. In the matter of this problem it should, however, expressly be emphasized that such balance of payments--inasmuch as it has been achieved by new equipment and modernizing of Austrian industry initiated during the last years--can be reached only by and by. It was at a rather recent time that investments could be made in Austria (1950). Consequently, an efficient and satisfactory result from such investments, especially from the big investments, may not be expected before 1954 or 1955. Austria should be allowed, therefore, a reasonable interval of recuperation to overcome the handicap of its very precarious situation. Nor should it be overlooked that Austria, as a country which is strongly dependent on a wide range of imports, is extremely sensitive to all fluctuations and developments on the world markets. Each change on those markets of necessity and automatically has repercussions on the price level in the Austrian domestic markets.

It is certainly a matter of the highest importance for the further development of Austria that the chief foreign markets should be opened for the sale of Austrian products, and especially those which are the result of intensive development. The Marshall Plan having become obsolete, it will be possible in this way only to realize the adjustment of the balance of payments. A balance of payments would, without strongly hurting the social structure of the country, open the way towards the gradual abolition of trade barriers and restrictions, to the alleviation of foreign exchange impediments, and, thus, to a progressive integration of Austrian economy into that of the Continent and beyond that to the world at large. The extension of the foreign trade volume and the increase of the invisible export, chiefly the foreign tourist and transit traffic, are a means of realizing foreign exchange reserves required for financing Austrian imports and the maintenance of an adequate satisfactory volume of employment. The persevering energy and intrepidity of both of the responsible big parties of Austria have been leading the way towards the political and economic consolidation

During the first year of the Marshall Plan assistance (1948-1949), out of a total of $4,875,000,000 allotted to participating countries for "Unconditional Aid," Austria received an amount of $217,000,000, and from "Drawing Rights" (conditional aid) $66,600,000 (out of $810,400,000). Austria had to make available to Greece, Italy and Sweden drawing rights amounting to $3,200,000. 457

To get an idea of the economic importance of Marshall Plan shipments for the Austrian economy, it seems most suitable to give the analysis of a one-year economic program. For this purpose the second Marshall Plan year has been chosen. The Austrian program for the year 1949-1950 was calculated to involve $252,200,000, of which $166,400,000 were provided under the direct aid and $85,800,000 represented drawing rights. The total imports for the period July 1, 1949-June 30, 1950 were estimated to amount to about $556,740,000 and were financed as follows:

		Million Dollars	
Marshall Plan--direct aid		151.95	27.3 per cent
Marshall Plan--drawing rights		82.20	15.3 per cent
Trade		295.70	53.1 per cent
Non-ERP dollars		23.89	4.3 per cent
Expenditures for freights and other "invisibles" were calculated at-		59.56	
They were financed as follows:			
Marshall Plan--direct aid	$14.45		
Marshall Plan--drawing rights	.60		
Trade	38.90		
Non-ERP dollars	5.61		
The Austrian payments balance for the second Marshall Plan year therefore totaled		613.30	

which were covered by means of:

Direct aid	166.40	27.0 per cent
Drawing rights	82.80	13.9 per cent
Trade	334.60	54.3 per cent
Non-ERP funds	29.50	4.8 per cent

Therefore, of the total imports during the economic year in question, 40.9 per cent were covered by ERP funds. 439 457

457 These means were expended as follows: after deductions for foodstuffs (direct aid: $68,000,000, drawing rights: $2,710,000), for agriculture ($14,390,000, drawing rights $7,300,000) and for tobacco (direct aid: $2,500,000), there remained for the industrial economy funds amounting to $66,260,000 out of the direct aid and $75,190,000 out of the indirect aid (total of $141,450,000).

457 648 Of this remaining total of $141,450,000, $82,300,000 covered coal imports, of which $43,400,000 (or more than 50 per cent) were financed under drawing rights; $2,250,000 were taken from direct aid for a corner transaction to get coal from Poland. Imports of hides amounted to $11,300,000 ($4,000,000 were financed by direct aid allotments and $1,400,000 under drawing rights). Of these imports almost 50 per cent were financed with ERP funds.

For imports of raw materials and semi-finished goods (excluding coal), approximately $182,000,000 were set aside in the payment balance 1949-1950. ERP grants amounting to $55,000,000 covered 30 per cent of these imports. Including imports of coal, the percentage amounted to 38 per cent.

Of great importance were the imports in the investment sector. During the first year of the Marshall Plan only $12,000,000 (or less than 4 per cent of the allotted amount of $283,600,000) was provided for investment purposes. (During this period the need for foodstuffs was still great and represented 44 per cent of the total allotment.) The second Marshall Plan year, however, brought about an increase to more than 16 per cent, i.e., to $40,450,000 (direct aid: $31,600,000; drawing rights: $8,850,000) despite a reduction of 11 per cent in the total allotment ($252,200,000).

2. The Financing of the Reconstruction.

a) Counterparts and their use.

648 650 457 According to Article IV of the bilateral agreement between the United States and Austria of July 2, 1948, covering economic cooperation, schilling proceeds derived from domestic sale of imported Marshall Plan goods must be deposited with the Austrian National Bank in a special account (in favor of the Federal Ministry of Finance). The government has utilization of these funds only with the approval of the ECA in Washington. In accordance with the Foreign Aid Act, No. 472 of the

457 [51] 433 There is no doubt, however, that the desired higher standard of living requires greater accomplishments from the economy if, as is the case today not only in Austria but also in other ERP member countries, edible foodstuffs, raw materials and machinery are not to be continuously supplied by foreign aid. In this connection it is useful to recapitulate the value of such aid. Thus the total value of direct and indirect aid, congressional aid, interim aid, surplus goods, gifts, etc., amounted in 1948 and 1949 to approximately 300 million dollars yearly, an amount sufficient to cover the deficit of the payments balance up to now. In other words, the Austrian economy received more than 6 billion schillings which increased the gross national product available for consumption and industrial investments by 20 per cent. Foreign aid in 1950 amounted to 200 million dollars or 4 billion schillings and in 1951 to 100 million dollars.

433 As a matter of fact, production and productivity increased rapidly during the last years. However, this rapid increase was due to the extraordinarily low starting point. It is true that present industrial production exceeds the prewar level by 40 per cent, but it is a result of using about 50 per cent more than in 1937. At the end of 1950 the individual output index of both industrial as well as agricultural labor amounted to 90. Today, the task of increasing productivity rapidly is far more difficult since, in addition to diminishing foreign assistance, any reopening of idle capacities and procurement of additional raw materials and coal is almost impossible. It follows that every percentage of productivity to be gained requires greater efforts than before.

433 439 454 In connection with the above, there arises in Austria a specific coordination problem with regard to output gains already achieved in other nations, the question of cost computation. (Compared with Austria's present production ability the American, Swiss, Swedish, and English national economies, during 1949, furnished respectively 7, 4, 3 1/2, and 2 1/2 times as much goods and services per capita. This fact is intensified by the progressive industrialization of the previously agricultural countries of southeastern Europe.) If Austrian manufactured goods (as producers of foreign exchange, and therewith as guarantors of sufficient raw materials, employment and living standard) are to be competitive on international markets, the question of decreasing production costs per unit becomes imperative. Such a decrease, excluding developments beyond the control of

plant managements, can be achieved only through 433
accumulation of an adequate yearly (savings) invest- 439
ment percentage (during 1950 investments in plants, 454
structures, rolling-stock, equipment, etc., amounted to 20 per cent of Austria's national income, against 6 per cent in 1937; the 1950 investments were to a large extent the result of foreign assistance), as well as technical progress, rationalization of plant operations and adoption of modern psychological working principles.

Only such a procedure assures a genuine in- [434]
crease of the real income. However, whether an increased production output is followed by a decrease of prices or by an increase of wages (raising the living standard) or whether necessity demands a combination of both is problematical.

On the basis of a favorable world-wide po- 433
litical scene it is hoped that Austria will realize her economic program as worked out with the help of international experts. Better technical equipment will lower the individual wage quota, thereby establishing a more favorable competitive basis. Thus, together with a transfer of skilled labor to production of export goods, the desired adjustment in the balance of payments will be achieved. In this connection the resettlement drive, initiated by the ERP, furnished a possibility to shift needed manpower to plants short of help. The higher real wages, resulting from an increased productivity, will then provide a basis for the accumulation of savings capital needed for additional investments. However, considering the special position Austria occupies, it will be necessary to grant her a breathing spell for achieving her economic aims.

d) Budgetary developments.

Within the scope of combined reorganization 652
procedures, special attention is directed towards the 727
balancing of the budget. Due to the large expenditures covering the reconstruction of public enterprises and administrative organizations damaged by the war and the increase in economic tasks of the government, e.g., occupation costs and the expenditures in connection with "Auslandsfürsorge" (welfare of the DP's, expellees, refugees), the consolidation of the budget (in spite of a rising national income) was only partly possible in 1949 and 1950 inasmuch as fluctuating demands exceeded narrow tax receipts.

The stagnation of the capital market, which makes the financing of comprehensive investments on the open market difficult now, made special forms of interim-financing necessary for Marshall Plan deliveries. This task the banks and the Nationalbank undertook through their financing techniques. 652 454

Agreement has been reached by the former Ministry of Properties and Economic Planning, the Ministry of Finance, the Nationalbank and credit institutions for the financing in schillings of Marshall Plan deliveries. Inasmuch as outside means (credit) were required, the following categories of credit have been set up with regard to the different currency policies: 652 457 439 452 453

1) Credits for the import of raw materials (wool, cotton, hides, leather, metal, chemicals, etc.);
2) Credits for financing the cost of manufacturing (Umwandlungs kredite);
3) Credits to cover investment needs (Aufbaukredite).

For the first two categories the applicant for credit has to prove that all deliveries will take place within the scope of the Marshall Plan. To cover credits for raw materials provision is made for payments in goods with terms of three months, which may be extended three times to a maximum twelve months. (A special priority was provided originally for the delivery of textile raw materials of any kind and, furthermore, for hides, leather, furs and tannic acid, as long as the accounts were settled prior to June 30, 1949. This measure aimed to spare the buyers of goods losses in interest caused by delays in carrying out the Marshall Plan. As a concession a 60-day delay in payment of the amount in schillings was fixed so that in these special cases the validity of the credits was prolonged up to a maximum of 14 months.) The rate of interest for raw material credits has been fixed at 5 per cent net. The deliveries of semi-manufactures are treated in the same way if they are further processed by Austrian industrial plants. These letters of credit may be refinanced by the Nationalbank.

The covering of manufacturing costs (Warenumarbeitungs- und Umwandlungskredite) is provided for by ninety day drafts which may be extended twice, i.e., a maximum of nine months, if the buyer of goods can prove that those larger deliveries of Marshall Plan goods to be manufactured by him cause a sharp increase in the production so that additional means of production are necessary. The rate of interest is 6.5 per cent net. These drafts may also be refinanced at the Nationalbank.

452 The financing of credits for investments
652 (Aufbaukredite) is likewise provided by different
453 types of drafts (three-months validity) until such
[454] time as definite solutions (consolidation) will be possible in the form of obligations on the money market. The rate of interest is 4.5 per cent net. The examination of such credit applications lies with a commission consisting of representatives of the Federal Chancellory-ERP-Central Bureau, the Austrian Nationalbank, and representatives of those banks which grant the credits. Final approval rests with the "Kreditlenkungskommission," an advisory committee of the Federal Government and created by the federal law of July 3, 1945, to direct public and private credits. Members are nominated by the Federal Government.

453 The following banks are presently handling reconstruction credits: Creditanstalt-Bankverein, Vienna, Innsbruck; the Bank for Carinthia, Klagenfurt; the Bank for Upper Austria and Salzburg, Linz; the Oesterreichische Länderbank AG, the Hypotheken- und Creditinstitut, Vienna; the Bankhaus Schoeller and Co., Vienna; the Arbeiterbank AG, Vienna; the Genossenschaft-Zentralbank AG, Vienna; the Girozentrale der österreichischen Sparkassen, Vienna; the Gewerbe- und Handelsbank AG, Vienna.

439 With the activation of the multilateral
457 balance within the frameworkof the European Payments
652 Union after October 1, 1950, some changes took place in the financing of Marshall Plan imports. They, however, refer to the mobilization of the so-called "Initial Credit Position" which serve to cover the total deficit against all ERP countries. The carrying out of goods exchange on the basis of direct aid was not influenced by these changes.

To avoid difficulties in financing raw material imports from Marshall Plan countries, and in order not to restrict the potentialities of financing which the importers had been allowed up to this date, the Austrian Nationalbank decided, instead of refinancing goods imported out of the indirect aid (Drawing Rights), to discount ninety-day drafts of the banks. This forms the foundation of the means for financing goods imported from ERP countries. These drafts are issued by credit institutions and are drawn against the importer. The refinancing of these drafts takes place if the payee, in the opinion of the Austrian Nationalbank, possesses sufficient credit standing, and if the imports, as alread

explained, come from ERP countries and comprise such goods as were, up to this date, to a considerable extent under indirect aid and were refinanced previously by the Nationalbank. There were special lists for all goods in question. 439 652 457

The cashing of these drafts takes place under the same conditions which apply to imports of semi-manufactures out of ERP funds; the Nationalbank discounts the incoming drafts at the prevailing bank-rate (now 3 1/2 per cent); other banks have a rate 1 1/2 per cent higher.

The total amount which all credit institutions can present in such drafts does not exceed the amount of the refinancing granted for financing imports out of indirect funds.

3. The Structure of Production.

a) Principles of industrial investment.

In accordance with the principles of ECA, ERP funds are used only to finance investments which serve to balance payments in the shortest possible time, that is, investments which: 1) bring in foreign currencies (by starting new or extending existing production of export goods); 2) save foreign currencies (production of goods important to internal supply, which previously had to be imported from foreign countries, or by improving their competitive position); 3) cause an essential increase in the total economic productivity, i.e., a reduction of production costs and increasing the ability of the Austrian economy to compete with foreign countries. 652 454 457

When hostilities ceased in 1945, most of the industrial enterprises showed great impairment. This was due to: 1) extensive destruction during the actual fighting; 2) confiscation through which valuable equipment for production was removed after the end of the fighting, whereby functional coherence of production was disrupted; 3) changes in economic aims. Before 1945 (not considering the aims of wartime economy) a large number of enterprises were structurally organized on a broader economic territory; after the war, therefore, the industry of Austria had to return to the more specialized industrial capacities of the pre-1938 period; 4) an acute shortage of capital caused by amounts necessarily written off as war losses, funds lost as outstanding claims, etc. 433 727

Up to the end of 1949 approximately 9,000 agricultural machines, with a total value of 31.5 million schillings, could be bought out of counterpart funds. Through the formation of agricultural machine cooperatives (about 33) even medium and small-sized farms were able to share in the advantages of technical modernization. The progress of electrification in rural areas supplied light and current to 4,800 farms. Storehouses and freezer lockers have been built in fruit producing areas. In addition, dairies and cheese making plants have been erected from ERP funds.

Further investments in the agricultural sphere are being carried out in accord with the investment program of 1950-52. For these purposes 270 million schillings were released from counterpart funds in 1950 (i.e., 43.6 per cent of the 620 million schillings provided in the agricultural priority program, or 34.6 per cent of the total of 780 million schillings provided in the whole program).

In forestry (exports), which is of paramount importance to Austria, the approximate prewar level of wood and timber output and supply has been achieved through various rationalizations and especially better means of transport and better roads. In 1948 the timber output was 8.24 million cubic meters (Festmeter); in 1949 already it was 9.24 million cubic meters; in 1950 the output could be increased to slightly over 10 million cubic meters.

The increasing production of timber and the stoppage of exports of undressed timber made it possible to supply sawmills and timber finishing plants with bigger quantities of wood in 1949 and 1950 than prior to the war. In 1949, 2.50 million cubic meters of whole timber were planed. In 1950 the amount was 4.41 million cubic meters as compared to 3.14 million cubic meters in 1937. The paper, cellulose, wood fiber and pulp industries could be provided to an increasing extent with all necessary raw materials (especially wood pulp); thus, covering not only the domestic needs but also enabling Austria to gain a foothold in former export markets.

The forestry and sawmill industry received 90 million schillings in 1950 out of counterpart funds and, in addition, 22.5 million schillings in December 1950 to be carried forward for use in 1951.

III. AUSTRIA'S POSITION IN EUROPEAN ECONOMIC INTEGRATION

439 A. The Structure and Development of Foreign Trade

1. General Developments, 1945-1949.

Although exports in 1948 and 1949 could be increased, they did not cover more than 51 per cent of the total imports in 1949. The value of the exports in 1948 was double and in 1949 almost four times as high as that of 1947. This sharp increase is due partly to price increases, but at constant prices, too (basis 1937), the 1947 exports were exceeded in 1948 by 95 per cent and in 1949 by 165 per cent. The export volume, therefore, has increased more than the services of the other branches of the economy. However, it was still below the prewar level in 1949. Based on the quantum index 1937 = 100 as worked out by the Institut für Wirtschaftsforschung the level in 1947 reached only 70.3 per cent.

Development of Exports
(According to Statistische Nachrichten and the lists of the Oesterreichisches Institut für Wirtschaftsforschung.)

Categories	1937	1947	1948	1949
	Value in Millions of Schillings			
Livestock and foodstuffs	51.0	19.2	32.6	33.0
Raw material	363.9	202.5	637.2	1275.2
Finished goods	802.0	620.7	1313.9	1920.3
Total	1216.9	842.4	1983.7	3228.5
	Volume Index Figures (1937 = 100)			
Livestock and foodstuffs	100	13.8	16.7	15.6
Raw material	100	21.4	50.8	77.5
Finished goods	100	29.6	54.2	70.5
Total	100	26.5	51.6	70.3

Exports were primarily timber, paper, iron ore, iron goods, and nitrate of lime and ammonia. Austria, for the most part, exported raw materials and semi-manufactures. In the prewar period approximately 65 per cent of the exports were finished goods, but this proportion has declined since 1945 and was only slightly higher than the quota for all other export goods at the end of 1949. It should be taken into account that almost all countries, in their commercial agreements, demand a certain percentage of the Austrian export goods to be raw materials and semi-manufactures. Only under such conditions are they prepared to make concessions for the import of finished goods. On the other hand, the Austrian commercial policy is interested most in the export of products of high labor content. As to the mode of fulfillment of these agreements, the compensation contract system prevailed in the first years after 1945. Later a kind of mixed system arose which provided for fulfillment of exchange of goods on the basis of clearing through a series of commercial agreements (without excluding, however, the compensation feature). In the structure of commercial agreements the tendency toward the clearing system exclusively is quite evident since 1949.

The regional distribution of exports gradually improved. In the period immediately after the war the traffic in goods was restricted mainly to the nearest neighboring countries, especially Switzerland, Germany, Italy, and Czechoslovakia. Since that time it has developed in a concentrical pattern to more distant areas. In the years 1946-1949 the proportion of the exports to immediate neighboring countries sank from 80.3 per cent to 61.2 per cent, 52.2 per cent and 50.3 per cent; and the proportion of non-European areas increased from 7.9 per cent to 10.3 per cent and 13.9 per cent.

In 1948 and 1949 the increasing importance of overseas areas to Austrian foreign trade was due to the progressing normalization of world trade conditions and the systematic extension of commercial agreements. Since one could observe, however, a sharpening of competition on the world market since 1949, it was the aim of the Austrian economic policy to lower production costs by progressive investments in rationalization of enterprises themselves, in higher utilization of their capacities, and in the transfer of production powers from consumer goods to export goods. It is a fact that exports to the ERP countries, which received 69.5 per cent of Austrian exports in 1947, sank to 66.5 per cent in 1948 and to 59.9 per cent in 1949.

439

By this relative reduction of exports to ERP countries the east and southeast European countries profited (and to a lesser extent the overseas areas). The exports to countries of the East bloc, including Russia, increased proportionally from 19.6 per cent in 1947 and 1948 to 25 per cent in 1949. This did not reach the prewar level of 33.2 per cent, however. Better conditions also prevailed for exports to the Near East. In the southeast of Europe German competition was to be observed to a rising degree.

Imports in the last few years are almost on prewar level. The official statistics on commerce show the imports in the years 1947-1949 as follows.

Commercial Statistics on the Development of Imports (excluding imports from direct aid, relief, and surplus goods)

Categories	1937	1947	1948	1949
	Value in Millions of Schillings			
Livestock and foodstuffs	404.8	203.8	446.2	925.4
Raw material	620.2	719.2	1478.7	2060.9
Finished goods	428.7	268.2	677.4	1490.7
Total	1453.7	1191.2	2602.3	4477.0
	Volume (quantum-index) (1937 = 100)			
Livestock and foodstuffs	100	8.5	16.8	34.4
Raw material	100	35.3	58.6	81.0
Finished goods	100	23.2	54.9	109.0
Total	100	24.3	45.9	76.3

These current statistics, however, cover only part of the total imports. They do not contain all deliveries from direct ERP aid (excluding coal and some other "off-shore" purchases, i.e., purchases from direct ERP aid outside the continental USA) as well as most of the other aid-deliveries (excluding deliveries within the framework of drawing rights and pound-sterling credits). The official statistics give the total of the additional ERP imports as 1952 million schillings in 1949. If one adds further relief aid (Liebesgaben) in the amount of 9.3 million dollars and war surplus goods with a value of 0.7 million dollars

there is an increase of the total imports to 6366 million schillings in 1949. In the structure of imports coal and foodstuffs formed a relatively important part in 1948 and 1949. The imports of primary foodstuffs (such as bread grains, flour, fats, sugar, meat, livestock and leguminous plants) were 111 per cent of the 1937 figure in 1947 and increased to 113 per cent and 122 per cent in 1948 and 1949, respectively. 439

The high demand of the Austrian industry for coal (especially hard coal, blast furnace coke and coke) could only be covered by sufficient coal imports since the demand is far higher than in the prewar period. The volume of coal imports was 69 per cent and 88 per cent more in 1948 and 1949, respectively, than in 1937. Although the continuing extension of electric energy may allow lower coal imports, the proportion of coal imports to the total imports will remain higher than the prewar level due to structural changes of the Austrian industry. The import of foodstuffs and coal constituted in part a handicap to the import of raw materials. Of the total raw material imported (excluding coal) in 1937, similar imports reached only 25 per cent in 1947, 64 per cent in 1948 and 85 per cent in 1949, in which year total imports exceeded the prewar level.

Austrian industry in this period, therefore, was supplied with foreign raw materials to a lower extent than in 1937. That it was able to exceed prewar production despite this condition is mainly due to the favorable development of industries producing production means (based on domestic iron ore production). Moreover, foreign raw materials, aided by the investment program, could be replaced in part by domestic products (such as rayon staples). The extraordinary high quota of the import of finished goods can be explained by the high demand for invesment goods in the country itself, which could be covered only partly in domestic production. [433]

The structure of imports is regionally very different from that of the prewar era. Whereas in 1937 the state regulation of foreign currencies, fixed quotas and clearing agreements formed an elastic system which was capable of using the cheapest sources of imports, in the first years after the war imports were forced into quite different direction by intensified bilateralism (which has been relaxed since by increasing 439 457

43 liberalization and by the European Payments Union)
43 and by special conditions attached to foreign aid, by differentiated currency rates and by subsidies for imports. In 1937 only 6 per cent of all imported goods came from the USA, but in 1949 this figure was 29 per cent. In the same period imports from eastern and southeastern Europe was reduced from 40 per cent (in 1937) to 18 per cent (in 1949). As the high import quota from the USA could be maintained only as long as American aid was forthcoming because of the dollar shortage, Austria has to face the very difficult task of transferring import areas for necessary foodstuffs and in part for raw materials also, in the next few years. She must turn to regions which not only are able to deliver but also ready to take Austrian goods in exchange.

If we compare the statistics for imports and the direct ERP aid of the year 1949 (amounting to 6366 million schillings) to the exports (amounting to 3229 million schillings), an import surplus of about 3137 million schillings results (according to the former exchange rate it would be 299 million dollars). Including the import of relief gifts (Liebesgaben) and surplus goods the deficit of the commercial balance increases to 309 million dollars, or 52 per cent of total imports. Out of the total deficit mentioned (3137 million schillings) 734.9 million schillings go to imports from Europe (ERP countries), 304.9 million schillings to imports from non-ERP countries, about 181.8 million schillings to imports from overseas areas of the ERP countries and the sterling-bloc. The bulk (1915.2 million schillings) goes to the USA and Latin America.

The transfer of the center of imports to the USA is a clear consequence of the high aid from foreign countries. The significance of these figures is: the reconstruction of the Austrian economy, a reasonable standard-of-living and a high level of employment, aims which Austria must attain after 1952 by itself (that is to say, by higher exports and increased productivity).

This struggle is the more important as Austria still lags behind in terms of the overall development of European trade. Whereas the volume of all European countries, including Germany, already reached 73 per cent and 87 per cent of the prewar level in the years 1948 and 1949, respectively, the level in Austria was 52 per cent and 70 per cent in the same two years.

2. Developments in 1950.

As a consequence of the Korean crisis in its impact upon the world-wide state of business since June 1950, the development of Austrian foreign trade in 1950 shows an extraordinary increase of exports in the last four months of the year. To be sure there is also a considerable increase in imports, but the extent lags behind the increase of exports. From August to December, the value of imports, including ERP, showed an increase of about 29 per cent. The increase in exports was about 54 per cent for the same period. The debits in the trade balance, therefore, sank from 150 million schillings in August to 71 million schillings in December.

The total value of imports in the previous year was 9.2 billion schillings. This includes (1) the commercial imports, including imports of goods under drawing rights up to June 1950 and under the initial position for Austria since July 1. These payments are carried out multilaterally through the Bank of International Balance of Payments in the European Payments Union; the amount comes to 7.1 billion schillings. (2) Imports within the scope of direct aid under ERP in the amount of 2.1 billion schillings.

Compared to 1949 the import of goods from foreign countries has increased by almost 50 per cent in total value (the value in 1949 was 6.4 billion schillings). This increase, however, was actually due to the rise in prices (as is shown clearly by the quantum-index). On the other hand, there is a structural change in imports as the imports of foodstuffs sank from 33 per cent (1949) to 26 per cent (1950) of the total imports. The proportion of finished goods (mainly the import of investment goods) rose from 27 per cent to 31 per cent.

At the top of the rank of the countries from which goods were imported in 1950 was the USA with an import value totaling 2.1 billion schillings; 1.9 billion schillings (88 per cent) went toward direct aid. In second place is West Germany with 1.5 billion schillings. Then follow Great Britain (712 million schillings), Italy (664 million schillings), Poland (417 million schillings), Czechoslovakia (399 million schillings), Switzerland (380 million schillings), the Benelux countries (288 million

439 schillings), and the Netherlands (248 million schillings). Noteworthy also are the imports from France, Yugoslavia, Hungary, Turkey, and Sweden.

As to the goods imported, 16 per cent (1.4 billion schillings) consisted of fuel, imported mainly from West Germany, Poland and Czechoslovakia. Next in order are electrical and other machines and apparatus (814 million schillings) from West Germany, the USA, Switzerland, Great Britain, and the Netherlands. The grain imports, amounting to 786 million schillings, come almost exclusively from ERP deliveries of the USA. The import of wool reached a value of 379 million schillings, that of cotton 329 million schillings; wool was imported mainly from Great Britain, cotton in part from the USA. There were also significant imports of sugar in the value of 368 million schillings out of which 109 million schillings were within the scope of ERP. Iron goods were imported in the value of 265 million schillings. Among the foodstuffs, edible fats and oils with a total value of 218 million schillings were imported (the larger part of this amount, i.e., 64 per cent, coming from ERP funds).

The exports reached a total value of 6.5 billion schillings. Germany was the top-ranking buyer with 994 million schillings, Italy second with 872 million schillings. Then followed Czechoslovakia (397 million schillings), the United States (363 million schillings) and Switzerland (347 million schillings). The delivery of goods to Trieste in the value of 341 million schillings were mainly for transit to the Levant. Other exports went to the Netherlands (289 million schillings), Yugoslavia (260 million schillings), Great Britain (244 million schillings) and Hungary (237 million schillings). Among the overseas countries (excluding the USA) there is Argentina with 134 million schillings. In addition to the Austrian heavy industry succeeded in exporting to Egypt, India and Pakistan to an increasing extent.

The most important export goods in 1950 were iron goods (987 million schillings), timber (981 million schillings), paper (392 million schillings), raw iron (343 million schillings), wood pulp (280 million schillings), nitrate of lime and ammonia (there were no exports of nitrate of lime and ammonia before the war; the exports come exclusively from the österreichische Stickstoffewerke in Linz with a monthly production of approximately 30,000 tons)

(271 million schillings), cotton goods (204 million schillings), fireproof bricks (200 million schillings) and glassware (201 million schillings). 439

The total index of import prices in 1950 was 627, that of export prices 531 on the basis of 1937 = 100. The corresponding figures for 1949 were 407 and 387. The increase of prices for import goods, therefore, were on an average far higher than was the case with exports (54 per cent as against 37 per cent).

A comparison of the commercial imports with exports for 1950 shows an unfavorable balance of 576 million schillings (as against a balance of 1.2 billion schillings in 1949). Including gratis deliveries within the scope of the ERP, the deficit, however, increases to 2.7 billion schillings (in the previous year the deficit of the total exchange of goods was 3.7 billion schillings). The deficit in the exchange of goods with foreign countries was covered in the first half of 1950 by drawing rights and in the second half of 1950 by using up the Austrian credits at the Bank for International Payments after the agreements with the European Payments Union had gone through.

Further betterment of the Austrian economy is intended through the following. The Export Advancement Law (Ausfuhrförderungsgesetz) provides granting medium and long-term credits up to a limit of 500 million schillings under state guarantee. [Up to March 23, 1951, the Nationalbank received applications for credits totaling 174.5 million schillings; 79 million schillings of which represented refinancing. As the state guarantee comprises only 80 per cent of the export credit, 77.6 million schillings (80 per cent of the 97 million schillings) were tied up on the key-date in accordance with the Exporterförderungsgesetz, i.e., 15 1/2 per cent of the maximum of 500 million schillings.] The Austrian Export Funds A. G. (Oesterreichische Exportfonds A.G.) will support exports of craft goods to hard currency countries through credits. They will start with 25 million schillings. [The first interim balance of the corporation shows credits amounting to 16.4 million schillings, i.e., about two-thirds of the export funds (25 million schillings) at the end of March, 1951.] On October 5, 1950, an agreement was reached for simplification of exchange rates together with measures for 652 [433] 457

457 raising the productivity of the whole economy.
652 Toward the end of the year a change in the problems concerning the whole economy could be observed owing to increasing tension in the balance of foreign currency and payments.

B. The Austrian Contribution to Freer Intra-European Trade.

439 Although exports increased in the last few
652 years, they could not, as the preceding figures have shown, cover the total imports in 1950. The dif-
457 ference was covered again through foreign aid (ERP grants) and through credits, as was the case in earlier years. Thanks to foreign aid, which financed the biggest part of the imports of foodstuff, raw material and coal, the Austrian economy had a total import which, by 1949, exceeded the prewar level in volume and covered the demand of imports most urgent for reconstruction purposes.

In spite of this fact, the balancing of foreign currencies, with regard to the United States as well as to most other countries, could not be attained by means of market transactions. In contrast to the progressive relaxation of state controls in the domestic economy, the demand for imports had to be limited by import licenses and allotments of foreign currencies to the amount available for the import of goods. Regulations and procedures of this control of the foreign trade were determined by the law of Foreign Trade Traffic (Aussenhandelsverkehrsgesetz). (This law was amended in April 1951 owing to special developments caused by the necessary laws of economic policy.) The partial lifting of intra-European trade barriers [hereafter referred to as "liberalization" by the author] started in the fall of 1949, brought problems of trade policy and of foreign currencies.

In September 1949, the council of OEEC (Organization European Economic Cooperation), in Paris, decided to liberalize 50 per cent of the foreign trade between the European ERP countries in order to create a simplified economic area. Austria agreed with the principle. But it had to be very careful in abolishing import restrictions in view of developments in its balance of foreign currencies, otherwise the balance aims would have been endangered. Thus, for

liberalized goods, a number of administrative simplifications in the import procedures were created (exclusion of the obligations for a license by the "Aussenhandelskommission"). The import of these goods is dependent upon the momentary availability of foreign currency. Austria's special situation was also recognized by the OEEC, Paris, which agreed that the measures taken corresponded to the actual situation. In spite of this, Austria made a reasonable contribution toward the integration of the whole European trade policy as proof of its goodwill. For example, in the foodstuff sector, goods with an import value of 10.5 million dollars, i.e., 32 per cent of the commercial imports from ERP countries, were liberalized in October 1950. In liberalization the emphasis lies with the raw material sector, in which 45.5 million dollars (or 84 per cent of the imports from ERP countries) were liberalized. With regard to the accentuated investment policy, moreover, a number of items of the finished goods category were freed from import restrictions. In volume the liberalization represents goods amounting to almost 86 million dollars, i.e., a liberalization of 60 per cent of the imports from ERP countries.

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From the standpoint of the economic policy, liberalization measures are characterized as follows: in the foodstuffs category, 70 per cent of those foodstuffs used for human consumption were liberalized, whereas agricultural products or those which are produced in sufficient quantities in the country itself were excluded from liberalization.

Furthermore, to increase the productivity of agriculture, almost 100 per cent of fertilizers and chemical products for agricultural use were liberalized. The very important fuels were freed from import licenses up to 80 per cent and iron alloys almost up to 100 per cent. In the same way, almost 100 per cent liberalization was made for non-iron metals and concentrates and raw alloys therefrom, as well as the important demand for raw materials by the textile industry, which cannot be supplied from the country itself (80 per cent).

A high quota of liberalization is shown in the category of finished goods, especially of chemical finished products (with about 70 per cent) and of synthetic fibers (with about 90 per cent). With regard to the extensive demand for investments, machine tools for metal production were liberalized up to 90 per cent and the demand of various industries by more than 75 per cent.

439 In order to make the liberalization fully
457 effective it is necessary to abolish foreign currency
652 restrictions for goods which have been liberalized and that is where the difficulties arise. Although the Initial Position in the value of 80 million dollars granted within the scope of the European Payments Union supports this effort through a relaxation in the foreign currency situation, it did not effect a general solution of these problems. The so-called dollar problem still exists in a very real sense.

[648] The European Payments Union, of which Austria is a full member, was put into force on July 1, 1950. It is the logical continuation to the reorganization of the European Payments system, started by the OEEC with the "off-shore" and drawing rights system. Above all, it was to further the lifting of trade barriers between the ERP countries and to carry out the principle of non-discrimination, the equal treatment of all parties within ERP Europe.

These measures, however, did not solve the precarious dollar problem for the ERP countries and Austria since it was not the aim of the European Payments Union to promote European exports to the USA and other hard currency countries outside the ERP. Also the currencies of the EPU countries are interconvertible but not against the dollar. For Europe, therefore, the dollar remained a very rare and hard-to-obtain currency.

A certain relaxation was caused by the new developments in the second half of 1950. The relaxation of the dollar shortage was not caused by the combination of the individual elements: the European Payments Union, liberalization and integration. Rather, due to external causes, it was a consequence of world economic changes which, owing to the conflict in the Far East, opened new markets of peacetime demands to those countries not directly involved in defense measures. (The dollar shortage is essentially a special structural problem of world economy, the causes of which go far back into the war years and are above all connected with the loss of southeastern Asia and the establishment of synthetic production processes in the United States.)

A change in the general aims of economic policy had also taken place because of the European Payments Union. While in the first phase of economic planning by the ERP the investment plans were stressed, now the primary target within the scope of the European Payments Union was the currency system. The ERP was not only a preliminary stage to the free exchange rates between the currencies of ERP countries and the dollar, but it was also to help prepare the possibility for the functioning of international currency funds on the broadest scale. As far as Austria could fulfill these tasks it made a contribution to the whole European currency order by the simplification of its exchange rate system and the fixation of the existing exchange rate of 21.36 schillings to one U. S. dollar for all traffic in goods. (This regulation of October 5, 1950, has been mentioned previously.) 457 652

In the meantime, alterations in the structure of world trade in the early part of 1950 (shortages on the raw material market, increases in prices) caused a change in the commercial policy toward the whole problem. Thus, the discussion of a number of special tasks and principles became necessary (this was also true for Austria). Up to this time the center of gravity in trade policy always lay with the exports, but this shifted to imports considerably toward the end of the year. Comparing quantities became more or less unimportant; the question of "what" in exchange of goods became more important than the question of "how much." The problem now is: what type of goods should be exported and which imports are desirable to make these exports possible? Can the domestic economy, under the given conditions, do without those export goods and does it receive instead of them such goods as it really needs? Or, will the domestic economy lose, by export, such materials that it really requires to maintain its own capacity? Perhaps goods will be imported which, although pleasant and useful, are not really necessary. Such are the questions which were the center of all deliverations concerning trade policy toward the end of 1950. 439 652

In the course of this development one can observe elements of retrogression to the compensation system in trade among the nations (or, to be more correct, among the ERP countries) around the end of the year 1950. Although business is carried out in principle in accordance with the clearance system, 439 457 652

439 many a business transaction is again of the barter
457 type. At present these do not lie in the sphere of
652 private business transactions but are at the level of state control. If one bears in mind the whole European trend under the system of liberalization and of the EPU, this is a typical retrogression which tends toward bilateralism instead of multilateralism. No doubt the system of compensation will prevail again since the factual renunciation of multilateralism in favor of the clearing transactions has to face, at the present time, quite different conditions than existed at the time when those changes, disputed as they were, offered the only possible solution.

Certain signs of a crisis in the policy of liberalization constitute a further problem which influences the trade policy of single states in recent developments. Confined at first to only a few states, this crisis engulfed a still larger number of European trade partners toward the end of the year, since a liberalization without guaranteed payment (foreign currencies) does not at all fulfill the aim of increasing trade relations. The payments traffic on the clearing accounts which, in last analysis, reflects the traffic of goods between the participating states shows a debit tendency.

Under these conditions, Austria faces a number of special tasks in trade policy, the solution of which, however, is not Austria's responsibility alone. Above all, the task is to reach agreements in which the Austrian economic potential can be fully utilized and which afford the possibility of adapting to developments rather contrary to the agreement terms. Austria offers its partners goods (such as timber, magnesite, steel and iron) which are needed all over the world. At the same time, there must be readiness to accept finished goods for deliveries of these vital goods. Problems of prices and of competition (aside from the increase of productivity in the total economy) must be solved in a way which diminish the disadvantages of the non-elastic clearing traffic without producing, on the other hand, unbearable consequences in the policy toward foreign currencies. It must be the most important task of the Austrian trade policy to secure the import of such goods as Austria needs to maintain full employment and, thereby, social stability

434 schillings in 1937. Although this increase from 1948 to 1949 was caused mainly by changes in prices, the fact remains that the gross national product increased in 1948 by 15 per cent and in 1949 by another 12 per cent. Thus, the prewar level was [433] approximated. The increase of capacity and at the same time the increase of the gross national product in the years 1948-50 is due to the rise in productivity of the whole economy. However, further increase will be even more difficult because the utilization of capacities and of available labor reserves will advance. Although industrial production had reached a level in 1947 equal to 56 per cent of the 1937 level (in 1949 119 per cent and in 1950 140 per cent of the prewar volume), the productivity increased in the same period from 47 per cent to 79 per cent (in 1949) and 90 per cent (in 1950). Therefore, it still lags behind the prewar period. The same holds true for agriculture; the total production (agricultural and livestock production on the basis of 1937) reached only 55 per cent of the 1937 level in the year 1947, 80 per cent in 1949 and approximately 84 per cent in 1950, but the productivity reached only 90 per cent.

[439] Remarkable progress was attained as compared to the years 1945-46. By its own efforts and with the help of foreign aid Austria could satisfy the urgent demand for imports and the volume of imports was increased above the prewar level. The exports, however, lagged behind as measured by the quantum-index. The same holds true for the balance of services. On the basis of economic data the balance of payments of Austria in 1950 is presented in the following table.

Explanatory notes to table:

457 a. Quoted in dollars due to change in exchange rate.
b. Calculated in dollars for 1949 and 1950 by the Oesterreichische Statistisches Zentralamt.
c. Other services.
d. Up to June 1950 including drawing rights.
e. Among them aid deliveries in form of credits; no decision has been made about the obligation for repayment.
f. Net payment of drawing rights up to the end of June 1950, and Initial Position payments since July 1950.
g. Provisional figure.

IV. AUSTRIA'S ECONOMIC POSITION IN 1951

452 The following points are characteristic of the economic trends in 1951.

1. In the monetary field: the tendency in the world economy toward forcing reductions in the credit policy; the figures will be rounded-up by an increase of the bank rates toward the end of the year;

652 435 2. In the budgetary field: the approaching end of ERP aid makes it necessary to reduce the price supports still existing;

454 3. In the field of investment policy: a reasonable balance between the investments of the production goods sector and the consumer goods sector is to be prepared; by increasing the offer of goods ready for consumption and export the imbalance in the balance of payments will be overcome as rapidly as possible;

439 4. In the field of foreign trade: the shortage of raw materials and the existing discrepancy between the trade and foreign currency balance (deterioration of the exchange rates) make special laws and measures necessary to promote exports;

435 465 5. In the field of prices and wages policy: certain discrepancies in prices, especially in the agricultural sector, make necessary adequate adjustments as well as improvements of real income of wage earners to the level of higher prices;

6. In the field of production and productivity: a general increase of the capacities and the extent of capacities, is necessary between the social partners and the abolition of burdens which prevent an increase in production. Adequate relations should be created.

A. International Economics and Austria's Reaction

000 A glance at the representative statistics prove that international development proceeded along quite different lines in 1951 than was expected at the beginning of the year. The steep rise of prices for raw materials, especially those of wool, tin, rubber, which started from the beginning of the Korean crisis have created an ever-increasing inflationary tendency.

aid which wat granted.) The result was not only a very early claim upon direct aid (in the third ERP year, i.e., from July 1, 1950, to June 30, 1951--8.81 million dollars) but also an exhaustion to a very considerable degree of the Initial Position supplied by the EPU in the amount of 80 million dollars. To ease the precarious situation, the OEEC was asked to increase the direct aid and to extend the Initial Position. This was granted by ECA after complicated discussions with regard to the special situation in Austria; at last, amounts of 18.2 and 10 million dollars, respectively, were granted for the period up to June 1951. 457

B. Credits, Wages, Prices and Subsides (Measures and Agreements).

The higher prices of foreign raw materials, their shortage, and the reactions which followed the fourth price and wage agreement reached between the Chambers of Economy (Wirtschaftskammern) in September 1950 led eventually to an actual transfer of the single cost elements, thus endangering the potential exports of Austria designed for the international market. In 1950 the center of gravity in the foreign trade policy lay with the foreign currency policy and was the main concern of the Nationalbank. The existing international shortage of raw materials shifted this center to the planning of quantities of imports and exports. The Austrian Federal Government, therefore, had to coordinate Austrian economy with world economic conditions. A number of economic-political proposals were introduced in the National Assembly which, limited in time to June 30, 1952, were enacted in the last session of the Fall Convocation 1950-51 (ending in February 1951). These were the laws enacted: 652 [439]

1. The law concerning the creation of an economic directorate (Wirtschaftsdirektorium) consisting of members of the Federal Government; it has as its task coordination in the fields of production, prices, food supplies and foreign trade policy, 656

2. An amendment to the price control law (Preisregelungsgesetz) to exercise a rein upon prices; [435]

3. An amendment to the raw materials allocation law (Rohstofflenkungsgesetz) which is supposed to channel raw materials of which there is a shortage toward those goals which are most urgent economically; [438]

bringing new problems of adjustment. These were solved by a new general agreement of the Chambers of Economy (in July 1951), in which the main considerations were: the out-of-line prices in agriculture, the necessity of decreasing the subsidies for imports still existing, and the boosting of tariffs. Special aims of the economic policy were: 652 [435]

1. To restrict the utilization of foreign aid for consumption goods in order to afford a bigger part of the total volume of goods and services for investment activities or, at least, a non-fluctuating part in the case of a decrease in foreign aid. The top aim was a change in the utilization of the gross national product. [434]

2. To balance the agricultural prices which were out of line. In this way, conditions were to be created for an optimal distribution of the available aids through the price mechanism (changes in the constitution of the gross national product). [435]

3. To effect conditions for a new distribution of income; this referred, in the first place, to agriculture and employment in public services, to persons living on state relief and pensionists (for these last two groups an adjustment of the real income was secured by the so-called "Nachziehverfahren"); the real wages of the other wage earners should be kept on the existing level (changes in the personal distribution of the gross national product). [454]

It was not easy to encompass these aims within the concept of economic policy, since automatically secondary and tertiary reactions to these changes were to be expected upon the total price structure. Be that as it may, the immediate results of this agreement were the following regulations:

1. Agriculture received higher production prices for wheat, rye and milk, by which a better market capacity might be obtained (stimulation of the production). [435]

2. The subsidies for the import of bread grains, fodder grains, and raw materials for fats were diminished. Consumer prices corresponded generally to the average (newly calculated) prices of the producer (unless fixed by special regulations). As far as import subsidies continued, they became part of the budget while the incomes from sales were kept on the same level of value as those from the ECA counterpart accounts. [654] [439]

these aims will be discussed later), which becomes more and more urgent because of the decrease in ERP funds, means from counterpart funds for investment aims had to be released to an increasing degree. 457 652

The Austrian government declared, therefore, its readiness as early as the fourth price and wage agreement to abolish all ERP subsidies for imports. In the interest of keeping living costs at the lower level, also, certain quantities of vital goods were provided at lower prices in 1951. Besides fertilizers and raw materials for fats (which continued to be calculated on the basis of former prices), the prices of wheat and fodder corn were increased but they still remained far below the prices on the world market. In addition, smaller subsidies were provided to support the prices of sugar, glass, drugs, and hides. 652 435 439 654

In spite of the partial abolition of subsidies, they still amounted to approximately 1 billion schillings for the period from October 1950 to June 1951. Seven hundred and fifty million schillings went to the debit of the counterpart accounts and 250 million schillings to the debit of the budget. Further subsidies had to be faced for two reasons: a sinking of the allocated means in the last year of the Marshall Plan (1951-52) had to be taken into consideration; and further means were necessary to continue investments which already had been started.

The agreements, therefore, provided adequate increases in sale prices for the import of individual goods. In spite of these price correction measures by which the difference between the import prices for wheat, rye, fodders and raw materials for fats and the prices on the world markets could be diminished, but not fully absorbed, there still remained a considerable burden on the budget because of the existing prices on the world market and the projected quantities of imports, as well as by changes in the ways of financing (transfer of counterpart accounts to the public budget). Thus, the differences had to be covered by the next balance period, a fact which the government budget 1951-52 had to take into account. This problem will rise again with the end of the Marshall Plan aid in June 1952.

If one considers the results of these agreements as a whole, a clear success had been scored in the prevention of further increases of subsidies, in the improvement of real income of public servants, 652 434

434 pensionists and persons dependent on state relief.
652 The correction of some out-of-line prices was also effected. To achieve these results the gross income of wage earners increased by approximately 6.1 billion schillings, the tariffs by 1.5 billion schillings and the incomes of agricultural workers by 640 million schillings. A flow of money has been effected surmounting by many times the net effect of the transfers in incomes. Future regulations will provide the final easing of tensions caused by the structure of prices and wages. By the same token, the final solution of certain apparent budgetary problems (remaining subsidies) and problems of the economic policy must be postponed, especially in view of social considerations.

435 The increases of prices, wages, taxes and tariffs by the fifth price and wage agreement caused, in many respects, a considerable movement of prices even in fields other than those comprised in the agreement. The intensity of this movement, however, was diminished by the continuing high industrial production (the number of employed reached more than 2 million people in the middle of the year) and by the sinking of prices in the world markets. However, there were a number of secondary, even tertiary, reactions which could not be avoided, although these reactions raised the general level of prices as a result of increasing demands in the second half of the year.

435 The prices of raw materials, however, were
439 stable in the early summer. The wholesale trade index of the Statistisches Zentralamt sank by 0.6 per cent (from 795 to 790; based on the formula 1938 = 100) from the middle of July to the middle of August. This was caused mainly by price reductions of the most important foreign raw materials (wool, rubber, tin), while domestic raw materials and semi-manufacturers (leather, petroleum, gasoline, building materials, aluminum and cellulose, among others) brought higher prices. This backward development led to a rise of domestic prices of raw materials and semi-manufactures so that they approximated the highly increased prices in the world market after the outbreak of the Korean conflict. Special problems in the development of foreign trade became acute because the prices of domestic finished goods had to adjusted to the levels of world market prices.

E. Foreign Trade.

439 457 Austria's foreign trade was naturally effected by the outbreak of the Korean crisis. In the beginning it caused considerable increases for Austrian exports. In the following period, however, import prices rose above export prices creating a discrepancy between the trade balance and the balance of foreign currencies in the spring of the year. A number of legal regulations were necessary. Intensification of Austrian foreign trade, therefore, becomes one of the most important economic-political assignments in connection with the end of the Marshall Plan. (See Monatsberichte for January 1952: "Ausfuhrsteigerung-erstes wirtschaftspolitisches Gebot." Compare especially what is said about the abolishing of the quota, which will not be changed, and about the material supports to raise the export trade, especially the extension of exchange business.)

[648] In the last quarter of the year, a committee of the EPU in Paris was discussing this problem which is of paramount importance to Austria. It stressed the urgent need for further developments in this sector since Austria shows a permanent deficit account in its clearing with the EPU. This deficit reached an amount of 5.4 and 5.5 million dollars in October and November, respectively, while foreign aid in an amount of approximately 8 million dollars was allocated for these two months. The balance must be supplied by the Nationalbank out of its own reserves.

457 648 439 By means of trade agreements Austria endeavors to extend the scope of its obligations to the European area as well as to overseas areas. (In the following, explanations are based on: "Die Handels- und Zahlungsabkommen Oesterreichs" by Dr. Helmuth Boller, chief of the Trade Policy Section of the Bundeskammer der gewerblichen Wirtschaft, Vienna.) Certain progress could be reached. Thus, the lack of trade agreements with the Iberian peninsula could be corrected by the conclusion of a commercial agreement with Portugal. Toward Spain there are only feelers of a trade and political character. Indonesia joined the ranks of overseas agreement partners. New trade agreements were reached with Belgium, Luxembourg, the Netherlands, and Poland to replace former agreements which had expired. Trade agreements were renewed with Argentina, Brazil, Denmark, West Germany, France, Italy, Yugoslavia, Norway, Rumania, Sweden, Czechoslovakia and Hungary in 1951. As a rule, the formation of the goods

traffic on the basis of hitherto valid agreements were revised and new goods lists for the future worked out. The new agreements are, in general, valid for only one year. Additional payment agreements could be reached with Belgium, Luxembourg, Brazil, the Netherlands, Poland, and Portugal at the same time the commercial negotiations were concluded. (At present there are twenty-three payment agreements.) Payment agreements not connected with commercial agreements now exist with Great Britain, Canada, and Uruguay, and commercial agreements without corresponding payment agreement with India, Ireland, Indonesia, and Pakistan.

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If one groups the concluded commercial agreements according to basic common features, one can see that an extensive adjustment of the regulations to the decisions of the OEEC and the EPU took place in the so-called OEEC countries in 1951. Basically, the principle of Liberalization was stressed in all bilateral commercial agreements with OEEC countries in accord with obligations which result from membership in the OEEC and EPU. The lists drawn up are restricted to goods not covered by the general liberalization.

The paramount importance problems about the supply of raw materials caused a remarkable shift toward fixed promises for deliveries. In many cases the partners not only worked out lists for the import of non-liberalized goods but they added additional lists creating fixed promises for the allocation of export licenses in the form of delivery contingents. Austria uses agreements of this kind in its trade with West Germany, France, Italy, the Netherlands, and Portugal. All these agreements with OEEC countries also have in common the basic renunciation of the principle of compensation and its replacement by the so-called "clearing agreement." In 1951 even the last agreement based on bartering had to cede to this principle. The trade agreement with the Netherlands of December 13, 1947, which represents the type of mixed agreement, was replaced by a new trade agreement of February 5, 1951, which actually adopted the standards of those clearing agreements which were reached with other OEEC countries.

The renewed agreements (not in the framework of OEEC and partly only prolonged former agreements) with Bulgaria, Poland, Rumania, and Czechoslovakia do not show essential changes as compared with the preceding year. On the grounds of merely bilateral basis, the

457 balancing of the bilateral trade balance sometimes
048 causes considerable trouble. The trade agreement
439 with Yugoslavia was considerably extended by a credit for goods to the amount of 10 million dollars which Austria granted to that country; the goods have been almost totally delivered. The goods credit, starting with the year 1952, must be balanced by Yugoslavian counter-deliveries. The new discussions about a trade agreement with Yugoslavia were begun on January 7, 1952.

Among the overseas agreements, those with Argentina and Brazil contain very interesting new elements with regard to the techniques of agreements. Thus, for instance, the listing of the items of Austria's exports to Argentina is extremely detailed. One is certain that the establishment of a permanent Mixed Commission with its seat in Buenos Aires will be a success. It is the Commission's task to control observance of the agreement and the development of the goods traffic. In the agreement with Brazil the new method of balancing payments is most interesting because it deviates from the usual scheme. The establishment of annual accounts for the balancing is most remakable. At the end of the year in which the agreement operates, the amounts will be balanced and replaced by a new annual account for the following period of the agreement. It is equally remarkable for the regulation that a payment of a credit account will be demanded only to the extent in which import licenses actually were issued by the competent authorities after ordinary application procedures.

In the first months of the coming year further agreements with Brazil, Bulgaria, Denmark, Greece, the Netherlands, Norway, Pakistan, and Sweden are to be concluded. Existing agreements are to be renewed or prolonged.

457 The achievement of the balance of payments
652 is the aim to which all endeavors of the economic policy must be subordinated. As explained in the foregoing, these endeavors contain those measures which are to restrict the inflationary development. The craft segment of the economy under the direction of the Bundeskammer der gewerblichen Wirtschaft started various measures of material and psychological importance toward the end of 1951. Among these measures was price reduction (see Monatsberichte for November 1951 (No. 31): "Die ökonomische Bedeutung der Preissenkungsaktion").

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[439] This comprehensive aid will cease in the middle of 1952. Austria will be right in stressing the fact that, owing to its far lower level of total economic well-being (as compared to the other ERP countries), the full results of all these measures and investments cannot be forthcoming earlier than 1954-55. Moreover, the further amalgamation of markets in Europe may be expected in connection with increasing competition, by which a reasonable compactness of all new investments within the European Investment Program will be provided. On the other hand, there are a number of most decisive problems of economic policy which must be solved by the beginning of the new fiscal year. The manner of mastering these problems must be of top-ranking importance for the economic and social development of the country. Although the measures taken in the sector of currency and credit policy must not be overestimated in their impact upon stabilizing money values, the increase of production and productivity is a corollary of the organic compactness of the structure of the total economy. In this way single elements may be most fully developed. Bearing this in mind, the appropriate authorities pointed out that the American aid sources, which will be available for only a short time, must be used up in carrying out those economic measures which are considered most important. To coordinate the measures concerning the total economy, the single appropriate ministries have been ordered to make proposals to the Wirtschaftsdirektorium of the government at the earliest possible date. These proposals are expected shortly. They will deal, among other things, with the necessary structural changes of the public budget which take a considerable portion of the gross national product.

Establishment of a balanced budget on the basis of the most economical use of expenditures is one of these. In connection with this, there will take place an organic reform of administration, especially with respect to not burdening the public budget with further expenditures of this kind; strict observance by the appropriate ministries of expenditure limits set in the provisional budget; liquidation of the problems of subsidies. (In relation to the preceding years the budget of 1952 tends to make the government the vehicle of a comprehensive investment policy in view of the decreasing counterpart funds. In this respect the government takes over functions which need most careful consideration from the standpoint of the

B. Developments in the Field of Trade and Payments.

If one considers conditions when the laws of economic policy were issued in the spring of 1951, one will see that the discrepancy between the sharply increasing prices of imports and the lagging prices for exports led to a discrepancy between trade balances and currency balances. This was the case despite shortages of the most important raw materials and in spite of a relatively favorable trade balance. In view of this, not only the direct aid was used up in a shorter time, but the "Initial Position" supplied by the EPU was exhausted to a far greater extent in the counter-value of 80 millions. The deficit eventually was covered by additional funds for direct aid in the amount of 18.2 million dollars from EPU and a sum of 10 million dollars from the "Special Resources" of the ECA, awarded in view of the special conditions of Austria. To an extent it was also covered out of the limited reserves of the Austrian Nationalbank. 439 457 652

The later decline of the prices of raw materials made the reduction process slower. This was the case especially with finished goods because of the natural alterations concerned with the various stages of the program. A number of these goods not only reached the maximum prices in the world market, but also the amount in the following period. The total development is reflected in the table of the balance of payment. The figures for 1949 and 1950 are used for comparison.[1]

[Cf. category 116, pp. 132-133--Analyst]

439 If one examines the structure of these re-
457 sults more closely, one will see immediately that the
652 deficit of the trade balance is by far the biggest burden to the total balance, which is not covered at present by the moderate assets of tourist traffic and the surplus of the transit traffic, plus other receipts from services. This deficit was covered up to the present from ERP funds, which must be replaced in the present year (at least in the second half of the year) by other methods if the import programs are not to be seriously restricted. Any restriction, however, would be most decisive. If reduction of the imports of foodstuffs were undertaken it would result in a grievous lowering of the general standard of living; if one attempts a restriction of raw material imports the plants and factories would have their operation curtailed and partial unemployment would result; if one lowers the import of coal and fuel the general tempo of production will suffer with all the consequences this would have upon the social and economic life of the country.

435 It is clear that none of these alternatives
439 would be acceptable since normal development must be to the interest of Austria as well as the whole of Europe. But where is one to find an acceptable solution? An analysis of the figures of foreign trade gives the following picture:

To begin with, the table shows the development of foreign trade in the last two years as compared to the last year before the war. To make the figures of 1937 comparable with those of 1950 and 1951 (which are inflated owing to currency devaluation), the amounts in new schillings were reduced to the previous schillings value by dividing them by the index of wholesale prices (1950: 553 and 1951: 742).

435
439

	Quantity in Millions of Centners		Value in Millions of Schillings
1937			
Imports	6.2		1,453.7
Exports	3.8		1,217.0
Deficit			237.0
1950			
Imports	8.5	New Schillings	9,200.0
		Old Schillings	1,664.0
Exports	3.5	New Schillings	6,513.0
		Old Schillings	1,178.0
Deficit		New Schillings	2,687.0
		Old Schillings	486.0
1951			
Imports	9.2	New Schillings	14,027.0
		Old Schillings	1,890.0
Exports	3.8	New Schillings	9,635.0
		Old Schillings	1,298.0
Deficit		New Schillings	4,392.0
		Old Schillings	592.0

A comparison shows that the quantity of imports (1951) increased by about 50 per cent as compared to the prewar period, while the value (reduced to old schillings) has increased only from 1,452.7 to 1,890.0 old schillings, i.e., by 30 per cent. Exports reached their prewar volume in quantity (3.8 million centners) but in value in old schillings the increase amounts to only 6.7 per cent (from 1,217.0 to 1,298.0 million schillings).

The fact that the value of imports lags behind the quantity of imports proves that the structure of imports underwent certain alterations. As compared to the prewar era, more goods with a cheaper rate per centner were imported, excluding some mass goods such as coal and bread grains, the dollar-per-centner price of which has doubled as against 1937. Moreover, the development of exports proves that by 1951 Austria had already reached the prewar level in quantity as well as in value. There is, therefore, no blame to be attached for not reaching the aim of the total capacity because the total deficit of 237 million schillings (1937) rose to 592 million old schillings in 1951. The reasons for this development, which tends toward a deficit, lie in large measure in the above-mentioned

439 deterioration of the exchange rate between imports
435 and exports (excluding the far larger import of investment goods). (The investments quota amounted to 6 per cent before the war and rose to 21 per cent of the gross national income in 1951. The comparatively high quota could be maintained, of course, only with the help of ERP funds.) These circumstances also caused difficulties in bigger and economically more powerful states because the real value of foreign aid suffered remarkably by these price developments since the middle of 1950.

439 Normalization of the trade balance must be
652 achieved in regard to both imports and exports. This
454 will be achieved through:

1) The increasing effect of the investments made within the scope of the Austrian Investment Program 1950-52 and by the revised investment policy. These are short-term investments which will be cheaper and more exportable by raising exports or, indirectly, by cheapening unfinished goods. Among these import saving investments only such investments shall be supported (excluding imports for agriculture) as will be justifiable within the scope of a liberalized foreign trade and in the framework of the international distribution of labor. In spite of the basic continuation of big industrial projects (in view of the end of ERP aid and counterpart funds it will not be possible to afford bigger amounts for big projects which will show their effect only after a long period because of financial and credit policy), the necessary shift in the center of gravity toward the typical export industries will remain a characteristic feature (the export industries are craft enterprises and the foreign tourist traffic, both of them real foreign currency earners). In this connection it should be remarked that part of the investments which have been carried out through public investment programs have not yet matured. Owing to the comparatively late start of real investments in Austria as compared to other ERP countries (1950), they will be fully effective only as late as 1954-55.

439 2) Exhausting all possibilities of the existing and future opportunities in the trade policy. Thus, for instance, the new German liberalization together with the new trade agreement opens the German export area to Austrian production so that, with an adequate support, a big part of the Austrian production capacity will be fully utilized. Also Belgium lowered the

restrictions on its imports in order to abolish its accounts at the EPU. There are no restrictions to the imports into Switzerland. France recently has promised to facilitate imports of Austrian goods by abolishing its assets in the trade account. Further potentialities in exports may be found in the Near East. Thus, for instance, Turkey has concluded a "classic trade and shipping agreement" with West Germany as recently as February 16, 1952, under which German participation in the industrialization of Turkey has been secured. 439

3)[1] An intensive and extensive increase of agricultural production (a step by step decrease in the import of bread, grains and sugar to the prewar level). In doing this the fact was taken into account that in 1938 almost 80 per cent of the normal consumption of wheat and rye and 98 per cent of the domestic consumption of sugar had been covered by domestic harvests. This aim can be reached in view of the more advanced techniques of fertilizing and in view of investments for agriculture. (In the Long-Term Program for 1952 provision is made for a cultivation area for bread grains of 576,000 hectare. This could not be attained because of price policy consideration. It may be possible to carry out the necessary extensions of production by the projected shift in subsidizing the proposed prices in agriculture and by stopping migration from rural areas. At present a law is under discussion pertaining to this.) [241] [652]

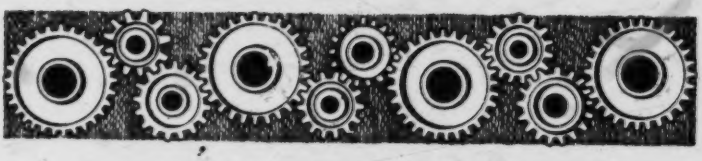
4) Categorizing the import goods on the basis of their importance to life; in this case the imports of sugar may be restricted and the import of colonial wares may be revised.

5) An increase of the productivity of plants in order to lower production costs and to build up a firm level of real wages.

6) A new calculation of costs as favored by lower prices of raw materials.

There is no doubt that none of these programs can actually be carried out to full extent since the economy is still in a state of flux and outside influences make current adjustments necessary. But it is most important to find a general line as a center of focus for necessary measures. It will be possible, with the continuous consolidation in certain fields, 000

[1] [Normalization of the trade balance in regard to both imports and exports will be achieved through: --Analyst]



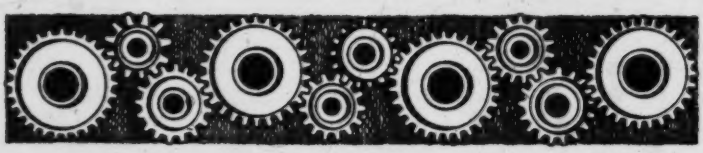
THE AUSTRIAN ECONOMY AFTER 1918.

439 The disintegration of the Dual Monarchy was immediately followed by severe economic disturbances. These were by no means small, even in comparison with the position after 1945. The heart of Austria, with its highly developed trade, was suddenly completely cut off from its former inland sources of raw products and markets. The oilfields of Galicia, like the important coal deposits in the lands of Bohemia, Moravia and Silesia, were lost, having fallen to the Succession States, and the loss of the agricultural surplus areas produced a threat of famine.

433 439 The Succession States—Czechoslovakia, Yugoslavia and Hungary—each attempted to build up a national economy, to balance its economic structure and to make itself as far as possible independent of raw and semi-manufactured materials and finished goods. A division of labour which had grown during decades into one complete organism was thus broken up, to the detriment of all peoples living within this territory. For Austria this meant that an intensive system of internal trading suddenly turned into one of foreign trade, where great difficulties had to be overcome. At first even inter-state transport communications were further complicated by barriers created by the Succession States.

728 433 458 The nadir of those days was reached with the signing of the Treaty of Saint-Germain, which revealed the full extent of the catastrophe. Austria's tragic path at that time was blocked by a series of apparently insurmountable obstacles to the procuring of essential foodstuffs, coal and raw materials. Inflation to an extent never before seen set in and led to a selling-out of national assets. The unfavourable basis of the rump economic structure as well as the instability of Austria's relations with foreign countries seemed to doom all her efforts to failure.

648 457 652 After difficult but very skilfully conducted inter-state negotiations, the governments of Czechoslovakia, France and Italy were persuaded to advance credits to the Austrian Republic. The Allied Powers convinced themselves that Austria, if help came from the League of Nations, would exert her own energies to the utmost in order to put her finances and trade on a sound footing. The will of the Austrian Government to stabilise the budget, demonstrated by the previous abolition of food subsidies (in December 1921), did much to assist these efforts. The Financial Recovery Plan which was signed at Geneva on October 4th, 1922, proved the turning



point. The banknote printing presses were stopped and national administration put on a firm footing through drastic measures of economy. 652

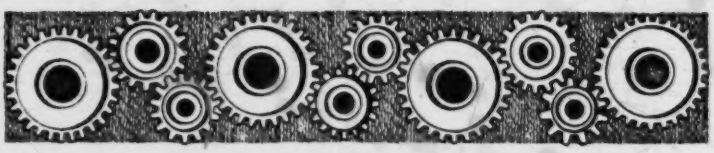
However praiseworthy the efforts which led to a balancing of the budget, the difficulties which still confronted Austrian trade remained considerable. Austria's productive capacity was far greater than its markets (which had shrunk to an eighth of their former size) could possibly absorb. As a great part of Austrian industry was devoted to manufacture, the country was dependent on the import of foreign raw materials (textile, metal and chemical raw materials, hides, furs etc.) and auxiliary materials (above all coal). On the other hand, the social services (unemployment pay, emergency aid, health insurance etc.) which were more extensive than in all the other Danube States made the costs of Austrian production comparatively high. 433 439 [745]

All Austria's efforts were directed towards export. In 1931, 25 per cent of all inland output was exported, 45 per cent of this being industrial production. If one works out the value of goods exported per head of population and compares it with the exports from other countries it will be seen that in 1937 Austria was ahead of Germany, France and the U. S. A., the comparative figures being 39 : 36 : 34 : 28.

As an industrial country, Austria was forced through the ceding of her agricultural surplus territories to rely on the import of foreign foodstuffs. These imports had to be paid for by the export of industrial goods, as had also the raw and auxiliary materials. 457

According to the balance of payment figures for the year 1934, the exchange of commodities, which amounted to 63 per cent of all listed inter-state payments was the most important item of Austria's inter-state economic transactions. Second in importance were payments under the heading of invisible imports and exports (balance of services), which amounted to 23 per cent of the total payments. Austria made a profit on these transactions of about 200 million schillings. That proportion of the goods imported which could not be covered by exports alone was therefore paid for by services in the strictest sense of the word. Of these services, the tourist trade and transit trade were the most important.

Through the loss of former markets, Austria was forced to form new export connections in the north, south, west and overseas. As the goods which had formerly been exported to the east and south-east were not automatically marketable in these 439



439 territories, Austrian producers were forced to adapt their output to these new conditions. This was of course only possible through the painful process of making certain changes in the economic structure.

439 The main bases of Austrian trade, as vital then as now, were:

135 a) the abundance of forests which ensure timber for export as well as for the furniture-making and paper industries.

b) The deposits of iron ore which form the basis of iron and steel production and the iron-working industry.

c) The wealth of water in the alpine districts, constituting an extensive source of power which is being increasingly exported in addition to supplying Austrian industry with current.

d) The recently-discovered inland oil fields (at Zistersdorf).

e) The fashion and luxury-article industry, an export factor of increasing importance.

f) The credit balance of services (tourist trade and transit trade).

433 It is one of the characteristics of industrial-commercial production that Austria, as a result of her comparative lack of capital, should be at a disadvantage whenever it is a question of mass production. But wherever there is a chance for painstaking finishing, special skill or workmanship, as well as good taste and original ideas on the part of the producer to play a rôle, the prospects of success are excellent. It is not only, as is often mistakenly imagined, the fashion and luxury industries to which this applies, but all the many branches of manufacturing where it is the quality of the work which counts. These factors are strengthened by the prevalence of small concerns in Austria. Factories with up to 100 employees amount to 75 per cent of the total, those with 100 to 1000 employees to a little over 20 per cent, and the factories employing over 1000 persons to only 4·4 per cent.

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652 After the stabilisation of the currency, production and export trade showed a favourable increase between the years 1923 and 1929. Production rose during this time by nearly one third. Then followed the general slump, especially serious for Austria on account of her great dependence on export. The development which had begun so hopefully was now brought to a standstill through the external crisis.

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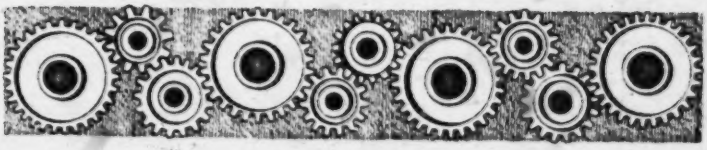


439 Trade stagnation lasted until the middle of the 1930s, when the armament
648 programme of the Axis Powers, Germany and Italy, was launched, to be followed gradually by an armaments race between all the world's most important trading countries. Austria was excluded from the development which led to the catastrophe of the Second World War, firstly through her political differences with the Third Reich (which answered by a cruel economic boycott in order to force Austria to her knees) and secondly on account of her economic structure, which was suited to the production of peace-time goods but not to that of armaments.

Austria had to make a tireless and purposeful search for new markets before she succeeded in forming and consolidating foreign trade connections with distant territories—the United States of America, British India, Japan, China and the Argentine. If this development had not been interrupted by the occupation of Austria in 1938, the results of Austria's successful attempts to revive her foreign trade would doubtless have soon been apparent in the growth of typically Austrian exports.

Even though the visible results of this change of direction may seem modest, it must not be overlooked that parallel with the deleterious results for Austria of the protectionist policies pursued abroad, there were serious internal problems of economic reconstruction to be solved. One of these was and still is the structure and the development of agriculture.

241 For many reasons unconnected with economics, but also in order to increase home
439 supplies of the chief articles of food, agricultural development was encouraged. The most important changes in agricultural production were brought about, particularly in the years 1930 and 1931, by radical economic-political measures. The customs tariffs for these years showed a considerable increase of duties on grain, flour, sugar, cattle and meat, the protective tariffs being even further increased in the following years. The resulting rise in prices meant an increase of cultivated areas and the production of the most important kinds of grain.

231 A further far-reaching measure affecting cattle raising was the regulation of imports
439 of cattle and meat through the setting up of tariff barriers against the most important
654 of the neighbouring States. Apart from this, in April 1932 the import of the most widely sold types of cattle and cattle products was forbidden.

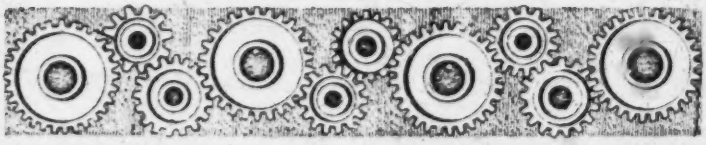
The increase in production resulting from all these measures was bound to increase the difficulties of marketing during the slump. In pig-raising it at last became necessary to resort to curtailment of output (prohibition of pig-raising for the market). An attempt was also made to increase the costs of cattle-rearing and thus limit the supply by raising the so-calledli cencë fee for the import of fodder. 231 656

As a stimulant of milk production, a milk-equalisation fund was created to content with sales difficulties, through which the means for the export of dairy products at prices below production costs were raised by the imposition of a tax on fresh milk. 234 654

Thus it came about that in the 1930s Austrian products such as standard butter, high grades of cheese and cream could compete successfully on the markets with the dairy products of such leading countries as Denmark, Switzerland and Holland. The western alpine provinces especially profited by this arrangement, but at the same time a great demand was created for home milk products throughout the whole country. Gradually, in the Danube City which has been known from Roman times for its enjoyment of sweet wines, depôts were established where milk could be drunk in the busy streets and on public squares, giving the City a new attraction. 234 439 275

The doubtless necessary encouragement of dairy farming, just at this time, however, brought with it new problems which were aggravated by the effect of the world economic depression. The situation was made worse by the fact that the prices for agricultural and dairy products had sunk far lower than the prices for technical aids to agriculture. The discrepancy between these two sets of prices became still greater from 1933 to 1937. The comparative fixity of wages and the increase in public debts accompanied by sinking prices were not inconsiderable factors in bringing about general deterioration. 234 458 435

Problems of agrarian policy were bound to have a reaction on industrial-commercial economics. Austrian products had to compete with those of countries which had the advantage of considerably lower agricultural prices and thus of a lower cost of living. For a land such as Austria, which in the main can only secure the goods she needs through the export of her own products, it is essential that wages, an important factor in costs, should not be affected too unfavourably by the high price of grain. 241 439 435



241 Apart from the necessity for the existence of agriculture, the chief problem is to find a reasonable compromise between the legitimate aims of agriculture and the need of Austrian trade and industry to export at competive prices. This end can only be attained by the pursuit of a suitable economic policy and by an increase of agricultural productive capacity through measures of rationalisation, the discouragement of the drift to the towns and the setting up of a suitable system of administration.

439 435

439 The period between the two World Wars was too short to allow of full success on these lines, especially in view of the long duration of the world slump.

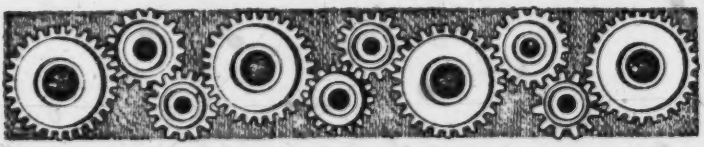
For the same reasons the efforts to develop the industrial-commercial system along new lines could not be brought to full fruition; attempts to maintain the status quo frequently held up progress. In times of international trade shrinkage any change of policy is not only exceptionally difficult but sometimes also a considerable risk.

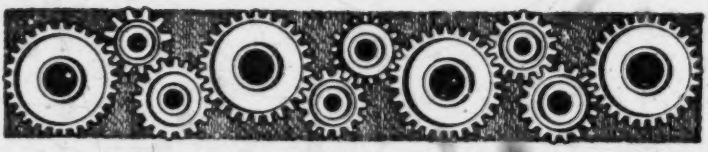
439 648 In spite of this Austria made repeated attempts in the course of the years to develop plans for economic rapprochement with neighbouring States. These efforts, however, were doomed to failure through the existence of most-favoured nation clauses and political obstacles. Already in May 1931, conferences were being held in Rome concerning the possibility of increasing trade connections between Italy, Austria and Hungary. From this time onward the preference

THE BANKING SYSTEM IN AUSTRIA.

The structure and economic activities of the Austrian banks since their foundation round about the middle of the last century have followed a different course to that of the credit institutes of the West. For while industrial progress in the latter was based on the active participation of a large circle of interested persons and a well-organised capital market, the development of the far-flung territories of the old Austro-Hungarian Monarchy was left almost entirely to the initiative of the Vienna banks, at first in connection with mechanised transport, and later in connection with industry. Thus, in contrast to the Western type of pure deposit banks, they became universal banks with much more comprehensive functions. Apart from receiving deposits, they gave credit of all kinds ranging from discount credit to long term mortgage credit, dealt in shares and put through stock exchange deals as well as carrying on note emission and syndicate business.

The end of the Monarchy in the year 1918 made it necessary to adapt the Austrian banking system to new conditions. How close the connections of the Vienna banking institutions were with the territories of the old Empire which have since separated from Austria is shown by the fact that of the 127 branches of the Vienna banks which existed under the old Monarchy, not even 10 per cent fell to the new Austria and that, for instance, the Creditanstalt had 16, the Anglo-





bank 34 and the Wiener Bankverein 29 branches outside the territory of present-day Austria.

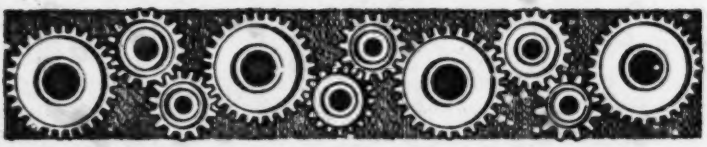
Adapting the Austrian credit system to the conditions and needs of the Austrian Republic actually took more than one and a half decades. It was not until the year 1934 that this process could be considered as completed with the fusion of the Creditanstalt and the Bankverein. The enormous difficulties involved were still further complicated by the fact that the change coincided in point of time with far-reaching international crises of trade and finance, so that certain grave reactions on the Austrian economy were unavoidable. Notwithstanding this, the latter and its credit system proved themselves strong and vital enough to survive those troubled times and to prepare the ground for the favourably development of Austrian trade in general and the Austrian banking system in particular.

This development was broken off in abrupt and catastrophic fashion through the establishment of the National Socialist regime and the outbreak of the war which soon followed. Although the end of the war restored Austrian independence—in theory, at least—it left behind chaotic conditions—both figuratively and literally a heap of ruins.

In the realm of finance, the first attempts at reconstruction had to be directed towards the re-establishment of the means of payment, a solid national currency being of course a primary condition for the normal system in foreign trade became the guiding 439
principle, the narrowing down of inter-state 648
trade relations being shortly afterwards still more strongly emphasized through currency restrictions and the clearing agreements connected herewith. The currency devaluations of the 457
gold-standard countries towards the end of the 435
year 1936 created new difficulties for Austrian foreign trade. As devaluation was out of the question and an export subsidy was not considered to be a suitable political-economic instrument, the only remaining alternative was to lower the costs of production. The difficulties of such a course have been proved by practical experience in all countries, as the questions of fixed prices and wages combine to form an insurmountable obstacle to such a development.

Nevertheless Austria still succeeded in linking 458
up with the world boom which began in 1935— 457
1936. In the year 1937 her figures of production were 6 per cent higher than those of the last characteristic boom year of 1929. The tourist trade developed exceptionally favourably, despite the "1000 mark limit" imposed by Germany, and the volume of foreign trade was constantly on the increase.

In view of the heavy burden of debt which 652
the country had to assume after 1918, of the increasingly protectionist tendencies throughout the whole of Europe, especially among Austria's immediate neighbours and considering the severe and long-continued world trade depression, as well as the crises of international currency,



Banking in Austria is carried on chiefly by joint stock banks, some of which have an extensive branch business. A few of the smaller concerns are situated in the provinces. Apart from these there are a number of highly respected banking houses and nine provincial mortgage banks. Two special characteristics of the first named are their ability to give individual attention to clients and their valuable foreign connections. The provincial mortgage banks are public bodies which have the principal duty, apart from other banking transactions, of attending to mortgage and municipal credits, financing the loans they grant through the issuing of bonds of mortgage.

Despite the difficulties still to be encountered in the reconstruction of Austria and its economy, the Austrian banks will continue to place their services at the disposal of the nation's commerce in accordance with their traditions, and to assist in securing for the Motherland a brighter future after long years of impoverishment and peril.

THE AUSTRIAN INSURANCE SYSTEM.

Insurance, with its estimation of risk and liability, of success or collapse, forms a mirror of Austria's development from the First to the Second Republic.

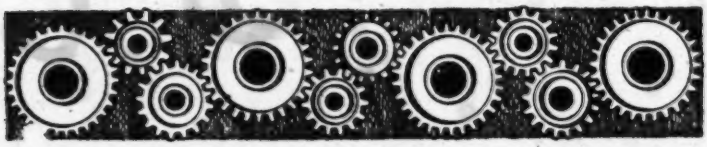
Within the space of not quite thirty years—1918 to 1945—the Austrian insurance concerns were faced with a food catastrophe would have been inevitable and the work of reconstruction have been indefinitely postponed. 727

From the outset, everything possible was done to help build up foreign trade again. At first, in view of transport difficulties, only trade with neighbouring countries came into consideration. The initial results were not great, since all these countries were busy with their own reconstruction and usually themselves needed the goods which Austria wanted. It was only gradually that by means of compensation agreements and later of clearing agreements, the trade relations which in 1938 had been broken off with Austria's most important suppliers and customers could be resumed. 727 439

In this way raw materials and auxiliary products as well as the means of production for industry were brought into the country, thus forming a basis for the recovery of industrial-commercial production. With the improvement of food conditions, the power situation and the increasing exploitation of available resources, output again began to rise.

In 1947 it was possible to reach 61 per cent of the industrial production of the year 1937; for the first time in 1948 output rose above 85 per cent of the former figure. Industrial employment figures for 1947 were 19 per cent and those of the year 1948 were about 30 per cent higher than those of 1937. 433 [464]

The most rapid strides in industrial production were first made in the branches more remote from



433 the consumer—mining, the iron industry, metal works and the chemical and silicate industries, while progress in consumer goods was comparatively slow.

439 This was due to the prime necessity of reconstructing the country's own trade and of a similar need in those European countries which buy goods from Austria. In proportion as world trade again becomes normal, however, the structure of Austrian commerce will take another shape and the share of specific export goods in the total sent abroad will increase. It is thus necessary to avoid excessive development of the industries manufacturing capital goods, or there will be a danger that the problem of supporting undesirable investments which arose just before 1938 may once again rear its head to hinder the progress of Austrian trade.

In any case the threatening economic vacuum of the year 1945 has been overcome and the development of the productive powers of the Austrian economy is growing. But there is still a great deal to be done in the way of reconstruction. This does not mean only the replacement of objects and material destroyed by the war. Still more important is it to work out the new shape of Austrian trade and the forms best suited to it. Conditions are in so far more favourable than those in the period after 1918 in that the work of reconstruction itself offers an opportunity of adapting the new framework to actual economic conditions and thus of gradually completing the

the double task of coping with the results of two wars and of adapting themselves three times to altered territorial conditions.

Despite the political liquidation of Austria-Hungary in the year 1918, Austrian insurance companies were generally able to keep, in one form or another, the position which they had built up during decades of pioneer work in the territories of the newly created states. One may say that with the setting up of the insurance system in Austria-Hungary, an economic and civilising mission had been carried out. Until quite recently the management of important businesses in the territories of the former Monarchy meant—either through the systematic grouping of affiliated concerns, through reinsurance connections or through the establishment of branches of the main concern—a useful fusion of trade interests in the Danube region with a consequent favourable effect on the prospects of peace in this area.

Even though it has been possible to avoid inflation since the Second World War, the year 1945 placed Austrian insurance in a much more difficult situation than that in which it had found itself in 1918. The period of German occupation had left behind it an unenviable inheritance. There was first the direct effect of

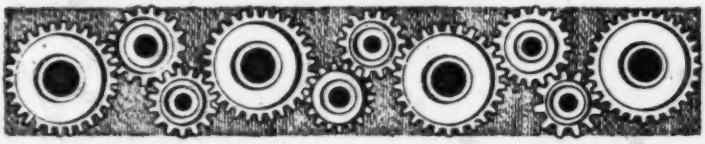
war on the country, then the occupation of Austria and its division into zones, with ensuing damage to trade, the devaluation of the compulsorily accepted German state bonds, with the complicated problem of "German property", and finally the disappearance of the basis for Austrian insurance in a number of neighbouring states.

Just as before, the Austrian insurance organisations attach the utmost importance to international connections. These have always been of the best and it was luckily possible to resume them quickly after the end of the war and the restoration of national independence. This explains why in Austria—in contrast to other European countries—there has never been any difficulty over coverage even during the first post-war hardships, rearrangement of reciprocal insurance necessary after separation from Germany being carried out smoothly and without friction. Austrian insurance firms are untiring in their efforts to consolidate their position as far as possible in the international re-insurance market. The Austrian National Bank appreciates the desirability of this and has facilitated dealings in foreign exchange within the framework of its limited powers.

Further development of life insurance business, however, will depend on problems connected with the devaluation

readjustment of Austrian commerce which had been forcibly interrupted in the year 1938. The former successes of Austrian commercial policy justify the assumption that this goal will be reached in the not too distant future. It may also be assumed that the experience which the whole world had of the results of exaggerated protection just before 1938 will have created a more favourable attitude towards free trade, thus ensuring that Austria's efforts to increase her foreign trade will fall on more fruitful soil than before. The possibilities of internal trade in Austria are not sufficient to give a nationalist economic policy a chance of success. Foreign trade will always remain a decisive factor for the Austrian economy and thus all other commercial measures can only be considered in the light of its demands and of its development. 439

The progress made since 1945 has shown that Austrian economic policy is not treading outworn paths, but is adequately adapting itself to the needs of the moment. Government intervention in questions of price control, rationing, foreign trade etc., which proved necessary in the year 1945 owing to the situation at that time was gradually been dropped as soon as this became possible. Financial conditions, which were in a state of complete disorder, have been so far straightened out that money is once again able to fulfil its function in commerce as a means of exchange and as a standard of values. The path which has been followed from the "Schalter- 656 652

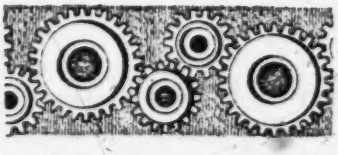


652 gesetz" (Bank Re-opening Law) to the Schilling Law, the Wage-Price Agreement and the Currency Reform Law is a perfect example of wise and experienced currency regulation worthy to be recorded in history alongside earlier Austrian success in this field, the best-known of which is the credit and currency policy of the old Austrian-Hungarian Bank.

439 A comparison of the present state of Austrian trade with the position in 1945 must tend, in view of the many obstacles with which reconstruction had to contend even though there was generous foreign aid, to arouse confidence in the commercial future of Austria and finally banish the legend of her non-liability to the realm of fable.

of the capital of existing businesses and other questions of the money and capital markets. At the moment interest is centred chiefly on the coverage of life insurance risks. The improvement in living conditions for the Austrian people is already beginning to have a favourable effect on new business in life insurance, although the social insurance system which is very highly developed in Austria leaves less margin for private insurance than in other countries.

Economy, perseverance and optimism characterise the Austrian insurance system, which is in itself a barometer of Austrian trade.



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to capitalistic mass production methods. Thus at the Vienna Fair one finds a varied profusion of articles and goods. On the stalls and in the various departments in the halls and pavilions are to be found samples of all the industrial, commercial or agricultural goods produced in Austria, from the simplest tools to complicated precision and tool-making machinery, from building materials to the most modern power plant. Commerce, industry and agriculture unite here to present a complete picture of the Austrian economy.

Agriculture plays a big rôle in the Fair, which not only provides farmers with an opportunity of selecting their requirements in tools and machinery but also a choice of advertising methods to aid them in selling their own products. The latest developments in many fields are displayed with pride—stock-raising, grafting, crossing, products of the soil, qualitative and quantitative record achievements of every kind from field, stable, vineyard and forest. [241]

The Vienna Fair, which is for the Austrian producer the most successful sales market and the most effective propaganda organisation at his disposal, is for the foreign producer not merely a place where he can find just Austrian products and customers. So many foreign firms take part that apart from Austrian goods, eastern and south-eastern European wholesale and retail trades are well represented. In Vienna producers, traders and direct consumers meet from the whole of Europe and from the Near East as well as the Balkans, offering many possibilities of transit deals. Here the agrarian East of Europe and the industrial West exchange their wares. 543 439

The Vienna Fair is international and is open for all commodities and to all firms from all countries. There are at least 19 countries to be found regularly represented

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at the Vienna Fair: Belgium, Bulgaria, Denmark, Germany, France, Greece, Great Britain, Italy, Yugoslavia, Holland, Poland, Rumania, Sweden, Switzerland, Spain, Czechoslovakia, Turkey, Russia, Hungary and the USA. To these must be added overseas colonies and dominions which often send goods. The two fair areas of the Messepalast and the Rotundengelände are so arranged that Vienna luxury and ornament goods, textiles, fashions, furs, knitted goods, articles of gold and silver, music instruments, glass and chinaware and leather goods etc. are housed in the Messepalast in the city, while all technical products and articles of common use, all accessories of agriculture, machinery and implements as well as building materials are arranged in the exhibition halls of the Rotundengelände.

Special exhibitions which serve no immediate business purpose but pursue aims of a general commercial or cultural character are always held in conjunction with the sample fairs. These special exhibitions are frequently arranged by the trade organisations. They provide useful information as to internal economic requirements, the high standards of development, methods of work and the trading capacity

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Linz, Tobacco Factory.

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277 The traditional high quality of Austrian tobacco products is due to the use of high-grade foreign materials, chiefly certain oriental tobaccos. These can never be replaced by inland tobacco, since climate and soil do not permit the growth of similar types here. Nevertheless, the inland cultivation of tobacco is encouraged as much as possible.

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●439 The great importance of oriental tobacco to the Tabakregie is shown by the fact that in the course of modernisation of the concern, the important task of tobacco buying was delegated to a branch organisation, the "Austria Einkaufsgenossenschaft der österreichischen Tabakregie im Orient, G. m. b. H., Wien". Its main task was to restore severed connections with the most important tobacco producers in Bulgaria, Greece and Turkey. Hungary, North and South America and the Dutch colonies also formerly supplied raw tobacco to the Austrian Tabakregie, but here there are still difficulties in the way of a restoration of trade which arise from the foreign exchange situation.

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277 The Tabakregie is a very important factor in the Austrian economy. Firstly it acts as a big employer of home labour with an inland sales organisation consisting

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

311 ever, one of the most important natural resources of
137 Austria: her forests. In a Europe greatly deficient in
[313] timber this is a great asset, and wood has, in fact, been one
[439] of the main items on Austria's export list. With an
export of 1,236,000 cubic metres of sawn softwood—more than half of the trees are spruce—Austria provided 5·3 per cent of world exports in 1935 and took the sixth place among exporting countries.

135 What of Austria's resources in minerals and energy? Here the picture does not differ greatly from that presented by other industrial countries, not counting the almost self-sufficient continents of the Soviet Union and the United States: considerable deposits of certain important materials are accompanied by a more or less complete absence of others.

135 Take the two basic materials of heavy industry: iron
316 ore and coal. Austria is a country with considerable resources of iron ore, 90 per cent of which comes from the famous Erzberg in Styria, where the ore has an iron content of 40 per cent. Production in 1937 was 1,885,000 tons* which—in metal content—represented 0·7 per cent of the world output; about one-sixth of this was exported. Coal, on the other hand, is only to be found in quite insufficient quantities. In 1937, production amounted to only 230,000 tons while 2,657,000 tons had to be imported. On the other hand, lignite is plentiful: an output of 3,244,000 tons required to be supplemented by only 185,000 tons of imports. Some of the lignite deposits are in close proximity to the iron ore deposits in Styria which has greatly contributed to the growth of the iron and steel industries in that district.

There are also considerable deposits of magnesite, lead, copper, graphite, and salt. In 1935, Austria produced 24

* Unless otherwise stated, "tons" always mean metric tons.

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

Sugar production rose from about 57,000 quintals in 1919–20 to about 138,000 in 1920–1 and to 160,000 in 1921–2. Production of chemical pulp increased from 75,000 tons in 1919 to 102,000 in 1921 and 128,000 in 1922, while exports increased from 17,000 tons in 1921 to 46,000 tons in 1922. Paper production, which was 92,000 tons in 1919 and 94,000 tons in 1920, went up to 128,000 tons in 1921 and to 151,000 tons in 1922. 458 433

The industrial situation was further relieved by the crisis which followed the post-war boom in western Europe and the United States. Raw-materials which had been in very short supply in the immediate post-war period were now easily obtainable and the fall in world prices to some extent counteracted the rise in Austrian import prices due to the rapid rise in the value of foreign exchange. Imports of vital raw materials increased quickly. 438 439 433

There is then no doubt that the inflation accelerated the impending recovery. At the same time the extent of the inflation and the resulting distortion of the price structure prevented the reconstruction of industry on new lines. With prices and costs rising almost hourly, speculation became far more important and profitable than the careful consideration of technical improvements and of long-term development. The proper timing of buying and selling—be it labour, goods, or foreign exchange—became the main pre-occupation of business. Perhaps the main thing after 1919 was to get the productive mechanism going in one way or other. This was largely achieved in the inflationary period. But the process of readjustment was still to come.

Inflations normally stimulate exports and discourage imports. For the extraordinary demand for foreign exchange, the "flight from the currency" drives up the exchange rate at a quicker rate than the domestic price level so that exports become cheap and imports expensive.

AUSTRIA'S ECONOMIC DEVELOPMENT

458 This was precisely what happened in Austria. But while
433 exports increased more than imports the balance of trade
439 continued to be unfavourable.[10] 1

This was partly due to the fact that production in Austria was as yet insufficient to provide exports on any scale; partly because Austrian exports have a high "import content" so that every increase in exports involves increased imports. Also, the fall in world prices in 1920 tended to reduce the margin between the Austrian and the world price level.

Unfortunately, we have no statistics on invisible exports. But there is every indication that these exports increased considerably. Vienna soon regained her importance as a transit centre: by 1920, the weight of goods passing through the great municipal warehouses had already increased over three-times as compared with 1913. The Viennese banks again played an important part in the "Succession States" and the Balkans, and the low value of the Crown attracted an increasing number of foreigners to Austria. The number of foreigners arriving at hotels in Vienna rose from about 230,000 in 1920 to about 330,000 in 1922. On all these scores a considerable income must have accrued to Austria which helped to fill at least part of the gap on the balance of trade.[11] 1

458 But the low value of the Crown and the insatiable
hunger for foreign exchange did not only stimulate current
471 exports. It also led to the sale of capital. Real estate, houses, and industrial shares were sold to foreigners and part of Austria's industry thus came under foreign control. It was in this period that a decisive parcel of shares of the Alpine Montan Gesellschaft, Austria's most important heavy industrial concern, passed into the hands of a group of Italian capitalists from where they wandered on until they became the property of one of the firms belonging to

1 [CA p. 35, CATEGORY 116 -- ANALYST]

cent in textiles, and 3 per cent in the chemical industry. 464
Owing to seasonal factors the percentage was highest in the building trade (35 per cent) and in the hotel trade (22 per cent). But the permanent changes that had taken place since the war and the inflation were reflected in the high percentage of unemployment in the declining war industries ("metals and machinery"), where it reached 30 per cent, in some of the industries which formerly produced for a home market but which were now up against high tariff walls (e.g. clothing 19 per cent, pottery, glass, etc., 15 per cent, leather and hides 12 per cent), in "commerce, transport and traffic" (17 per cent) and among the clerks and professions (10 per cent). This high level of unemployment among the "black-coated" workers and the middle class was due to the inevitable contraction of the State apparatus and of those banking and commercial activities which had flourished so much during the inflation period.[42] The failure to tackle these structural problems courageously contributed greatly to the slow recovery of the home market and to the persistence of unemployment even in the more prosperous years.

One of the most important economic effects of the 439
break-up of the old Empire was the increased dependence on foreign trade. The Empire had to a large extent been self-sufficient and Austria had obtained its foodstuffs and raw-materials from other parts of the Monarchy. These goods had now to be imported from separate economic units and great efforts were required to increase exports, especially of manufactured goods. The structure of foreign trade in that period is shown by the figures on page 40.

With the return of stable conditions and the increase in productivity, both imports and exports increased rapidly. Imports rose from about 1,800 million gold Crowns in

1 [G. CATEGORY 116, P. 50 -- ANALYST]

AUSTRIA'S ECONOMIC DEVELOPMENT

AUSTRIA'S FOREIGN TRADE IN 1924
(Million Gold Crowns)

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	Imports	Per cent	Exports	Per cent
Animals	167	6·96	11	0·87
Food and drink	648	27·06	32	2·33
Fuel	198	8·27	2	0·146
Other raw materials	513	21·42	249	18·18
Manufactured goods	868	36·25	1,075	78·52
Total	2,394	100·00	1,369	100·00

1922 to 1,900 in 1923 and to 2,400 in 1924, while exports increased from 1,100 million gold Crowns to 1,120 and to 1,370. Most of the export industries were able to increase their sales abroad. But the adverse balance of trade remained uncomfortably high. In 1924 only 57 per cent of the imports were covered by exports. True, invisible items played an important part in Austria's balance of payments, and tourist traffic, transit trade, and financial services to Eastern Europe were all increasing in this period. Nevertheless, part of the deficit on the balance of trade had to be covered by the sale of securities, mainly to Czechoslovakia, and by short-term foreign credits, mainly from Britain and America.

To find greater opportunity for export, therefore, became a matter of urgent importance to Austria.

"The process of industrial re-adaptation", wrote Layton and Rist in their Report on Austria to the League in 1925, "is therefore not a matter of adjusting production to her home market. She must reorganize her industries for foreign trade. Whether she can find the necessary markets depends partly on the efficiency of her production. It depends far more, however, upon the tariff policy of the countries with which she must exchange her products."

[CA CATEGORY 116 p. 50 --ANALYST]

READJUSTMENT AND CONSOLIDATION

Unfortunately, the tariff policy of the new Danubian states which should have offered the natural market for Austria's and Czechoslovakia's highly developed industrial capacity was by no means conducive to a high level of trade. In their very justifiable desire to industrialize their neglected and backward economies, these new governments increasingly adopted a policy of economic nationalism. They put up more and more insurmountable tariff walls which in the end harmed all the countries within the area and outside it and only benefited a few sectional interests. 439

Austria tried to meet this problem by increasingly directing her exports (and different types of exports) to other parts of the world. The following figures clearly illustrate this tendency:

DISTRIBUTION OF AUSTRIA'S EXPORTS IN 1922 AND 1924

To:	1922 %	1924 %
The Danube States *	42·1	36·8
Northern Central Europe †	23·9	23·0
Western Europe ‡	23·0	25·9
All other countries	11·0	14·3

* Czechoslovakia, Hungary, Yugoslavia, Roumania.
† Germany and Poland.
‡ United Kingdom, Belgium, Netherlands, France, Switzerland, Italy.

Attempts were also made to conclude special trade agreements. Negotiations for a preferential trade régime with Czechoslovakia in 1925 were wrecked on the rock of Italy's and Germany's objections. Germany even threatened trade reprisals. Austria also tried to stimulate trade by pursuing a very liberal tariff policy. While, by 1927, [648]

•439 tariffs had increased to 296 per cent of the 1913 level in Bulgaria, to 144 per cent in Yugoslavia, to 140 per cent in Roumania, and to 137 per cent in Czechoslovakia, the Austrian tariffs had actually fallen to 77 per cent of their pre-war level, a fall which, in continental Europe, was surpassed only in Sweden.[6] But it was obvious that this policy could not be permanently maintained in face of high tariffs elsewhere. After the Geneva Conference in 1927 had failed to achieve tangible results with regard to the reduction of trade barriers, Austria too turned towards protectionism to reduce her dependence on a highly unstable world trade. The world preferred to learn the hard way.

361 What of the position of Vienna? When the new Austria, with its 6½ million people, had to take over the economic
631 and administrative centre of a 50-million empire, containing almost 30 per cent of the population of the new Republic, many people thought that this "huge head far too big for a small body" would prove an insoluble economic problem. Actually it soon turned out that the general process of readjustment, described above, also helped to solve this problem. First, it should be noted that while the percentage of the population living in the *capital* was unusually high, the percentage of the *urban* population was quite normal for an industrial country. It was smaller than, for instance, in Great Britain or Switzerland. The establishment of new commercial and govern-
[464] ment centres did, it is true, hit Vienna badly. The reduction in the number of civil servants, banking and commercial employees and the unemployment among lawyers, solicitors, etc., created a burden which was mainly concentrated on the capital.

366 But apart from this particular problem which was
368 slowly—all too slowly—mended, it soon became clear that

1 [CP. CATEGORY 116 P. 50 — ANALYST]

trial output was largely due to measures of rationalization rather than to an increase in the numbers employed. On the other hand, the pressure on the labour market continued. Apart from the structural unemployment inherited from war and inflation—the decline of the war industries, the reduction in administrative and banking personnel, the difficulties of the export industry—the process of readjustment still went on, slowly and haphazardly. Bank mergers, numerous liquidations, etc., all created new friction in the labour market. Walter Lippmann once said that it was the foreign policy of the United States not to have a foreign policy. Similarly it might be said of the Austrian Government of that period that its economic policy was to have no economic policy.

Not only was there no clear idea about the measures required to bring about the necessary and only half-completed changes as smoothly and as quickly as possible; the Government was also overcautious in its own spending policy. There was some expenditure on railway electrification, on agricultural improvement and on other investment and public work items. But this was altogether inadequate. The memories of the recent inflation, the need to maintain the country's foreign credit, the enormous burden of pensions for the great pre-war administrative machine, all made a balanced budget seem the ultimate goal of state finance. Thus unemployment in Austria was considerable even before the world depression. It remained high in 1925 and 1926, decreased slightly in 1927 and 1928, only to rise again in 1929. During the whole period there were at least 10 to 15 per cent unemployed.

Foreign trade was another source of weakness. With the growth of production in Austria and elsewhere, imports and particularly exports did, it is true, increase steadily.

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AUSTRIA'S FOREIGN TRADE

(in million schillings)

	1926	1927	1928	1929
Imports	2,771·3	3,094·1	3,230·1	3,248·3
Exports	1,706·4	2,040·5	2,202·1	2,169·0

But the adverse balance remained uncomfortably high throughout. The larger part of this deficit—probably 700 to 800 million schillings—was covered from income on the various invisible items mentioned earlier. The remainder is accounted for by foreign borrowing. It has been estimated that between 3,000 and 4,000 million schillings had been borrowed between 1923 and 1930.[8] This would not have mattered greatly in normal world economic conditions, except that a large part of these loans consisted of short-term advances to the banks. A large part of this money was lent to industry on, what was in fact if not in form, long-term conditions. The dangers of a sudden withdrawal of these funds should have been obvious. Moreover it was clearly impossible to continue indefinitely with an import surplus of that size since, in addition to current interest payments, the capital itself would ultimately have had to be repaid.

433 But it was not easy to find a solution. Austria's demand for her imports—mainly food and raw materials—was 439 highly inelastic and could not be easily adjusted to changing conditions; while her exports—mainly manufactured goods—were increasingly excluded by the tariff walls that sprang up all over Europe. Slow, and sometimes painful, structural changes did, however, take place which prepared the ground for later improvements.

Reference has already been made to the improvements

1 [cf. economy 116, p. 20 — Austria]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

in agriculture which reduced the need for imports. Industry, too, increasingly adapted itself to the new conditions. When it became clear that the traditional markets in south-eastern Europe became less accessible and that the outlets for some of the staple exports diminished, both the commodities produced and the markets supplied became more diversified. The export of textiles, for instance, declined from 25 per cent of total exports in 1924 to 20 per cent in 1929 while the share of the newer light and fashion industries increased. An increasing share of exports went to Western Europe and overseas. Exports to Hungary, Yugoslavia, Roumania, and Bulgaria, on the other hand, dropped from about 38 per cent in 1924 to about 27 per cent in 1929.

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The new Austria was, in fact, beginning to find its feet. There were difficulties which were common to all countries at that time and others which arose from Austria's recent past. It was clear that these difficulties were capable of being overcome, given time and effort. Suddenly however the economic progress of Austria, like that of most other countries, was sharply interrupted.

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

CHAPTER IV

THE EFFECTS OF THE WORLD CRISIS

AUSTRIA'S economic development in the 'twenties was, as we have seen, largely coloured by her special post-war problems. But when, in the autumn of 1929, the spectacular American boom came to an abrupt end, and depression spread like a wild fire from one country to another, economic events in Austria became far more "synchronized" with those elsewhere. Austria's economic system had largely returned to normal conditions; and it was so integrated into world trade that her experience and her problems were now far more like those of other countries. Events in Austria between 1929 and 1933 thus followed the general world pattern. But Austria was particularly sensitive to outside economic shocks. There are few—if any—countries which are or could be wholly self-sufficient; they all depend to some extent on foreign trade and are therefore affected by the loss of export outlets. In Austria, however, foreign trade played an exceptionally large part. An estimate published in the *German Statistical Year-book* puts imports and exports (in brackets) per head of the population in 1929 at RM. 534 (414) for Switzerland, 288 (193) for Austria, 233 (201) for France, 210 (211) for Germany, 168 (172) for Czechoslovakia, 118 (81) for Italy, 90 (88) for Hungary, 46 (44) for Yugoslavia, 44 (34) for Bulgaria, and 41 (40) for Roumania. Another estimate puts the percentage of manufactured goods produced for export in Austria in 1931 as high as 45 per cent. The drastic fall in world

458 [439] purchasing power, followed by an orgy of tariffs, quotas, and currency wars, was therefore bound to hit Austria severely. Moreover, Austria was particularly vulnerable owing to the fact that the financial problems inherited from war, inflation, and foreign borrowing suddenly became acute and led to a severe crisis.

The turning point, as in most other countries, came in the third quarter of 1929. Prices tumbled down, production declined, unemployment grew, foreign trade vanished. The following figures indicate this process of decline in Austria and some other countries.

INDEX OF INDUSTRIAL PRODUCTION

(1929 = 100)

[433]

	1929	1930	1931	1932	1933	1934
Austria	100	85	70	61	63	70
Czechoslovakia	100	89	81	64	60	67
Hungary	100	95	87	82	88	99
United Kingdom	100	92	84	84	88	99
U.S.A.	100	81	68	54	64	66
Germany	100	86	68	53	61	80

PERCENTAGE OF WORKERS UNEMPLOYED [1]

[464]

	1929	1930	1931	1932	1933	1934
Austria	12·3	15·0	20·3	26·1	29·0	26·3
Czechoslovakia	2·2	4·5	8·3	13·5	16·9	17·4
Great Britain	10·4	16·1	21·3	22·1	19·9	16·7
U.S.A.	8·2	14·5	19·1	23·8	24·3	20·9
Germany	9·3	15·3	23·3	30·1	26·3	14·9

1 [CP. CATEGORY III, p. 63 -- ANALYST]

THE EFFECTS OF THE WORLD CRISIS

IMPORTS AND EXPORTS

Value in national currencies (000,000's omitted)

		1929	1930	1931	1932	1933	1934
Austria	Imp.	3,263	2,699	2,161	1,384	1,148	1,153
	Exp.	2,189	1,851	1,291	764	775	857
Czecho-slovakia	Imp.	19,942	15,680	11,725	7,459	5,799	6,349
	Exp.	20,485	17,460	13,106	7,329	5,843	7,267
United Kingdom	Imp.	1,111	957	797	651	626	680
	Exp.	729	571	391	365	368	396
U.S.A.	Imp.	4,339	3,114	2,089	1,325	1,433	1,636
	Exp.	5,157	3,781	2,378	1,576	1,647	2,100
Germany	Imp.	13,447	10,393	6,727	4,666	4,204	4,451
	Exp.	13,483	12,036	9,599	5,739	4,871	4,167

These figures clearly demonstrate the extent and the universality of the depression.

The decline in foreign trade, which was everywhere far more severe than the decline in production, affected Austria gravely. The increasing adoption of "beggar-my-neighbour" policies greatly restricted outlets for Austria's manufactured goods. Tariffs rose to incredible heights in central and south-eastern Europe; quotas, import prohibitions, and a hundred and one forms of administrative protectionism blocked the flow of goods.

Austria was compelled, in turn, to resort to increasing protectionism and her agriculture, in particular, was increasingly cut off from the world market. Home food prices were, in fact, maintained much more than prices of manufactured goods, and this resulted in an increase in agricultural production, contrasting strangely with the persistent decline in industrial output.

The workers, of course, had now to pay relatively higher prices for their essential needs. On the other hand, the stability and purchasing power of another important

458 section of the population was substantially preserved. Even so, to the extent that prices *did* fall, the real burden
435 of debt was increased. The smaller peasants, particularly those in the poorer mountain districts, suffered most and the Government was more than once forced to come to their assistance.

There can be no doubt that the growing protectionism
439 reduced the advantages of international division of labour. But there was little choice in the circumstances. The loss of income from exports had to be replaced by home-produced income. While exports declined rapidly (until in 1933 they were only 35 per cent of the 1929 level [2]). Austria's readjustment of production allowed her to cut down imports in the same period to 35 per cent of the 1929 level. This went a long way in solving the long-standing balance of trade problem; but the way in which it was solved was hardly the ideal one. The import surplus, which had amounted to over 1,000 million schillings annually in the period preceding the depression, fell to 848 million schillings in 1930, 870 million schillings in 1931, 620 million schillings in 1932, 373 million schillings in 1933, and 296 million schillings in 1934.

453 The depression thus took its "normal" course in Austria: a fall in the national income and in production, a rise in unemployment, misery, and social tension, accompanied by frantic but unco-ordinated efforts by all governments to stop the catastrophe and to readjust the domestic economic structure. Austria travelled the same road as the rest of the world. But half-way through the crisis, in the beginning of 1931, there occurred an event which suddenly revealed, not only Austria's financial weaknesses, but those of the whole world. To this event, the breakdown of the Credit-Anstalt, we must now turn.

There were two major financial problems in Austria.

[2] [CP CATEGORY 116, P. 63 - - ANALYST]

as one country after another went off the gold standard and devalued its currency. After a period of strict exchange control, lasting from October, 1931, to the middle of 1932, the Government relaxed some of its regulations. "Private clearing" was admitted, first in a restricted field, from which it quickly expanded until it covered the great majority of Austria's imports and exports. The private clearing system consisted in permitting exporters to sell their foreign exchange directly to importers instead of requiring them to hand it over to the National Bank at the official exchange rate. In these private clearing dealings the schilling was actually devalued and found its equilibrium level so that exporters could once again compete in the world market while importers could obtain the necessary "devisen" without further formalities and delays. This *de facto* devaluation of the schilling was finally officially recognized in April, 1934, when the Austrian National Bank revalued its gold and "devisen" resources at the new parity of the schilling. This revaluation of the reserves corresponded to a 22 per cent devaluation of the schilling. 652 457

After that date Austria returned to a practically free foreign exchange market,[7] and the stability of the schilling was once again secured. This was a remarkable achievement at a time when most of the other countries in central and eastern Europe travelled in the opposite direction, viz. towards more exchange control and a greater isolation of their economies from the world market. Austria's withdrawal from all but rudimentary exchange control was indeed, as an American economist said, "a unique chapter in monetary history".[8] 1

Its importance lay not only in preserving Austria's position as a centre for transit trade and commercial and financial services; above all, it rescued Austria's foreign 652 439

1 [Cf. p. 64, category 116--ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

652 trade from Germany's trade offensive which was so
439 catastrophically successful in the Balkan countries.

But this could not have been done had there not been a general change for the better in the whole economic position.

The ensuing period of recovery forms tne subject of our next chapter.

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

464 which had passed the 400,000 mark in 1933, fell gradually to approximately 320,000 in 1937. This was, however, still considerably above the level of 200,000 unemployed in 1929. In fact, the problem of unemployment, particularly in the heavy industries and among commercial and administrative workers, remained virtually unsolved. The policy of the Government lay the foundation for a more solid and independent national economy. But it fell far short of an expansionist policy that would have ensured the full use of the country's human and material resources.

341 Of great importance was the conspicuous progress in
433 agriculture which had been continuous ever since 1920. In a world striving for self-sufficiency, where markets for manufactured exports became increasingly closed, it was necessary to reduce the import requirements for foodstuffs. This object was largely achieved. Taking 1923 as the first normal year in Austria's economic life, we obtain the following picture of development.

	Year	Production (in 1,000 quintals)	Per cent of Requirements
Wheat	1923	2,419	33
	1936	3,678	63
Rye	1923	4,023	76
	1936	4,605	81
Barley	1923	1,719	63
	1936	2,531	85
Oats	1923	3,754	82
	1936	4,029	94
Potatoes	1923	14,262	95
	1936	24,994	100
Sugar	1923	473	31
	1934–6	1,919	99

234 Even more important were the structural changes in
439 agriculture. In particular, great progress was made in dairy farming; an industry which had been badly neglected

in the past although it was excellently suited to Austria's natural conditions. In spite of increased home consumption an export surplus was now achieved for the first time.

EXCESS OF IMPORTS (—) OR EXCESS OF EXPORTS (+)
(in quintals)

	1923	1936
Milk	— 200,000	+ 114,000
Butter	— 16,000	+ 35,000
Cheese	— 43,000	+ 31,000
Condensed milk	— 80,000	+ 300

In foreign trade, too, considerable advances were made. Foreign trade did not, it is true, recover to the same extent as production. Even in 1937 Austrian imports, amounting to approximately 1,500 million schillings, were only 45 per cent of the 1929 value, while exports in the same year (approximately 1,200 million schillings) were only 55 per cent of the 1929 value. Moreover, the recovery of Austria's foreign trade was less marked than elsewhere, and Austria's share in world trade fell from 1·12 per cent in 1929 to 0·93 per cent in 1937.

The volume of foreign trade, therefore, did not increase as much as was desirable. But the balance of trade became much more favourable than it had ever been. When, after 1933, foreign trade began to revive, exports increased to a greater extent than imports. In spite of the growing volume of trade, the import surplus therefore remained at a low level. For the period 1933–7 it amounted to about 320 million schillings per year, as compared with more than 1,000 million schillings in the years before 1930.

Moreover, the gap of 300 million schillings or so was easily covered by Austria's income from various other sources, and it was now no longer necessary to raise foreign loans on that account. Income from tourist

influenced the economic structure which emerged in these last years of Austria's independence. Two factors, in particular, were of importance: the changeover from a democratic to an authoritarian régime; and the rapid growth of the German trade offensive in south-eastern Europe.

At home, the most obvious results of the destruction of democratic institutions were of course to be found in the political field. But there were also important economic concomitants. The dissolution of free trade unions and of other democratic bodies eliminated every organized force which might have safeguarded the share of the mass of the population in the national income. While production as a whole returned to and even surpassed the 1929 level, the production of consumption goods—contrary to the experience in most of the other countries—remained far below it. The trade revival came largely from increased exports, rearmament, and public works.[7] The strong cartels which covered a large part of Austria's industry (e.g. in the iron and steel trades, in electrical engineering, in chemicals, rubber processing, sugar refining, in the paper and brewery trades, etc.) absorbed a large proportion of the rising national income into profits, and the revival failed to spread to the consumption goods industries which remained depressed and were a source of unemployment.

The external effects of the changed political situation were even more marked. In the inter-war period, and particularly after 1929, when tariffs, quotas, currency wars, etc., became the order of the day, the economic relations between most countries ceased to be governed by transactions between private traders. Foreign trade increasingly became the concern of governments, and economic policy a special aspect of foreign policy. Austria

[illegible] IN THE CHANGED POLITICAL CONDITIONS OTTEL 1932 AND [illegible] CATEGORY 116 P 77 AND [illegible]

AUSTRIA'S ECONOMIC DEVELOPMENT

439 was no exception and it is in this field that particularly
652 grave mistakes were made in the period under review.

As early as 1931, when Austria was still a democracy, a
641 dangerous and harmful attempt was made in the inter-
439 national field to solve the growing economic difficulties. Dr. Schober, a member of the small Pan-German group in Parliament and Foreign Minister in the Coalition Government of the day, entered into secret negotiations with Dr. Curtius, the German Foreign Minister. On March 19th, 1931, the world was suddenly informed of the intention of the two governments to form a customs union. The plan found instant and wholehearted support in Germany. In Austria there was no enthusiasm about it outside the ranks of the Pan-Germans, and many Austrian industrialists were gravely disturbed by the prospect of falling completely under German control. But it was mainly in France and Czechoslovakia that the full implications of this Pan-German move were immediately grasped. Only a few days after the scheme was announced, on March 26th, Dr. Beneš, the Foreign Minister of Czechoslovakia, explained to the members of the Foreign Affairs Committee that the customs union project raised the question of the *Anschluss* indirectly as a customs union between unequal parties was certain to destroy the independence of the weaker.

Fortunately the project did not materialize. The
457 growing financial difficulties of Austria and the need for
648 foreign help, which Germany was neither able nor willing to provide, induced the Austrian Government to give up the plan for a customs union. A few days later, on September 5th, the Permanent Court of International Justice decided by a narrow majority—eight votes to seven—that a customs union would be incompatible with Austria's obligations under the Geneva Protocols.

RECOVERY

Thus Austrian independence and European peace alike were given another breathing space. But the active part which Austrian politicians had played in this German attempt towards central European hegemony could not but harm Austria's economic relations with some of her neighbours. Suspicion about German designs in Austria grew. Czechoslovakia, in particular, turned away from Austria. Trade relations with that country were of paramount importance to Austria for both political and economic reasons. It was all the more regrettable that Czechoslovakia moved from second place on the list of Austria's foreign trade partners to fourth: between 1929 and 1937 imports from Czechoslovakia declined from 18 per cent of total imports to 11 per cent, while Czechoslovakia's share in Austrian exports fell from 14 per cent to 7 per cent.

With Hitler's rise to power, Germany's expansionist desires became naked and unashamed. It was no longer a question of a customs union; the outright annexation of Austria by Germany was put on the agenda. In these uneasy years between 1933 and 1937 Austria managed fairly successfully to escape the monopolistic domination which Germany imposed on most of the Balkan countries by commercial means. Though Germany continued to head the list of Austria's imports and exports, it never obtained a dominant position. In fact, its influence actually declined slightly during these years. Between 1929 and 1937, Germany's share in Austria's exports declined from 16 per cent to 15 per cent while imports from Germany fell from 21 per cent to 16 per cent of the total.[8]

Austria did not, however, escape the indirect effects of Germany's trade offensive. Germany's policy of monopolizing Balkan trade through bilateral agreements, bulk

648 purchases, accumulation of debt, etc.,[7] was, first, designed
• 439 to gear the economic structure of these countries to the needs of the German war economy. But it also served to close the traditional export outlets of Austria and Czechoslovakia, and so to weaken their economies.

PERCENTAGE SHARE OF GERMANY, AUSTRIA, AND CZECHOSLOVAKIA IN THE FOREIGN TRADE OF THE SOUTH-EAST EUROPEAN AGRICULTURAL COUNTRIES (BULGARIA, GREECE, ROUMANIA, TURKEY, HUNGARY, YUGOSLAVIA)

	Imports		Exports	
	1928	1938	1928	1938
Germany	17	35	16	34
Austria	11	5	16	7
Czechoslovakia	14	7	8	6

Alternative outlets had to be found. Austria should have obviously tried to expand her trade with the Western democracies, with the Soviet Union, and with America and the Dominions. This would have created closer ties with the countries on whose active assistance Austria's security ultimately depended. And it would have enabled Austria to obtain in payment for its exports free exchange which could have been spent in the most advantageous markets. Austria's light and fashion trades offered every opportunity for expanding and diversifying her export markets in this way.[10] But Austria's fatal foreign policy in the years from 1933 to 1938 was matched by an equally disastrous foreign trade policy. The new authoritarian régime failed to establish close and friendly relations with democratic Czechoslovakia and with the other peace-loving powers. It pinned its hopes for security on the

1 [CA CATEGORY 116 p. 77-78 --ANALYST]

RECOVERY

promises of Fascist Italy,* and, in 1934 signed the Rome Protocols. This was an agreement signed by Italy, Austria and Hungary providing for a preferential trade régime for these countries. Hungary was to find improved outlets for her agricultural exports while Austria and Italy would obtain preferential treatment for their industrial products. Behind all this, however, loomed Italy's attempt to obtain a dominant position in central Europe. 648 439

The economic results of the Rome Protocols were anything but satisfactory as far as Austria was concerned. There was no great expansion of trade with Hungary. Exports to Italy increased quickly, it is true, particularly after the outbreak of the Abyssinian war and the imposition of sanctions in which Austria failed to join. Italy moved from fourth to second place on Austria's export list. In 1936, 14 per cent of Austria's exports went to Italy, as compared with 10 per cent (out of a much smaller total) in 1932. But Italy was neither able nor particularly willing to pay for these exports. Austria's export surplus to Italy amounted to no less than 70 million schillings in 1936 and 93 million schillings in 1937. Thus Austria, herself in sore need of capital investment in her industry, was compelled to make loans to Italy. The same applied to a slighter extent to Germany, where the clearing agreement also led to the accumulation of a credit balance in Austria's favour.[11] 1/1

It was not until 1936, when Italy's incapacity to pay became obvious and when the Italian Government tried to change the terms of the agreement in its favour, that an effort was made to re-direct Austria's trade. A preferential treaty was concluded with Czechoslovakia, in spite of severe opposition from Germany. Other attempts for 457 439

* Instead of helping Austria, Mussolini, in the event, congratulated Hitler on his successful annexation of the country.

1/1 [CF. CATEGORY 116, P. 78 -- ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

457 freeing trade from the straight-jacket of bilateral clearing agreements followed. This was partly successful; exports
• 459 to "free payment" countries increased from 32 per cent of total exports in 1929 to 36 per cent in 1937. But this was a rather poor showing compared with Czechoslovakia, where the share of exports to free-exchange countries increased from 36 per cent to 52 per cent in the same period. There was no time for obtaining any better results for on March 11th, 1938, German troops crossed the Austrian frontier.

THE SHADOW OF GERMANY

Fifth Column was a powerful weapon in Germany's arsenal for her attack on Austria's independence. 668 648

AFTER THE ANNEXATION

The economic implications of the occupation of Austria were as little appreciated at the time as its political and strategic significance. In fact, Germany's war potential was greatly strengthened as a result. Austria's iron ore, magnesite, timber, electric power, etc., afforded valuable relief to Germany's war industry which was beginning to run short of raw materials. Austria also provided a source of skilled manpower which could be harnessed to the growing efforts of the German war economy. 728 648 439.

Moreover, the gold and foreign exchange reserves found in the Austrian National Bank were of great immediate importance in helping Germany to build up emergency stocks for the coming war. Heavily indebted to her clearing partners, Germany had found it increasingly difficult to obtain foreign exchange for even the most essential raw material imports. The gold reserve of the Reichsbank had fallen to the extremely low level of RM. 76 million. They were now able to lay their hands on a gold reserve of more than 420 million schillings, or roughly RM. 200 million. Moreover, Austria had at that time some 200 million schillings of clearing balances to her credit (mainly from Germany and south-eastern Europe). Thus Germany was, at one stroke, rid of the problem of paying Austria and was able, with the help of Austria's claims, to settle her long-standing debts in the Balkans.

Finally, the occupation of Austria enabled Germany to outflank Czechoslovakia's strategic defences, and opened the road towards the east. The economic encirclement of eastern Europe was also complete. The Balkan countries had become dangerously dependent on trade with

728 Germany which had swallowed up one of their important
648 customers and suppliers—Austria had up till then occupied the third or fourth place in the foreign trade of
439 most of these countries. Politically and economically Germany had become the complete master of the whole area.

471 For Austria, of course, the occupation meant far more than a dangerous shift in Europe's economic balance. Her
648 economy ceased to exist as a separate entity; within a very
655 short time it was completely absorbed into Germany's war economy and her "New Order".[5]

The Germans were able at once to lay their hands on all Austrian State property. The railways were incorporated into the German railway system, the State forests taken over by the German State. The State monopoly in salt was given to the Deutsche Bank, and the tobacco monopoly taken over by a private German company. Far more important, however, were the shares of the Credit-Anstalt which were owned, at that time, by the Austrian Government. After the reorganization of the Credit-Anstalt in 1931, 49 per cent of its shares were taken over by the Government. These, together with some others, were now transferred to the Deutsche Bank. Since at the same time the only other important bank, the Zentraleuropäische Länderbank, came under the control of the Dresdner Bank, practically the whole of Austria's banking and insurance business had passed into German hands.

471 It must be borne in mind, in this connection, that the Central-European banks held a key position in the
453 industrial life of their countries. It has been estimated
457 that the Credit-Anstalt controlled almost 90 per cent of Austria's industry and agriculture. Moreover, the Austrian banks and financial institutions still possessed considerable investments in the Balkan countries, particu-

[CA p. 91. CATEGORY 11E -- ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

UNEMPLOYMENT

UNEMPLOYED IN RECEIPT OF BENEFITS IN THOUSANDS

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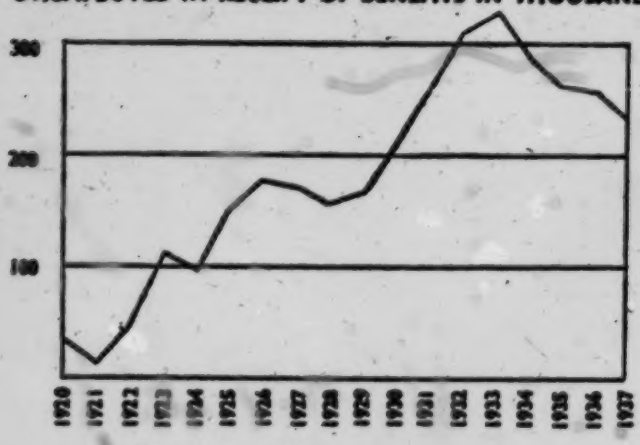

IMPORTS AND EXPORTS OF COMMODITIES

IN MILLION SCHILLINGS

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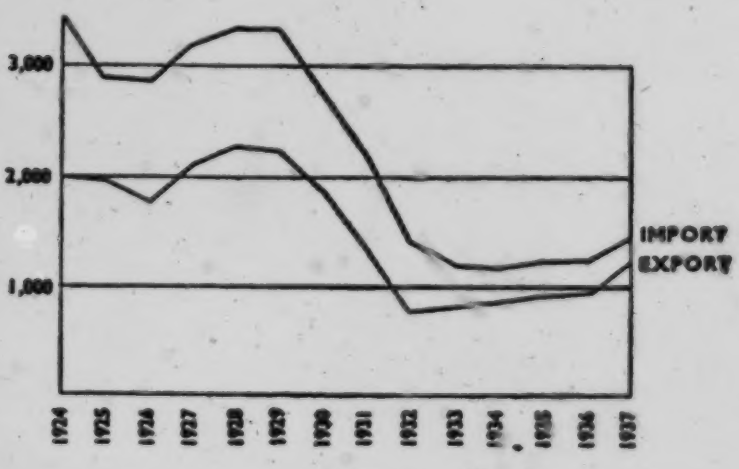

[p. 119]

after the First World War. It has assisted in the transition from war to peace production, helping to satisfy the first rush for goods after the years of privation and to direct trade into its old, legitimate channels again. The Vienna Fair has gradually modified and finally brought about the end of the foreign exchange controls which shackled industry and the exchange of goods. It has found its way successfully out of the labyrinth of burdensome compensation and clearing agreements and did not even allow the most threatening tariff barriers of other states to hinder its development of free trading competition. Against the political and economic difficulties which confronted international trade Austria set the drawing power of her products. At a time when almost every little town in Europe felt itself called upon to hold an industrial fair, the reputation of the city on the Danube as a natural centre for the transit and exchange of goods was convincingly re-affirmed. 543

The Vienna Fair carries on a tradition which grew up naturally and has continued for centuries in Central Europe and the Balkans. When Rudolf of Hapsburg conferred the rights of a market town on Vienna in the year 1278, this was merely confirmation of a long-existing practice. From Babenberg and Crusading times, the markets of Vienna had born testimony to civic industry and manual skill, as they had to the honest labour of her artisans and her far-reaching trade connections. 543 441

These market rights were confirmed to the Viennese and extended by every ruler in turn. A visitor to one of the two fairs, held at Candlemas and on St. Jacob's

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Day, who transported his goods by one of the prescribed highways enjoyed, no matter whence he came, the local governor's protection for his person, his goods and his waggons, a truly enviable privilege in the unsettled times of the closing 13th and the 14th century.

During the Middle Ages it was open to anyone from every country to bring what goods he liked to the two great Vienna markets, with the exception of wine and beer, which were available in abundance on the spot, and of excellent quality. People of every trade and every guild could sell and offer their wares freely.

After the Turkish Wars there was a fresh revival of Vienna market life in the 18th century. But then the discoveries of the weaving loom and the steam-engine began to take effect on production and trade. In the 19th century the railway rendered goods fairs superfluous and the markets began to be transformed into sample exhibitions.

The economic system of the Austro-Hungarian Monarchy was so well-balanced that it had at first no need of any special display of sample products within its frontiers. The exchange of goods between the agrarian and the industrial areas went on smoothly and although samples of all the products of the Empire were occasionally displayed at great exhibitions—Vienna owes the building of the Rotunde to the Great Exhibition of 1873—there was actually no need of special methods to advertise or boost them, for demand and supply were well adjusted, and connections between producers and their customers dated from the times of their fathers and grandfathers.

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After 1918 more than a third of Austria's population was engaged in industry and commerce, nearly a further third being occupied with agriculture and forestry. In both cases the small or medium sized concerns were predominant, a fact which explains the ability of Austrian economy to weather the storms of crises. It had never taken special measures to promote war industries. Never through war, but through the years of peace had the Empire prospered. When in 1866 Austria lost the war against Prussia it was because, despite the better training of her troops, the Austrian rifle was inferior to the Prussian.

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It is in concerns in which intensive labour and detail is important that the individual talent of the Austrian can find expression, not in great concerns resorting

8:van Hoek J-3 (no date) 1954
EK1 Austria EK1

643 441 Once more Raab turned his talents to economic fields. He created the Austrian *Wirtschaftsbund,* which reorganized Austrian economy and constituted a federal Chamber of Commerce, of which Raab was first president.

643 665 Raab was one of the founders of the *Oesterreichische Volkspartei,* the (Catholic) Austrian People's party, a deputy since 1948 and its "strong man" from the start. His political position was consolidated when the People's party elected him as their *Parteiobmann,* or leader, in 1951.

In the 1953 general elections, the OVP did not do so well as the Socialists. The party decided that a change of prime minister was needed. A new one, it thought, would more likely get maximum concessions from the Socialists in the coalition government. As things stood, with Catholic and Socialist seats nearly balanced, the OVP could have got a majority with the aid of the small Independent party. But realist Raab holds that in the present difficult international situation, only a strong government of the two biggest parties can achieve that primordial aim, restoration of full Austrian sovereignty.

643 While I was with the chancellor, the clock in his room played a gay carillon to strike the full hour. It did not disturb him. He admitted placidly that he has no ear for music. He never goes to opera or theater, those two glories of Vienna.

former minister Dr. Georg Zimmermann, and the manager of the Statistisches Institut der Universität Wien (Statistical Institute of the University of Vienna), Professor Dr. Wilhelm Winkler. The latter is the author of a number of treatises about principles of methods and economic statistics. In this field of endeavor he is being supported by F. Klezl-Norberg, vice-president of the Statistical Central Office. These two theorists share, from a national economic point of view, the ideas of the Austrian School, whereby the first named inclines more or less towards mathematics and economics. 647 816

The Ständige interministerielle Referentenkomitee zur Bekämpfung der Arbeitslosigkeit und Sicherung der Vollbeschäftigung (Permanent Inter-ministerial Committee of Department Heads to combat Unemployment and to secure Full-time Employment) also cooperates with the Institute of Economic Research. This committee concerns itself not solely with the task of enforcing immediately adequate measures, but also directs attention towards weak points in the economy which eventually could influence the intensity of work; it further prepares long-term economic measures which should be enacted. [464] [654]

The Mitteilungen (Reports) of the Oesterreichisches Kuratorium für Wirtschaftlichkeit (Austrian Board of Trustees for Economy), a board sponsored by the Bundeskammer der gewerblichen Wirtschaft, are especially concerned with rationalization problems (Manager: Consul Schmidhuber). Science of business economics is a discipline particularly taught at the Hochschule für Welthandel, Vienna, which has quite a number of experts on its lecturing staff (W. Bouffier, F. Dörfel, K. Oberparleiter). This branch of science became, via the balance theory, more and more related to theoretical economics. In this way--and this applies to the entire field of commercial science--the selection of themes, the setting of problems and the methods of presentation show the influence of the Austrian School. The science of business economics has contributed to better and more standarized forms of accounting, improvements in bookkeeping and cost accounting. Scientific handling of advertising and market research has substantially improved plant management. 874 457 816

Austria has become intensely interested lately in methods of work psychology, which have proven successful in the United States, England and other western nations. In this connection may be mentioned the 461 466 816

652 to the Federal Treasury and written off against an
453 offset of securities of the German Reich, the second phase will comprise the elimination of the remaining odd lots of such German securities. In addition, it will be necessary to establish the sources of loss in connection with the war. This includes losses incurred mainly through sequestration of cash on hand as booty, securities and participations devalued to nil (excepting German securities) and, finally, through general losses incurred in accounts receivable. (Losses incurred in connection with credit lines guaranteed by the Reich assume a special significance.) All of these represent values which at several institutions comprise a special block of "domestic and foreign assets" to be settled within the scope of pending reconstruction endeavors.

[451] It remains understood, and this has been pointed out by the Federal Minister of Finance, that the settlement of the whole complex requires the establishment of true reconstruction balance sheets, a prerequisite to be accomplished only after enforcement of a law decreeing the execution of "Schillingseröffnungsbilanzen" (initial balance sheets in schillings). As a result of the yet unsolved problem of the so-called "German Property," the computation of final figures will certainly meet with difficulties, especially with respect to the large banking corporations. This follows because (1) a clear definition of the term "German Property" has not as yet been established; (2) it is impossible to compute the participation values of the enterprises concerned without knowledge of the exact computation date in the absence of a state-treaty; (3) in some cases the prerequisites as to the corporate status, especially with regard to enterprises administered partly by Austrians and partly by an occupation power, still need clarification.

Noteworthy, furthermore, is the varied handling of "German Property" within the various occupation zones. Besides the contemplated settlement of balances within the scope of the first phase, the compensation of the remaining "odd-lots of German securities" and the general settlement (since the enforcement of the "Schillingsgesetz") of blocked but not written-off deposits, only relative estimates will be obtained which ultimately, after the elimination of evaluation difficulties, will find a correction.

Although a settlement method covering the "odd-lots" of German securities and subsequently the

Of the total amount of 2,161.098 million schillings, 2,143.098 schillings were released from ECA counterpart accounts and 18 million schillings (for Federal theaters) from non-ECA accounts. 652 454

It should be explained that during the last [451] part of 1950 a change in the accounting procedure of releases occurred. While previously the actual debit of the account immediately followed the publication of the release, this was no longer the case during the second half of 1950. The charging of the account and the payment of amounts now occurs in installments, partly for reasons of administration and partly for reasons of currency policies. Thus, for example, at the end of the first half of 1950, 100 million schillings were released for the construction of buildings. However, payments were effected only during the third (75 million schillings) and fourth (25 million schillings) quarters. Of the amount of 1.2 billion schillings released during the first few days of September 1950 only 88 million schillings had been charged at the end of the third quarter. Of the funds released in September some were not charged to the account even at the end of the year. The December release amounting to 700 million schillings (published before Christmas) was still on account at the end of 1950. Therefore the published releases are limited releases needing special "Release Letters" to receive payment.

b) Money and capital market.

The essential part which counterpart funds (Marshall Plan aid) play in financing reconstruction and replenishment needs becomes especially obvious if the Austrian capital market conditions, which is slowly gaining momentum after capital losses sustained during the last decade, are duly taken into account. The 1950 annual report of the Vienna Stock Exchange indicates that the expectations held at the opening of the exchange in 1948 were only partly achieved at the end of 1950. The turnover in 1950 amounted only to slightly over 654.5 million schillings (at traded prices) of which 191.3 million schillings represented trading in government bonds, 282.2 million schillings in various other bond issues and not quite 179 million schillings in shares. Thus the market in stocks (the following detail reflects the necessity of interim financing of industrial monetary needs) developed a bearish trend although most of the corporations resumed dividend payments (depreciations averaging 25 per cent). Under pressure especially were the shares of "nationalized" 454 652 455

The stagnation of the capital market, which makes the financing of comprehensive investments on the open market difficult now, made special forms of interim-financing necessary for Marshall Plan deliveries. This task the banks and the Nationalbank undertook through their financing techniques. 652 454

Agreement has been reached by the former Ministry of Properties and Economic Planning, the Ministry of Finance, the Nationalbank and credit institutions for the financing in schillings of Marshall Plan deliveries. Inasmuch as outside means (credit) were required, the following categories of credit have been set up with regard to the different currency policies: 652 457 439 452 453

1) Credits for the import of raw materials (wool, cotton, hides, leather, metal, chemicals, etc.);
2) Credits for financing the cost of manufacturing (Umwandlungs kredite);
3) Credits to cover investment needs (Aufbaukredite).

For the first two categories the applicant for credit has to prove that all deliveries will take place within the scope of the Marshall Plan. To cover credits for raw materials provision is made for payments in goods with terms of three months, which may be extended three times to a maximum twelve months. (A special priority was provided originally for the delivery of textile raw materials of any kind and, furthermore, for hides, leather, furs and tannic acid, as long as the accounts were settled prior to June 30, 1949. This measure aimed to spare the buyers of goods losses in interest caused by delays in carrying out the Marshall Plan. As a concession a 60-day delay in payment of the amount in schillings was fixed so that in these special cases the validity of the credits was prolonged up to a maximum of 14 months.) The rate of interest for raw material credits has been fixed at 5 per cent net. The deliveries of semi-manufactures are treated in the same way if they are further processed by Austrian industrial plants. These letters of credit may be refinanced by the Nationalbank.

The covering of manufacturing costs (Warenumarbeitungs- und Umwandlungskredite) is provided for by ninety day drafts which may be extended twice, i.e., a maximum of nine months, if the buyer of goods can prove that these larger deliveries of Marshall Plan goods to be manufactured by him cause a sharp increase in the production so that additional means of production are necessary. The rate of interest is 6.5 per cent net. These drafts may also be refinanced at the Nationalbank.

452 The financing of credits for investments
652 (Aufbaukredite) is likewise provided by different
453 types of drafts (three-months validity) until such
[454] time as definite solutions (consolidation) will be possible in the form of obligations on the money market. The rate of interest is 4.5 per cent net. The examination of such credit applications lies with a commission consisting of representatives of the Federal Chancellory-ERP-Central Bureau, the Austrian Nationalbank, and representatives of those banks which grant the credits. Final approval rests with the "Kreditlenkungskommission," an advisory committee of the Federal Government and created by the federal law of July 3, 1945, to direct public and private credits. Members are nominated by the Federal Government.

453 The following banks are presently handling reconstruction credits: Creditanstalt-Bankverein, Vienna, Innsbruck; the Bank for Carinthia, Klagenfurt; the Bank for Upper Austria and Salzburg, Linz; the Oesterreichische Länderbank AG, the Hypotheken- und Creditinstitut, Vienna; the Bankhaus Schoeller and Co., Vienna: the Arbeiterbank AG, Vienna; the Genossenschaft-Zentralbank AG, Vienna; the Girozentrale der österreichischen Sparkassen, Vienna; the Gewerbe- und Handelsbank AG, Vienna.

439 With the activation of the multilateral
457 balance within the framework of the European Payments
652 Union after October 1, 1950, some changes took place in the financing of Marshall Plan imports. They, however, refer to the mobilization of the so-called "Initial Credit Position" which serve to cover the total deficit against all ERP countries. The carrying out of goods exchange on the basis of direct aid was not influenced by these changes.

To avoid difficulties in financing raw material imports from Marshall Plan countries, and in order not to restrict the potentialities of financing which the importers had been allowed up to this date, the Austrian Nationalbank decided, instead of refinancing goods imported out of the indirect aid (Drawing Rights), to discount ninety-day drafts of the banks. This forms the foundation of the means for financing goods imported from ERP countries. These drafts are issued by credit institutions and are drawn against the importer. The refinancing of these drafts takes place if the payee, in the opinion of the Austrian Nationalbank, possesses sufficient credit standing, and if the imports, as alread

IV. AUSTRIA'S ECONOMIC POSITION IN 1951

452 The following points are characteristic of the economic trends in 1951.

1. In the monetary field: the tendency in the world economy toward forcing reductions in the credit policy; the figures will be rounded-up by an increase of the bank rates toward the end of the year;

652 435 2. In the budgetary field: the approaching end of ERP aid makes it necessary to reduce the price supports still existing;

454 3. In the field of investment policy: a reasonable balance between the investments of the production goods sector and the consumer goods sector is to be prepared; by increasing the offer of goods ready for consumption and export the imbalance in the balance of payments will be overcome as rapidly as possible;

439 4. In the field of foreign trade: the shortage of raw materials and the existing discrepancy between the trade and foreign currency balance (deterioration of the exchange rates) make special laws and measures necessary to promote exports;

435 465 5. In the field of prices and wages policy: certain discrepancies in prices, especially in the agricultural sector, make necessary adequate adjustments as well as improvements of real income of wage earners to the level of higher prices;

6. In the field of production and productivity: a general increase of the capacities and the extent of capacities, is necessary between the social partners and the abolition of burdens which prevent an increase in production. Adequate relations should be created.

A. International Economics and Austria's Peaction

000 A glance at the representative statistics prove that international development proceeded along quite different lines in 1951 than was expected at the beginning of the year. The steep rise of prices for raw materials, especially those of wool, tin, rubber, which started from the beginning of the Korean crisis have created an ever-increasing inflationary tendency.

C. Developments in Credit Volume.

The features which influence the volume of payments and credits in an economy come partly from without and partly from within. The impulses, as is clearly seen in 1951, came from the flow of a world-wide inflationary price (wages) development; on the other hand, they were reflected in the necessities of the domestic economy which were expressed by the lines of the investment policy. Every investment ties up the invested capital (credit) until such time as the investment becomes productive. 000

If one wishes to avoid the danger of stopping investments before they reach the stage at which they are productive (i.e., to leave them unfinished and lose them within the scope of the total economy) then it is necessary to provide the proper means for completing investment projects, even if one could prove that a deceleration of credit expansion would be the correct measure. Moreover, the extension of credits requires, in this connection, the disposal of means for operation and credits for raw materials. All these are elements which make the development of credits (as seen from the standpoint of establishing programs of investments) of a necessary character to a certain extent.

The consumption of credits caused by the war, and the lack of an efficient capital market, shifted the center of gravity in financing (excluding investments out of public funds) necessarily to credit channels (see Monatsberichte for January 1952: "Die Wiener Börse im Jahre 1951"). Among the main sources of financing there are (excluding the liquid reserves of the credit institutions themselves) the increasing savings as well as those legal measures which support the techniques of financing (guarantees by the government in financing investment--Aufbaukredit and Absicherung von Exportkrisen, or protections against export crises) and, above all, the counterpart funds for potential refinancings at the Nationalbank. It is quite clear that these refinancings at the bank of money issuance (in Austria, the Nationalbank) can be only limited interim financing which must be consolidated in due time by consumption in the capital market. 652 452 [454]

If one considers the changes in the volume of total credits in the last year, one observes (on the basis of the report of the Board of Directors of

452 652 the Austrian Nationalbank) an increase of the total amount of credit extended from 10,677.2 million schillings (December 31, 1950) to 15,226.5 million schillings (in the end of December 1951).

The total volume of credit comprised in the single categories of credit is:

	Dec. 31, 1950	Dec. 31, 1951
	(in millions of schillings)	
Credits for raw materials[a]	702.0	804.6
Other commercial credits	7,707.6	10,347.6
Reconstruction credits[b]	2,267.6	4,074.4
TOTAL	10,677.2	15,226.6

[453] a) These are credits which are to finance the import of semi-manufactures (in the first place, raw materials). Promises of refinancing are given by the [457] Nationalbank and by credit institutions which have to guarantee them along with the Nationalbank. They come from direct and indirect ERP aid for carrying out of deliveries.

b) These are check-credits serving the financing of ERP investments out of ECA releases. They are guaranteed by the government according to the law of March 30, 1949 (BGBl.101/49) and by the promise of refinancing by the Nationalbank.

Listed below are the total credits according to their use as of September 30, 1951 (a later listing is not yet available).

	In Millions of Schillings		
Total credit volume	14,415	=	100.0 per cent
Commercial credits	10,908	=	75.7 per cent
ERP credits	3,507	=	24.3 per cent
From these: Industry and Mining	3,500	=	99.8 per cent
Small business	7	=	0.2 per cent

The commercial credits are listed as follows:

Industry and mining	4,342	30.1 per cent
Trade	2,894	19.3 per cent
Small business	934	6.5 per cent
Agriculture	759	5.3 per cent
Länder and municipalities	623	4.3 per cent
Other credit purposes	978	7.6 per cent
Reconstruction of dwellings	378	2.6 per cent

The development of Savings and Checking Accounts is shown in the following table:

	December 1950		November 1951	
	(in millions of schillings)			
Grand Total:				
Savings Accounts	2,198.1		2,320.0	
Checking Accounts	7,271.1	9,469.2	8,817.6	11,137.6
Break-down:				
Joint-Stock Banks				
Savings Accounts	484.5		537.2	
Checking Accounts	4,056.3	4,540.8	4,993.1	5,530.3
Bankers				
Savings Accounts	17.5		23.3	
Checking Accounts	250.9	268.4	207.0	230.3
Savings Offices				
Savings Accounts	965.3		954.7	
Checking Accounts	1,091.7	2,057.0	1,365.9	2,320.6
Credit Associations				
Savings Accounts	488.8		542.6	
Checking Accounts	386.4	875.2	466.6	1,009.2
Other Credit Institutions				
Savings Accounts	242.0		262.2	
Checking Accounts	1,485.8	1,727.8	1,785.0	2,047.2
		9,469.2		11,137.6

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Since the beginning of the Marshall Plan up to November 30, 1951, an amount of 12,280.1 million schillings was deposited in the special fund as a schillings equivalent of ERP aid deliveries (U.S. laws 84, 389, 470 and 472). From this amount, 750 million schillings were released for monetary purposes, 6,875 million schillings for financing the industrial investment program, 54.9 million schillings for other purposes, and 579.4 million schillings for the 5 per cent quota reserved for the U.S.--a total of 8,284.3 million schillings. On the key-date an amount of 3,995.8 million schillings remained for further purposes. (These figures do not include the United States aid transactions in the amount of 478.2 million schillings for the period from July 1, 1947, to December 31, 1947, the latter amount referring to purchases.)

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652 To evaluate these consequences, the changes
in the structure of production are of main interest.
454 According to the Austrian school of national economy,
433 and according to the conception of competent representatives of this science in Sweden and in the Anglo-American area, the main consideration has to be given to changes in the relations between productive and consumptive utilization of capital. As in European countries other than Austria, the production indices of production goods industries increased at a higher scale than those of the consumer goods industries. This economic center of gravity becomes more clear by listing the release of the ERP funds for the total industry. Excluding public investments and means for covering special reconstruction problems, approximately 2 billion schillings out of a total of 2.6 billion schillings flowed into the production goods industry (power plant construction, coal and ore-mining, iron producing industries, etc.) and 607 million schillings into consumer goods industries (textiles, foodstuffs, paper). The distribution of these funds was aimed at affording Austria the opportunity to match the technical and industrial developments in the rest of the world, at least in the field of primary materials and semi-manufactures. The use of a big part of the credit volume, therefore, is fixed by the purposes of the official investment programs which are worked out by the Austrian government in consultation with economic circles and the ECA in Washington. Complementary credit demands (Betriebsmittelkredite) are tied to this credit as a consequence of the extension of capacity and the industries participating directly in these investments.

652 The agreement on qualitative and quanti-
453 tative credit measures reached between the Federal
452 Ministry of Finance and the joint stock banks in the spring of 1951 was followed by an additional agreement of October 10, 1951, paralleling the general international development. This later agreement allowed an increase in the total credit provided or promised by a bank, as of August 31, 1951, under certain conditions. [These are schilling credits in current amount, draft credits regardless whether the drafts remain in the portfolio of the bank or whether they are rediscountable moreover, mortgages and municipal loans (unless they already serve to cover issued mortgages and municipal obligations), as well as requirements against Austrian credit institutions which do not exceed a thirty-days' validity. Not included in the total are reconstruction credits, credits granted for financing exports and

those for financing the harvest. The allowable increase of the total amount of credits (excluding the above-mentioned restrictions) may not exceed 70 per cent of the increase of obligations, i.e., of those means which recently have flowed in. An additional increase exceeding the above-mentioned total of credits is allowed only under the condition that liquid means of the first and second grade, in accordance with the agreement of April 6, 1951, effective August 31, 1951, exceeded the necessary liquid reserves at that same date; otherwise, the credits must be restricted to the rate of prescribed reserves. Other items of the agreement refer to the regulations concerning utilization and eventual sanctions if they do not keep to the reserve rates.] 652 453 452

For the purposes of coordination, the additional agreement stipulated that representatives of the bank must meet at least once a month at the Federal Ministry of Finance or at branches of the Austrian Nationalbank. They meet in the form of regional committees to discuss problems of credit policy to establish directions of restriction credits by their own volition, to discuss their fulfillment on the basis of the material in current figures, and from time to time to provide changes in or additions to those directives. The banks are represented in these credit committees by a six-member committee to which one representative each is delegated from the three nationalized big banks (Handels-und Gewerbebank, Arbeiter-bank and the Bankhaus Schoeller and Co.). A measure of greater importance to currency policy is the decision of the General Council of the Austrian Nationalbank to increase the bank rate from 3 1/2 per cent to 5 per cent as of December 5, 1951. (Corresponding to the change of the bank rate, the rates of interest for deposits were altered. Specifically, it was decided that current account deposits will be handled in the future at the rate of 1 per cent instead of 3/4 per cent used until then. The rate of interest for savings deposits and non-negotiable paper was set at 3 1/2 per cent; if left on deposit for at least six months the rate was 4 per cent, and if left longer than 12 months, 4 1/2 per cent. At the same time the limit for free disposal savings deposits was increased from 3,000 to 5,000 schillings per month.) By so doing, Austria joined a number of countries which already had raised their bank rate since the outbreak of the Korean crisis (Belgium, Denmark, West Germany, Finland, France, Great Britain, Canada, the Netherlands, Sweden, and the United States). For the first time since the end of the war the enforcement of this measure

652 453 452 in currency policy puts a special stress on the discount rate as an instrument of the policy of money-issuing banks. (The last change of bank rate in Austria had been in 1935.)

Considered from a merely economic point of view, the rise of the bank rate means a transfer of the prospects of profitableness from long-term to short-term investments. In this way those endeavors are to be supported which aim at compensating the effects of the present essentially decelerated extension of credits through a greater offer of consumption and export goods in relation to price policy. Moreover, the increase of the bank rate is a proof of the necessity to go back to measures of economic policy which are in conformance with the conditions on the market. The more the bank rate approaches the so-called "natural rate of interest of capital" the less it is necessary to take other methods for the extension of credit for every quantitative and qualitative credit selection contains elements of subjective opinion. Moreover, the limitation of the volume of credits not only constitutes fixation of a certain figure but, under the prevailing economic conditions, of a fixed relation between investments in the production goods industries to that in the consumption goods industries. This relation, which is so decisive for credit policy and, in turn, for the stability of prices, approaches its equivalent value more when the economic function of the rate of interest provides a selection among the various possibilities for the utilization of capital. The field of credit policy is the one in which it is most difficult to replace the market mechanism by typical control measures.

Of course, there can be no doubt that supporting reconstruction by a policy of "cheap money" made sense in many respects--especially when one considers the conditions which prevailed in Austria in early postwar years. With reference to continuing consolidation, one has to try to reach an economic selection even here and to adjust credit to the development that has taken place already.

According to the agreement of April 6, 1951, beginning with January 1, 1952, the banks are required to keep 10 per cent of their obligations in liquid means of first grade. This means that the cash reserves in those banks will rise substantially after that date. In addition, the discussions which were held before the October agreement was reached brought

out that the main proportion of the extension of credits (as a consequence of the first agreement) flowed out of the accounts for financing imports of vital raw materials and of credits for the support of exports. These conditions do not lie within the banks' sphere of influence (not taking into consideration the directives for credits as laid down in the public investment programs). The occasional considerable reserves of the banks, which are tied up with the allocation of foreign currencies, must be taken into consideration. 652 453 452

It is a fact that the individual measures already showed an impact toward the end of the year. According to the statistics on credits and liquid money of November 30, 1951 (i.e., one month after the enforcement of the second agreement) the volume of credit, which is under control, decreased for the first time since 1947 by 30 million schillings--a rather low amount. Even if one considers the financing of credits for exports, and the especially high financing of credits for the sugar beet harvest, there is a total decline in volume by 80 million schillings at a time when a general increase in credit demands could be observed.

There are today two methods of determining the total of the means of payment in an economy at any given date. The Anglo-American method takes into account the total volume of the means of payments in circulation, plus free obligations of the national bank, plus checking account deposits at the commercial banks, minus interim bank obligations (i.e., deposits of credit institutions at the national bank and at credit institutions). The Continental method does not take into consideration the checking account deposits at commercial banks. (Recently, the Anglo-American method has been used in Austria, too.)

If one compares the development of the volume of money (paper money in circulation, plus checking account deposits, plus free deposits not at the banks but at the Nationalbank) in the previous year, an increase is shown from 14,608 million schillings to 17,164 million schillings since the end of December 1950 to the end of October 1951 as against a credit volume of 10,677 million schillings and 14,780 million schillings, respectively. The circulation of paper money rose in this period from 6,349 to 7,326 million schillings, the checking account deposits from 7,271 to 8,939 million schillings. The free deposits of public agencies, which 436 652 453

3· Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

645 Minister, was a financial and economic expert who believed
665 that the budget could only be balanced satisfactorily by stringent economy in national expenditure. The new Minister of Trade, Herr Böck-Greisau, was an experienced industrialist, with a special interest in export problems, who believed in free enterprise, and shared Dr. Kamitz' view on the need for economy. Both men were convinced exponents of the new policy of self-reliance and self-help.

453 Before the end of 1951 the Coalition Government's efforts to establish financial stability had already met with success. To restrict credit expansion the bank-rate was raised from 3½ to 5 per cent on December the 6th, while the trade unions and the employers collaborated to keep prices down. During the
454 first four months of 1952 savings-bank deposits rose by 538 million schillings, compared with an increase of only 77 million schillings during the whole of 1951.

645 One reason why the People's Party appointed the new
665 Ministers was that it wished to strengthen its representation in the Cabinet. But it believed also that their policy was what Austria needed at the time. A natural result of its action, however, was that the policy tended to become a party issue, although it had virtually been started before the Cabinet changes took place.

645 The new Ministers were energetic and uncompromising in carrying out the measures in which they believed. Within a
652 few months of his taking office Herr Böck-Greisau was with
665 difficulty dissuaded from relinquishing his post on a question of principle. During the autumn party differences came to a head over Dr. Kamitz' proposals for an economy budget. The People's Party was mainly interested in a deflationary policy to maintain the value of the schilling. The Socialists wanted bigger expenditure on public works and new housing projects in order to keep up employment. No agreement could be reached, and so, as has been seen, the Government resigned. Pending the elections a temporary compromise budget was accepted by both sides.

652 Before the elections took place the new economic policy

433 so-called "German property," were lost to Austrian control and thus lost to the economy.

In the foreground, however, was the organization of the currency and credit structure. Until November 1945, Allied Military schillings and the Reichsmarks of the former German administration formed the currency basis of the country. Approximately 7.7 billion Reichmarks and 1 billion Allied Miliary schillings were in circulation, representing an inflation of 850 percent above the 1937 level. This circulation, compared with the almost negligible volume of goods and the low production capacity, made the money practically worthless. Here, therefore, was where the first measures of reform had to be effected.

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In 1945 the provisional government provided the first legal foundation for the reorganization of currency and the credit system by the law covering payments by banks (Schaltergesetz), the law covering public and private credit extension (Kreditlenkungsgesetz) as well as the "Notenbanküberleitungsgesetz," which reestablished the Austrian National Bank. It created therewith the preliminaries for an orderly banking and payment service, for the time being still under the statutory power of the then provisional government. With the "Schillingsgesetz" of November 30, 1945, introducing the first currency reform and establishing the schilling as legal tender, the three aforementioned laws were extended to cover the three western occupation zones, the country as a whole received a uniform currency and banking system.

The "Schillingsgesetz" and the conversion decreed reduced currency in circulation (paper) from approximately 7.7 billion Reichsmarks and 1 billion Military schillings to 3.3 billion schillings and the aggregate circulation (banknotes plus contingent liabilities of the National Bank) to about 7 billion schillings. Parallel with this--the first control of all deposits having been effected by the previously mentioned "Schaltergesetz"--occurred a further appropriate blocking of deposited means to restrict purchasing power and inflationary price rises.

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Beginning March 7, 1946, the issuance of bank notes was subjected to Austrian control, the legal basis ensued through an amendment of the "Notenbanküberleitungsgesetz," June 30, 1946, which also promulgated the statutes of the Austrian National Bank as a bank of issue. With the enactment of June 25, 1946, the Austrian National

With the enactment of June 25, 1946, the Austrian National Bank was authorized to control foreign exchange transactions. For the time being the rate of exchange had been fixed at the rate decreed by the occupation powers: 1 dollar = 10 schillings and 1 pound = 40 schillings. 652 453 457

A gratifying step towards free foreign exchange relations was the release of blocked Austrian assets in the USA in 1946, and later on, the return of the gold reserve of the Austrian National Bank which had been transferred by the German administration. As a first step the United States had returned to the Austrian Federal Government 4,450 kg gold, representing a part of the gold reserve, which in 1938 amounted to 78,000 kg. On November 4, 1947, the Austrian envoy to London signed a protocol. According to its terms Austria was awarded an additional 26,187 kg fine gold by the Reparation Commission in Brussels. 457

With this substantial gold reserve on hand the Austrian Federal Government progressed a step further with its currency policy and enacted the Währungsschutzgesetz (a measure to protect currency), reducing the aggregate currency circulation almost 40 percent. For the intended reform, aimed at reducing currency in circulation as well as funds deposited with bank and credit institutions, the cited federal law of November 19, 1947 (confirmed by the Allied Commission for Austria on December 4, 1947, and enforced on December 10, 1947), was important in the following three points: 652

(a) Through a reduction of the aggregate currency volume (money in circulation plus deposited funds) a corresponding reduction of prices, and, last but not least, a restriction of black market trades could be accomplished;

(b) The general business moral could be improved; and

(c) Through a cancellation of the old blocked accounts (in accordance with the first laws covering currency policies in 1945) an elimination of economically untenable positions, and therewith, the first step towards a reconstruction of the credit system in the interest of the entire economy could be undertaken.

With the enforcement of this law a new trend in financial matters developed. The inflationary influences prevailing until then were curtailed while, financially, the prerequisites necessary for the reconstruction of the Austrian economy were set up. Although the circulating means did not become scarce to the extent 458 652

During July 1946, the parliament passed the first nationalization law (see part A, III, paragraph b). This nationalized, in addition to enterprises of heavy industry, mining and shipping, the three largest Austrian commercial banks (the Creditanstalt-Bankverein, the Oesterreichische Länderbank A. G. and the Hypotheken- und Creditinstitut). With the federal law of March 26, 1947 (second nationalization law), establishments and plants producing and distributing electrical energy were nationalized, because 90 percent of these establishments were already publicly or municipally owned.

During the years 1945-1946 only the greatest difficulties were eliminated. A noticeable production increase, fostered by increasing imports of raw materials and food stuffs, occurred during 1947 at which time the coal situation was also eased and the crisis in the power sector could be ameliorated. The decisive turn of events in the economic consolidation, however, remained to be accomplished with the assistance of the Marshall Plan.

3. Special Problems in Austrian Reconstruction.

a) The question of "German Property."

At the end of the war, when Austria received her independence (perforce limited because of occupation statutes), her economic situation had been basically altered in comparison with 1937. The economically and organically different set-up of the German Reich made a reorganization of the economic status necessary. Austrian production means were diminished further by transfers of private as well as public production establishments into German hands, particularly after 1938. This "German Property" became fateful in Austrian economy with the Potsdam Agreement of August, 1945.

According to the agreed terms of the Allied Powers, German reparations were to include German assets located in countries previously occupied or controlled by Germany; these assets were to be subjected to the control of the various Allied Powers relative to their geographic location (in Austria according to occupation zones).

Under this title more than 200 enterprises in Austrian territory, mostly in the eastern part of the country (among them the entire oil industry,

471 some federal ministries as well as the reorganization
655 of the sphere of action of others), is being taken care of by the federal ministry for traffic and nationalized enterprises, the administration of the nationalized commercial banks falls within the competence of the Federal Ministry of Finance. The nationalization comprises:

[453] 1.) The large banks (Creditanstalt-Bankverein, Oesterreichische Länderbank AG, and Hypotheken- u. Kreditinstitut);

[327] 2.) The most important enterprises of the iron and steel industry (Oesterreichische Alpine Montangesellschaft, Vereinigte Oesterreichische Eisen- und Stahlwerke A. G., Linz, Schoeller-Bleckmann Stahlwerke A. G., Vienna, Gebrüder Böhler u. Co., A. G., Vienna);

[316] 3.) The most important coal mines (Wolfsegg-Traunthaler Kohlenbergwerke A.G., Linz, Steirische Kohlenbergwerke A.G., Vienna, Lankowitzer Kohlen-Compagnie, Vienna, etc.);

[372] 4.) A number of important enterprises of the electric and machine manufacturing industry (AEG-
[373] Union Elektrizitätsgesellschaft, Vienna; Simmering-Graz-Pauker A. G. für Maschinen-, Kessel- und Waggonbau, Vienna, etc.);

5.) The Oesterreichische Stickstoffwerke A. G., Linz;

[316] 6.) The most important non-ferrous mining enterprises (Bleiberger Bergwerks-Union, Klagenfurt; Montanwerke Brixlegg Ges. m.b.H., Brixlegg; Kupferbergbau Mitterberg, Münlbach am Hochkönig; Aluminiumwerk Mattighofen-Ranshofen);

[505] 7.) The Erste Donau Dampfschiffahrtsgesellschaft, Vienna;

[377] 8.) The large enterprises producing electric power; and, finally,

[315] 9.) The enterprises for the exploitation of crude oil.

With the enacted legislation the ownership-rights (re: corporations) or the assets and liabilities of certain enterprises (limited companies, etc.) or plants (branch establishments of enterprises located abroad) became the property of the Republic of Austria. This in turn implied also the transfer of the administration of the nationalized enterprises to the Austrian government, provided that such enterprises were not located within the Russian zone (USIA establishments) and therefore beyond Austrian control. The enforcement of the nationalization, however, is not completed because:

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regulations as privately owned enterprises.

If companies or enterprises, under the regulations of the corporation law, were for any reason not as yet able to install the required responsible executive managements (executive officers, board, stockholder meetings) the competent authority, in accordance with the terms of the federal law of July 26, 1946, installed public administrators. The privilege, however, does not apply to enterprises and plants working under their legally installed executive managements; such an existing status permits the government to introduce motions, by its delegated board members, only within the scope of legal corporate requirements.

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According to the federal constitutional law of June 16, 1948 (Rechnungshofgesetz), all nationalized enterprises are subjected to the accounting and business policy control of the Oberster Rechnungshof (superior accounting office of the government), which in turn is responsible to the parliament for rendering account.

By these means parliament wanted to prevent red tape in the commercially managed establishments.

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c) The reconstruction of the Austrian credit institutions.

Following the loss of Austrian sovereignty in 1938, changes within the great Austrian banking organizations occurred. The Austrian National Bank disappeared as bank of issue, its Vienna organization became a branch office of the German Reichsbank, the substantial gold and foreign exchange holdings as well as other assets were transfered to the latter, so that from 1938 to April 1945 no independent money and currency policy was possible.

Likewise, the nationalized banking institutions were confronted with structural changes which, after 1945, brought about problems of balance adjustments. Therefore, if the entire question complex and the enforcement of relative measures are to be ascertained, it is necessary to become acquainted with the developments which have occurred. Austria, having been reestablished as a sovereign nation at the end of the war, faced a greatly changed situation in comparison with 1937. The prior assimilation into the economically and organically different economy of the German Reich, caused a far

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reaching reorganization of the Austrian economic structure. What was needed after the political and economic disintegration of 1945 was, therefore, a basic recreation of the entire economic system, including (for reasons of monetary policy) the liquidation of the previously war-influenced German financial policy. In addition, it must be noted that in Southeastern Europe, previously representing a traditional Austrian interest and marketing sphere, political changes had occurred, making necessary write-offs of participations and accounts and a reorientation of previous relations. By having been made a part of the German Reich there occurred within Austria, because of the German methods in financing war expenditures, a substantial discrepancy between the amounts of money and goods available. On the asset side of the ledgers of the credit institutions special consideration was required for the so-called "Reichswerte" (bonds of the German Reich, treasury notes, treasury certificates), liabilities of the German Reich, its states and countries as well as of central and monetary clearing offices, the holdings of which increased rapidly during the first war years. They represented, as far as bonds, treasury notes and treasury certificates were concerned, mostly counterparts of deposits which had to be transferred to Berlin for conversion into such securities. That was done on instruction of German authorities in order to finance German war expenditures. At the cessation of the conflict these deposits, from a national-economic point of view, could no longer be considered covered, inasmuch as their counterparts became valueless or at best dubious as collateral. For reasons of the occupation zone division, at that time strictly applied, the "Schaltergesetz" was enforced only within the Russian zone, Vienna included.

From a monetary point of view the war's heritage consisted of an oversized volume of money and, for the time being, of losses to owners of securities of the German Reich, i.e., the banks and industrial enterprises.

The first legal enforcements (the "Schaltergesetz" of July 5, 1945, as well as the "Schillinggesetz" of November 30, 1945) were primarily construed to reestablish orderly monetary conditions, i.e., the setting of an ultimate money volume, the establishment of a new currency and the elimination of excess purchasing power.

452 453 The "Schaltergesetz" decreed the reopening of the banks, closed since April 1945, and, for the time being, a blocking of 60 percent of old deposits (i.e., funds deposited prior to the reopening of banks). The remaining 40 percent could be used, within restricted limits, for vital economic purposes. The "Schillinggesetz" went a step further. Extending the variously applied monetary measures, enforced within the Russian zone, to Austria as a whole, it established the basis for the Austrian (schilling) currency under the sole control of the Austrian National Bank and blocked 60 percent of all deposits accumulated prior to December 22, 1945. This was a monetary measure to [458] effect a diminution of the upwards trend of prices through a curtailment of money in circulation. The remaining 40 percent were disposable, partly free, partly non-negotiable andpartly restricted to certain uses. Funds deposited after December 22, 1945, were free of any restrictions.

The third and most important step towards a currency consolidation occurred with the enforcement of the "Währungsschutzgesetz," which had to accomplish a two-fold task. One was the diminution of currency in circulation (notes in circulation plus free contingent liabilities) amounting to 9 billion schillings prior to the enforcement, by a skimming-off process of notes in circulation and by a cancellation (diminution of deposited currency) of blocked funds, accumulated with banks as a result of prior enactments. The other task was to prepare a settlement of the unbalanced statements of banking institutions, reflecting the war and postwar losses. Thus the prerequisites for a reorganization of the entire credit apparatus were created.

Particulars about the technical procedure of the curtailment of the currency circulation in accordance with the "Währungsschutzgesetz," will not be discussed here. With regard to deposited funds, all blocked accounts established in accordance with the "Schaltergesetz" and the "Schillinggesetz" of 1945 were cancelled. The remaining, restricted disposable 40 percent balances were converted into demands against the federal treasury. [To cover the demand against the federal treasury, following the skimming of accounts, the federal ministry of finance was empowered to issue "Bundesschuldverschreibungen" (treasury bonds) or to enter these demands into a newly created "Bundesschuldbuch" (record of federal obligations).] The various

categories of accounts were simplified and the skimmed amounts transferred to new accounts which, excepting temporary limitations, were free of restrictions. 652 453

The diminution of deposited funds (skimmed-off and therefore economically non-covered deposits) as well as of the contingent liability account of the Austrian National Bank (details are not being mentioned) took effect immediately. The banking institutions were required by law to proceed at once with the skimming off of the accounts involved and to transfer the skimmed-off amounts to a special account of the Federal Treasury. In this connection there occurred a shift within the liability items of the bank balances, whereas the actual balance sheet settlement was to be effected after enforcement of the authorization, empowering the federal government (paragraph 22 of the "Währungsschutzgesetz") to stipulate the time, the manner and the amounts to be written off and credited to the Federal Treasury. The enforcement of this authorization has been promulgated with the approval of a draft submitted by the Federal Minister of Finance, covering the third and final regulation with regard to the delivery of values as per paragraph 22 of the "Währungsschutzgesetz" of November 19, 1947.

In accordance with the terms of this regulation the banking institutions are required to deliver such assets of the Federal Treasury to the Ministry of Finance, whereby, to relieve their balance sheets, they are permitted to deliver instead of money the aforementioned "Reichswerte" at their book or par value. The demands against central clearing institutions are of importance to savings banks and cooperative credit associations.

The enforcement of this regulation did not solve the reconstruction problem even if, for the time being, a welcome settlement of balance sheets was achieved. The complex of remaining problems required a great deal of further deliberations. The range of the compensation as well as the details of the technical execution are not being explored here.

As stated before, the scope of reconstruction requires that additional considerations be taken into account. They are sketchily indicated below.

While the first reconstruction phase, in compliance with the "Währungsschutzgesetz," brought about the definite elimination of blocked accounts transferred

652 to the Federal Treasury and written off against an
453 offset of securities of the German Reich, the second phase will comprise the elimination of the remaining odd lots of such German securities. In addition, it will be necessary to establish the sources of loss in connection with the war. This includes losses incurred mainly through sequestration of cash on hand as booty, securities and participations devalued to nil (excepting German securities) and, finally, through general losses incurred in accounts receivable. (Losses incurred in connection with credit lines guaranteed by the Reich assume a special significance.) All of these represent values which at several institutions comprise a special block of "domestic and foreign assets" to be settled within the scope of pending reconstruction endeavors.

[451] It remains understood, and this has been pointed out by the Federal Minister of Finance, that the settlement of the whole complex requires the establishment of true reconstruction balance sheets, a prerequisite to be accomplished only after enforcement of a law decreeing the execution of "Schillingseröffnungsbilanzen" (initial balance sheets in schillings). As a result of the yet unsolved problem of the so-called "German Property," the computation of final figures will certainly meet with difficulties, especially with respect to the large banking corporations. This follows because (1) a clear definition of the term "German Property" has not as yet been established; (2) it is impossible to compute the participation values of the enterprises concerned without knowledge of the exact computation date in the absence of a state-treaty; (3) in some cases the prerequisites as to the corporate status, especially with regard to enterprises administered partly by Austrians and partly by an occupation power, still need clarification.

Noteworthy, furthermore, is the varied handling of "German Property" within the various occupation zones. Besides the contemplated settlement of balances within the scope of the first phase, the compensation of the remaining "odd-lots of German securities" and the general settlement (since the enforcement of the "Schillingsgesetz") of blocked but not written-off deposits, only relative estimates will be obtained which ultimately, after the elimination of evaluation difficulties, will find a correction.

Although a settlement method covering the "odd-lots" of German securities and subsequently the

block of "domestic and foreign assets" has not been 652
designed as yet, some means to assure the functioning 453
of the various credit institutions undoubtedly will
be forthcoming.

The banking institutions, besides effecting a settlement of their balance sheets, will also be required to establish additional provisions in order to complete their economic as well as social-political tasks. In this connection the creation of a sufficient liquidity, the securing of an adequate capital structure and, last but not least, provisions for a corresponding amount of reserves to meet pension obligations towards their employees are more important. All these problems require generally and individually special solutions if the institutions are to accomplish their tasks satisfactorily within the national economy.

Thus, for example, with respect to international economic relations, the banking situation requires a settlement of balance sheets according to international procedures so that the liquidity of the banks and the coverage of accepted deposits be self-secured, inasmuch as the banks could be called upon to correct market fluctuations so as to assure continuity of work within the economic sphere. However, such a policy will only prove successful if they have disposal over sufficient means. Furthermore, with Marshall Plan assistance terminating in 1952, questions concerning capital and credit correlations will form the main aspect of European and international collaboration. Still greater tasks will develop internationally and foreign trade acceptance credits will find an ever increasing use. Such a development requires that the banks, more so than other enterprises, have available corresponding capital to serve as a basis for credit extensions. In comparison with other business enterprises, which have invested their means in commodities or other goods, the banks, as a result of war and postwar occurrences, sustained larger capital losses. Thereupon shifts occurred which created a situation in which the relationship between means and deposits were no longer in conformity to internationally set standards (generally amounting to at least 10 - 15 percent of the balance sheet total). The procurement of these necessary means will be of great importance. Since prevailing conditions in the capital market do not permit the procurement of capital in the customary manner, the capital needed will have to be accumulated out of profits of the banking institutions, provided certain tax exemption measures are enacted.

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453 Closely connected with the procurement of capital is the problem of liquidity upon which, internationally, the repute of a banking organization rests. Therefore, considerations about reconstruction measures will have to include the problems covering the organic cohesion of public and private credit extensions and also currency essentials.

The problematical scope of the entire reorganization of Austrian credit institutions is an extended one containing, besides questions of the budget and currency problem, the problem of capital procurement. In addition to the tax-exempting provisions, it will be necessary to effect certain changes in corporation law. The credit institutions, especially the banks, progressively liquidating relics of a past era, will eventually reestablish their previous traditional business relations with the world's financial centers in the interest of Austrian economy and by doing so, as agents for a progressive productivity, provide the necessary means. The purpose of the entire reconstruction, last but not least, strives towards an increase of the national income.

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457 B. Marshall Plan Assistance as the Material Basis of the Austrian Economic Policy.

1. The Legal Foundations of Marshall Plan Assistance.

a) Austria's position prior to Marshall Plan aid.

[433] The first two years following the establishment of the Second Austrian Republic permitted arranging a basis for the progressive development of the economy. However, the country's position remained precarious due to insufficient agricultural and industrial output. Domestic agriculture at that time provided only 36 per cent of the "subsistence level" needed to feed the population not engaged in agriculture. Industry, which prior to the war achieved export excesses, was unable to finance its raw material requirements. This caused a need for imports, primarily of food and mineral fuels, which caused a deficit in the payment balance amounting to 2 billion schillings.

However, this deficit was entirely covered by relief shipments and credits. Below is a breakdown of the most important deliveries and credits received during 1947:

78.5 million schillings in municipal bonds could be sold. Buyers of debenture bonds were mainly insurance companies. 454

The raising of capital, instead of being accomplished through the customary way of issuing new shares or bonds, had to be effected by the extension of credit lines which, especially after the inception of Marshall Plan facilities, the banks extended on the strength of their liquidity reserves or by means of refinance possibilities created with ERP counterpart funds. 453

The total amount of credit outstanding with Austrian credit institutions at the close of 1950 amounted to 10,699.1 million schillings, including 1,012 million schillings extended during the last quarter of 1950. Components of the amount were for the following purposes:

	Million Schillings
Reconstruction (investment credits)	2,267.6
Commodity credits	702.0
Commercial credits	7,729.5
	10,699.1

Of this banks and bankers extended 7,703.3 million schillings through refinancing possibilities of the Austrian National Bank.

	Million Schillings
Reconstruction credits	2,267.6
Commodity credits	700.7
Commercial credits	4,735.0
	7,703.3

Considering that the amount of reconstruction credits (approximately 2.3 billion schillings) represents a transit item for the banks (the notes shall be converted into a bond issue at a later, appropriate opportunity), there remains the fact that, due to the slowly progressing creation of genuine (savings) capital, a certain discrepancy between the creation of new capital and capital need exists. This led to the adoption of credit policy measures during the first quarter of 1951. Up to the end of December 1950 total deposits with banks amounted to 9,469 million schillings of which 2,198 million schillings represented deposits in savings accounts and 7,271 million schillings deposits in checking accounts. Therefore, counterpart funds and self-financings are presently the main factors in industrial investments. 454 453

652 To this should be added that the surplus in expenditures for investments pertains exclusively to the extension of agriculture and forestry, tourist traffic facilities, the building of apartments for workers and the reconstruction of war-damaged dwellings. The expenditures for investment in institutions of state administration were lower by 2 million schillings than foreseen in the budget estimate for 1950. Of the 1,076 million schillings spent for the institutions of state administration only 377 million schillings were covered by ECA funds; the remaining 699 million schillings were covered by the surplus of current transactions (471 million schillings), other extraordinary revenues (80 million schillings) and from cash-on-hand. The consequence of this important diversion of state funds to cover investments, caused mainly by delays in alloting 70 million schillings from the ECA funds in the fourth quarter of 1950, was the creation of a long severe strain on the State's funds.

[654] The investments of 550 million schillings for the extension of agriculture and forestry and for tourist traffic, as well as for workers' dwellings and the reconstruction of war-damaged apartment houses, have been covered in full from ECA funds. For these investments there were only proposals in the 1950 estimated budget, but no credits had been provided since these investments were to be carried out only in accordance with allotments from ECA funds. The expenditures for these investments appear, therefore, as overdrawing on the estimated state budget for 1950.

e) Scope of the tasks of the Austrian banks in fulfilling the Marshall Plan. Financing of Marshall Plan deliveries.

453 457 652 In the technical execution of the Marshall Plan the Austrian banks have a very important role. They are obliged, in the first place, to give advice on the financial feasibility of individual transactions before the applications of Austrian importers are presented for endorsement to the Federal Chancellory-ERP-Central Bureau, Vienna (Bundeskanzleramt-ERP-Zentralbüro, Wien). Moreover, they are in charge of opening letters of credit for single transactions which are covered by letters of commitment. They cash the schilling counterpart on the basis of documents which have been sent to and cleared by New York banks and notify the Federal Chancellory-ERP-Central Bureau on the carrying out of single transactions.

The stagnation of the capital market, which makes the financing of comprehensive investments on the open market difficult now, made special forms of interim-financing necessary for Marshall Plan deliveries. This task the banks and the Nationalbank undertook through their financing techniques. 652 454

Agreement has been reached by the former Ministry of Properties and Economic Planning, the Ministry of Finance, the Nationalbank and credit institutions for the financing in schillings of Marshall Plan deliveries. Inasmuch as outside means (credit) were required, the following categories of credit have been set up with regard to the different currency policies: 652 457 439 452 453

1) Credits for the import of raw materials (wool, cotton, hides, leather, metal, chemicals, etc.);
2) Credits for financing the cost of manufacturing (Umwandlungs kredite);
3) Credits to cover investment needs (Aufbaukredite).

For the first two categories the applicant for credit has to prove that all deliveries will take place within the scope of the Marshall Plan. To cover credits for raw materials provision is made for payments in goods with terms of three months, which may be extended three times to a maximum twelve months. (A special priority was provided originally for the delivery of textile raw materials of any kind and, furthermore, for hides, leather, furs and tannic acid, as long as the accounts were settled prior to June 30, 1949. This measure aimed to spare the buyers of goods losses in interest caused by delays in carrying out the Marshall Plan. As a concession a 60-day delay in payment of the amount in schillings was fixed so that in these special cases the validity of the credits was prolonged up to a maximum of 14 months.) The rate of interest for raw material credits has been fixed at 5 per cent net. The deliveries of semi-manufactures are treated in the same way if they are further processed by Austrian industrial plants. These letters of credit may be refinanced by the Nationalbank.

The covering of manufacturing costs (Warenumarbeitungs- und Umwandlungskredite) is provided for by ninety day drafts which may be extended twice, i.e., a maximum of nine months, if the buyer of goods can prove that these larger deliveries of Marshall Plan goods to be manufactured by him cause a sharp increase in the production so that additional means of production are necessary. The rate of interest is 6.5 per cent net. These drafts may also be refinanced at the Nationalbank.

452 652 453 [454] The financing of credits for investments (Aufbaukredite) is likewise provided by different types of drafts (three-months validity) until such time as definite solutions (consolidation) will be possible in the form of obligations on the money market. The rate of interest is 4.5 per cent net. The examination of such credit applications lies with a commission consisting of representatives of the Federal Chancellory-ERP-Central Bureau, the Austrian Nationalbank, and representatives of those banks which grant the credits. Final approval rests with the "Kreditlenkungskommission," an advisory committee of the Federal Government and created by the federal law of July 3, 1945, to direct public and private credits. Members are nominated by the Federal Government.

453 The following banks are presently handling reconstruction credits: Creditanstalt-Bankverein, Vienna, Innsbruck; the Bank for Carinthia, Klagenfurt; the Bank for Upper Austria and Salzburg, Linz; the Oesterreichische Länderbank AG, the Hypotheken- und Creditinstitut, Vienna; the Bankhaus Schoeller and Co., Vienna; the Arbeiterbank AG, Vienna; the Genossenschaft-Zentralbank AG, Vienna; the Girozentrale der österreichischen Sparkassen, Vienna; the Gewerbe- und Handelsbank AG, Vienna.

439 457 652 With the activation of the multilateral balance within the framework of the European Payments Union after October 1, 1950, some changes took place in the financing of Marshall Plan imports. They, however, refer to the mobilization of the so-called "Initial Credit Position" which serve to cover the total deficit against all ERP countries. The carrying out of goods exchange on the basis of direct aid was not influenced by these changes.

To avoid difficulties in financing raw material imports from Marshall Plan countries, and in order not to restrict the potentialities of financing which the importers had been allowed up to this date, the Austrian Nationalbank decided, instead of refinancing goods imported out of the indirect aid (Drawing Rights), to discount ninety-day drafts of the banks. This forms the foundation of the means for financing goods imported from ERP countries. These drafts are issued by credit institutions and are drawn against the importer. The refinancing of these drafts takes place if the payee, in the opinion of the Austrian Nationalbank, possesses sufficient credit standing, and if the imports, as alread

652 4. An amendment to the foodstuffs control law (Lebensmittelbewirtschaftungsgesetz) which aims at assuring a basic amount of food for the people;

5. The foreign trade law (Aussenhandelsverkehresgesetz) aiming at providing a legal groundwork for the coordination of the procedures and decisions of the Economic Directorate with the activities of those officers who were entrusted with handling problems of foreign trade.

Moreover, it became necessary (as was already the case in other countries) to take certain measures in money and credit policy against the progression of inflationary forces.

652 453 One of the first results of internal measures was an agreement reached between the Austrian Nationalbank and the Association of Austrian Banks and Bankers on March 16, 1951, concerning the procedures for a qualitative selection of credits. Its aim was to prevent the extension of credits which could not be reasonably justified. A new definition of the economically non-justifiable credits stipulated a sharper selection of the individual applications. In extension of this agreement, another agreement was reached between the Ministry of Finance and the abovementioned group of credit institutions, sanctioned also by the Austrian Nationalbank, as of April 6, 1951. A quantitative control of credits was provided exceeding the items of the former agreement. The credit institutions which made this agreement accordingly obligated themselves to maintain, for the beginning, a liquid reserve of 25 per cent in foreign means. An increase of this reserve to 30 per cent toward the end of 1951 was anticipated, with the condition that then 10 per cent liquid means of first grade and 20 per cent of such means of the second grade must be kept on hand. (Liquid means of the first grade are: cash, deposits at the Austrian Nationalbank and at the Oesterreichisches Postsparkassenamt. Liquid means of the second grade are: negotiable federal savings bonds at the Austrian Nationalbank, checks, payable coupons, deposits which may be used as collateral at the Austrian Nationalbank, deposits payable daily at the Austrian credit institutions.)

435 652 After rising prices had relaxed somewhat in May, prices in general rose again after June (partly seasonal). The indices of wholesale and retail prices as well as of the living cost were rising again thereby

452 the Austrian Nationalbank) an increase of the total
652 amount of credit extended from 10,677.2 million schillings (December 31, 1950) to 15,226.5 million schillings (in the end of December 1951).

The total volume of credit comprised in the single categories of credit is:

	Dec. 31, 1950	Dec. 31, 1951
	(in millions of schillings)	
Credits for raw materials[a]	702.0	804.6
Other commercial credits	7,707.6	10,347.6
Reconstruction credits[b]	2,267.6	4,074.4
TOTAL	10,677.2	15,226.6

[453] a) These are credits which are to finance the import of semi-manufactures (in the first place, raw materials). Promises of refinancing are given by the
[457] Nationalbank and by credit institutions which have to guarantee them along with the Nationalbank. They come from direct and indirect ERP aid for carrying out of deliveries.

b) These are check-credits serving the financing of ERP investments out of ECA releases. They are guaranteed by the government according to the law of March 30, 1949 (BGBl.101/49) and by the promise of refinancing by the Nationalbank.

Listed below are the total credits according to their use as of September 30, 1951 (a later listing is not yet available).

	In Millions of Schillings		
Total credit volume	14,415	=	100.0 per cent
Commercial credits	10,908	=	75.7 per cent
ERP credits	3,507	=	24.3 per cent
From these: Industry and Mining	3,500	=	99.8 per cent
Small business	7	=	0.2 per cent

The commercial credits are listed as follows:

Industry and mining	4,342	30.1 per cent
Trade	2,894	19.3 per cent
Small business	934	6.5 per cent
Agriculture	759	5.3 per cent
Länder and municipalities	623	4.3 per cent
Other credit purposes	978	7.6 per cent
Reconstruction of dwellings	378	2.6 per cent

The development of Savings and Checking Accounts is shown in the following table:

	December 1950		November 1951	
	(in millions of schillings)			
Grand Total:				
Savings Accounts	2,198.1		2,320.0	
Checking Accounts	7,271.1	9,469.2	8,817.6	11,137.6
Break-down:				
Joint-Stock Banks				
Savings Accounts	484.5		537.2	
Checking Accounts	4,056.3	4,540.8	4,993.1	5,530.3
Bankers				
Savings Accounts	17.5		23.3	
Checking Accounts	250.9	268.4	207.0	230.3
Savings Offices				
Savings Accounts	965.3		954.7	
Checking Accounts	1,091.7	2,057.0	1,365.9	2,320.6
Credit Associations				
Savings Accounts	488.8		542.6	
Checking Accounts	386.4	875.2	466.6	1,009.2
Other Credit Institutions				
Savings Accounts	242.0		262.2	
Checking Accounts	1,485.8	1,727.8	1,785.0	2,047.2
		9,469.2		11,137.6

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Since the beginning of the Marshall Plan up to November 30, 1951, an amount of 12,280.1 million schillings was deposited in the special fund as a schillings equivalent of ERP aid deliveries (U.S. laws 84, 389, 470 and 472). From this amount, 750 million schillings were released for monetary purposes, 6,875 million schillings for financing the industrial investment program, 54.9 million schillings for other purposes, and 579.4 million schillings for the 5 per cent quota reserved for the U.S.--a total of 8,284.3 million schillings. On the key-date an amount of 3,995.8 million schillings remained for further purposes. (These figures do not include the United States aid transactions in the amount of 478.2 million schillings for the period from July 1, 1947, to December 31, 1947, the latter amount referring to purchases.)

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652 To evaluate these consequences, the changes
in the structure of production are of main interest.
454 According to the Austrian school of national economy,
433 and according to the conception of competent representatives of this science in Sweden and in the Anglo-American area, the main consideration has to be given to changes in the relations between productive and consumptive utilization of capital. As in European countries other than Austria, the production indices of production goods industries increased at a higher scale than those of the consumer goods industries. This economic center of gravity becomes more clear by listing the release of the ERP funds for the total industry. Excluding public investments and means for covering special reconstruction problems, approximately 2 billion schillings out of a total of 2.6 billion schillings flowed into the production goods industry (power plant construction, coal and ore-mining, iron producing industries, etc.) and 607 million schillings into consumer goods industries (textiles, foodstuffs, paper). The distribution of these funds was aimed at affording Austria the opportunity to match the technical and industrial developments in the rest of the world, at least in the field of primary materials and semi-manufactures. The use of a big part of the credit volume, therefore, is fixed by the purposes of the official investment programs which are worked out by the Austrian government in consultation with economic circles and the ECA in Washington. Complementary credit demands (Betriebsmittelkredite) are tied to this credit as a consequence of the extension of capacity and the industries participating directly in these investments.

652 The agreement on qualitative and quanti-
● 453 tative credit measures reached between the Federal
452 Ministry of Finance and the joint stock banks in the spring of 1951 was followed by an additional agreement of October 10, 1951, paralleling the general international development. This later agreement allowed an increase in the total credit provided or promised by a bank, as of August 31, 1951, under certain conditions. [These are schilling credits in current amount, draft credits regardless whether the drafts remain in the portfolio of the bank or whether they are rediscountable moreover, mortgages and municipal loans (unless they already serve to cover issued mortgages and municipal obligations), as well as requirements against Austrian credit institutions which do not exceed a thirty-days' validity. Not included in the total are reconstruction credits, credits granted for financing exports and

those for financing the harvest. The allowable increase of the total amount of credits (excluding the above-mentioned restrictions) may not exceed 70 per cent of the increase of obligations, i.e., of those means which recently have flowed in. An additional increase exceeding the above-mentioned total of credits is allowed only under the condition that liquid means of the first and second grade, in accordance with the agreement of April 6, 1951, effective August 31, 1951, exceeded the necessary liquid reserves at that same date; otherwise, the credits must be restricted to the rate of prescribed reserves. Other items of the agreement refer to the regulations concerning utilization and eventual sanctions if they do not keep to the reserve rates.] 652 453 452

For the purposes of coordination, the additional agreement stipulated that representatives of the bank must meet at least once a month at the Federal Ministry of Finance or at branches of the Austrian Nationalbank. They meet in the form of regional committees to discuss problems of credit policy to establish directions of restriction credits by their own volition, to discuss their fulfillment on the basis of the material in current figures, and from time to time to provide changes in or additions to those directives. The banks are represented in these credit committees by a six-member committee to which one representative each is delegated from the three nationalized big banks (Handels-und Gewerbebank, Arbeiterbank and the Bankhaus Schoeller and Co.). A measure of greater importance to currency policy is the decision of the General Council of the Austrian Nationalbank to increase the bank rate from 3 1/2 per cent to 5 per cent as of December 5, 1951. (Corresponding to the change of the bank rate, the rates of interest for deposits were altered. Specifically, it was decided that current account deposits will be handled in the future at the rate of 1 per cent instead of 3/4 per cent used until then. The rate of interest for savings deposits and non-negotiable paper was set at 3 1/2 per cent; if left on deposit for at least six months the rate was 4 per cent, and if left longer than 12 months, 4 1/2 per cent. At the same time the limit for free disposal savings deposits was increased from 3,000 to 5,000 schillings per month.) By so doing, Austria joined a number of countries which already had raised their bank rate since the outbreak of the Korean crisis (Belgium, Denmark, West Germany, Finland, France, Great Britain, Canada, the Netherlands, Sweden, and the United States). For the first time since the end of the war the enforcement of this measure

652 in currency policy puts a special stress on the dis-
453 count rate as an instrument of the policy of money-
452 issuing banks. (The last change of bank rate in Austria had been in 1935.)

Considered from a merely economic point of view, the rise of the bank rate means a transfer of the prospects of profitableness from long-term to short-term investments. In this way those endeavors are to be supported which aim at compensating the effects of the present essentially decelerated extension of credits through a greater offer of consumption and export goods in relation to price policy. Moreover, the increase of the bank rate is a proof of the necessity to go back to measures of economic policy which are in conformance with the conditions on the market. The more the bank rate approaches the so-called "natural rate of interest of capital" the less it is necessary to take other methods for the extension of credit for every quantitative and qualitative credit selection contains elements of subjective opinion. Moreover, the limitation of the volume of credits not only constitutes fixation of a certain figure but, under the prevailing economic conditions, of a fixed relation between investments in the production goods industries to that in the consumption goods industries. This relation, which is so decisive for credit policy and, in turn, for the stability of prices, approaches its equivalent value more when the economic function of the rate of interest provides a selection among the various possibilities for the utilization of capital. The field of credit policy is the one in which it is most difficult to replace the market mechanism by typical control measures.

Of course, there can be no doubt that supporting reconstruction by a policy of "cheap money" made sense in many respects--especially when one considers the conditions which prevailed in Austria in early postwar years. With reference to continuing consolidation, one has to try to reach an economic selection even here and to adjust credit to the development that has taken place already.

According to the agreement of April 6, 1951, beginning with January 1, 1952, the banks are required to keep 10 per cent of their obligations in liquid means of first grade. This means that the cash reserves in those banks will rise substantially after that date. In addition, the discussions which were held before the October agreement was reached brought

out that the main proportion of the extension of credits (as a consequence of the first agreement) flowed out of the accounts for financing imports of vital raw materials and of credits for the support of exports. These conditions do not lie within the banks' sphere of influence (not taking into consideration the directives for credits as laid down in the public investment programs). The occasional considerable reserves of the banks, which are tied up with the allocation of foreign currencies, must be taken into consideration. 652 453 452

It is a fact that the individual measures already showed an impact toward the end of the year. According to the statistics on credits and liquid money of November 30, 1951 (i.e., one month after the enforcement of the second agreement) the volume of credit, which is under control, decreased for the first time since 1947 by 30 million schillings--a rather low amount. Even if one considers the financing of credits for exports, and the especially high financing of credits for the sugar beet harvest, there is a total decline in volume by 80 million schillings at a time when a general increase in credit demands could be observed.

There are today two methods of determining the total of the means of payment in an economy at any given date. The Anglo-American method takes into account the total volume of the means of payments in circulation, plus free obligations of the national bank, plus checking account deposits at the commercial banks, minus interim bank obligations (i.e., deposits of credit institutions at the national bank and at credit institutions). The Continental method does not take into consideration the checking account deposits at commercial banks. (Recently, the Anglo-American method has been used in Austria, too.)

If one compares the development of the volume of money (paper money in circulation, plus checking account deposits, plus free deposits not at the banks but at the Nationalbank) in the previous year, an increase is shown from 14,608 million schillings to 17,164 million schillings since the end of December 1950 to the end of October 1951 as against a credit volume of 10,677 million schillings and 14,780 million schillings, respectively. The circulation of paper money rose in this period from 6,349 to 7,326 million schillings, the checking account deposits from 7,271 to 8,939 million schillings. The free deposits of public agencies, which 436 652 453

436 652 453 are held at the Nationalbank, sank from 988 to 800 million schillings in the same period. At the end of December 1951 the circulation of paper money amounted to 8,023 million schillings, the free non-bank deposits to 987.7 million schillings.

The flow of the volume of money was mainly influenced by the expansion of credits as well as by the flow of counterpart accounts. Exits on the basis of releases and current payments from proceeds caused a decline in time-limited deposits of public agencies at the Nationalbank (mainly counterpart accounts) from 1,941 million schillings at the end of December 1950 to 1,290 million schillings at the end of October 1951.

Bank statements show a considerable reduction in the "Bundesnotenschuld," from 4,124 million schillings in October 1951, and 2,030 million schillings at the end of December 1951. In the first statement after the currency reform of 1947, this item was still 7,547 million schillings higher. The exits in the last four years amounted to about 5,517 million schillings. Out of this amount, 850 million schillings went to retirement of the national debt (as provided for the purpose of securing currency stability on December 31, 1948). Another approximately 4,461 million schillings went to the releases of ECA funds for ERP investments in industrial enterprises; the remaining 205 million schillings went for other economic and political-financial purposes.

Amounts increased, however, for refinancing the reconstruction credits. From December 1950 to the end of October 1951, the increase was from 2,277 million schillings to 3,612 million schillings, and exceeded by 4,042 million schillings the 4 billion limit at the end of December 1951. The subsequent treatment of these blocs of reconstruction drafts (which were no longer handled by the Nationalbank) and their transfer on the capital market has been treated in another connection.

The free endorsement deposits of the credit institutions sank with the extension of credits from 299 million schillings (at the end of December 1950) to 211 million schillings (at the end of October 1951). However, they recovered to 540 million schillings towards the end of December. This increase is very closely related with the obligations of the banks to keep 10 per cent of their credits in liquid means of the first grade.

457 foreign aid. While in 1951 about 200 million
652 dollars was available, this sum will be approximately 100 million dollars for 1952; the schilling counter value to foreign aid, therefore, will decline from 4.4 billion schillings to presumably 2.1
[435] billion schillings. Moreover, as the prices at the end of 1951 were higher by 12 per cent than the average for 1951, there will be about 2.7 billion schillings less out of foreign aid funds for investments than in 1951.) In addition, the budget is burdened by a number of price supports, the abolition of which will not be possible to a full extent under the present conditions. Immediate reactions on the prices for foodstuffs and new rises in wages would be the consequence. The policy of supporting prices must not be omitted when the system of subsidies is altered. [Since the fifth Wage and Price Agreement of July 1951 the existing method of financing important consumption goods was taken over from counterpart funds by the budget. Thus, there are still considerable budgetary expenditures under this title. They amount per year to about 40 million schillings for the support of domestic bread-grain prices, 366.5 million schillings for foreign bread-grains, 555.75 million schillings for fodder, 110 million schillings for fertilizers and 135 million schillings for raw materials of fats needed by the margarine industry. The term for supporting the prices of domestic bread grains (15 groschen per kilo) already has expired. The remaining subsidies will expire with the end of June. Discussions with the aim of continuing these subsidies are not yet finished. They tend, above all, to stimulate production by adequate prices.]

652 Already in the preceding year the stabili-
[453] zation of the money value was prepared to a considerable extent. Measures of this type were: the introduction of the quantitative and qualitative control of credits; the increase of the bank rate from 3 1/2
[435] per cent to 5 per cent; and the lowering of prices, started by private industry of its own volition--this latter measure applying to about 80 categories of goods. This materially and psychologically important premise of an organic policy for stabilization must be supplemented by an adequate budgetary policy. It cannot be denied that the measures which were taken in the preceding year had already brought about signifi-
454 cant results. The savings increased considerably in
652 the first two months of the present year; they rose from 2,275.1 million schillings (checking account deposits 8,898.7 million) to 2,619.5 million schillings

458 section of the population was substantially preserved. Even so, to the extent that prices *did* fall, the real burden
435 of debt was increased. The smaller peasants, particularly those in the poorer mountain districts, suffered most and the Government was more than once forced to come to their assistance.

There can be no doubt that the growing protectionism
439 reduced the advantages of international division of labour. But there was little choice in the circumstances. The loss of income from exports had to be replaced by home-produced income. While exports declined rapidly (until in 1933 they were only 35 per cent of the 1929 level [2]). Austria's readjustment of production allowed her to cut down imports in the same period to 35 per cent of the 1929 level. This went a long way in solving the long-standing balance of trade problem; but the way in which it was solved was hardly the ideal one. The import surplus, which had amounted to over 1,000 million schillings annually in the period preceding the depression, fell to 848 million schillings in 1930, 870 million schillings in 1931, 620 million schillings in 1932, 373 million schillings in 1933, and 296 million schillings in 1934.

• 453 The depression thus took its "normal" course in Austria: a fall in the national income and in production, a rise in unemployment, misery, and social tension, accompanied by frantic but unco-ordinated efforts by all governments to stop the catastrophe and to readjust the domestic economic structure. Austria travelled the same road as the rest of the world. But half-way through the crisis, in the beginning of 1931, there occurred an event which suddenly revealed, not only Austria's financial weaknesses, but those of the whole world. To this event, the breakdown of the Credit-Anstalt, we must now turn.

There were two major financial problems in Austria.

2 [CP. CATEGORY 116, P. 63 - - ANALYST]

THE EFFECTS OF THE WORLD CRISIS

First, Austria's banking system had been seriously thrown out of gear by the break-up of the Empire and by the subsequent inflation. Vienna, it is true, continued to serve as a major financial centre for central and south-eastern Europe. But the newly created financial institutions of the Succession States now took the "cream" off the market. They supplied the credit requirements of the new, and highly protected, industries of their countries: and the Vienna banks had to employ their funds in less secure fields. 4-3

The fictitious banking boom of the inflation was followed by a process of readjustment. The banks began to cut down their staffs and expenditure, and to revise their balance sheets. But there was no systematic and orderly approach to the problem. Progress was haphazard and altogether too slow. There were danger signs even before the outbreak of the world depression. All the banks had had to cope with considerable difficulties. Some of them, including not a few of the more important ones, went down. Well-known institutions like the Depositen Bank and the Anglo-Austrian Bank had to be liquidated or absorbed by other banks. Finally, in 1929, the Bodencreditanstalt, the second largest bank in Austria, found itself in trouble. In order to prevent a failure of this bank and the consequent loss of confidence, the government pressed the Credit-Anstalt, Austria's biggest bank, to take over the Bodencreditanstalt. This, however, could not but weaken the financial position of the Credit-Anstalt, now by far the most important credit institution in Austria. Its balance sheet totals now made up no less than 70 per cent of the figures for all Austrian banks taken together.

Secondly, the credit structure as a whole rested on a rather precarious foundation. All the central European

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453 banks had tended to increase their liabilities in relation to their own capital; and the high rates of interest had led to a continuous influx of foreign short-term money which the banks re-lent for medium- and even long-term purposes. This could not but render the banking system (in Austria and elsewhere) highly vulnerable to any sudden outside shocks.

The shock (or rather several shocks) came with the 453 outbreak of the world depression. First, with the 1929 stock-exchange boom in Wall Street in full swing, the 457 inflow of short-term funds (particularly American) which had been continuous from 1925 onwards came to an abrupt end. Later, loans were called in so as to satisfy the desire for liquidity which the depression had everywhere created. But a large part of this money had been re-lent for purposes of long-term capital-extension and it was now found to be "frozen". Further sums had been invested in the Balkan countries where the catastrophic fall in agricultural prices rendered the service on foreign loans increasingly out of the question. Bad debts accumulated and had to be written off.

The decline in the banks' liquidity was only half the trouble. They also lost much of their own capital. The Austrian banks—and to a lesser degree all Continental banks—had been in the habit of investing a large part of their capital in industry. With the severe decline in industrial production and profits, the banks thus suffered heavy losses on their shareholdings.

All these factors had been quietly at work below the 453 surface of an apparently smoothly working banking system. Quite suddenly, however, these facts were brought to light, with all their devastating implications. On May 11th, 1931, it was announced that the losses of the Credit-Anstalt had been so severe that it was unable

to meet its obligations without liquidating the whole concern. It appeared later that its outstanding obligations were actually considerably in excess of its own capital, which then consisted of 125 million schillings, together with a reserve fund of 40 million schillings. 453

The bare announcement of these facts had staggering effects. It set the ball rolling which knocked over the financial and monetary stability not merely of Austria but of the whole world. For the Credit-Anstalt was not just *some* Austrian bank. It was closely integrated into the world's financial structure. Its foreign debts amounted to $76 million of which 27 million were due to Great Britain and 24 million to the United States. Certain banks in other countries which had considerable interests in the Credit-Anstalt were directly affected, and so the crisis spread from the Credit-Anstalt to the German Darmstaedter and National Bank and to the Dutch Amstel Bank.

There were other less direct but even more important consequences. The failure of the Credit-Anstalt did not just mean the freezing of a number of credits; it was a symptom of the serious deterioration of the world's financial and economic stability. Loss of confidence, nervous and rapid shifts of capital, extreme economic nationalism in monetary matters, which had been raising their heads here and there, now came fully out into the open. A line is, in fact, discernible which leads from the collapse of the Credit-Anstalt to the suspension of the Gold Standard in Great Britain in September, 1931.[5]

Let us now return to the Austrian scene. When the position of the Credit-Anstalt became known it was clear that such an important institution could not be allowed to go bankrupt. Too large a sector of Austria's industry was dependent on the Credit-Anstalt for fixed and working 453 652

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[CA CATEGORY 116, p. 63 -- ANALYST]

capital; the country's foreign credit was too closely bound up with the solvency of this bank. The Government therefore stepped in within four days and, together with the Austrian National Bank and the House of Rothschild, assumed responsibility for its financial reconstruction. A number of measures followed in quick succession. The government guaranteed first the foreign, and later also the domestic deposits of the Credit-Anstalt. A committee was set up in London to represent the interests of foreign creditors. An agreement was signed providing that 500 million schillings of foreign short-term credits were not to be withdrawn for two years. Strict economies were introduced. Salaries and pensions were heavily cut by decree; many of the bank's employees were sacked. The problem of an overgrown banking system was at last being solved; but in a way which created much misery and dislocation. No doubt, the Credit-Anstalt had somehow to be saved. But the Government was too concerned about the profitability of the concern and the interests of the shareholders. Its measures contributed to the already serious structural unemployment among the middle classes and served to prolong the depression. Moreover, the Government missed an unique opportunity of using its newly gained influence over the main credit institution to re-organize and direct the country's industrial structure in the national interest.

But the collapse of the Credit-Anstalt did not only call for far-reaching measures for the restoration of that institution. It also had grave repercussions on Austria's monetary system. The National Bank had been forced to re-discount a large number of Credit-Anstalt bills, and the note circulation began to swell. At the same time, in spite of the Government's speedy assistance and guarantee, confidence had been shaken and funds were withdrawn

from the Credit-Anstalt on a large scale. Particularly foreign short-term credits, which had already trickled outwards ever since 1929, were now called in rapidly. About 1,000 million schillings were withdrawn from Austria within a year.

This put a severe strain on the foreign exchange reserves of the National Bank. The stability of the currency, which had rested on a firm basis since the inflation had come to an end, was threatened once again.[6] Support was urgently needed and, for the second time in its short history, the Austrian Republic had to appeal for foreign help. Some welcome, but sadly inadequate, help was rendered in June, 1931, in the shape of a 150 million schillings credit from the Bank of England and 100 million schillings from the Bank for International Settlements. This eased the strain for the moment, but soon there was a renewed decline in foreign exchange reserves. Germany and Hungary suspended their foreign payments. This meant not only a loss of expected income but it also undermined confidence still further and a flight of capital set in which threw the foreign exchange market completely out of gear.

On August 7th, 1931, the Austrian Government asked the League of Nations for a 250 million schillings loan. As in 1922, this loan was ultimately granted. But again the help did not come soon enough. After prolonged negotiations and investigations the Financial Committee of the League of Nations stressed in March, 1932, that the financial strain of Austria, Hungary, Greece, Bulgaria, etc., was mainly due to world causes over which they had very little control, and that there was an urgent need for international financial help. In the summer of 1933, two years after the first appeal, the loan was finally launched.

But in the meantime the position had gone from bad

Germany which had swallowed up one of their important customers and suppliers—Austria had up till then occupied the third or fourth place in the foreign trade of most of these countries. Politically and economically Germany had become the complete master of the whole area.

For Austria, of course, the occupation meant far more than a dangerous shift in Europe's economic balance. Her economy ceased to exist as a separate entity; within a very short time it was completely absorbed into Germany's war economy and her "New Order".[5]

The Germans were able at once to lay their hands on all Austrian State property. The railways were incorporated into the German railway system, the State forests taken over by the German State. The State monopoly in salt was given to the Deutsche Bank, and the tobacco monopoly taken over by a private German company. Far more important, however, were the shares of the Credit-Anstalt which were owned, at that time, by the Austrian Government. After the reorganization of the Credit-Anstalt in 1931, 49 per cent of its shares were taken over by the Government. These, together with some others, were now transferred to the Deutsche Bank. Since at the same time the only other important bank, the Zentraleuropäische Länderbank, came under the control of the Dresdner Bank, practically the whole of Austria's banking and insurance business had passed into German hands.

It must be borne in mind, in this connection, that the Central-European banks held a key position in the industrial life of their countries. It has been estimated that the Credit-Anstalt controlled almost 90 per cent of Austria's industry and agriculture. Moreover, the Austrian banks and financial institutions still possessed considerable investments in the Balkan countries, particu-

[Cf p. 11, Czechoslovakia — Analyst]

larly in banking, and in the textile, chemical, and food-processing industries.[7] 1 All these controlling positions now passed into the hands of the German banks. Vienna became Germany's launching ramp for south-eastern Europe, and Austrian economic quislings greatly helped the Germans to advance their economic penetration of the Balkans. 471 453 457

But the indirect control of Austrian industry through the banking system was only a first step. Within a very short space of time all the more important Austrian firms passed either partly or wholly into German hands. This was achieved either by methods of outright robbery, as in the case of "aryanization" (the confiscation of Jewish property), or by exploiting the financial difficulties in which many firms had been landed as a result of the occupation and incorporation of Austria; or through a skilful handling of the financial control which had been gained in the first instance. In this way all important industrial enterprises were absorbed into the big German combines like the I.G.-Farben, Krupp, Henschel, Vereinigte Industrie—A.G., and particularly the Hermann-Goering Works, which acquired the control of the largest part of Austria's heavy and allied industries.[8] 1 Altogether, it has been estimated, a share capital of about 380 to 400 million schillings (of industrial, commercial, and banking firms) passed into German hands. This compares with a sum of about 710 million schillings which was the total value of all shares admitted for quotation on the Vienna Stock Exchange in August, 1938.[9] 1 648 471 728

While the big Austrian firms were being subjected to German control a process of decline took place among the smaller firms. Many small business men were ruined by the policies of rationalization, concentration, and above all by the extension of war production at the cost of the 471

1 [CT CATEGORY 116. P. 91-92 -- ANALYST]

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was raised successively to 1,600 and 1,700 calories a day. In June 1948 it went up to 1,800, and the following September to 2,100. Between December 1947 and December 1948 black-market food prices fell from 64 per cent to 15 per cent of the figures for January 1946. This meant that it was at last reasonable to devote a smaller proportion of foreign aid to foodstuffs and a greater amount to economic rehabilitation. Of the £8,500,000 provided by Britain, less than £1,500,000 was spent on food, about the same amount on agriculture, £2 million on coal, and over £3 million on the most urgent industrial needs. Of the American Congress aid allocated for the first half of 1948 just under 60 per cent was devoted to food and just under 40 per cent to agriculture and coal, which was of such vital importance to industry.

The administrative responsibilities of the British and Americans in Austria made them highly sensitive to the country's needs. In spite of the obvious drawbacks of the occupation, there were certain advantages for Austria during the first precarious post-War years in the presence of the Western Allies on her territory. Without them the process of rebuilding the administration and economy after the collapse of the Nazi system would almost certainly have been accompanied by even more acute material shortages than those that were actually experienced.

Though the Austrian basic ration did not rise above 1,600 calories a day until November 1947, the minimum physiological needs of the normal consumer have been estimated at 2,160 calories. It might have been expected, therefore, that the results of so long a period of under-nourishment after the strain of the War would have been far worse than they actually were. One reason why they were not has already been mentioned: a large number of people resorted to the black market. But there were two other explanations.

During 1947 there were approximately 5 million Austrians in the rationed, as opposed to the self-supplying, category. Of these only about 2 million were normal consumers in receipt of basic rations. All the rest, either as employees, workers,

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tourist industry in Austria, though it was not until 1950 that a substantial allocation of counterpart funds was first made. Help was needed for the rebuilding and modernization of hotel accommodation, for the construction of ski-lifts and cable railways in mountain resorts, and for the establishment of publicity offices and information centres abroad. The number of tourists from East and South-east Europe had fallen off considerably, while visitors from Italy, Western Europe, and North America were increasing. This meant that post-War tourists from abroad, on the whole, expected a higher standard of comfort and amenities than had been available in the past.

From an economic standpoint no country had a greater need than Austria for the assistance made available under the European Recovery Programme. In few countries, moreover, was the establishment of a sound economy as important from a political point of view. That these two considerations were appreciated by the Economic Co-operation Administration in Washington is shown by the fact that during the first year of Marshall Aid, Austria received a higher allocation per head than any other country. In the second year its share per head was exceeded by Holland only.

The establishment of the counterpart account made it possible for Austria to embark on a much larger investment programme than had previously been possible, at a time when war damage and the legacy of incomplete heavy industrial plant made such a programme particularly desirable. In 1937 only 6 per cent of the national income had been devoted to investment, while in the ERP years the percentage varied between 17 and 21. In the allocation of funds preference was given to projects which promised to improve Austria's trade balance within a short space of time, but this main principle had to be combined with the need to round off and complete, as far as seemed expedient, the great installations that had been left unfinished at the end of the War.

Direct aid was used at first mainly to import food and the raw materials necessary to enable domestic industry to resume production. As the general situation improved, it was possible

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to increase the proportion of raw materials imported and to help production by bringing in machinery and industrial equipment.

The following figures show the total assistance given up to the end of June 1952 under the three categories and some of the main purposes [1] to which it was directed:—

	$1,000
A. Total Authorizations under Direct Aid [2]	632,401
Actual imports under Direct Aid include:—	
Food	248,579
Agriculture	64,047
Including:—	
Corn for Feeding	54,168
Fertilizers	5,642
Industry	148,083
Investments (Machinery)	50,042
Raw Materials	98,041
Including:—	
Wool	5,012
Cotton	41,161
Hides	8,707
B. Total Drawing Rights Granted under Indirect Aid	277,300

	Millions of Schillings
C. Total Releases from the ERP Counterpart Account [3]	8,036·3
Allocations include:—	
Government Investments	1,451·9
Including:—	
Federal Railways	796·4
Post and Telegraph Services	203·7
Roads and Bridges	174·4
Agriculture and Forestry	52·7
Federal Forests	32·6

[1] Only details relevant to this chapter have been chosen.

[2] Prepared by the Austrian Institute of Economic Research from statistics of the Central Bureau for ERP Affairs; 31 March 1952.

[3] Figures prepared by the Austrian Institute of Economic Research.

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	Millions of Schillings
Allocations include (*contd.*):—	
Industrial Investments	4,113·1
Electric Power	1,424·3
Coal-mining	226·0
Other Mining	25·7
Primary Iron and Steel Industry	827·7
Non-ferrous Metals Industry	126·2
Electrical Engineering	85·1
Chemical Industry	174·4
Secondary Iron and Metal Industry	215·1
Textile Industry	214·0
Woodworking Industry	121·3
Paper Industry	533·2
Leather and Leather Goods Industry	6·9
Special Recovery Programme	1,467·0
Agriculture	719·7
Forestry	156·3
Tourism	256·7

In May 1948 an ERP Central Office was set up in Vienna and made responsible to the Minister for Foreign Affairs. In December 1949 the economist, Professor Wilhelm Taucher, who had been Minister of Trade before the War, was put in charge of it, and the office then became part of the Federal Chancellery.

It became clear to all those responsible for administering Marshall Aid in Austria that the fundamental need of the Austrian economy was to improve the efficiency of production, or increase 'productivity' in the specialized sense of the term. Only in this way could Austrian goods compete successfully in world markets. It was therefore decided in April 1950 to establish an Austrian Productivity Centre with the task of doing everything possible both by study and practical measures to increase productivity in all branches of the Austrian economy. Professor Taucher became president of the Centre.

The productivity of the whole Austrian economy after the War was lamentably low. In 1947 it was estimated to be

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Austrian exports. The continuous devaluation of the schilling discouraged private saving. It also prevented stabilization of prices, because producers, who had to count on increasing costs of production, were reluctant to part with their goods. To restore faith in the schilling strong measures were required.

Private savings must be encouraged owing to the country's need of capital. The investment rate of the Marshall Aid years could certainly not be maintained, but in a highly competitive world Austria's industrial plant would have to be modernized and renewed, and hydro-electric development and the electrification of railways were vital to her future. International loans and foreign investment could be relied on to some extent, if conditions remained stable, but a high proportion of capital needs must be provided by the Austrian people themselves. In addition, the possibility of saving without loss would be an incentive to effort and increased efficiency.

Opinions differed as to the extent to which the consumer-goods industries had been neglected since the War, but there was general agreement that they deserved more attention in future. Austria's characteristic industrial asset is the quality, taste, and variety of her craftsmanship and the finished goods it produces. As the world returns to normal, the demand for these specifically Austrian products will grow and foreign countries' requirements of investment goods will be satisfied where they can be most cheaply produced.

Two further aims were subjects of considerable controversy: to economize drastically in State expenditure and to encourage competition in Austrian economic life.

On the one hand, it was maintained by the Right-Wing parties and the majority of professional economists that the budget should be rigidly examined and controlled, the whole administration overhauled, and the number of civil servants reduced. These measures, some held, should be combined with giving greater scope to the competitive elements in industry and reducing the influence of vested interests of all kinds. This last point of view was greatly stimulated by the issue in December 1951 of a Report by Mr. H. W. Johnstone

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645 Minister, was a financial and economic expert who believed
665 that the budget could only be balanced satisfactorily by stringent economy in national expenditure. The new Minister of Trade, Herr Böck-Greisau, was an experienced industrialist, with a special interest in export problems, who believed in free enterprise, and shared Dr. Kamitz' view on the need for economy. Both men were convinced exponents of the new policy of self-reliance and self-help.

453 Before the end of 1951 the Coalition Government's efforts to establish financial stability had already met with success. To restrict credit expansion the bank-rate was raised from 3½ to 5 per cent on December the 6th, while the trade unions and the employers collaborated to keep prices down. During the
454 first four months of 1952 savings-bank deposits rose by 538 million schillings, compared with an increase of only 77 million schillings during the whole of 1951.

645 One reason why the People's Party appointed the new
665 Ministers was that it wished to strengthen its representation in the Cabinet. But it believed also that their policy was what Austria needed at the time. A natural result of its action, however, was that the policy tended to become a party issue, although it had virtually been started before the Cabinet changes took place.

645 The new Ministers were energetic and uncompromising in carrying out the measures in which they believed. Within a
652 few months of his taking office Herr Böck-Greisau was with
665 difficulty dissuaded from relinquishing his post on a question of principle. During the autumn party differences came to a head over Dr. Kamitz' proposals for an economy budget. The People's Party was mainly interested in a deflationary policy to maintain the value of the schilling. The Socialists wanted bigger expenditure on public works and new housing projects in order to keep up employment. No agreement could be reached, and so, as has been seen, the Government resigned. Pending the elections a temporary compromise budget was accepted by both sides.

652 Before the elections took place the new economic policy

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VIII

Currency, Prices, and Wages

FOR those with no personal experience of rapid and uncontrolled inflation the full significance of the Austrian Government's post-War measures to regulate currency and prices is not easy to appreciate. The average Austrian found them complex and even mysterious, but he had no doubt about their importance. Between 1945 and 1951 the Government passed three major laws dealing with the currency and approved five agreements regulating wages, prices, and cost of living. Apart from their financial and economic results, these measures had considerable social and political implications. In fact, their effects on political life and society are likely to be the more lasting. 652 436

Immediately after the liberation Austria was faced with two major financial problems: she had no national currency of her own and the banks were virtually empty. The need to establish an Austrian currency was urgent. The country was being flooded with German mark notes from Czechoslovakia and Hungary, where they were considered valueless, and the occupying Powers were temporarily printing their own money, which soon reached a total of about a billion schillings. Almost all the banks' cash had been removed by the Russians, and their main 'assets' were in the form of valueless German Government Bonds. It was for this reason that the Provisional Government was unable to pay any public servant more than 150 marks a month. It was only able to do as much because the Russians made available as a 'loan' 600 million marks taken very largely from the sums that they had seized.

The Government decided that it could take no steps to establish an Austrian currency until the country was united. But on the 3rd of July 1945 the so-called *Schaltergesetz*, or Counter Law, was passed, covering withdrawals from banks. 652 454

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652 454 This law amounted to a modified moratorium and was restricted to the area occupied by the Russians, in which the Provisional Government's authority was recognized. In the Western zones monetary transactions remained free.

Holdings were to be divided into two categories, funds deposited before the 5th of July being known as 'old accounts' and those deposited from the 5th of July onwards becoming the 'new accounts'. The latter were to be completely free, whereas 60 per cent of the 'old accounts' were to be blocked, the remaining 40 per cent being available under certain conditions. If the need were proved, 150 marks a month could be drawn per household as a subsistence allowance from either the blocked or the unblocked portions of the 'old accounts'. So far as the unblocked 40 per cent were concerned, transfers between banks could be made without permission, and the money could be used with a permit for a number of essential purposes, such as payment of wages, salaries, rents, insurance premiums, and maintenance during sickness. With the Finance Ministry's special approval, funds from the blocked 60 per cent could be employed for particular projects, such as economic enterprises of urgent importance to the country.

Complaints were afterwards made that during the next two years the Ministry allowed too many releases of blocked funds and that certain favoured and influential individuals were able to utilize the whole of their 'old accounts'. A number of officials were accused of partiality and corruption in consequence.

The Counter Law catered for the poor by its provision of subsistence allowances. It also laid down conditions under which the well-informed and the ingenious could employ at least a proportion of their funds for their own purposes. Those who came off worst were the thrifty, the aged, and the lonely, who were dependent on their savings, were unacquainted with the details of the law, and were not fortunate enough to have active and altruistic advisers. This weakness is no doubt characteristic of most currency legislation. It was certainly common to the three main currency laws passed in post-War Austria.

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The recognition of the Provisional Government by the Western Allies in October 1945 and the elections in November cleared the way for the re-establishment of an Austrian national currency. On the 30th of November the interim Government, without waiting for the formation of the Figl Cabinet, announced its approval of a 'Schilling Law', and one of the first acts of the new Parliament on the 21st of December was to pass this measure.

The law replaced the German mark and pfennig by the Austrian schilling and groschen at the rate of 1 for 1. All German currency except for denominations lower than ten marks was to be exchanged for the new Austrian schillings, and the same applied to the Allied Military Schillings which had been issued as a temporary currency. Everyone received 150 schillings in cash and the rest was credited to his account. Marks in lower denominations were exchanged for schillings during February and March 1946.

The second main purpose of the Schilling Law was, in general terms, to extend the provisions of the Counter Law from the area occupied by the Russians to the whole of Austria. The details were inevitably complicated owing to the different situations in each part of the country and owing to the decision to place in a separate category funds deposited between the 1st and the 22nd of December 1945. Roughly, however, the division of accounts continued into 60 per cent that was blocked and 40 per cent that was conditionally free, although minor alterations were made in the conditions under which the free funds could be used. Deposits made after the 22nd of December 1945 could be used without restriction.

Some disappointment and bitterness were felt in Russian-occupied Austria that 60 per cent of the 'new accounts' were now blocked, as the people had been given to understand that deposits made on or after the 5th of July 1945 would be freely at their disposal. On this assumption, after the Counter Law was passed, the public had confidently continued to use the banks for their savings.

Subject to Allied supervision, the Schilling Law gave back to

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Austria her financial independence. It also acted as a stimulus to trade and a check, though a purely temporary check, on inflationary tendencies. Dr. Renner has described how the legislation re-establishing the schilling lay for weeks in his drawer awaiting the re-unification of the country. So long as uncertainty regarding the currency continued, merchants preferred to hold on to their limited stocks of goods, and trade was restricted. So long as Austria continued to use German money, marks flowed across the frontier and prices were inflated. An immediate result of conversion was a substantial fall in the black-market prices of commodities and foreign currencies.

The provisions of the Counter and Schilling Laws blocking 60 per cent of the 'old' and 'new accounts' were interim, in so far as no indication was given as to the final fate of the blocked credits. This question was settled by the Currency Protection Law of the 19th of November 1947.

By the autumn of 1947 serious inflationary tendencies had begun to reveal themselves. There was a growing belief that currency reform was necessary, and rumours that it was imminent made the situation worse. Goods were hoarded, prices rose, and holders of capital showed anxiety to invest at any cost. In introducing the Currency Protection Law the Government's main purpose was to stabilize the schilling by reducing note circulation and finally liquidating the blocked accounts, from which there had been increasing demands for releases during recent months.

The law in its full details was very complex. But its main provisions were as follows. The existing currency was to be replaced. Every individual could exchange his note-holdings on the basis of three old schillings for one new, although each person was allowed 150 schillings at the rate of 1 for 1. Blocked accounts were forfeited to the State, and the unblocked portions of the 'old accounts' were converted into 2 per cent Government bonds. All free accounts, which included deposits made between the 23rd of December 1945 and November 1947, retained their full value, but, in so far as they exceeded 1,000

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schillings, half of each account was to be blocked for six months, and a quarter for a further three months.

Some attempt was made to distribute the burden in accordance with capacity to pay. Those in need were allowed to retain limited amounts from their blocked accounts up to a maximum of 3,500 schillings, and under this provision payments amounting to about 500 million schillings were in fact made in monthly instalments to 300,000 people. A capital levy was also announced, for which the necessary legislation was passed the following July. It imposed graduated taxes on capital and capital increment which were to be spread over a number of years.

The essence of successful currency legislation is that it should be introduced unexpectedly and implemented immediately, so that no one should have time to take evasive action. Such procedure was not possible in Austria in 1947 owing to the provision of the Allied Control Agreement which laid down that laws went into effect, if not vetoed, thirty-one days after they had been submitted to the Allied Council. Nevertheless, the Austrian Government might have handled the situation with greater skill. In the end, it secured Soviet approval of the Defence Protection Law at the heavy price of accepting the Russians' terms for the settlement of their 1945 'loan'. With Allied consent the law then went into effect ten days ahead of the normal time. It would have been worth paying an even heavier price to obtain Russian approval in advance, so that the three weeks' delay between the publication and execution of the law could have been avoided.

As it was, the situation during the three weeks' interval was grotesque, and the effectiveness of the law itself was seriously diminished. Evasive action was carried out on the widest scale, the most quick-witted and unscrupulous coming off best. Nobody was anxious to sell anything for money that was about to be devalued, and, in spite of Government regulations to the contrary, many shops could not be persuaded to remain open. People revealed a sudden enthusiasm for paying debts, and creditors could hardly refuse payment in a currency in

435 preventing a disastrous decline in the buying power
465 of the broad classes of the population. The unavoid-
652 able adjustment of certain distortions in prices as well as the entire stabilization of wages and prices was undertaken on the basis of the economic, budgetary and credit policy. This applied also to the coordination of prices of specified agrarian products which, in the general development, have to a large extent re-
454 mained below an adequate level. These adjustments were
652 intended chiefly to insure an utmost favorable development of savings deposits and the initiated investment program without intensifying inflation. The promotion of capital accumulation, thereby encouraging the influx of new savings capital to the banks and institutions, and the systematic consolidation of capital reserves of the insurance companies and of the social insurance institutions will, particularly in Austria, gain special importance in the coming years. As a consequence of the elimination of the counterpart funds and of the relative slow reflux of the means invested, resulting in limited possibilities of rediscount with the National Bank, the necessarily long-postponed replacement of the long-term and expensive bank credit to the capital investment market has been initiated. Expressed in other words this means that the reconstruction of the capital basis of economy, by opening the cheaper sources of financing offered by the capital market, should facilitate new short and middle-term credits and consolidate long-term credits which had previously been granted (especially investment and reconstruction credits). It should also contribute to an improved competition of Austrian products on the world markets through an adequate reduction of one of the chief factors of the basic cost price, i.e., credit procurement.

185 All measures of an economic-political nature
652 which are taken, however, are not applied in a purely dogmatic way. They are effected within the ideology of the two big political parties of Austria and thus of the Federal Government which is sustained by the coalition in power. It might be explained that the economic political measures described in the following survey are approved in principle by both of the leading political parties, though it may be that they differ somewhat as to the means and methods of reaching determined aims of political economy.

185 The problem of increasing economic productive-
433 ness receives particular attention from the Austrian Federal Government and the Austrian Productivity Center. Labor and management are equally represented in this

In comparison to prewar times a definite lowering of individual performance efficiency had set in among the rest of the population caused by years of under-nourishment and poor general physical condition aggravated by a series of psychological strains up to 1947. Another thing to be taken into account was the reorientation of the entire European economic structure in the wake of political changes, particularly the solution of certain problems of large industrial enterprises (the iron and steel industry). Last but not least were the great economic and political changes which had taken place in the areas of Austria's traditional markets, eastern and south-eastern Europe. 727 [46] [433]

The destruction of capital substance weighed particularly heavy. It was obvious that the greater part of savings capital, accumulated prior to 1945, was economically no longer covered. Within the scope of a planned war economy that money had either been invested in weapons and war material which became valueless, or it was originally invested in profitable enterprises which were destroyed or diminished through the effects of the war, e.g., plants, equipment, razed woodland, etc. On the other hand, in accordance with instructions of the German finance administration, great parts of the liquid assets and reserves of banks, the premium reserves of large insurance companies, etc., had to be invested in bonds of the German Reich (especially Reichsschaftsanweisungen), whose value became as questionable as savings deposits. [454]

In view of these circumstances the Austrian federal government faced difficult problems. For the sake of simply existing it was necessary to reestablish the financial foundation, a task impossible to accomplish without a proper Austrian currency (to be newly created), without gold or foreign exchange reserves to cover this currency, without a national bank of issue, without reconstruction of a banking and credit apparatus, and particularly without first straightening out the balances essential to large banking institutions. 652

Not any less difficult to solve, in relation to the previously mentioned conditions, was the second problem: the revival of production and trade. Apart from incurred losses in plants, machinery and raw materials, the disorganization of communication and the dislocation of great parts of the population, valuable components of the production apparatus as well as other natural assets of the Austrian economy, classified as 433 [438]

block of "domestic and foreign assets" has not been 652
designed as yet, some means to assure the functioning 453
of the various credit institutions undoubtedly will
be forthcoming.

The banking institutions, besides effecting a settlement of their balance sheets, will also be required to establish additional provisions in order to complete their economic as well as social-political tasks. In this connection the creation of a sufficient liquidity, the securing of an adequate capital structure and, last but not least, provisions for a corresponding amount of reserves to meet pension obligations towards their employees are more important. All these problems require generally and individually special solutions if the institutions are to accomplish their tasks satisfactorily within the national economy.

Thus, for example, with respect to inter- 457
national economic relations, the banking situation re-
quires a settlement of balance sheets according to inter- 453
national procedures so that the liquidity of the banks 652
and the coverage of accepted deposits be self-secured, inasmuch as the banks could be called upon to correct market fluctuations so as to assure continuity of work within the economic sphere. However, such a policy will only prove successful if they have disposal over sufficient means. Furthermore, with Marshall Plan assistance terminating in 1952, questions concerning capital and credit correlations will form the main aspect of European and international collaboration. Still greater tasks will develop internationally and foreign trade acceptance credits will find an ever increasing use. Such a development requires that the banks, more so than [454] other enterprises, have available corresponding capital to serve as a basis for credit extensions. In comparison with other business enterprises, which have invested their means in commodities or other goods, the banks, as a result of war and postwar occurrences, sustained larger capital losses. Thereupon shifts occurred which created a situation in which the relationship between means and deposits were no longer in conformity to internationally set standards (generally amounting to at least 10 - 15 percent of the balance sheet total). The procurement of these necessary means will be of great importance. Since prevailing conditions in the capital market do not permit the procurement of capital in the customary manner, the capital needed will have to be accumulated out of profits of the banking institutions, provided certain tax exemption measures are enacted.

remaining government deposits of the special account (Post I). 652 457

The following periodic schedule shows the amounts released and the purpose of expenditure: 652 454

1948: Total releases amounted to 2,088 million schillings of which 396.7 million were released from ECA counterpart accounts. They were released to cover expenditures for investments of the extraordinary budget, industrial investments and housing constructions.

1949: Total releases amounted to 1,575 million schillings of which 1,425 million schillings were released from ECA counterpart accounts. They were expended to cover investments within the scope of the extraordinary budget and industrial investments.

1950: During the four quarters of 1950 releases amounted to 2,881.5 million schillings. The following amounts were released from ECA counterpart accounts:

	Million Schillings
1st Quarter 1950	none
2nd " "	951.5
3rd " "	1,230.0
4th " "	700.0
Total	2,881.5

This amount of 2,881.5 million schillings was expended as follows:

	Million Schillings
Federal investment program (extraordinary budget)	377.0
Industrial investments	1,681.0
Special reconstruction program	660.0
Others	97.5
Not yet specified	66.0
Total	2,881.5

Tabulated according to expenditures, the amounts withdrawn during 1950 from ECA counterpart accounts were expended as follows.

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454

		Millions of Schillings
I. Federal Investment Program (extraordinary budget)		365.
Railroads	210.	
Post	60.	
Roads and bridges	60.	
Public Buildings	17.	
Federal theaters	18.	
II. Industrial Investments		1,231.048
Hydro-electric power	443.	
Coal mines	50.	
Other mines	2.	
Iron and steel production	264.7	
Metal industry	40.	
Electrical industry	13.	
Chemical industry	50.	
Iron and metal works	65.023	
Glass industry	14.12	
Textile mills	90.2	
Woodworking industry	33.03	
Paper mills	149.99	
Foodstuff industry	.25	
Construction industry	.435	
Extractive industry	4.2	
Leather and shoe industry	4.6	
Various other industries	1.5	
Crafts	5.	
[654] **III. Special Reconstruction Program (funds)**		524.3
Agriculture	225.	
Forestry	56.	
Tourism	109.3	
Construction of workers apartments	34.	
General housing construction	100.	
IV. Others		40.75
Measures to step-up productivity	6.	
Export promotion (Chicago Fair)	1.25	
Exportfund Company	25.	
Technical Assistance	1.5	
Sawmill-school Kuchl	2.	

Of the total amount of 2,161.098 million schillings, 2,143.098 schillings were released from ECA counterpart accounts and 18 million schillings (for Federal theaters) from non-ECA accounts. 652 454

It should be explained that during the last part of 1950 a change in the accounting procedure of releases occurred. While previously the actual debit of the account immediately followed the publication of the release, this was no longer the case during the second half of 1950. The charging of the account and the payment of amounts now occurs in installments, partly for reasons of administration and partly for reasons of currency policies. Thus, for example, at the end of the first half of 1950, 100 million schillings were released for the construction of buildings. However, payments were effected only during the third (75 million schillings) and fourth (25 million schillings) quarters. Of the amount of 1.2 billion schillings released during the first few days of September 1950 only 88 million schillings had been charged at the end of the third quarter. Of the funds released in September some were not charged to the account even at the end of the year. The December release amounting to 700 million schillings (published before Christmas) was still on account at the end of 1950. Therefore the published releases are limited releases needing special "Release Letters" to receive payment. [451]

b) Money and capital market.

The essential part which counterpart funds (Marshall Plan aid) play in financing reconstruction and replenishment needs becomes especially obvious if the Austrian capital market conditions, which is slowly gaining momentum after capital losses sustained during the last decade, are duly taken into account. The 1950 annual report of the Vienna Stock Exchange indicates that the expectations held at the opening of the exchange in 1948 were only partly achieved at the end of 1950. The turnover in 1950 amounted only to slightly over 654.5 million schillings (at traded prices) of which 191.3 million schillings represented trading in government bonds, 282.2 million schillings in various other bond issues and not quite 179 million schillings in shares. Thus the market in stocks (the following detail reflects the necessity of interim financing of industrial monetary needs) developed a bearish trend although most of the corporations resumed dividend payments (depreciations averaging 25 per cent). Under pressure especially were the shares of "nationalized" 652 455

454 corporations reflecting open problems to be solved by the state treaty (German property, compensations, etc.). The combined index of free and nationalized enterprises bears out the development sketched above. There is a decrease from 363 in 1948 (March 1938 = 100) to 309.7 in 1949 and 244.7 in 1950, although the [434] purchasing power of money decreased from 1938 to 1950 by 5/6.

Under these circumstances it is not surprising that the stock exchange presently plays a small role in the raising of capital and the placement of new shares in the capital market. Thus, for example, during 1950 only four corporations increased their capital: The Österreichische Brown Bovery A. G. (from 2.4 to 3 million schillings), the Brauerei Schwechat A. G. (from 20.83 to 21 million schillings), the Semperit A. G. (from 10 to 30 million schillings) and the Wagner Biro Maschinenfabriken A. G. (from 5 to 10 million schillings).

[455] A similar situation prevailed in the bond market. The report of the Vienna Stock Exchange states: "In April 1950, when the 5 per cent Reconstruction Loan of 1949 was listed on the exchange at 85 (subscribed up to 324.6 million schillings), the investment market had partially adjusted itself to the prevailing new interest rates. Issues of the provinces and municipalities, generally bearing interest at a rate of 4 per cent, decreased in value from 100 per cent to 92 per cent. The market in debentures (up to the end of 1950 debentures and municipal bonds amounting to 596.4 million schillings at par were circulating) had to overcome certain difficulties, since it is based on a 4 per cent interest rate and the change of quotations in connection with the credit extension to debtors represents a difficult problem...." During the summer months of 1950 a new type of debentures appeared. They matured after 6 years (previously they had been 40-50 years) with which, naturally, only credits extending for an approximately similar period of time could be financed. The amounts derived from such issues were primarily used for public investments.

It is a fact that presently bonds are quoted below par value since, besides the above-mentioned reasons, the scope of buyers is a rather limited one. From September 30, 1948 (the first time after the currency reform that particulars about the circulation of debentures and municipal bonds were published) to the end of 1950 only 95 million schillings in debenture bonds and

78.5 million schillings in municipal bonds could be sold. Buyers of debenture bonds were mainly insurance companies. 454

The raising of capital, instead of being accomplished through the customary way of issuing new shares or bonds, had to be effected by the extension of credit lines which, especially after the inception of Marshall Plan facilities, the banks extended on the strength of their liquidity reserves or by means of refinance possibilities created with ERP counterpart funds. 453

The total amount of credit outstanding with Austrian credit institutions at the close of 1950 amounted to 10,699.1 million schillings, including 1,012 million schillings extended during the last quarter of 1950. Components of the amount were for the following purposes:

	Million Schillings
Reconstruction (investment credits)	2,267.6
Commodity credits	702.0
Commercial credits	7,729.5
	10,699.1

Of this banks and bankers extended 7,703.3 million schillings through refinancing possibilities of the Austrian National Bank.

	Million Schillings
Reconstruction credits	2,267.6
Commodity credits	700.7
Commercial credits	4,735.0
	7,703.3

Considering that the amount of reconstruction credits (approximately 2.3 billion schillings) represents a transit item for the banks (the notes shall be converted into a bond issue at a later, appropriate opportunity), there remains the fact that, due to the slowly progressing creation of genuine (savings) capital, a certain discrepancy between the creation of new capital and capital need exists. This led to the adoption of credit policy measures during the first quarter of 1951. Up to the end of December 1950 total deposits with banks amounted to 9,469 million schillings of which 2,198 million schillings represented deposits in savings accounts and 7,271 million schillings deposits in checking accounts. Therefore, counterpart funds and self-financings are presently the main factors in industrial investments. 454 453

454 With the gradual diminution of the ERP aid,
434 the raising of new capital gains significance. It is a question made particularly difficult inasmuch as prices rose on the world markets during the last half year and the decline in the purchasing power of the schilling caused by the lag in wages. (Running parallel is the sharp decline of the value of savings deposits.) A number of other factors retard the creation of savings capital: the lowered real wages, the long pent-up consumer demand of the broad masses, the lack of investment-seeking capital from insurance institutions which, as holders of collective saving, normally placed substantial amounts at the disposal of the capital market, the use of retained profits for self-financing of investments and, last but not least, the stress of fiscal necessities.

Naturally, Austria shares these developments with other European nations. Even France, the country of savers, according to latest reports has experienced a decline in savings to 4.3 per cent of the national income.

458 Despite progressive credit extension (which
[652] is, qualitatively as well as quantitatively, being held under control by measures adopted during the first quarter of 1951), in contrast to other economically stronger nations, there seems to be no dangerous monetary development even though the political situation in the world in the fall of 1950 caused an increase in the volume of money and payments.

457 [51] 433 There is no doubt, however, that the desired higher standard of living requires greater accomplishments from the economy if, as is the case today not only in Austria but also in other ERP member countries, edible foodstuffs, raw materials and machinery are not to be continuously supplied by foreign aid. In this connection it is useful to recapitulate the value of such aid. Thus the total value of direct and indirect aid, congressional aid, interim aid, surplus goods, gifts, etc., amounted in 1948 and 1949 to approximately 300 million dollars yearly, an amount sufficient to cover the deficit of the payments balance up to now. In other words, the Austrian economy received more than 6 billion schillings which increased the gross national product available for consumption and industrial investments by 20 per cent. Foreign aid in 1950 amounted to 200 million dollars or 4 billion schillings and in 1951 to 100 million dollars.

433 As a matter of fact, production and productivity increased rapidly during the last years. However, this rapid increase was due to the extraordinarily low starting point. It is true that present industrial production exceeds the prewar level by 40 per cent, but it is a result of using about 50 per cent more than in 1937. At the end of 1950 the individual output index of both industrial as well as agricultural labor amounted to 90. Today, the task of increasing productivity rapidly is far more difficult since, in addition to diminishing foreign assistance, any reopening of idle capacities and procurement of additional raw materials and coal is almost impossible. It follows that every percentage of productivity to be gained requires greater efforts than before.

433 439 454 In connection with the above, there arises in Austria a specific coordination problem with regard to output gains already achieved in other nations, the question of cost computation. (Compared with Austria's present production ability the American, Swiss, Swedish, and English national economies, during 1949, furnished respectively 7, 4, 3 1/2, and 2 1/2 times as much goods and services per capita. This fact is intensified by the progressive industrialization of the previously agricultural countries of southeastern Europe.) If Austrian manufactured goods (as producers of foreign exchange, and therewith as guarantors of sufficient raw materials, employment and living standard) are to be competitive on international markets, the question of decreasing production costs per unit becomes imperative. Such a decrease, excluding developments beyond the control of

plant managements, can be achieved only through accumulation of an adequate yearly (savings) investment percentage (during 1950 investments in plants, structures, rolling-stock, equipment, etc., amounted to 20 per cent of Austria's national income, against 6 per cent in 1937; the 1950 investments were to a large extent the result of foreign assistance), as well as technical progress, rationalization of plant operations and adoption of modern psychological working principles. 433 439 454

Only such a procedure assures a genuine increase of the real income. However, whether an increased production output is followed by a decrease of prices or by an increase of wages (raising the living standard) or whether necessity demands a combination of both is problematical. [434]

On the basis of a favorable world-wide political scene it is hoped that Austria will realize her economic program as worked out with the help of international experts. Better technical equipment will lower the individual wage quota, thereby establishing a more favorable competitive basis. Thus, together with a transfer of skilled labor to production of export goods, the desired adjustment in the balance of payments will be achieved. In this connection the resettlement drive, initiated by the ERP, furnished a possibility to shift needed manpower to plants short of help. The higher real wages, resulting from an increased productivity, will then provide a basis for the accumulation of savings capital needed for additional investments. However, considering the special position Austria occupies, it will be necessary to grant her a breathing spell for achieving her economic aims. 433

d) Budgetary developments.

Within the scope of combined reorganization procedures, special attention is directed towards the balancing of the budget. Due to the large expenditures covering the reconstruction of public enterprises and administrative organizations damaged by the war and the increase in economic tasks of the government, e.g., occupation costs and the expenditures in connection with "Auslandsfürsorge" (welfare of the DP's, expellees, refugees), the consolidation of the budget (in spite of a rising national income) was only partly possible in 1949 and 1950 inasmuch as fluctuating demands exceeded narrow tax receipts. 652 727

The stagnation of the capital market, which makes the financing of comprehensive investments on the open market difficult now, made special forms of interim-financing necessary for Marshall Plan deliveries. This task the banks and the Nationalbank undertook through their financing techniques. 652 454

Agreement has been reached by the former Ministry of Properties and Economic Planning, the Ministry of Finance, the Nationalbank and credit institutions for the financing in schillings of Marshall Plan deliveries. Inasmuch as outside means (credit) were required, the following categories of credit have been set up with regard to the different currency policies: 652 457 439 452 453

1) Credits for the import of raw materials (wool, cotton, hides, leather, metal, chemicals, etc.);
2) Credits for financing the cost of manufacturing (Umwandlungs kredite);
3) Credits to cover investment needs (Aufbaukredite).

For the first two categories the applicant for credit has to prove that all deliveries will take place within the scope of the Marshall Plan. To cover credits for raw materials provision is made for payments in goods with terms of three months, which may be extended three times to a maximum twelve months. (A special priority was provided originally for the delivery of textile raw materials of any kind and, furthermore, for hides, leather, furs and tannic acid, as long as the accounts were settled prior to June 30, 1949. This measure aimed to spare the buyers of goods losses in interest caused by delays in carrying out the Marshall Plan. As a concession a 60-day delay in payment of the amount in schillings was fixed so that in these special cases the validity of the credits was prolonged up to a maximum of 14 months.) The rate of interest for raw material credits has been fixed at 5 per cent net. The deliveries of semi-manufactures are treated in the same way if they are further processed by Austrian industrial plants. These letters of credit may be refinanced by the Nationalbank.

The covering of manufacturing costs (Warenumarbeitungs- und Umwandlungskredite) is provided for by ninety day drafts which may be extended twice, i.e., a maximum of nine months, if the buyer of goods can prove that those larger deliveries of Marshall Plan goods to be manufactured by him cause a sharp increase in the production so that additional means of production are necessary. The rate of interest is 6.5 per cent net. These drafts may also be refinanced at the Nationalbank.

452 The financing of credits for investments
652 (Aufbaukredite) is likewise provided by different
453 types of drafts (three-months validity) until such
[454] time as definite solutions (consolidation) will be possible in the form of obligations on the money market. The rate of interest is 4.5 per cent net. The examination of such credit applications lies with a commission consisting of representatives of the Federal Chancellory-ERP-Central Bureau, the Austrian Nationalbank, and representatives of those banks which grant the credits. Final approval rests with the "Kreditlenkungskommission," an advisory committee of the Federal Government and created by the federal law of July 3, 1945, to direct public and private credits. Members are nominated by the Federal Government.

453 The following banks are presently handling reconstruction credits: Creditanstalt-Bankverein, Vienna, Innsbruck; the Bank for Carinthia, Klagenfurt; the Bank for Upper Austria and Salzburg, Linz; the Oesterreichische Länderbank AG, the Hypotheken- und Creditinstitut, Vienna; the Bankhaus Schoeller and Co., Vienna; the Arbeiterbank AG, Vienna; the Genossenschaft-Zentralbank AG, Vienna; the Girozentrale der österreichischen Sparkassen, Vienna; the Gewerbe- und Handelsbank AG, Vienna.

439 With the activation of the multilateral
457 balance within the framework of the European Payments
652 Union after October 1, 1950, some changes took place in the financing of Marshall Plan imports. They, however, refer to the mobilization of the so-called "Initial Credit Position" which serve to cover the total deficit against all ERP countries. The carrying out of goods exchange on the basis of direct aid was not influenced by these changes.

To avoid difficulties in financing raw material imports from Marshall Plan countries, and in order not to restrict the potentialities of financing which the importers had been allowed up to this date, the Austrian Nationalbank decided, instead of refinancing goods imported out of the indirect aid (Drawing Rights), to discount ninety-day drafts of the banks. This forms the foundation of the means for financing goods imported from ERP countries. These drafts are issued by credit institutions and are drawn against the importer. The refinancing of these drafts takes place if the payee, in the opinion of the Austrian Nationalbank, possesses sufficient credit standing, and if the imports, as alread

explained, come from ERP countries and comprise such goods as were, up to this date, to a considerable extent under indirect aid and were refinanced previously by the Nationalbank. There were special lists for all goods in question. 439 652 457

The cashing of these drafts takes place under the same conditions which apply to imports of semi-manufactures out of ERP funds; the Nationalbank discounts the incoming drafts at the prevailing bank-rate (now 3 1/2 per cent); other banks have a rate 1 1/2 per cent higher.

The total amount which all credit institutions can present in such drafts does not exceed the amount of the refinancing granted for financing imports out of indirect funds.

3. The Structure of Production.

a) Principles of industrial investment.

In accordance with the principles of ECA, ERP funds are used only to finance investments which serve to balance payments in the shortest possible time, that is, investments which: 1) bring in foreign currencies (by starting new or extending existing production of export goods); 2) save foreign currencies (production of goods important to internal supply, which previously had to be imported from foreign countries, or by improving their competitive position); 3) cause an essential increase in the total economic productivity, i.e., a reduction of production costs and increasing the ability of the Austrian economy to compete with foreign countries. 652 454 457

When hostilities ceased in 1945, most of the industrial enterprises showed great impairment. This was due to: 1) extensive destruction during the actual fighting; 2) confiscation through which valuable equipment for production was removed after the end of the fighting, whereby functional coherence of production was disrupted; 3) changes in economic aims. Before 1945 (not considering the aims of wartime economy) a large number of enterprises were structurally organized on a broader economic territory; after the war, therefore, the industry of Austria had to return to the more specialized industrial capacities of the pre-1938 period; 4) an acute shortage of capital caused by amounts necessarily written off as war losses, funds lost as outstanding claims, etc. 433 727

727 311 In other fields too there were noticeable losses and a decline in real capital. One might observe in agriculture, for example, a deterioration of soil owing to the shortage of fertilizers and cultivation during the war years, a lack of seeds, fodder and agricultural machinery as well as declining yields in forestry due to overcutting of trees, obsolescence and lack of means of transportation from the forests to the mills. The robbing of coal mines, failure to introduce rationalization and the forcing of unrealistic work in other mines (metals) give us a full picture of a declining economy.

652 433 185 454 Reconstruction of a productive national economy could be successful only if the economic forces specifically characteristic of the country were activated and coordinated to secure an optimum of the whole economic productivity. This presupposes a knowledge of possibilities based on an inventory of the internal economy and lining up problems according to their importance (to avoid mistakes in investments or overextension). It also presupposes establishing a time schedule for the financial fulfillment of individual projects with a view to the existing shortage in capital. The reconstruction of primary production, as well as the most important industries, have been carried out according to special plans which were worked out by government authorities in cooperation with interested industrial circles. Planning covered, in particular, production of energy, coal mining, the iron and steel industry, and ore mining and the metal industry.

These plans are not limiting as to quantity or time but are a type of structural plans without time limitations, the realization of which is bound to certain financial or material possibilities. With the maximum supplying of internal requirements of energy, coal, iron, metals, etc., they intended to assure lower prices in the finishing industries. In this way a sufficiently high quota of exports should be obtained for a balance of payments. These plans form the theoretical basis for those investment programs which the Austrian government presents to the ECA in Washington and which are realized step by step with the help of the ERP funds.

Just as with other ERP participants it is Austria's primary aim in its investment policy to make the utmost use of all possibilities offered by the Marshall Plan up to 1952. In addition to the development of primary industry, the greatest effort is being made

to bring the capital goods industry to the highest technical level. The direction of this policy is determined not only by the high demands for reconstruction within the country itself, but also by the rapid tempo of industrialization of European and non-European regions. If Austria is to be able to compete on the world market after the end of the ERP, it must not only close the gaps in its production but also provide for further undisrupted technical developments. It is clear that Austria has to divert annually from its national income a sufficiently high quota for investment (now about 21 per cent with the help of the ERP) in order to keep pace with other developments.

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In view of the time limitations and the gradual reduction of Marshall Plan aid, it will be the principle of the investment policy from 1949-50 on to give primary consideration to those big investments (for example, in energy and iron-ore industries) whose development was pushed by high capital expenditures and to have them achieve an economically and technically sound condition, if possible, within the period of the duration of the ERP. Basically, the counterpart funds are used for those investments from which payments are expected on the shortest terms so that, along with big projects, numerous smaller and medium sized projects which increase exports get under way. In disposing of counterpart funds, however, those enterprises which demand ERP-financing are forced to cover part of their planned investment out of their own funds (profits, private credits and various deductions).

The main items of the investment policy for future years, excluding the arrangements of the so-called "Long-term Program," have been fixed by the Reconstruction Program 1950-52, which was presented to ECA in the summer of 1950 and amended in the late fall of 1950, owing to price alterations. Based on the 1949 price level, the investments for the three year program had been set originally at 24 billion schillings. This figure was revised to 27 billion schillings in accordance with the change in prices and wages which occurred in October 1950. It was the aim of the partly transferred investments to create such conditions as to obtain an increase of production of domestic raw materials, to save foreign currency and to set at the disposal of the domestic economy those raw materials which can be found to a suitable extent in the country itself. As part of this plan, for example, the construction of four more power plants will be started, the output of coal shall be increased to 6 million tons from the present 4 million

652 tons, the production of iron and steel to 1 million
[195] tons annually, the output of rolling mills to ap-
433 proximately 750,000 tons. Further increases in pro-
454 duction will be provided in: bauxite mining, aluminum production, production of cellulose, paper and pulp. In the same manner the export capacity of nitrogen plants (Sticksstoffwerke in Linz), one of the most important producers of foreign currencies in the Austrian economy, will be increased by 50 per cent. In the chemical industry additional investments will make it possible to start production of sulfuric acid and phosphate fertilizer. The single projects will be discussed in detail in another connection.

b) The renovation and rationalization of the primary industries.

The Austrian government holds to the principle (insofar as none of the theoretical considerations in the preceding chapter interferes) that in building up its program of investments cheap primary products lower the production costs in the finishing industries and this allows them to compete in the sharp competitive battle with other highly industrialized
[685] European countries. Certain focal points of investments have been formed, encompassing especially coal, iron and steel, ore mining, and the smelting industry as well as electrical power. These are mainly nationalized enterprises. For investment purposes in the years 1948 and 1949 they received a total sum of 1,627.4 million schillings out of public funds. Of this amount, 958.5 million schillings were reconstruction credits, 481.6 million schillings were capital payments of the Federal government, 31.2 million schillings were federal loans and 156.1 million schillings were credits guaranteed by the state. In 1950 a sum of 30 million schillings was provided in state capital contributions; in the same year (fall of 1950) the funds released from the ERP for the above-mentioned branches of industry totaled 133 million, 283 million and 418.5 million schillings used essentially as follows.

316 (1) Investments in coal-mining.

During the war the coal mines (predominantly
454 brown coal in Austria) suffered greatly in their development because of overproduction and neglect of needed renovation as well as delay in planned expansion. Within the scope of the Marshall Plan the necessary renovation and rationalization of operation, mining improvements, shaping of daily operations, deep mining,

mechanization and electrification are being carried 316
out. A number of new shafts and research and boring 454
operations are also being pushed. In 1950, 75 million schillings from ERP funds was allotted to mining. The total output of Austrian coal mines, about 92.7 per cent nationalized, was approximately 4 million tons in 1950. The output will be increased to 6 million tons annually according to the reconstruction program for 1950-52.

(2) Iron and steel production.

The structure of the iron and steel industry 327
after the war was essentially different from that of 1938. While the capacity of blast furnaces and steel plants (and to a degree also of steel foundries, forges, gross rolling works, coke ovens and finished steel operations) has increased, ingot operations and medium and fine quality plates (especially rolled metals) have suffered in their capacity and in their functional coherence by removal of equipment (Demontage). In addition to this a large part of the means of extraction and transportation at the Erzberg in Styria, the modern electric gross rolling works at Donawitz, as well as various items of equipment in the iron and steel works (particularly that for the production of rolled metals) has been lost. On the other hand, plants which were only half completed and too big for Austrian industry (such as the six blast furnaces at Linz) had to be taken over so that there was an over capacity of raw iron, steel castings and forging items. The planning for the iron and steel production was worked out by the federal ministries in collaboration with experts of the steel industry after extensive and careful exploratory surveys. They aimed to carry out modernization and completion of the steel works so as to balance future production with the expected sales; utilize the existing works to the highest extent possible and moving of workers from one place to another would be avoided; accomplish the necessary completion of plants for overall production and the closing of production gaps; modernize obsolete plants in order to get more and better economic production. The following considerations were taken into account: solution of the problem of the distribution of production of commercial steel and gross-rolled steel in the two largest Austrian plants (the Oesterreichische Alpine Montan-Gesellschaft in Donawitz and the Vereinigte österreichische Eisen- und Stahlwerke AG in Linz); balancing of production programs of the four large Austrian steel plants (Gebrüder Böhler und Co. A.G., Schoeller-Bleckmann of the Alpine Konzern in Donawitz and in

IV. AUSTRIA'S ECONOMIC POSITION IN 1951

452 The following points are characteristic of the economic trends in 1951.

1. In the monetary field: the tendency in the world economy toward forcing reductions in the credit policy; the figures will be rounded-up by an increase of the bank rates toward the end of the year;

652 435 2. In the budgetary field: the approaching end of ERP aid makes it necessary to reduce the price supports still existing;

454 3. In the field of investment policy: a reasonable balance between the investments of the production goods sector and the consumer goods sector is to be prepared; by increasing the offer of goods ready for consumption and export the imbalance in the balance of payments will be overcome as rapidly as possible;

439 4. In the field of foreign trade: the shortage of raw materials and the existing discrepancy between the trade and foreign currency balance (deterioration of the exchange rates) make special laws and measures necessary to promote exports;

435 465 5. In the field of prices and wages policy: certain discrepancies in prices, especially in the agricultural sector, make necessary adequate adjustments as well as improvements of real income of wage earners to the level of higher prices;

6. In the field of production and productivity: a general increase of the capacities and the extent of capacities, is necessary between the social partners and the abolition of burdens which prevent an increase in production. Adequate relations should be created.

A. International Economics and Austria's Reaction

000 A glance at the representative statistics prove that international development proceeded along quite different lines in 1951 than was expected at the beginning of the year. The steep rise of prices for raw materials, especially those of wool, tin, rubber, which started from the beginning of the Korean crisis have created an ever-increasing inflationary tendency.

bringing new problems of adjustment. These were solved by a new general agreement of the Chambers of Economy (in July 1951), in which the main considerations were: the out-of-line prices in agriculture, the necessity of decreasing the subsidies for imports still existing, and the boosting of tariffs. 652 [435]
Special aims of the economic policy were:

1. To restrict the utilization of foreign aid for consumption goods in order to afford a bigger part of the total volume of goods and services for investment activities or, at least, a non-fluctuating part in the case of a decrease in foreign aid. The top aim was a change in the utilization of the gross national product. [434]

2. To balance the agricultural prices which were out of line. In this way, conditions were to be created for an optimal distribution of the available aids through the price mechanism (changes in the constitution of the gross national product). [435]

3. To effect conditions for a new distribution of income; this referred, in the first place, to agriculture and employment in public services, to persons living on state relief and pensionists (for these last two groups an adjustment of the real income was secured by the so-called "Nachziehverfahren"); the real wages of the other wage earners should be kept on the existing level (changes in the personal distribution of the gross national product). [454]

It was not easy to encompass these aims within the concept of economic policy, since automatically secondary and tertiary reactions to these changes were to be expected upon the total price structure. Be that as it may, the immediate results of this agreement were the following regulations:

1. Agriculture received higher production prices for wheat, rye and milk, by which a better market capacity might be obtained (stimulation of the production). [435]

2. The subsidies for the import of bread grains, fodder grains, and raw materials for fats were diminished. Consumer prices corresponded generally to the average (newly calculated) prices of the producer (unless fixed by special regulations). As far as import subsidies continued, they became part of the budget while the incomes from sales were kept on the same level of value as those from the ECA counterpart accounts. [654] [439]

C. Developments in Credit Volume.

The features which influence the volume of payments and credits in an economy come partly from without and partly from within. The impulses, as is clearly seen in 1951, came from the flow of a world-wide inflationary price (wages) development; on the other hand, they were reflected in the necessities of the domestic economy which were expressed by the lines of the investment policy. Every investment ties up the invested capital (credit) until such time as the investment becomes productive. 000

If one wishes to avoid the danger of stopping investments before they reach the stage at which they are productive (i.e., to leave them unfinished and lose them within the scope of the total economy) then it is necessary to provide the proper means for completing investment projects, even if one could prove that a deceleration of credit expansion would be the correct measure. Moreover, the extension of credits requires, in this connection, the disposal of means for operation and credits for raw materials. All these are elements which make the development of credits (as seen from the standpoint of establishing programs of investments) of a necessary character to a certain extent.

The consumption of credits caused by the war, and the lack of an efficient capital market, shifted the center of gravity in financing (excluding investments out of public funds) necessarily to credit channels (see Monatsberichte for January 1952: "Die Wiener Börse im Jahre 1951"). Among the main sources of financing there are (excluding the liquid reserves of the credit institutions themselves) the increasing savings as well as those legal measures which support the techniques of financing (guarantees by the government in financing investment--Aufbaukredit and Absicherung von Exportkrisen, or protections against export crises) and, above all, the counterpart funds for potential refinancings at the Nationalbank. It is quite clear that these refinancings at the bank of money issuance (in Austria, the Nationalbank) can be only limited interim financing which must be consolidated in due time by consumption in the capital market. 652 452 [454]

If one considers the changes in the volume of total credits in the last year, one observes (on the basis of the report of the Board of Directors of

652 To evaluate these consequences, the changes
454 in the structure of production are of main interest.
433 According to the Austrian school of national economy, and according to the conception of competent representatives of this science in Sweden and in the Anglo-American area, the main consideration has to be given to changes in the relations between productive and consumptive utilization of capital. As in European countries other than Austria, the production indices of production goods industries increased at a higher scale than those of the consumer goods industries. This economic center of gravity becomes more clear by listing the release of the ERP funds for the total industry. Excluding public investments and means for covering special reconstruction problems, approximately 2 billion schillings out of a total of 2.6 billion schillings flowed into the production goods industry (power plant construction, coal and ore-mining, iron producing industries, etc.) and 607 million schillings into consumer goods industries (textiles, foodstuffs, paper). The distribution of these funds was aimed at affording Austria the opportunity to match the technical and industrial developments in the rest of the world, at least in the field of primary materials and semi-manufactures. The use of a big part of the credit volume, therefore, is fixed by the purposes of the official investment programs which are worked out by the Austrian government in consultation with economic circles and the ECA in Washington. Complementary credit demands (Betriebsmittelkredite) are tied to this credit as a consequence of the extension of capacity and the industries participating directly in these investments.

652 The agreement on qualitative and quanti-
453 tative credit measures reached between the Federal
452 Ministry of Finance and the joint stock banks in the spring of 1951 was followed by an additional agreement of October 10, 1951, paralleling the general international development. This later agreement allowed an increase in the total credit provided or promised by a bank, as of August 31, 1951, under certain conditions. [These are schilling credits in current amount, draft credits regardless whether the drafts remain in the portfolio of the bank or whether they are rediscountable moreover, mortgages and municipal loans (unless they already serve to cover issued mortgages and municipal obligations), as well as requirements against Austrian credit institutions which do not exceed a thirty-days' validity. Not included in the total are reconstruction credits, credits granted for financing exports and

433 investment rate as well as an increase of the general
434 level of consumption was made possible by this extension of the gross national product.

In 1951, the gross national product (according to provisional calculations and estimations of the Oesterreichische Institut für Wirtschaftsforschung) increased by about 7 per cent in spite of production bottlenecks. This figure, however, is slightly lower than in 1950 (10 per cent), but still higher than could be expected in a normal economy. This increase was almost exclusively due to the industrial production which, owing to the 10 per cent rise in productivity, could produce 14 per cent more goods than in 1950. In this way reactions on the level of prices could be neutralized in some ways
[457] through the greater quantity of goods. However, as the exchange conditions in Austrian foreign trade deteriorated by 10 per cent, and as the increase in prices on the world market lowered the real value of foreign aid by one-third, the Austrian economy in 1951 had only about 4 per cent more goods and services (i.e., about 2.3 billion schillings) for consumption and investments at its disposal than in 1950. Tourist traffic showed an increase of about 20 per cent more overnight guests in 1950-51 than in the preceding season, but the remaining sectors of economy, especially agriculture, showed only slight progress.

434 In the previous six years, especially since
454 1948, a far greater part of the gross national product was invested than before the war. In 1937 only about 6 per cent of the available gross national product was used for investments. The percentage increased from 17 per cent in 1948 to 20 per cent in 1950. As a comparison, the annual average in Great Britain is about 18 per cent. In 1951 the increase of the gross national product invested reached its highest extent, about 21 per cent. The greater part of these investments was carried out within the scope of the public budget or through special funds (for instance, reconstruction fund for dwelling units) and out of ERP funds. (In 1951 about 3.7 billion schillings flowed in from the purchase of ERP goods upon counterpart accounts). The high level of the investment rate, however, was only possible with foreign aid. It will be one of the main considerations of the Austrian economic policy to keep to or divert an adequately high rate after the end of the Marshall Plan. In this connection the adjustment between the investment rate and the monetary stability as well as the distribution of investments between

industries of production goods and consumer goods, will gain top importance. 434 454

During the Marshall Plan period preference was given to short-term investments within the scope of the Austrian Investment Program 1950-52. The aim was to ease the strain on the balance of payments, either by an increase of exports or by a decrease of the import demands, whether by direct or indirect means (for instance, by lower prices for semi-manufactures in industries which depend upon exports). The decisive factor for the selection of investments was the degree of contribution to the balancing of payments within the shortest time possible. This had to be coordinated with the requirements for big projects which had been started or were far advanced. In this way the projects could be completed in a technically and economically sound way. By finishing the started projects, especially in electric energy and in the iron and steel industry, Austria should be enabled to use its rich natural resources (water power, iron ore) as rationally as possible and better than was the case before. In view of the low capacity of the domestic capital market these projects had to be carried out, as far as possible, within the ERP period. In spite of the continuation of big industrial projects, the main tendency of the three-years' program (1950-52) is to give industries and crafts which need export outlets as well as the tourist traffic higher counterpart sums in the last two years than they received in 1948-49. It is self-evident for reasons of export and social policy that the investment plan tries to support, above all, small and medium-sized enterprises of the semi-manufactures category and the crafts. [457] 652 454 457

Development of the most important economic fields is on the average satisfactory. One has to consider, however, that the full results of investment projects, especially the big ones, will not show up until 1954-55. Most impressive has been the development of the iron producing industry. Thus, for instance, in 1950 about 15 times more raw iron and 5 times more raw steel and rolled products were produced than in 1946. The production of the iron producing industry surmounted that of the prewar level in 1945. Compared to 1937, by 1950 the production of raw iron was higher by 128 per cent, that of raw steel by 46 per cent, that of rolled products by 37 per cent, and that of pressed and wrought iron products by as much as 246 per cent. This development continued in 1951. Thus, the production of 433 327

439 deterioration of the exchange rate between imports
435 and exports (excluding the far larger import of investment goods). (The investments quota amounted to 6 per cent before the war and rose to 21 per cent of the gross national income in 1951. The comparatively high quota could be maintained, of course, only with the help of ERP funds.) These circumstances also caused difficulties in bigger and economically more powerful states because the real value of foreign aid suffered remarkably by these price developments since the middle of 1950.

439 Normalization of the trade balance must be
652 achieved in regard to both imports and exports. This
454 will be achieved through:

1) The increasing effect of the investments made within the scope of the Austrian Investment Program 1950-52 and by the revised investment policy. These are short-term investments which will be cheaper and more exportable by raising exports or, indirectly, by cheapening unfinished goods. Among these import saving investments only such investments shall be supported (excluding imports for agriculture) as will be justifiable within the scope of a liberalized foreign trade and in the framework of the international distribution of labor. In spite of the basic continuation of big industrial projects (in view of the end of ERP aid and counterpart funds it will not be possible to afford bigger amounts for big projects which will show their effect only after a long period because of financial and credit policy), the necessary shift in the center of gravity toward the typical export industries will remain a characteristic feature (the export industries are craft enterprises and the foreign tourist traffic, both of them real foreign currency earners). In this connection it should be remarked that part of the investments which have been carried out through public investment programs have not yet matured. Owing to the comparatively late start of real investments in Austria as compared to other ERP countries (1950), they will be fully effective only as late as 1954-55.

439 2) Exhausting all possibilities of the existing and future opportunities in the trade policy. Thus, for instance, the new German liberalization together with the new trade agreement opens the German export area to Austrian production so that, with an adequate support, a big part of the Austrian production capacity will be fully utilized. Also Belgium lowered the

C. Reconstruction Planning.

Reconstruction of the economic policy means 457
a gradual overcoming of the crisis of the balance of payments and the securing of internal and external balance. Such a policy will create conditions which can provide a free convertibility of currencies and the real integration of the single economies. (This is among the aims of the Marshall Plan.) (The EPU is of special value. Due to expire on June 30, 1952, it will be prolonged as an instrument of overcoming crises in the balance of payments which arose as a consequence of the Korean crisis in a number of countries. Without this aid the difficulties could not have been overcome so easily. At present the problem of the quotas, of the brake on money, and of establishing currency rates is an open one, since the current rates no longer correspond to purchasing power.) However, the aim of abolishing the restrictions on foreign currencies and the free convertibility of foreign currencies cannot be achieved within a short time. It will be necessary to establish manipulation funds which serve toward overcoming short-term shifts and creating certain structural correctives.

The maintenance of financial stability as 652
a means of guaranteeing the functioning of a currency is connected with the status of the governmental balance (excluding the calculation of costs in an economy). The frame of figures for the single items (titles, chapters) of the Finance Law (Budget) must be reduced if a surplus of expenditures arises which is not covered by taxes or other possibilities (at present counterpart funds); in this way a balance can be achieved between incomes and expenditures if the foundations of a stable currency are not to be shaken by the budget. If one tries to avoid these conditions, one has to set up a system of savings on the one hand, and to take measures for the reconstruction of a capital market of high capacity, on the other. Like other countries, Austria also will have to endeavor to [454]
transfer gradually a big part of its investment demands from bank credits or counterpart credits to the capital market. This development must be considered the soundest form of long-term financing. The neces- 652
sary revision of the investments policy caused by 457
reasons of the total economy has been dealt with in connection with the balancing of the balance of payments. (This is connected with the reduction of

457 foreign aid. While in 1951 about 200 million
652 dollars was available, this sum will be approximately 100 million dollars for 1952; the schilling counter value to foreign aid, therefore, will decline from 4.4 billion schillings to presumably 2.1
[435] billion schillings. Moreover, as the prices at the end of 1951 were higher by 12 per cent than the average for 1951, there will be about 2.7 billion schillings less out of foreign aid funds for investments than in 1951.) In addition, the budget is burdened by a number of price supports, the abolition of which will not be possible to a full extent under the present conditions. Immediate reactions on the prices for foodstuffs and new rises in wages would be the consequence. The policy of supporting prices must not be omitted when the system of subsidies is altered. [Since the fifth Wage and Price Agreement of July 1951 the existing method of financing important consumption goods was taken over from counterpart funds by the budget. Thus, there are still considerable budgetary expenditures under this title. They amount per year to about 40 million schillings for the support of domestic bread-grain prices, 366.5 million schillings for foreign bread-grains, 555.75 million schillings for fodder, 110 million schillings for fertilizers and 135 million schillings for raw materials of fats needed by the margarine industry. The term for supporting the prices of domestic bread grains (15 groschen per kilo) already has expired. The remaining subsidies will expire with the end of June. Discussions with the aim of continuing these subsidies are not yet finished. They tend, above all, to stimulate production by adequate prices.]

652 Already in the preceding year the stabili-
[453] zation of the money value was prepared to a considerable extent. Measures of this type were: the introduction of the quantitative and qualitative control of credits; the increase of the bank rate from 3 1/2
[435] per cent to 5 per cent; and the lowering of prices, started by private industry of its own volition--this latter measure applying to about 80 categories of goods. This materially and psychologically important premise of an organic policy for stabilization must be supplemented by an adequate budgetary policy. It cannot be denied that the measures which were taken in the preceding year had already brought about signifi-
● 454 cant results. The savings increased considerably in
652 the first two months of the present year; they rose from 2,275.1 million schillings (checking account deposits 8,898.7 million) to 2,619.5 million schillings

(checking account deposits: 8,731.9 million schillings) from December 1951 until the end of February 1952. This development must not only be evaluated absolutely, but also as a positive symptom. 652 [454]

Single measures require careful coordination as they effect a number of economic laws (foreign trade law, raw materials allocation law, price control regulations, etc.) and also, in the final analysis, international developments. (The above mentioned laws will expire on June 30, 1952.) They laid the principles for various control measures.

The decisions taken by the OEEC (of which Austria is a member) resulted in a number of recommendations to the member states; the observance of these will be of essential importance for an eventual continuation of foreign aid to single countries. They not only provide for the extension of European production by 25 per cent in the next five years but stress especially the maintenance of "financial stability." This means an increase of productivity, the balancing of the dollar balances and the expanding of agricultural potentialities. How important the establishment of a financial balance is felt to be the carrying out of the total programs is best seen by the decision of the Committee of Ministers to examine the internal financial condition of the single countries by a special committee of experts. These periodic evaluations of the total conditions in the United States and in Canada as well as in the European countries are to form the basis for adjusting the common economic policy. It is expected that the American and Canadian governments will accept the decisions of this committee; thus, for the first time the OEEC extends its activities, which were up to now restricted to western Europe, to North America, thereby introducing a new era of international cooperation. 000

The Marshall Plan is about to end. We already can see the contours of the principles of a new economic cooperation. While the ERP was based mainly on grants (gratis aid deliveries) to give European production a start, there will be in this second stage a restricted convertibility of foreign currencies through the medium of the EPU. In its third stage, trade policy liberalization will be approached with the aim of a unified European market. Thus, in a fourth stage, the principle of an international credit standing will again be achieved in

READJUSTMENT AND CONSOLIDATION

UNEMPLOYMENT[1]

(000's omitted)

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	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1923	161	167	152	132	107	92	87	83	78	75	79	98
1924	119	125	106	82	68	63	66	74	77	89	113	154

The situation was aggravated particularly by the shortage of capital for industry. An enormous speculative boom swept the stock exchange in 1923 and early in 1924. Industrial shares which had been neglected in the uncertain period of inflation were now eagerly taken up and funds were increasingly drawn into the financial sphere. Since private saving had fallen to negligible levels the rate of interest charged to industry was excessive. Interest rates on first-class overdrafts reached the absurdly high level of 22 per cent in 1924, and even in 1925 they still stood at 15½ per cent. The cost of credit was also raised by the monopolistic policy of the bank cartel which fixed the rates and left a margin of 7½ to 9½ per cent between rates paid and charged. As Austrian industry was largely owned and controlled by the banks, and also dependent on them for short-term credit, industrial interests were often subordinated to "orthodox" financial considerations. 454 455

Some relief was afforded by foreign loans. These were attracted by the high rates of interest and were usually obtainable on more favourable terms. The main drawback on this score was that—apart from loans to local authorities, public utilities and very big firms—it was only short-term credits which were offered, while what was needed at that time were long-term credits for industry. Indeed, once the monetary systems of the central and eastern European states were stabilized the *political* interest in their reconstruction ceased in the Western 457

[1] [CP CATEGORY 116, PAGE 50 -- ANALYST]

Of the total amount of 2,161.098 million schillings, 2,143.098 schillings were released from ECA counterpart accounts and 18 million schillings (for Federal theaters) from non-ECA accounts. 652 454

It should be explained that during the last part of 1950 a change in the accounting procedure of releases occurred. While previously the actual debit of the account immediately followed the publication of the release, this was no longer the case during the second half of 1950. The charging of the account and the payment of amounts now occurs in installments, partly for reasons of administration and partly for reasons of currency policies. Thus, for example, at the end of the first half of 1950, 100 million schillings were released for the construction of buildings. However, payments were effected only during the third (75 million schillings) and fourth (25 million schillings) quarters. Of the amount of 1.2 billion schillings released during the first few days of September 1950 only 88 million schillings had been charged at the end of the third quarter. Of the funds released in September some were not charged to the account even at the end of the year. The December release amounting to 700 million schillings (published before Christmas) was still on account at the end of 1950. Therefore the published releases are limited releases needing special "Release Letters" to receive payment. [451]

b) Money and capital market.

The essential part which counterpart funds (Marshall Plan aid) play in financing reconstruction and replenishment needs becomes especially obvious if the Austrian capital market conditions, which is slowly gaining momentum after capital losses sustained during the last decade, are duly taken into account. The 1950 annual report of the Vienna Stock Exchange indicates that the expectations held at the opening of the exchange in 1948 were only partly achieved at the end of 1950. The turnover in 1950 amounted only to slightly over 654.5 million schillings (at traded prices) of which 191.3 million schillings represented trading in government bonds, 282.2 million schillings in various other bond issues and not quite 179 million schillings in shares. Thus the market in stocks (the following detail reflects the necessity of interim financing of industrial monetary needs) developed a bearish trend although most of the corporations resumed dividend payments (depreciations averaging 25 per cent). Under pressure especially were the shares of "nationalized" 454 652 455

454 corporations reflecting open problems to be solved by the state treaty (German property, compensations, etc.). The combined index of free and nationalized enterprises bears out the development sketched above. There is a decrease from 363 in 1948 (March 1938 = 100) to 309.7 in 1949 and 244.7 in 1950, although the [434] purchasing power of money decreased from 1938 to 1950 by 5/6.

Under these circumstances it is not surprising that the stock exchange presently plays a small role in the raising of capital and the placement of new shares in the capital market. Thus, for example, during 1950 only four corporations increased their capital: The Österreichische Brown Bovery A. G. (from 2.4 to 3 million schillings), the Brauerei Schwechat A. G. (from 20.83 to 21 million schillings), the Semperit A. G. (from 10 to 30 million schillings) and the Wagner Biro Maschinenfabriken A. G. (from 5 to 10 million schillings).

[455] A similar situation prevailed in the bond market. The report of the Vienna Stock Exchange states: "In April 1950, when the 5 per cent Reconstruction Loan of 1949 was listed on the exchange at 85 (subscribed up to 324.6 million schillings), the investment market had partially adjusted itself to the prevailing new interest rates. Issues of the provinces and municipalities, generally bearing interest at a rate of 4 per cent, decreased in value from 100 per cent to 92 per cent. The market in debentures (up to the end of 1950 debentures and municipal bonds amounting to 596.4 million schillings at par were circulating) had to overcome certain difficulties, since it is based on a 4 per cent interest rate and the change of quotations in connection with the credit extension to debtors represents a difficult problem...." During the summer months of 1950 a new type of debentures appeared. They matured after 6 years (previously they had been 40-50 years) with which, naturally, only credits extending for an approximately similar period of time could be financed. The amounts derived from such issues were primarily used for public investments.

It is a fact that presently bonds are quoted below par value since, besides the above-mentioned reasons, the scope of buyers is a rather limited one. From September 30, 1948 (the first time after the currency reform that particulars about the circulation of debentures and municipal bonds were published) to the end of 1950 only 95 million schillings in debenture bonds and

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(000's omitted)

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The situation was aggravated particularly by the shortage of capital for industry. An enormous speculative boom swept the stock exchange in 1923 and early in 1924. Industrial shares which had been neglected in the uncertain period of inflation were now eagerly taken up and funds were increasingly drawn into the financial sphere. Since private saving had fallen to negligible levels the rate of interest charged to industry was excessive. Interest rates on first-class overdrafts reached the absurdly high level of 22 per cent in 1924, and even in 1925 they still stood at 15½ per cent. The cost of credit was also raised by the monopolistic policy of the bank cartel which fixed the rates and left a margin of 7½ to 9½ per cent between rates paid and charged. As Austrian industry was largely owned and controlled by the banks, and also dependent on them for short-term credit, industrial interests were often subordinated to "orthodox" financial considerations. 454 455

Some relief was afforded by foreign loans. These were attracted by the high rates of interest and were usually obtainable on more favourable terms. The main drawback on this score was that—apart from loans to local authorities, public utilities and very big firms—it was only short-term credits which were offered, while what was needed at that time were long-term credits for industry. Indeed, once the monetary systems of the central and eastern European states were stabilized the *political* interest in their reconstruction ceased in the Western 457

1 [CP CATEGORY 1/6, PAGE 50 -- ANALYST]

Other developments, however, combined to play into the hands of the extreme elements on both sides. Economic conditions, for instance, contributed towards the growth of revolutionary tendencies, and the desire for desperate remedies, among the working classes; while among the propertied classes, increases in taxation, especially those imposed by the Vienna Socialist municipality, sharpened aristocratic yearnings for a return to pre-war conditions. 665 669

The control exercised by foreign Powers over Austrian economic and foreign policy also served to bring the whole system of parliamentary democracy into disrepute. This form of government was, as has been pointed out, in any case regarded by the extreme groups on both sides as a temporary expedient, and such an attitude grew more and more prevalent when it became apparent that parliamentary democracy was nothing more than a façade behind which Austria's foreign creditors worked their will. Again, economic conditions sharpened the already existing antagonism between the Provinces and Vienna. And, because economic necessity made imperative a modification of the federal structure of Austria, the hostility of the conservative peasants and land-owning classes forced into closer relationship with Vienna found partial expression in movements like the *Heimwehr*. The history of Austria from 1927 till 1934 is the story of force feeding upon force. Both antagonists armed because their rivals did so, although the moderates on both sides were willing to disarm if the other party would do so first. [457]

The turning-point came with the splitting-up of the *Bürgerblock* in the 1930 elections, for with the defection of the Schober group the main body of the party was compelled to turn to extreme right-wing elements for support in its struggle against the Social Democrats. The anti-socialist front tended to split up more and more as time went on, for, after the failure of the attempted *Anschluss* in 1931, the German Nationalists began to drift right away into the Nazi camp, leaving their erstwhile allies with no alternative to the *Heimwehr*. Thus the divisions in Christian Socialist ranks, though they gave temporary encouragement to the Social Democrats, were in reality 665 669 666

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

food production was Austria's most urgent need. When UNRRA started operations the prospects were not at all good. A large part of the seed reserves had been used up as food. Practically no artificial fertilizers were available. There was a lack of farm implements and tractors, all of which had been worked hard during the War. In the chief grain-growing areas of the Soviet zone there was a serious lack of livestock, most of the horses and cattle having been driven west by the Germans before the advancing Russian army. UNRRA spent $18,818,600 on agricultural supplies: about $4·5 million on machinery, $2 million on fertilizers, and more than $10 million on seeds.

After these two main items had been covered, comparatively little money remained over for other requirements. $6,492,400 were spent on industrial rehabilitation, mostly on raw materials, transport, and communications; $1,789,400 on clothing, and $1,706,200 on medical supplies.

UNRRA'S main effort in Austria was spent on short-term needs. The emphasis was on relief rather than rehabilitation, when the country's fundamental need was to build up its food production and purchasing power. Yet, given UNRRA's limited resources, the choice made was inevitable. The non-agricultural population was on the verge of starvation, and the health of the people as a whole was the essential condition of further progress towards recovery. The second stage in Austria's economic revival was a matter of long-term planning and was made possible by Marshall Aid. UNRRA laid the necessary foundations.

By the autumn of 1946 it became clear that UNRRA aid could not last much beyond the end of the year. In November the Federal Chancellor sent a letter to the Allied Council asking for foreign credits to help meet the deficit for 1947, which the Government estimated at $178 million.

The first country to respond to this request was Britain. Towards the end of 1946 the British Government agreed to make available £8,500,000 sterling for relief and reconstruction and a further £1,500,000 as a commercial credit for the

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

648 purchase of raw wool. During the course of 1947 about
457 £4 million worth of surplus British military supplies was also handed over to Austria.

That Britain set an example at this critical juncture is a fact that has not been forgotten by Austrian statesmen. Yet it was clear that the United States alone had the resources to provide assistance on the scale that was required. Generous American help was soon forthcoming. In the first place, a special War Department grant, intended for the American zone, was made available for the whole of Austria. In February 1947 Herbert Hoover visited Vienna to investigate the food situation as President Truman's Special Representative. In a subsequent report he recommended a post-UNRRA relief programme lasting until July 1948, and Congress voted special funds for the purpose. Over $15 million worth of surplus American military supplies was also made available to the Austrians. The help received by Austria from the United States under all these headings during the course of 1947 reached a total of over $100 million, and it was continued during 1948 until the beginning of Marshall Aid.

The Canadian Government provided assistance to the value of $3,400,000, and valuable consignments of food were also received from the Norwegian and Irish Governments.

Austria was thus dependent on supplies direct from the Allies both before and after the period of UNRRA administration, and the greater part of them were provided by the United States and Great Britain. The importance of this contribution to the Austrian economy can hardly be exaggerated, the amount supplied being considerably more than the total UNRRA deliveries. In 1947 only 1 per cent of the rations of Austria's non-agricultural population was covered by commercial imports, although nearly two-thirds of them were imported. Over 60 per cent therefore came from outside sources, and UNRRA itself had ceased operations in Austria by the middle of the year.

434 During the post-UNRRA period the ration situation considerably improved. In the second half of 1947 the basic ration

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was raised successively to 1,600 and 1,700 calories a day. In June 1948 it went up to 1,800, and the following September to 2,100. Between December 1947 and December 1948 black-market food prices fell from 64 per cent to 15 per cent of the figures for January 1946. This meant that it was at last reasonable to devote a smaller proportion of foreign aid to foodstuffs and a greater amount to economic rehabilitation. Of the £8,500,000 provided by Britain, less than £1,500,000 was spent on food, about the same amount on agriculture, £2 million on coal, and over £3 million on the most urgent industrial needs. Of the American Congress aid allocated for the first half of 1948 just under 60 per cent was devoted to food and just under 40 per cent to agriculture and coal, which was of such vital importance to industry.

The administrative responsibilities of the British and Americans in Austria made them highly sensitive to the country's needs. In spite of the obvious drawbacks of the occupation, there were certain advantages for Austria during the first precarious post-War years in the presence of the Western Allies on her territory. Without them the process of rebuilding the administration and economy after the collapse of the Nazi system would almost certainly have been accompanied by even more acute material shortages than those that were actually experienced.

Though the Austrian basic ration did not rise above 1,600 calories a day until November 1947, the minimum physiological needs of the normal consumer have been estimated at 2,160 calories. It might have been expected, therefore, that the results of so long a period of under-nourishment after the strain of the War would have been far worse than they actually were. One reason why they were not has already been mentioned: a large number of people resorted to the black market. But there were two other explanations.

During 1947 there were approximately 5 million Austrians in the rationed, as opposed to the self-supplying, category. Of these only about 2 million were normal consumers in receipt of basic rations. All the rest, either as employees, workers,

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In making up their minds with regard to the Nazi legacy, the planners were influenced by all the various considerations that have just been described: the iron and steel works and the nitrogen plant at Linz, the aluminium works at Ranshofen were all in Western Austria and in the American zone; they were large nationalized industries, and their products were in great demand under post-War conditions. In addition, they were modern, they represented a large capital outlay, and they employed between 10,000 and 15,000 men. Closing them down, therefore, in deference to any long-term economic theory, could not seriously be considered. In determining the lines on which they should be developed, however, the future balance of the Austrian economy would have to be borne in mind.

Austria benefited under the European Recovery Programme in three different ways: through 'direct aid', 'indirect aid', and the use of the 'counterpart fund'. Every year the United States Government allocated to Austria a sum of money in dollars to cover the import of essential goods against dollars from the Western hemisphere. This was known as 'direct' or 'unconditional aid'. In special cases, dollars allotted in this way could be used for obtaining goods from countries not taking part in the recovery programme—for example, coal from Poland. Secondly, Austria was granted drawing rights to import goods from other European countries with which she had an unfavourable balance of trade, on the understanding that the country concerned would obtain payment in dollars from the United States. This was known as 'indirect' or 'conditional aid'. Its object was to stimulate trade between the participating countries and enable them to resume commercial contacts with their traditional suppliers and customers. Thirdly, goods brought into Austria with the aid of ERP dollars were paid for by the recipients in Austrian schillings, which were handed over to the Government and paid in to a special 'counterpart' account with the National Bank. The schillings that accumulated in this way could be used for two purposes only: productive investment for the benefit of the Austrian economy

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and measures for the stabilization of the currency. Proposals were put forward by the Austrian Government, but required the approval of the Economic Co-operation Administration, tne highest administrative authority controlling the European Recovery Programme, which had its headquarters in Washington.

Under this whole system the greater part of the dollars made available by the United States were used to provide Austria with essential food and raw materials. At the same time a large proportion of the schilling equivalent of the dollars could be devoted to long-term projects that would strengthen the country's economy.

In dealing with the recovery programme in detail, it will be convenient to divide up the Austrian economy under eight main headings and treat each of the following separately: (i) agriculture, (ii) forestry and dependent industries, (iii) heavy industries, (iv) other manufactures, (v) fuel and power, (vi) minerals not covered under (iii) and (v), (vii) communications, (viii) the tourist industry. The division is rough and arbitrary, and the headings imply some overlapping, but it is an over-simplification convenient for dealing with a large and complicated subject in a limited space.

As has been seen, Austrian agriculture was in a lamentable state when Marshall Aid began. If food production could be increased and Austria became less dependent on imports, a considerable contribution would be made to improving her trade balance. Yet for several reasons agriculture was not a branch of economy that could easily be improved by foreign assistance. The great majority of the farms were small. The peasants were conservative and difficult to influence. Two of their main problems were lack of labour and the low level of agricultural prices, and these were problems that had to be solved by the Austrian Government itself.

The target was set, however, of restoring production to the pre-War level by 1953. Seeds, farm machinery, and feeding-stuffs were to be supplied. Above all, a much greater use of artificial fertilizer was to be encouraged. Before the War

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Germany used thirteen times as much per acre as Austria; 241
Holland sixteen times as much. There was great scope, there- 185
fore, for increased use. Austria now had her own production plant, and the price of imported fertilizer had scarcely risen half as much as food prices. The programme suggested that by 1953 over four times as much should be used as in 1937, and even then the economic optimum point would nowhere near have been reached.

The significance of Austria's forests is shown by the fact 313
that between the Wars they provided a livelihood, directly or indirectly, for about one-sixth of the population. Lumber exports amounted in value to over 10 per cent of the country's total and, together with the exports of the dependent paper and cellulose industries, just about paid for Austria's most important food imports. After the War the forests were suffering from the excessive felling that had been carried out systematically during the past few years and from the fact that it had taken place in the more accessible areas. This double injury could only be put right by a policy of restraint extending over a number of years: by reducing cutting, and by concentrating on the less accessible, and therefore the less economic areas. In consequence the fundamental cure was, to a great extent, beyond the scope of the recovery programme. But the timber, paper, and 289
cellulose industries had one feature in common: their equipment was very largely out-of-date and inefficient. Judged by modern standards, the methods employed in forestry and the timber industry were still primitive. The sawmills were mostly on a very small scale and could not be compared in efficiency with large up-to-date enterprises in other countries. The consumption of coal in Austrian cellulose factories was about one ton for every ton of cellulose produced, whereas a good Swedish factory used less than a third of the amount. Much of the equipment in the paper-mills was so obsolete that the competitive power of the Austrian paper industry in world markets was being undermined. Here ERP resources could be of great [457]
assistance, and funds were allocated for the introduction of modern equipment and modern methods into all three industries.

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185 387 markets, ammonium sulphate being more valuable and more suitable as a fertilizer for certain climates than ammonium nitrate.

185 398 The Steyr-Daimler-Puch Company was to be assisted in its programme of concentrating on products of special value to the national economy. The production of motor-cycles, cycles, and ball-bearings was continued, but at its main Steyr works the chief output consisted of diesel trucks, tractors, and omnibuses. An arrangement was made with the Italian Fiat Company by which Fiat passenger cars were to be assembled at Steyr, but no attempt was made to embark on the highly competitive passenger automobile production.

185 457 This comprehensive programme for the heavy industries involved a very large expenditure, and it was not surprising that in 1949 and 1950 nearly half the counterpart funds allotted for industrial purposes were devoted to the iron and steel industries alone.

Compared with the very significant help given under the European Recovery Programme to the heavy industries and the paper industry, Austria's other manufactures, most of which produced consumer goods, were, with the exception of textiles, largely neglected. Before the War about 75 per cent of Austria's industrial workers were employed in concerns in which there were less than 100 employees. Large enterprises played a bigger part in the country's post-War economy, but one of the reasons why the consumer-goods industries were neglected was that they were mostly still on a comparatively small scale. It was therefore difficult to organize assistance for them, and at the same time they lacked effective champions. Another reason was that they had, on the whole, suffered less from war damage. Apart from textiles, the manufactures that came off best were the electrical industries, which had lost a high proportion of their equipment from dismantling and had subsequently been nationalized. The ERP plan for Austria set out to raise the production of heavy industries in four years to 160 per cent of the 1937 level, while the target for consumer-goods industries was only 110 per cent of the 1937

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figure. By the autumn of 1951 the small crafts, which employed nearly as many people as industry, had received only 14 million schillings from the counterpart fund, which was only 0·4 per cent of the total. 185 457

There was no branch of the Austrian economy in which the need for capital investment was greater than in fuel and power. Nor was there any branch to which the allocation of available funds would be the subject of less controversy. The Austrian Republic's shortage of coal, which had always been serious, was more acute than ever, owing to the development of the iron and steel industry. And Poland and Czechoslovakia, Austria's traditional suppliers, were now in the Russian orbit, and charged excessive prices for such coal as they were prepared to deliver. At the same time the country had vast potential sources of hydro-electric power, which only required capital for their development. It was most important that the development should take place both to economize consumption of coal and to satisfy the growing demands for electric current of Austrian industry and the Austrian people. 433

Austria's oil-fields were her main resources in mineral fuel, but, being under Russian control, they did not fall within the scope of the recovery programme. Her coal-mines, which produce 95 per cent lignite, could only satisfy between 25 and 30 per cent of her requirements in 1948 and 1949. As a result of forced production during the War and neglect of new development, the coal was difficult and expensive to work, and the output per miner was only three-quarters of the pre-War level, although the miners' own record had been excellent. [316]

The production of hydro-electric current increased steadily during the War, until in 1944 it had more than doubled. In 1945, owing to the serious disorganization that accompanied the end of hostilities, output fell off considerably, but between 1945 and 1948 it rose from 2·51 billion kilowatt-hours to 4·45 billion. The steam-driven power-plants, so important for the maintenance of winter supplies, had suffered severe damage during the War, especially at Linz, and were not back in full production by 1948. Meanwhile the growing importance of 433 377

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433 electricity to the Austrian economy was shown by the fact that
377 domestic consumption per household had increased by 60 per cent between 1938 and 1947. In 1947, also, Austria exported nearly a quarter of its total current production and stood second amongst European countries as an exporter of electric power.

433 Substantial ERP funds were allocated to the coal-mines for
457 new development and modernization of equipment with the object of increasing productivity. Aid was also given in the reconstruction of the damaged steam-driven electric power-stations, and in the building of new stations in the neighbourhood of the lignite fields. But the bulk of assistance in the sphere of fuel and power was naturally devoted to the development of hydro-electric resources.

165 Austria's total potential hydro-electric power production is estimated at not less than 30 million kilowatt-hours a year,
371 more than five times the present output. The possibilities
457 were already realized in some measure before the end of the nineteenth century, and development between the Wars was help up mainly owing to lack of domestic and foreign capital on the large scale required. The European Recovery Programme offered a great opportunity, which was not likely to recur, and at the Paris Conference which considered the Marshall offer in the summer of 1947 the Austrian delegation began at once to consider proposals for electric power development. By the following year a general plan had been drawn up that aimed at doubling production in the ten years starting with 1948.

ERP support was limited to four years, but provided for the generous allocation of counterpart funds both for the completion of plants under construction and for the initiation of new works. The programme covered projects in all of the six provinces under the Western Allies, but was confined to them. The great plant planned at Ybbs-Persenbeug on the Danube in Lower Austria, with a potential output of a billion kilowatt-hours a year, had to be left out, because it was in the Russian zone. Major projects in Western Austria included those on the Ill in the Vorarlberg, on the Drau in Carinthia, and on the Enns, the Inn, and the Danube in Upper Austria. The new

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works begun at Braunau on the Inn and at Jochenstein on the Danube were undertaken in collaboration with Western Germany. Most important of all were the power-stations dependent on water stored in great mountain reservoirs, such as those at Achensee in the Tyrol and at Kaprun in Salzburg. This type had the great advantage of being able to reserve its major output for the winter months, when hydro-electric current was in short supply. If they were developed on a sufficiently large scale, it would be possible to reduce the number of steam-driven plants, and so economize coal.

Of all the hydro-electric projects in process of construction, Kaprun was the most significant for the Austrian economy as a whole. Three great reservoirs were to be created at different levels by the construction of a series of dams, the top two reservoirs being connected by a conduit through the mountains nearly twelve kilometres long. When the work is completed, the annual production of current will be 620 million kilowatt-hours, of which 460 million will be produced in winter.

After iron, oil, and coal, the most valuable of Austria's mineral resources at present being utilized is magnesite. The magnesite industry did not suffer seriously from the War, and after a temporary setback, owing to the coal and power shortage in 1946–7, had regained the pre-War level of production by 1948. The greater part of the magnesite produced was exported, some of it to the United States. As a dollar-earner, therefore it was important that the efficiency of the industry should be maintained and its production increased. The bulk of the capital required for modernization was provided by the industry itself, though an allocation was made from counterpart funds as well.

Austria also has small deposits of copper, lead, zinc, and subsidiary metals. Under normal conditions their development could hardly be justified economically in competition with the world's main sources of supply. But for two reasons a good deal of attention has been paid to them since the War: they provide materials essential for the important electrical industry, and Austria has not had the foreign exchange necessary to

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316 buy freely in the cheapest market. The main purpose of the counterpart funds allotted to the development and modernization of mines and refineries, therefore, has been to save foreign exchange, with the possibility of increasing the exports of finished products as a secondary incentive.

457

497 The railways have always played a part of special significance in the Austrian Republic's economy. When the Habsburg Empire fell apart, Vienna remained an important centre of communications linking up Western Europe with the Succession States and the Balkans. Between the Wars the international transit services carried out by the Austrian railways between East and West, and North and South, were an important source of national revenue. After the tourist industry they were the main means on which Austria relied to reduce her trade deficit.

After the Second World War the amount of transit traffic through Austria fell off considerably for two main reasons. In the first place, there was a sharp decline in trade and travel between the Iron Curtain countries and the West. Secondly, war damage, lack of coal, wholesale confiscation of rolling-stock by the Russians, and the failure of Hungary and other satellite countries to return trucks sent across the border seriously reduced the efficiency of the services the Austrian railways could offer. Traffic between Switzerland, on the one hand, and Poland and Czechoslovakia, on the other, was diverted from Austria to Germany.

The Austrian railways have come in for a good deal of criticism since the War, and from a first glance at their annual balance-sheets the criticisms appear to be justified. A series of losses culminated in a deficit of approximately one and a half billion schillings in 1951, which meant that every Austrian would have to pay about 200 schillings to make up the deficiency. Yet a superficial judgement in this case is unfair. The railways unquestionably required to be reorganized and rationalized. But, apart from the losses and damage resulting from the War, they were suffering from a number of adverse circumstances that were not always taken into account.

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The German authorities raised the number of employees to over 100,000 during the War, compared with 57,000 in 1937, and owing to the difficult conditions of the immediate post-War years, this excessive figure was only slowly reduced. By 1950 it was down to about 80,000, but only at the expense of increasing the number of pensioners, who in that year actually exceeded the employees by nearly 4,000. This disproportionate burden in respect of pensions, which accounted for nearly a third of the budget, was due to the political changes both in 1945 and 1918, no less than 15,000 of the pensioners being German-speaking employees who were dismissed when the Habsburg Empire broke up.

The railways also suffered from the competition of road, river, and air transport, all of which were in receipt of large, mostly concealed subsidies in the form of road construction and repairs and the building and maintenance of wharves and aerodromes. The rivalry of road vehicles was particularly severe, the number of lorries and trailers in the autumn of 1949 exceeding the 1937 figures by nearly 300 and 900 per cent respectively.

A third factor that contributed to the heavy deficit was the comparatively small increase in fares that had occurred since before the War. In the summer of 1951 the passenger and freight fares were only 195 per cent and 285 per cent of the 1937 figures, whereas the rise in the general price level amounted to about 700 per cent. As the railways were subsidized directly, and road transport indirectly, in neither case was the principle respected that those who use transport services should pay for them.

In spite of the serious position of the Austrian railways after the War, they remained by far the greatest single economic enterprise in the country, and their potential contribution to the balance of trade in happier times was considerable. A substantial allocation was therefore made to them from counterpart funds. It was to be used for two main purposes: to repair war damage and to extend electrification. The electrification programme of the between-War period had resulted in 990

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497 kilometres of track being electrified and in the annual saving
457 of 300,000 tons of hard coal. The new programme worked out under the stimulus of ERP aid would mean saving a further 700,000 tons of imported coal. Quite apart, therefore, from the possibility of recovering transit traffic in the future, the new developments would lead to a substantial economy in foreign exchange.

727 In 1936–7 about 80 per cent of Austria's trade deficit had been covered by the earnings of the tourist industry. After the
484 War some years were to elapse before the number of foreign visitors approached the pre-War figure. There were several reasons for this. The total war damage suffered by the industry was estimated at 270 million schillings in terms of 1937 prices and at about 1,500 million schillings with the schilling at its 1950 value. Out of 200,000 beds available for tourists in 1937, 80,000 were lost, of which half had been suitable for foreign visitors. Accommodation for a further 30,000 was requisitioned by the occupying Powers in the early post-War years. In addition, serious obstacles were presented by the food shortage and the difficulty of obtaining passes for entering the country and for crossing the zonal boundaries.

484 Efforts were made both by the Austrians and the Western Allies to establish the conditions necessary for the revival of
457 the industry. In October 1946 an Austrian organization was established for this purpose. In 1947 arrangements were made by which food was purchased abroad in order to provide foreign tourists with rations on a basis of 4,600 calories a day without depleting the limited Austrian supplies. The following year the Austrian Government was made responsible for the issue of visas to intending visitors, and the visitors, once in the country, were free to move about between the different zones. Yet, in spite of these measures, progress was slow. In 1947–8 the volume of foreign tourists, measured both in numbers and length of stay, amounted to only about 12 per cent of the 1936–7 figure, and in terms of foreign exchange earnings the comparative value was considerably less.

The ERP planners recognized the vital importance of the

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tourist industry in Austria, though it was not until 1950 that a substantial allocation of counterpart funds was first made. Help was needed for the rebuilding and modernization of hotel accommodation, for the construction of ski-lifts and cable railways in mountain resorts, and for the establishment of publicity offices and information centres abroad. The number of tourists from East and South-east Europe had fallen off considerably, while visitors from Italy, Western Europe, and North America were increasing. This meant that post-War tourists from abroad, on the whole, expected a higher standard of comfort and amenities than had been available in the past.

From an economic standpoint no country had a greater need than Austria for the assistance made available under the European Recovery Programme. In few countries, moreover, was the establishment of a sound economy as important from a political point of view. That these two considerations were appreciated by the Economic Co-operation Administration in Washington is shown by the fact that during the first year of Marshall Aid, Austria received a higher allocation per head than any other country. In the second year its share per head was exceeded by Holland only.

The establishment of the counterpart account made it possible for Austria to embark on a much larger investment programme than had previously been possible, at a time when war damage and the legacy of incomplete heavy industrial plant made such a programme particularly desirable. In 1937 only 6 per cent of the national income had been devoted to investment, while in the ERP years the percentage varied between 17 and 21. In the allocation of funds preference was given to projects which promised to improve Austria's trade balance within a short space of time, but this main principle had to be combined with the need to round off and complete, as far as seemed expedient, the great installations that had been left unfinished at the end of the War.

Direct aid was used at first mainly to import food and the raw materials necessary to enable domestic industry to resume production. As the general situation improved, it was possible

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457 439 to increase the proportion of raw materials imported and to help production by bringing in machinery and industrial equipment.

The following figures show the total assistance given up to the end of June 1952 under the three categories and some of the main purposes [1] to which it was directed:—

	$1,000
A. Total Authorizations under Direct Aid [2]	632,401
Actual imports under Direct Aid include:—	
Food	248,579
Agriculture	64,047
Including:—	
Corn for Feeding	54,168
Fertilizers	5,642
Industry	148,083
Investments (Machinery)	50,042
Raw Materials	98,041
Including:—	
Wool	5,012
Cotton	41,161
Hides	8,707
457 454 B. Total Drawing Rights Granted under Indirect Aid	277,300

	Millions of Schillings
C. Total Releases from the ERP Counterpart Account [3]	8,036·3
Allocations include:—	
Government Investments	1,451·9
Including:—	
Federal Railways	796·4
Post and Telegraph Services	203·7
Roads and Bridges	174·4
Agriculture and Forestry	52·7
Federal Forests	32·6

[1] Only details relevant to this chapter have been chosen.

[2] Prepared by the Austrian Institute of Economic Research from statistics of the Central Bureau for ERP Affairs; 31 March 1952.

[3] Figures prepared by the Austrian Institute of Economic Research.

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	Millions of Schillings
Allocations include (*contd.*):—	
Industrial Investments	4,113·1
Electric Power	1,424·3
Coal-mining	226·0
Other Mining	25·7
Primary Iron and Steel Industry	827·7
Non-ferrous Metals Industry	126·2
Electrical Engineering	85·1
Chemical Industry	174·4
Secondary Iron and Metal Industry	215·1
Textile Industry	214·0
Woodworking Industry	121·3
Paper Industry	533·2
Leather and Leather Goods Industry	6·9
Special Recovery Programme	1,467·0
Agriculture	719·7
Forestry	156·3
Tourism	256·7

In May 1948 an ERP Central Office was set up in Vienna and made responsible to the Minister for Foreign Affairs. In December 1949 the economist, Professor Wilhelm Taucher, who had been Minister of Trade before the War, was put in charge of it, and the office then became part of the Federal Chancellery.

It became clear to all those responsible for administering Marshall Aid in Austria that the fundamental need of the Austrian economy was to improve the efficiency of production, or increase 'productivity' in the specialized sense of the term. Only in this way could Austrian goods compete successfully in world markets. It was therefore decided in April 1950 to establish an Austrian Productivity Centre with the task of doing everything possible both by study and practical measures to increase productivity in all branches of the Austrian economy. Professor Taucher became president of the Centre.

The productivity of the whole Austrian economy after the War was lamentably low. In 1947 it was estimated to be

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cerned to increase the efficiency of all branches of the national 000
economy.

Marshall Aid resulted almost at once in a marked acceleration in the rate of Austrian recovery. Whereas industrial 433
production was only about 43 per cent of the 1937 figure in 457
1946 and only rose to 56 per cent in 1947, in 1948 it jumped to 92 per cent, in 1949 to 123, and in 1950 to 145. After this the rate declined, partly because the return to more normal conditions made any further acceleration impossible and partly because the outbreak of the Korean War, by increasing the price of raw materials, reduced by a third the real value of ERP dollar payments to Austria.

By the end of 1951 the extent of Austria's recovery was impressive, and it could not possibly have been achieved without the steady, well-planned assistance on a vast scale that Marshall Aid implied.

The Austrian gross national product in 1951 had more than 433
doubled since 1946 and was approximately 18 per cent above the pre-War level. Industrial production had risen to 165 per cent of the 1937 figure, while agricultural production, having risen from 56 per cent in 1947 to 90 per cent in 1950, remained at about the same level in 1951. Industrial productivity was more than doubled between 1947 and 1951, and in the winter of 1951–2 stood approximately at the 1937 level.

These figures taken on their own, however, are somewhat 434
misleading. For two reasons the real per capita income and the standard of living of the Austrian people were still slightly short of the pre-War level at the end of 1951, although probably about three times as high as they had been immediately after the War. The population had increased by more than 2 per cent, and there were therefore more mouths to feed than there had been in 1937. In addition, a much higher proportion of the national income was being invested than before. After four years of Marshall Aid the average Austrian was eating little more than a third of the quantity of meat eaten by the average American.

If the different branches of the Austrian economy are 000

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496 With the help of counterpart funds the war damage suffered by the Austrian railways had practically been made good by the end of 1949. Steady progress was also made with the programme of electrification. By December 1952 the electrification of the main line between Vienna and the Vorarlberg was complete, and 22 per cent of Austria's whole railway system, or about 1,350 kilometres of track, had been electrified. During 1951 receipts for international transit services carried out by the railways covered 6·8 per cent of the country's total trade deficit (including imports under ERP).[1]

484 The tourist industry recovered rapidly with ERP assistance and the return of more normal conditions. In 1951 Austria was visited by about 1,200,000 foreigners, and the number of nights spent in the country by foreign tourists rose to 5,712,023 from 920,555 in 1948. The increase continued the folllowing year. The industry was stimulated considerably in the summer of 1951, by the decision of the Western Allies, in conjunction with the Austrian Government, to allow the entry of Germans into Austria from the West German Republic without special documentation. As a result, West Germany provided by far the most tourists in 1951, and it was followed by Britain, Italy, Switzerland, and France. Interesting developments about the same time were the increasing number of visitors from the West to Vienna and resorts in the Russian zone and the rise in the number of tourists from Yugoslavia.

84 Although the total volume of foreign tourists measured in
457 numbers and length of stay amounted in the tourist year 1951–2 to about 93 per cent of the 1937 figure, the total earnings in foreign exchange were about $22·5 million, compared with $41·1 million in 1937, when the real value of the dollar was about twice as much. The industry thus covered only 19 per cent of the country's total trade deficit compared with 80 per cent in 1936–7. This unfavourable disproportion in receipts was due partly to a change in the type of tourist,

[1] The deficit in Austria's balance of trade in 1951 was:—

4,392,425,000 schillings (ERP included),
1,649,723,000 schillings (ERP excluded).

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484 partly to the low Austrian prices, which themselves had contributed to the revival of the tourist industry, but even more to
457 the black-market dealings in foreign exchange, often carried out by the wealthier tourists, which cheated the country of its legitimate earnings.

439 The ultimate test of Austrian recovery, however, was the extent to which the country had approached national solvency. The success of Marshall Aid could best be measured by its effect on the revival of Austria's foreign trade.

Since 1950 the level of Austrian exports has been much more satisfactory than during the preceding three years. Between 1947 and 1951 the volume of exports expressed as a percentage of the 1937 figure rose from 26 to 110. During the same period the volume of commercial imports increased from 24 to 87 per cent of the 1937 level. During the second half of 1950 there was for the first time a surplus of exports over commercial imports, although commercial imports did not nearly cover Austria's total needs, which were still in a large measure satisfied by ERP deliveries.

These results were achieved only as a result of strenuous Austrian efforts in the face of great difficulties.

One of the chief obstacles to trade revival was the loss of markets in East Europe. In the past, Austria's East European customers had been happy to take her consumer goods in return for such vital Austrian requirements as food and coal. But since the War they had been unable to provide Austria with the food that she needed, and, as part of Russia's economic plan for the area, had been endeavouring to build up their heavy industries at the cost of renouncing all imports but basic necessities. In 1937 they had taken nearly half of Austrian textile and clothing exports. In 1950 they took only 7 per cent. What they wanted were such things as steel, aluminium, and cellulose, for which Austria had little difficulty in finding markets and which she was only willing to deliver in return for such goods as food and coal.

Thus Austria had to find markets for her finished products elsewhere. It was not easy to do so in Western Europe, where

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competition was strong. She therefore made a determined effort to develop trading relations with overseas countries, more especially with North and South America, Asia and the Middle East. Commercial treaties were negotiated with the Argentine, Brazil, Uruguay, India, Pakistan, Indonesia, and Turkey, and a trade mission was sent to the Far East. Between 1947 and 1951 Austria's exports to non-European countries just about doubled, and in 1951 amounted to approximately 20 per cent of her total exports.

Yet, in spite of the general improvement, to which Marshall Aid had greatly contributed, Austria's foreign trade position was still far from satisfactory. Every year there was a substantial deficit in the balance of trade. In 1951 it amounted to $201,300,000, and in the first half of 1952 to $121,700,000. The deficits were covered in the early years of Marshall Aid by ERP payments, but, as these payments decreased, this was no longer the case. Furthermore, as has been seen, such invisible exports as the earnings from the tourist industry and railway transit services were very much lower than in pre-War days.

In common with other countries, Austria began to experience difficulties with her export trade in 1951. During the first half of 1952 the volume of her exports dropped by 10 per cent to approximately the level of 1937. This was due partly to the import restrictions imposed by foreign governments, but the main reason was the considerable rise in Austrian costs of production and prices, following the fifth Price-Wage Agreement of July 1951, while prices in other countries remained relatively stable. According to the index drawn up by the Austrian Institute of Economic Research, the prices of Austrian exports rose by 15·8 per cent between June and December 1951, whereas the average rise in export prices of other European countries during the same period, according to United Nations statistics, was only about 7 to 9 per cent. Even more sinister and significant was the fact that the share of Austrian exports in total European exports fell from 2·2 per cent in 1937 to 1·5 per cent in 1950 and 1951.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

Austria was clearly not in a position to pay for her essential needs without foreign help, and it was of vital importance that she should not be subjected to economic strain that would threaten her political stability. The United States Government therefore decided to continue its assistance, though on a reduced scale. Direct Aid amounting to $70 million was promised in two instalments for the financial year 1952–3. The release of funds from the counterpart account was made conditional on the Austrian Government taking adequate measures to balance the budget and check inflation.

At the same time a growing body of expert and informed opinion in Austria was becoming convinced that the situation demanded a new outlook and a new policy. Austrians had acquired the habit of looking abroad for their economic salvation and blaming the Allies for the lack of a State Treaty. But the continuance of the occupation, which was the result of the conflict between Russia and the West, was Austria's heavy share of a burden borne by many countries. Against it could at least be set the sustained moral and material support of three of the occupying Powers. In the circumstances the only healthy attitude was to take energetic steps to strengthen Austria's economy and free it from dependence on foreign help that was being progressively reduced and could not last indefinitely. Such a policy would not have been feasible in the early post-War years, but conditions had so much improved after four years of Marshall Aid that there was now no real alternative for a people with pride in its past and faith in its future.

There were three aims about which there was little controversy: to stabilize the currency and prices, to encourage private saving, and to strengthen the competitive power of Austrian consumer goods in world markets.

There had at first been good reasons for the policy of controlled inflation on which the Austrian Government embarked after the War. But the reasons became progressively weaker the longer the policy was pursued, and, as has been seen, the fifth Price-Wage Agreement in 1951 had serious effects on

Center in order to safeguard and coordinate professional interests. The steady increase of economic productiveness is intended to be reached by fostering rationalization of managerial dealing and plants as well as by cutting down the cost of production. This too would promote Austrian export trade with an eye to reaching full compensation of export and import figures and thus ultimately to achieve an active balance of payments. In the matter of this problem it should, however, expressly be emphasized that such balance of payments--inasmuch as it has been achieved by new equipment and modernizing of Austrian industry initiated during the last years--can be reached only by and by. It was at a rather recent time that investments could be made in Austria (1950). Consequently, an efficient and satisfactory result from such investments, especially from the big investments, may not be expected before 1954 or 1955. Austria should be allowed, therefore, a reasonable interval of recuperation to overcome the handicap of its very precarious situation. Nor should it be overlooked that Austria, as a country which is strongly dependent on a wide range of imports, is extremely sensitive to all fluctuations and developments on the world markets. Each change on those markets of necessity and automatically has repercussions on the price level in the Austrian domestic markets.

It is certainly a matter of the highest importance for the further development of Austria that the chief foreign markets should be opened for the sale of Austrian products, and especially those which are the result of intensive development. The Marshall Plan having become obsolete, it will be possible in this way only to realize the adjustment of the balance of payments. A balance of payments would, without strongly hurting the social structure of the country, open the way towards the gradual abolition of trade barriers and restrictions, to the alleviation of foreign exchange impediments, and, thus, to a progressive integration of Austrian economy into that of the Continent and beyond that to the world at large. The extension of the foreign trade volume and the increase of the invisible export, chiefly the foreign tourist and transit traffic, are a means of realizing foreign exchange reserves required for financing Austrian imports and the maintenance of an adequate satisfactory volume of employment. The persevering energy and intrepidity of both of the responsible big parties of Austria have been leading the way towards the political and economic consolidation

With the enactment of June 25, 1946, the Austrian National Bank was authorized to control foreign exchange transactions. For the time being the rate of exchange had been fixed at the rate decreed by the occupation powers: 1 dollar = 10 schillings and 1 pound = 40 schillings. 652 453 457

A gratifying step towards free foreign exchange relations was the release of blocked Austrian assets in the USA in 1946, and later on, the return of the gold reserve of the Austrian National Bank which had been transferred by the German administration. As a first step the United States had returned to the Austrian Federal Government 4,450 kg gold, representing a part of the gold reserve, which in 1938 amounted to 78,000 kg. On November 4, 1947, the Austrian envoy to London signed a protocol. According to its terms Austria was awarded an additional 26,187 kg fine gold by the Reparation Commission in Brussels. 457

With this substantial gold reserve on hand the Austrian Federal Government progressed a step further with its currency policy and enacted the Währungsschutzgesetz (a measure to protect currency), reducing the aggregate currency circulation almost 40 percent. For the intended reform, aimed at reducing currency in circulation as well as funds deposited with bank and credit institutions, the cited federal law of November 19, 1947 (confirmed by the Allied Commission for Austria on December 4, 1947, and enforced on December 10, 1947), was important in the following three points: 652

(a) Through a reduction of the aggregate currency volume (money in circulation plus deposited funds) a corresponding reduction of prices, and, last but not least, a restriction of black market trades could be accomplished;

(b) The general business moral could be improved; and,

(c) Through a cancellation of the old blocked accounts (in accordance with the first laws covering currency policies in 1945) an elimination of economically untenable positions, and therewith, the first step towards a reconstruction of the credit system in the interest of the entire economy could be undertaken.

With the enforcement of this law a new trend in financial matters developed. The inflationary influences prevailing until then were curtailed while, financially, the prerequisites necessary for the reconstruction of the Austrian economy were set up. Although the circulating means did not become scarce to the extent 458 652

458 originally anticipated, due to the prolonged interval
652 between the publication and the enforcement of the law, the following months nevertheless did produce some economic results (lowering of prices, elimination of black markets and a general slackening of the purchasing psychosis).

727 In the meantime the occupation powers,
648 particularly the American and the British elements,
457 had introduced relief measures ameliorating need and want among the Austrian population. One of the first was initiated by UNRRA, whereby, in connection with a number of special credits, a "subsistence level" was achieved. Additional assistance measures followed. On June 25, 1947, an agreement between the United States and Austria provided a new form of assistance, substituting for the UNRRA aid which was ending. For this "Austria Assistance" about 85 million dollars were provided. With these contributions of foodstuffs, commodities and machines, it was possible to start the reconstruction of the ruined communication system and to restore a modest production line.

Additional alleviation was obtained from a credit granted by the British Government for purchase of consumer goods. In October 1947, the Export Import Bank at Washington, D. C., granted Austria a credit amounting to 13 million dollars, of which amount 8 million dollars were placed at the disposal of the heavy and metal industry, 4 million dollars at the disposal of the chemical industry for purchases of raw materials and as equipment, while the remaining 1 million dollars served other purposes (freights, etc.).

652 Of particular importance was the establishment
727 of a regular budget. The first federal estimates (1946-1947) were, in view of conditions, only of an emergency nature.

The item of occupation costs was from the start a rather burdensome one. Until May 1946 these costs were covered by an additional issuance of bank notes. Beginning June 1946, all expenditures not covered by current incomes (including occupation costs as well as costs arising in connection with the welfare of displaced persons) were paid for with short-term treasury bonds, taken by banks, or with cash reserves. Later
[651] (July 1948) the expenditures of the occupation costs were met fiscally by an additional tax (occupation cost tax) to the income and wage tax.

block of "domestic and foreign assets" has not been 652
designed as yet, some means to assure the functioning 453
of the various credit institutions undoubtedly will
be forthcoming.

The banking institutions, besides effecting a settlement of their balance sheets, will also be required to establish additional provisions in order to complete their economic as well as social-political tasks. In this connection the creation of a sufficient liquidity, the securing of an adequate capital structure and, last but not least, provisions for a corresponding amount of reserves to meet pension obligations towards their employees are more important. All these problems require generally and individually special solutions if the institutions are to accomplish their tasks satisfactorily within the national economy.

Thus, for example, with respect to inter- 457
national economic relations, the banking situation re- 453
quires a settlement of balance sheets according to inter- 652
national procedures so that the liquidity of the banks
and the coverage of accepted deposits be self-secured, inasmuch as the banks could be called upon to correct market fluctuations so as to assure continuity of work within the economic sphere. However, such a policy will only prove successful if they have disposal over sufficient means. Furthermore, with Marshall Plan assistance terminating in 1952, questions concerning capital and credit correlations will form the main aspect of European and international collaboration. Still greater tasks will develop internationally and foreign trade acceptance credits will find an ever increasing use. Such a development requires that the banks, more so than [454]
other enterprises, have available corresponding capital to serve as a basis for credit extensions. In comparison with other business enterprises, which have invested their means in commodities or other goods, the banks, as a result of war and postwar occurrences, sustained larger capital losses. Thereupon shifts occurred which created a situation in which the relationship between means and deposits were no longer in conformity to internationally set standards (generally amounting to at least 10 - 15 percent of the balance sheet total). The procurement of these necessary means will be of great importance. Since prevailing conditions in the capital market do not permit the procurement of capital in the customary manner, the capital needed will have to be accumulated out of profits of the banking institutions, provided certain tax exemption measures are enacted.

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453 Closely connected with the procurement of capital is the problem of liquidity upon which, internationally, the repute of a banking organization rests. Therefore, considerations about reconstruction measures will have to include the problems covering the organic cohesion of public and private credit extensions and also currency essentials.

The problematical scope of the entire reorganization of Austrian credit institutions is an extended one containing, besides questions of the budget and currency problem, the problem of capital procurement. In addition to the tax-exempting provisions, it will be necessary to effect certain changes in corporation law. The credit institutions, especially the banks, progressively liquidating relics of a past era, will eventually reestablish their previous traditional business relations with the world's financial centers in the interest of Austrian economy and by doing so, as agents for a progressive productivity, provide the necessary means. The purpose of the entire reconstruction, last but not least, strives towards an increase of the national income.

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457 B. Marshall Plan Assistance as the Material Basis of the Austrian Economic Policy.

1. The Legal Foundations of Marshall Plan Assistance.

a) Austria's position prior to Marshall Plan aid.

[433] The first two years following the establishment of the Second Austrian Republic permitted arranging a basis for the progressive development of the economy. However, the country's position remained precarious due to insufficient agricultural and industrial output. Domestic agriculture at that time provided only 36 per cent of the "subsistence level" needed to feed the population not engaged in agriculture. Industry, which prior to the war achieved export excesses, was unable to finance its raw material requirements. This caused a need for imports, primarily of food and mineral fuels, which caused a deficit in the payment balance amounting to 2 billion schillings.

However, this deficit was entirely covered by relief shipments and credits. Below is a breakdown of the most important deliveries and credits received during 1947:

UNRRA Shipments (ended July, 1947)	447 Million Schillings 648 457
USA Congressional Aid (second half, 1947)	501 Million Schillings
USA War Department	338 Million Schillings
USA War Surplus Assets	151 Million Schillings
USA Surplus Credit	60 Million Schillings
British 10,000,000 Pound-Sterling Credit	219 Million Schillings
British War Surplus Assets	160 Million Schillings
Private Charitable Organizations	130 Million Schillings
Total	2,006 Million Schillings

For Europe the turning point came during the summer months of 1947. On June 5, 1947, the American Secretary of State, Marshall, in a speech at Harvard University, sketched a program for the economic reconstruction of the European area following the ideas recommended by the late President Roosevelt in a message to Congress promoting the well-known four principles of freedom. This program was to replace the various individual assistance actions of the early postwar years by an economic reconstruction program based on the idea of self-help and intercontinental cooperation. Accepting an invitation of the foreign ministers of Great Britain and France, 16 representatives from 22 invited nations, including Austria, attended the European Conference in Paris from July 12 to September 23, 1947. There the principles of European cooperation (ERP) were promulgated.

The initiation of ERP, originally set for April 1, 1948, had to be postponed for technical reasons to July 1, 1948. Meanwhile, the precarious Austrian situation required the granting of interim assistance.

On January 2, 1948, the United States of America and the Republic of Austria signed an "interim agreement" which provided the extension of funds and raw materials amounting to $57,000,000. Shipments from

648 the USA included: 45,000 tons of grain, 3,000 tons
457 of edible fats, 5,000 tons of sugar, and 200,000 tons of other essentials. To cover the period up to July 1, 1948, Austria received an additional amount of $70,000,000 in interim aid.

b) The inception of the Marshall Plan and its terms.

The second Paris Conference of the European nations participating in the reconstruction program (ERP) took place on March 15 and 16, 1948, while a third conference followed on April 16, 1948. At the latter the organization for cooperation was initiated and implemented by the signing of a covenant and additional protocols. The aim of these agreements was the achievement of a sound, stable and independent economy by 1952. Article IV of the Paris covenant for cooperation on April 16, 1948, also contains provisions for mutual endeavors to create principles of payment which were to lead to a free (multilateral) clearing system. These endeavors led to the signing of a limited compensation and payment agreement (October 16, 1948) effective October 1, 1948 to June 30, 1948. It was later extended to June 30, 1950.

The ERP program for the 16 nations which signed the Paris covenant of April 16, 1948 (plus the German Tri-Zone represented by the military commanders and the Free Territory of Trieste), began on July 1, 1948, in accordance with the stipulations of the "Foreign Aid Act of 1948" adopted on April 3, 1948 (Public Law 472, 80th Congress, 2nd session, chapter 169, p. 2002). The assistance itself depended upon bilateral economic agreements between the USA and the participating countries (for Austria by the agreement of July 2, 1948).

[652] With the signing of this covenant the Austrian government (like all participating countries) obligated itself to increase, within the scope of Austria's possibilities, her industrial and agricultural production and to submit proposals relative to the implementation of projects to be executed under the provided assistance program. The government was further required to enact measures stabilizing the currency and balancing the budget and to cooperate with the participating countries in achieving an elimination of barriers to interstate trade.

During the first year of the Marshall Plan assistance (1948-1949), out of a total of $4,875,000,000 allotted to participating countries for "Unconditional Aid," Austria received an amount of $217,000,000, and from "Drawing Rights" (conditional aid) $66,600,000 (out of $810,400,000). Austria had to make available to Greece, Italy and Sweden drawing rights amounting to $3,200,000. 457

To get an idea of the economic importance of Marshall Plan shipments for the Austrian economy, it seems most suitable to give the analysis of a one-year economic program. For this purpose the second Marshall Plan year has been chosen. The Austrian program for the year 1949-1950 was calculated to involve $252,200,000, of which $166,400,000 were provided under the direct aid and $85,800,000 represented drawing rights. The total imports for the period July 1, 1949-June 30, 1950 were estimated to amount to about $556,740,000 and were financed as follows:

		Million Dollars	
Marshall Plan--direct aid		151.95	27.3 per cent
Marshall Plan--drawing rights		82.20	15.3 per cent
Trade		295.70	53.1 per cent
Non-ERP dollars		23.89	4.3 per cent
Expenditures for freights and other "invisibles" were calculated at-		59.56	
They were financed as follows:			
Marshall Plan--direct aid	$14.45		
Marshall Plan--drawing rights	.60		
Trade	38.90		
Non-ERP dollars	5.61		
The Austrian payments balance for the second Marshall Plan year therefore totaled		613.30	

which were covered by means of:

Direct aid	166.40	27.0 per cent
Drawing rights	82.80	13.9 per cent
Trade	334.60	54.3 per cent
Non-ERP funds	29.50	4.8 per cent

Therefore, of the total imports during the economic year in question, 40.9 per cent were covered by ERP funds. 439 457

457 These means were expended as follows: after deductions for foodstuffs (direct aid: $68,000,000, drawing rights: $2,710,000), for agriculture ($14,390,000, drawing rights $7,300,000) and for tobacco (direct aid: $2,500,000), there remained for the industrial economy funds amounting to $66,260,000 out of the direct aid and $75,190,000 out of the indirect aid (total of $141,450,000).

Of this remaining total of $141,450,000, $82,300,000 covered coal imports, of which $43,400,000 (or more than 50 per cent) were financed under drawing rights; $2,250,000 were taken from direct aid for a corner transaction to get coal from Poland. Imports of hides amounted to $11,300,000 ($4,000,000 were financed by direct aid allotments and $1,400,000 under drawing rights). Of these imports almost 50 per cent were financed with ERP funds.

For imports of raw materials and semi-finished goods (excluding coal), approximately $182,000,000 were set aside in the payment balance 1949-1950. ERP grants amounting to $55,000,000 covered 30 per cent of these imports. Including imports of coal, the percentage amounted to 38 per cent.

Of great importance were the imports in the investment sector. During the first year of the Marshall Plan only $12,000,000 (or less than 4 per cent of the allotted amount of $283,600,000) was provided for investment purposes. (During this period the need for foodstuffs was still great and represented 44 per cent of the total allotment.) The second Marshall Plan year, however, brought about an increase to more than 16 per cent, i.e., to $40,450,000 (direct aid: $31,600,000; drawing rights: $8,850,000) despite a reduction of 11 per cent in the total allotment ($252,200,000).

2. The Financing of the Reconstruction.

a) Counterparts and their use.

648 According to Article IV of the bilateral agreement between the United States and Austria of July 2, 1948, covering economic cooperation, schilling proceeds derived from domestic sale of imported Marshall Plan goods must be deposited with the Austrian National Bank in a special account (in favor of the Federal Ministry of Finance). The government has utilization of these funds only with the approval of the ECA in Washington. In accordance with the Foreign Aid Act, No. 472 of the

80th Congress, such counterpart funds, however, can be released only for purposes of currency stabilizations or promotion of investments. 652 [648] 457

The development of the special counterpart accounts, as a result of payments for ERP shipments, up to December 31, 1950, is tabulated as follows. [Not to be confused with special accounts established prior to the Marshall Plan assistance (Congressional Aid, British credit, etc.) which are classified as non-ECA accounts.]

	Million Schillings
I. To special account as per ECA instructions (counterpart value of ECA shipments).	8,140.8
II. Processing results (proceeds account of the Federal Ministry of Finance deposited with the Austrian National Bank).	
a) Proceeds of sales	6,035.1
b) Price-gap and time-lag, covered by treasury bonds of the government	2,105.7
Total of II	8,140.8
III. Charged to proceeds account (II)	
a) Released for monetary purposes	775.0
b) Released for the financing of the Austrian investment program	3,536.5
c) Other releases	49.9
d) 5 per cent reserved for U. S.	368.2
Total of III	4,729.6
IV. Balance of the proceeds account (I minus III--including price-gap and time-lag).	3,411.2

Not included in these figures are the U. S. assistance actions for the period July 1, 1947-December 31, 1947 as follows:

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		Million Schillings
I. Proceeds of sales		449.1
II. Charged to special account:		
a) Released for monetary purposes	75.0	
b) Released for the financing of the Austrian investment program	363.1	
c) Other releases	3.6	441.7
III. Balance of the special account (ECA account)		7.4

In carrying out the program the Austrian Federal Government, upon request of the ECA Mission, is required to deposit to a special account (Post I) the counter value of ECA dollar expenditures at the prevailing rate of exchange. This deposit is made by the Austrian National Bank for the account of the Austrian Federal Government. The Austrian National Bank, which credits the deposit to a special account of the Federal Ministry of Finance (Post II), later receives reim-
[435] bursement upon receipt of sales proceeds. However, since some of the imported commodities are sold at cheaper price levels than prevailing domestic market prices, the amounts thus deposited to the proceeds account (Post II) are insufficient to reimburse the Austrian National Bank for its advance to the Austrian Federal Government (Post I). Furthermore, since the imports and the sales of procured commodities never occur simultaneously (time-lag), the deposited sales-proceeds usually amount to less than the counter values. The difference (Post II b) between the original Government deposits (Post I) and the sales proceeds (Post II) therefore represents partly a subsidy (price gap or ERP subsidy) and partly an advance (time-lag deposits) against later proceeds deposits. Although the advances are being repaid currently and no advanced amounts will be outstanding shortly after termination of the ERP, this will not be the case with regard to price-gap amounts. The latter represent Government subsidies advanced by the Austrian National Bank (covered by Federal Bonds). The financing of the Austrian National Bank cannot result in inflationary tendencies since the amounts, blocked in the counterpart account, are not considered in release provisions. Therefore, not being released, they do not return to circulation. At the termination of ERP it will become necessary to stipulate provisions covering the

remaining government deposits of the special account (Post I). 652 457

The following periodic schedule shows the amounts released and the purpose of expenditure: 652 454

1948: Total releases amounted to 2.088 million schillings of which 396.7 million were released from ECA counterpart accounts. They were released to cover expenditures for investments of the extraordinary budget, industrial investments and housing constructions.

1949: Total releases amounted to 1.575 million schillings of which 1.425 million schillings were released from ECA counterpart accounts. They were expended to cover investments within the scope of the extraordinary budget and industrial investments.

1950: During the four quarters of 1950 releases amounted to 2,881.5 million schillings. The following amounts were released from ECA counterpart accounts:

	Million Schillings
1st Quarter 1950	none
2nd " "	951.5
3rd " "	1,230.0
4th " "	700.0
Total	2,881.5

This amount of 2,881.5 million schillings was expended as follows:

	Million Schillings
Federal investment program (extraordinary budget)	377.0
Industrial investments	1,681.0
Special reconstruction program	660.0
Others	97.5
Not yet specified	66.0
Total	2,881.5

Tabulated according to expenditures, the amounts withdrawn during 1950 from ECA counterpart accounts were expended as follows.

652 totaled only 454 million schillings. In accordance
[434] with the original "Release Program" it should have amounted to 800 million schillings to neutralize other money-increasing factors. The minus-difference is based on the fact that the anticipated decrease of the price-gap subsidies was delayed, as a consequence of changes in world markets, in order to avoid too sudden changes in the price and wage structures.

●[457] To summarize: in spite of and mindful of the world-wide economic fluctuations affecting her economy, Austria is carrying out reconstruction within the scope provided by ERP facilities. Aside from scheduled reductions any decrease in the real value of this assistance makes the accomplishment of her programs more difficult (especially the balancing of her balance of payments).

c) Prices and wages, elimination of subsidies, adjustment of exchange rates, increase of economic productivity.

652 With the progressing consolidation,
[448] resulting from ERP procedures, the Austrian Federal Government faced a number of problems. Aside from the
185 aspect of the stipulated gradual decrease of foreign aid, these problems gained importance when Austria signed the European Payment Union (EPU) agreement in September 1950. She had entered upon obligations which could be met only if her economic policy was directed towards certain external economic goals (expansion of direct and indirect exports). This required certain measures aimed internally (balancing of prices and wages) as well as externally (adjustment of exchange rates).

The measures to be adopted within the framework of economic relationships had the following points in view.

1) Counteract inflationary tendencies according to timely needs;
2) Decrease step by step the system of subsidies for essential commodities, like edibles, coal and agricultural products, in order to achieve, besides a budgetary relief, "genuine" prices;
3) Bring prices gradually in line with world market levels;
4) Establish an equilibrium between prices and wages, in order to guarantee, in relation to prevailing prices of manufactured goods, an equitable

wage level. This goal will be achieved:

a) by means of an appropriate currency policy, primarily through a gradual unification of the exchange rate system (surrender of multiple exchange rates and adaptation of the schilling rate to the international purchasing power parity); 652 185
b) restriction of compensation trades;
c) adjustment of the price structure and adaptation of wages according to agreements of political and economical interest;
d) increase of labor productivity (i.e., the produced quantity of goods per capita or working hour) to achieve a suitable relation between the costs of raw materials, accessories, plants, machineries and manpower, and the proceeds of goods and services.

Following the development of domestic price and wage dynamics the exchange rate of 10 schillings to 1 United States dollar, established by the Allies at the end of the war, became untenable in the early part of 1948. Despite the exceptional exchange rate to gain a larger share of export trade, compensation deals, made mostly at higher rates of exchange, were tolerated. Later, exporters were permitted to sell part of their foreign exchange holdings, which they were allowed for imports of raw materials, at an officially fixed premium. A private super premium was usually added, depending on import productiveness. 457 652

This resulted in a complicated system of exchange rates which varied from deal to deal. In addition, goods imported under ERP terms, insofar as they were not reckoned at domestic price levels, were sold at officially fixed prices. Thus the difference in the exchange relation between commercially imported goods and ERP imported goods became an import subsidy financed with ERP means, favoring partly the consumer and partly the dealer or the processing manufacturer. It delayed the shifting of needed imports to commercial channels and furnished in certain sectors the impression of an export ability which, however, was solely the result of the cheaper purchase price commodities imported through the ERP.

It was clear that this system of differentiating exchange rates had to be replaced by a "uniform" rate of exchange. The international devaluation wave sweeping Europe during September 1949, however,

457 created a new situation. As a result of this de-
652 valuation process, the Federal Government, in November 1949, decreed a reorganization of the foreign exchange market. This was intended to be the first step towards the establishment of a uniform exchange rate system. The official rate of exchange, henceforth called the basic rate, was increased from 10 to 14.40 schillings per 1 U. S. dollar (in accordance with the devaluation of the English Pound Sterling). At the same time a variable premium rate of exchange, presently fixed at 26 schillings to 1 U. S. dollar, was established. Exporters were required to give up 40 per cent of their foreign exchange proceeds at the basic rate. The remainder they could retain for payment of their imports within a period of 60 days or could offer to the Austrian National Bank at the premium rate. Goods to be imported were classified into three groups. Those listed in schedule A were imported at the basic rate of exchange, those listed in schedule B at a mixed rate (21.36) and those appearing in schedule C at the premium rate. Goods imported within the scope of the ERP, commodities to be disposed at prevailing cheaper price levels, were grouped with the mixed rate. Service charges and capital transactions were dealt in at the premium rate.

457 There remained, however, a conspicuous dis-
435 crepancy in the import exchange rates which introduced
465 disturbances into the cost-price structure of the eco-
652 nomy, and these in turn influenced living costs and wages.

Upon recommendation of the International Mone-
[648] tary Fund, a unification of the exchange rates had been considered at the time the multiple exchange rate system was promulgated, i.e., during November 1949. At the
[654] same time, and in order to ease budgetary strains, the system of subsidizing essential commodities like food, coal and agricultural necessities (which up to now had been sold at cheaper levels because of the ERP imports or imports financed under the basic rate of exchange) had to be substantially curtailed. Since any increase in the prices of grains and grain products was likely to impair living costs and wages, difficult situations arose. As a result of the changed price and wage relations, certain price and wage adjustments as well as a partial reduction of subsidies (covering sugar, coal and agricultural products) had already been promulgated in 1947, 1948 and 1949. After due consideration between political representatives and economic interests, a fourth price and wage agreement was enacted on September 27, 1950.

Consequently, the Austrian Federal Government in collaboration with the Austrian National Bank decreed, effective October 5, 1950, a uniform rate of exchange for the traffic in goods (with the exception of some food items). This rate was identical to the mixed exchange rate of 21.36 schillings to 1 U. S. dollar. The basic rate of exchange was discontinued. For tourist traffic, traffic in capital and for certain kinds of services, the premium rate of exchange (26 schillings to 1 U. S. dollar) remained in force. Simultaneously, compensation deals in goods were prohibited, excepting a few to avoid losses of foreign trade interests. 653 457

In addition the Austrian National Bank effected, according to newly published bid-rates, a revaluation of its foreign exchange holdings and increased the price of gold to 22,834. schillings per 1 kg fine. Thus, the Nationalbank's holdings of foreign exchange were brought in line with the uniform rate of exchange in force for the traffic in goods while its gold holdings were revaluated as mentioned before. (The revaluation of the gold and foreign exchange holdings brought about a surplus value. Since, in accordance with the Notenbanküberleitungsgesetz, the weekly statement of the Austrian Nationalbank has to contain only gold and foreign exchange holdings necessary as cover, the excess holdings thus derived have been eliminated together with other heretofore not published assets. Meanwhile, until a decision about their employment is found, these excess holdings are accounted transitorily.)

A further development, this time upon an international platform, occurred with the signing of the agreement establishing the European Payments Union (EPU) on September 19, 1950, at Paris, within the scope of which Austria received from the ECA an amount of 80 million dollars to cover her trade deficit with other EPU member countries for the period July 1, 1950, to June 30, 1951. [648]

Although the preceding years had resulted in remarkable economic reconstruction, the Austrian authorities, nevertheless, were aware of the fact that a step-up of economic productivity was necessary to come as close as possible to the mark set by the ECA for 1952. In estimating Austria's endeavors one must take into account her heavy losses of national wealth, so that the effect of ERP assistance became visible only in 1950. This makes the balancing of her payments balance within the limits of the ERP program rather doubtful. 457 433

457 There is no doubt, however, that the de-
[51] sired higher standard of living requires greater
accomplishments from the economy if, as is the case
433 today not only in Austria but also in other ERP member countries, edible foodstuffs, raw materials and machinery are not to be continuously supplied by foreign aid. In this connection it is useful to recapitulate the value of such aid. Thus the total value of direct and indirect aid, congressional aid, interim aid, surplus goods, gifts, etc., amounted in 1948 and 1949 to approximately 300 million dollars yearly, an amount sufficient to cover the deficit of the payments balance up to now. In other words, the Austrian economy received more than 6 billion schillings which increased the gross national product available for consumption and industrial investments by 20 per cent. Foreign aid in 1950 amounted to 200 million dollars or 4 billion schillings and in 1951 to 100 million dollars.

433 As a matter of fact, production and productivity increased rapidly during the last years. However, this rapid increase was due to the extraordinarily low starting point. It is true that present industrial production exceeds the prewar level by 40 per cent, but it is a result of using about 50 per cent more than in 1937. At the end of 1950 the individual output index of both industrial as well as agricultural labor amounted to 90. Today, the task of increasing productivity rapidly is far more difficult since, in addition to diminishing foreign assistance, any reopening of idle capacities and procurement of additional raw materials and coal is almost impossible. It follows that every percentage of productivity to be gained requires greater efforts than before.

433 In connection with the above, there arises in
439 Austria a specific coordination problem with regard to
454 output gains already achieved in other nations, the question of cost computation. (Compared with Austria's present production ability the American, Swiss, Swedish, and English national economies, during 1949, furnished respectively 7, 4, 3 1/2, and 2 1/2 times as much goods and services per capita. This fact is intensified by the progressive industrialization of the previously agricultural countries of southeastern Europe.) If Austrian manufactured goods (as producers of foreign exchange, and therewith as guarantors of sufficient raw materials, employment and living standard) are to be competitive on international markets, the question of decreasing production costs per unit becomes imperative. Such a decrease, excluding developments beyond the control of

652 To this should be added that the surplus in expenditures for investments pertains exclusively to the extension of agriculture and forestry, tourist traffic facilities, the building of apartments for workers and the reconstruction of war-damaged dwellings. The expenditures for investment in institutions of state administration were lower by 2 million schillings than foreseen in the budget estimate for 1950. Of the 1,076 million schillings spent for the institutions of state administration only 377 million schillings were covered by ECA funds; the remaining 699 million schillings were covered by the surplus of current transactions (471 million schillings), other extraordinary revenues (80 million schillings) and from cash-on-hand. The consequence of this important diversion of state funds to cover investments, caused mainly by delays in alloting 70 million schillings from the ECA funds in the fourth quarter of 1950, was the creation of a long severe strain on the State's funds.

[654] The investments of 550 million schillings for the extension of agriculture and forestry and for tourist traffic, as well as for workers' dwellings and the reconstruction of war-damaged apartment houses, have been covered in full from ECA funds. For these investments there were only proposals in the 1950 estimated budget, but no credits had been provided since these investments were to be carried out only in accordance with allotments from ECA funds. The expenditures for these investments appear, therefore, as overdrawing on the estimated state budget for 1950.

e) Scope of the tasks of the Austrian banks in fulfilling the Marshall Plan. Financing of Marshall Plan deliveries.

In the technical execution of the Marshall
453 Plan the Austrian banks have a very important role.
457 They are obliged, in the first place, to give advice
652 on the financial feasibility of individual transactions before the applications of Austrian importers are presented for endorsement to the Federal Chancellory-ERP-Central Bureau, Vienna (Bundeskanzleramt-ERP-Zentralbüro, Wien). Moreover, they are in charge of opening letters of credit for single transactions which are covered by letters of commitment. They cash the schilling counterpart on the basis of documents which have been sent to and cleared by New York banks and notify the Federal Chancellory-ERP-Central Bureau on the carrying out of single transactions.

The stagnation of the capital market, which makes the financing of comprehensive investments on the open market difficult now, made special forms of interim-financing necessary for Marshall Plan deliveries. This task the banks and the Nationalbank undertook through their financing techniques. 652 454

Agreement has been reached by the former Ministry of Properties and Economic Planning, the Ministry of Finance, the Nationalbank and credit institutions for the financing in schillings of Marshall Plan deliveries. Inasmuch as outside means (credit) were required, the following categories of credit have been set up with regard to the different currency policies: 652 457 439 452 453

1) Credits for the import of raw materials (wool, cotton, hides, leather, metal, chemicals, etc.);
2) Credits for financing the cost of manufacturing (Umwandlungs kredite);
3) Credits to cover investment needs (Aufbaukredite).

For the first two categories the applicant for credit has to prove that all deliveries will take place within the scope of the Marshall Plan. To cover credits for raw materials provision is made for payments in goods with terms of three months, which may be extended three times to a maximum twelve months. (A special priority was provided originally for the delivery of textile raw materials of any kind and, furthermore, for hides, leather, furs and tannic acid, as long as the accounts were settled prior to June 30, 1949. This measure aimed to spare the buyers of goods losses in interest caused by delays in carrying out the Marshall Plan. As a concession a 60-day delay in payment of the amount in schillings was fixed so that in these special cases the validity of the credits was prolonged up to a maximum of 14 months.) The rate of interest for raw material credits has been fixed at 5 per cent net. The deliveries of semi-manufactures are treated in the same way if they are further processed by Austrian industrial plants. These letters of credit may be refinanced by the Nationalbank.

The covering of manufacturing costs (Warenumarbeitungs- und Umwandlungskredite) is provided for by ninety day drafts which may be extended twice, i.e., a maximum of nine months, if the buyer of goods can prove that these larger deliveries of Marshall Plan goods to be manufactured by him cause a sharp increase in the production so that additional means of production are necessary. The rate of interest is 6.5 per cent net. These drafts may also be refinanced at the Nationalbank.

452 The financing of credits for investments
652 (Aufbaukredite) is likewise provided by different
453 types of drafts (three-months validity) until such
[454] time as definite solutions (consolidation) will be possible in the form of obligations on the money market. The rate of interest is 4.5 per cent net. The examination of such credit applications lies with a commission consisting of representatives of the Federal Chancellory-ERP-Central Bureau, the Austrian Nationalbank, and representatives of those banks which grant the credits. Final approval rests with the "Kreditlenkungskommission," an advisory committee of the Federal Government and created by the federal law of July 3, 1945, to direct public and private credits. Members are nominated by the Federal Government.

453 The following banks are presently handling reconstruction credits: Creditanstalt-Bankverein, Vienna, Innsbruck; the Bank for Carinthia, Klagenfurt; the Bank for Upper Austria and Salzburg, Linz; the Oesterreichische Länderbank AG, the Hypotheken- und Creditinstitut, Vienna; the Bankhaus Schoeller and Co., Vienna; the Arbeiterbank AG, Vienna; the Genossenschaft-Zentralbank AG, Vienna; the Girozentrale der österreichischen Sparkassen, Vienna; the Gewerbe- und Handelsbank AG, Vienna.

439 With the activation of the multilateral
457 balance within the framework of the European Payments
652 Union after October 1, 1950, some changes took place in the financing of Marshall Plan imports. They, however, refer to the mobilization of the so-called "Initial Credit Position" which serve to cover the total deficit against all ERP countries. The carrying out of goods exchange on the basis of direct aid was not influenced by these changes.

To avoid difficulties in financing raw material imports from Marshall Plan countries, and in order not to restrict the potentialities of financing which the importers had been allowed up to this date, the Austrian Nationalbank decided, instead of refinancing goods imported out of the indirect aid (Drawing Rights), to discount ninety-day drafts of the banks. This forms the foundation of the means for financing goods imported from ERP countries. These drafts are issued by credit institutions and are drawn against the importer. The refinancing of these drafts takes place if the payee, in the opinion of the Austrian Nationalbank, possesses sufficient credit standing, and if the imports, as alread

explained, come from ERP countries and comprise such goods as were, up to this date, to a considerable extent under indirect aid and were refinanced previously by the Nationalbank. There were special lists for all goods in question. 439 652 457

The cashing of these drafts takes place under the same conditions which apply to imports of semi-manufactures out of ERP funds; the Nationalbank discounts the incoming drafts at the prevailing bank-rate (now 3 1/2 per cent); other banks have a rate 1 1/2 per cent higher.

The total amount which all credit institutions can present in such drafts does not exceed the amount of the refinancing granted for financing imports out of indirect funds.

3. The Structure of Production.

a) Principles of industrial investment.

In accordance with the principles of ECA, ERP funds are used only to finance investments which serve to balance payments in the shortest possible time, that is, investments which: 1) bring in foreign currencies (by starting new or extending existing production of export goods); 2) save foreign currencies (production of goods important to internal supply, which previously had to be imported from foreign countries, or by improving their competitive position); 3) cause an essential increase in the total economic productivity, i.e., a reduction of production costs and increasing the ability of the Austrian economy to compete with foreign countries. 652 454 457

When hostilities ceased in 1945, most of the industrial enterprises showed great impairment. This was due to: 1) extensive destruction during the actual fighting; 2) confiscation through which valuable equipment for production was removed after the end of the fighting, whereby functional coherence of production was disrupted; 3) changes in economic aims. Before 1945 (not considering the aims of wartime economy) a large number of enterprises were structurally organized on a broader economic territory; after the war, therefore, the industry of Austria had to return to the more specialized industrial capacities of the pre-1938 period; 4) an acute shortage of capital caused by amounts necessarily written off as war losses, funds lost as outstanding claims, etc. 433 727

here is an increase of the total imports to 6366. 439
llion schillings in 1949. In the structure of im-
orts coal and foodstuffs formed a relatively im-
ortant part in 1948 and 1949. The imports of pri-
ry foodstuffs (such as bread grains, flour, fats,
gar, meat, livestock and leguminous plants) were
l per cent of the 1937 figure in 1947 and increased
113 per cent and 122 per cent in 1948 and 1949,
spectively.

The high demand of the Austrian industry
r coal (especially hard coal, blast furnace coke
d coke) could only be covered by sufficient coal
ports since the demand is far higher than in the
ewar period. The volume of coal imports was 69 per
nt and 88 per cent more in 1948 and 1949, respective-
, than in 1937. Although the continuing extension
electric energy may allow lower coal imports, the
oportion of coal imports to the total imports will
main higher than the prewar level due to structural
anges of the Austrian industry. The import of food-
uffs and coal constituted in part a handicap to the
port of raw materials. Of the total raw material
ported (excluding coal) in 1937, similar imports
ached only 25 per cent in 1947, 64 per cent in 1948
d 85 per cent in 1949, in which year total imports
ceeded the prewar level.

Austrian industry in this period, therefore, [433]
s supplied with foreign raw materials to a lower
tent than in 1937. That it was able to exceed pre-
r production despite this condition is mainly due
the favorable development of industries producing
oduction means (based on domestic iron ore pro-
ction). Moreover, foreign raw materials, aided by
e investment program, could be replaced in part by
mestic products (such as rayon staples). The ex-
ordinary high quota of the import of finished goods
n be explained by the high demand for invesment
ods in the country itself, which could be covered
y partly in domestic production.

The structure of imports is regionally very 439
fferent from that of the prewar era. Whereas in 457
37 the state regulation of foreign currencies, fixed
tas and clearing agreements formed an elastic system
ch was capable of using the cheapest sources of im-
ts, in the first years after the war imports were
ced into quite different direction by intensified bi-
eralism (which has been relaxed since by increasing

liberalization and by the European Payments Union) and by special conditions attached to foreign aid, by differentiated currency rates and by subsidies for imports. In 1937 only 6 per cent of all imported goods came from the USA, but in 1949 this figure was 29 per cent. In the same period imports from eastern and southeastern Europe was reduced from 40 per cent (in 1937) to 18 per cent (in 1949). As the high import quota from the USA could be maintained only as long as American aid was forthcoming because of the dollar shortage, Austria has to face the very difficult task of transferring import areas for necessary foodstuffs and in part for raw materials also, in the next few years. She must turn to regions which not only are able to deliver but also ready to take Austrian goods in exchange.

If we compare the statistics for imports and the direct ERP aid of the year 1949 (amounting to 6366 million schillings) to the exports (amounting to 3229 million schillings), an import surplus of about 3137 million schillings results (according to the former exchange rate it would be 299 million dollars). Including the import of relief gifts (Liebesgaben) and surplus goods the deficit of the commercial balance increases to 309 million dollars, or 52 per cent of total imports. Out of the total deficit mentioned (3137 million schillings) 734.9 million schillings go to imports from Europe (ERP countries), 304.9 million schillings to imports from non-ERP countries, about 181.8 million schillings to imports from overseas areas of the ERP countries and the sterling-bloc. The bulk (1915.2 million schillings) goes to the USA and Latin America.

The transfer of the center of imports to the USA is a clear consequence of the high aid from foreign countries. The significance of these figures is: the reconstruction of the Austrian economy, a reasonable standard-of-living and a high level of employment, aims which Austria must attain after 1952 by itself (that is to say, by higher exports and increased productivity).

This struggle is the more important as Austria still lags behind in terms of the overall development of European trade. Whereas the volume of all European countries, including Germany, already reached 73 per cent and 87 per cent of the prewar level in the years 1948 and 1949, respectively, the level in Austria was 52 per cent and 70 per cent in the same two years.

(271 million schillings), cotton goods (204 million schillings), fireproof bricks (200 million schillings) and glassware (201 million schillings). 439

The total index of import prices in 1950 was 627, that of export prices 531 on the basis of 1937 = 100. The corresponding figures for 1949 were 407 and 387. The increase of prices for import goods, therefore, were on an average far higher than was the case with exports (54 per cent as against 37 per cent).

A comparison of the commercial imports with exports for 1950 shows an unfavorable balance of 576 million schillings (as against a balance of 1.2 billion schillings in 1949). Including gratis deliveries within the scope of the ERP, the deficit, however, increases to 2.7 billion schillings (in the previous year the deficit of the total exchange of goods was 3.7 billion schillings). The deficit in the exchange of goods with foreign countries was covered in the first half of 1950 by drawing rights and in the second half of 1950 by using up the Austrian credits at the Bank for International Payments after the agreements with the European Payments Union had gone through.

Further betterment of the Austrian economy is intended through the following. The Export Advancement Law (Ausfuhrförderungsgesetz) provides granting medium and long-term credits up to a limit of 500 million schillings under state guarantee. [Up to March 23, 1951, the Nationalbank received applications for credits totaling 174.5 million schillings; 79 million schillings of which represented refinancing. As the state guarantee comprises only 80 per cent of the export credit, 77.6 million schillings (80 per cent of the 97 million schillings) were tied up on the key-date in accordance with the Exporterförderungsgesetz, i.e., 15 1/2 per cent of the maximum of 500 million schillings.] The Austrian Export Funds A. G. (Oesterreichische Exportfonds A.G.) will support exports of craft goods to hard currency countries through credits. They will start with 25 million schillings. [The first interim balance of the corporation shows credits amounting to 16.4 million schillings, i.e., about two-thirds of the export funds (25 million schillings) at the end of March, 1951.] On October 5, 1950, an agreement was reached for simplification of exchange rates together with measures for 652 [433] 457

457 raising the productivity of the whole economy.
652 Toward the end of the year a change in the problems concerning the whole economy could be observed owing to increasing tension in the balance of foreign currency and payments.

B. The Austrian Contribution to Freer Intra-European Trade.

439 Although exports increased in the last few
652 years, they could not, as the preceding figures have
457 shown, cover the total imports in 1950. The difference was covered again through foreign aid (ERP grants) and through credits, as was the case in earlier years. Thanks to foreign aid, which financed the biggest part of the imports of foodstuff, raw material and coal, the Austrian economy had a total import which, by 1949, exceeded the prewar level in volume and covered the demand of imports most urgent for reconstruction purposes.

In spite of this fact, the balancing of foreign currencies, with regard to the United States as well as to most other countries, could not be attained by means of market transactions. In contrast to the progressive relaxation of state controls in the domestic economy, the demand for imports had to be limited by import licenses and allotments of foreign currencies to the amount available for the import of goods. Regulations and procedures of this control of the foreign trade were determined by the law of Foreign Trade Traffic (Aussenhandelsverkehrsgesetz). (This law was amended in April 1951 owing to special developments caused by the necessary laws of economic policy.) The partial lifting of intra-European trade barriers [hereafter referred to as "liberalization" by the author] started in the fall of 1949, brought problems of trade policy and of foreign currencies.

In September 1949, the council of OEEC (Organization European Economic Cooperation), in Paris, decided to liberalize 50 per cent of the foreign trade between the European ERP countries in order to create a simplified economic area. Austria agreed with the principle. But it had to be very careful in abolishing import restrictions in view of developments in its balance of foreign currencies, otherwise the balance aims would have been endangered. Thus, for

liberalized goods, a number of administrative simplifications in the import precedures were created (exclusion of the obligations for a license by the "Aussenhandelskommission"). The import of these goods is dependent upon the momentary availability of foreign currency. Austria's special situation was also recognized by the OEEC, Paris, which agreed that the measures taken corresponded to the actual situation. In spite of this, Austria made a reasonable contribution toward the integration of the whole European trade policy as proof of its goodwill. For example, in the foodstuff sector, goods with an import value of 10.5 million dollars, i.e., 32 per cent of the commercial imports from ERP countries, were liberalized in October 1950. In liberalization the emphasis lies with the raw material sector, in which 45.5 million dollars (or 84 per cent of the imports from ERP countries) were liberalized. With regard to the accentuated investment policy, moreover, a number of items of the finished goods category were freed from import restrictions. In volume the liberalization represents goods amounting to almost 86 million dollars, i.e., a liberalization of 60 per cent of the imports from ERP countries. 439 652 457

From the standpoint of the economic policy, liberalization measures are characterized as follows: in the foodstuffs category, 70 per cent of those foodstuffs used for human consumption were liberalized, whereas agricultural products or those which are produced in sufficient quantities in the country itself were excluded from liberalization.

Furthermore, to increase the productivity of agriculture, almost 100 per cent of fertilizers and chemical products for agricultural use were liberalized. The very important fuels were freed from import licenses up to 80 per cent and iron alloys almost up to 100 per cent. In the same way, almost 100 per cent liberalization was made for non-iron metals and concentrates and raw alloys therefrom, as well as the important demand for raw materials by the textile industry, which cannot be supplied from the country itself (80 per cent).

A high quota of liberalization is shown in the category of finished goods, especially of chemical finished products (with about 70 per cent) and of synthetic fibers (with about 90 per cent). With regard to the extensive demand for investments, machine tools for metal production were liberalized up to 90 per cent and the demand of various industries by more than 75 per cent.

439 In order to make the liberalization fully
● 457 effective it is necessary to abolish foreign currency
652 restrictions for goods which have been liberalized and that is where the difficulties arise. Although the Initial Position in the value of 80 million dollars granted within the scope of the European Payments Union supports this effort through a relaxation in the foreign currency situation, it did not effect a general solution of these problems. The so-called dollar problem still exists in a very real sense.

[648] The European Payments Union, of which Austria is a full member, was put into force on July 1, 1950. It is the logical continuation to the reorganization of the European Payments system, started by the OEEC with the "off-shore" and drawing rights system. Above all, it was to further the lifting of trade barriers between the ERP countries and to carry out the principle of non-discrimination, the equal treatment of all parties within ERP Europe.

These measures, however, did not solve the precarious dollar problem for the ERP countries and Austria since it was not the aim of the European Payments Union to promote European exports to the USA and other hard currency countries outside the ERP. Also the currencies of the EPU countries are interconvertible but not against the dollar. For Europe, therefore, the dollar remained a very rare and hard-to-obtain currency.

A certain relaxation was caused by the new developments in the second half of 1950. The relaxation of the dollar shortage was not caused by the combination of the individual elements: the European Payments Union, liberalization and integration. Rather, due to external causes, it was a consequence of world economic changes which, owing to the conflict in the Far East, opened new markets of peacetime demands to those countries not directly involved in defense measures. (The dollar shortage is essentially a special structural problem of world economy, the causes of which go far back into the war years and are above all connected with the loss of southeastern Asia and the establishment of synthetic production processes in the United States.)

A change in the general aims of economic policy had also taken place because of the European Payments Union. While in the first phase of economic planning by the ERP the investment plans were stressed, now the primary target within the scope of the European Payments Union was the currency system. The ERP was not only a preliminary stage to the free exchange rates between the currencies of ERP countries and the dollar, but it was also to help prepare the possibility for the functioning of international currency funds on the broadest scale. As far as Austria could fulfill these tasks it made a contribution to the whole European currency order by the simplification of its exchange rate system and the fixation of the existing exchange rate of 21.36 schillings to one U. S. dollar for all traffic in goods. (This regulation of October 5, 1950, has been mentioned previously.) 457 652

In the meantime, alterations in the structure of world trade in the early part of 1950 (shortages on the raw material market, increases in prices) caused a change in the commercial policy toward the whole problem. Thus, the discussion of a number of special tasks and principles became necessary (this was also true for Austria). Up to this time the center of gravity in trade policy always lay with the exports, but this shifted to imports considerably toward the end of the year. Comparing quantities became more or less unimportant; the question of "what" in exchange of goods became more important than the question of "how much." The problem now is: what type of goods should be exported and which imports are desirable to make these exports possible? Can the domestic economy, under the given conditions, do without those export goods and does it receive instead of them such goods as it really needs? Or, will the domestic economy lose, by export, such materials that it really requires to maintain its own capacity? Perhaps goods will be imported which, although pleasant and useful, are not really necessary. Such are the questions which were the center of all deliverations concerning trade policy toward the end of 1950. 439 652

In the course of this development one can observe elements of retrogression to the compensation system in trade among the nations (or, to be more correct, among the ERP countries) around the end of the year 1950. Although business is carried out in principle in accordance with the clearance system, 439 457 652

439 many a business transaction is again of the barter
457 type. At present these do not lie in the sphere of
653 private business transactions but are at the level of state control. If one bears in mind the whole European trend under the system of liberalization and of the EPU, this is a typical retrogression which tends toward bilateralism instead of multilateralism. No doubt the system of compensation will prevail again since the factual renunciation of multilateralism in favor of the clearing transactions has to face, at the present time, quite different conditions than existed at the time when those changes, disputed as they were, offered the only possible solution.

Certain signs of a crisis in the policy of liberalization constitute a further problem which influences the trade policy of single states in recent developments. Confined at first to only a few states, this crisis engulfed a still larger number of European trade partners toward the end of the year, since a liberalization without guaranteed payment (foreign currencies) does not at all fulfill the aim of increasing trade relations. The payments traffic on the clearing accounts which, in last analysis, reflects the traffic of goods between the participating states shows a debit tendency.

Under these conditions, Austria faces a number of special tasks in trade policy, the solution of which, however, is not Austria's responsibility alone. Above all, the task is to reach agreements in which the Austrian economic potential can be fully utilized and which afford the possibility of adapting to developments rather contrary to the agreement terms. Austria offers its partners goods (such as timber, magnesite, steel and iron) which are needed all over the world. At the same time, there must be readiness to accept finished goods for deliveries of these vital goods. Problems of prices and of competition (aside from the increase of productivity in the total economy) must be solved in a way which diminish the disadvantages of the non-elastic clearing traffic without producing, on the other hand, unbearable consequences in the policy toward foreign currencies. It must be the most important task of the Austrian trade policy to secure the import of such goods as Austria needs to maintain full employment and, thereby, social stability

C. Tourist Traffic

Along with the increased economic consolidation, there has been a rising development of the tourist traffic, which is of great importance to the Austrian payments and foreign currency balance. The number of overnight guests increased from 10.9 million in 1949 to 14.09 million (an increase of 29 per cent) in 1950. The upward trend started immediately after the exchange rates were altered in November 1949, and concerns primarily foreign visitors. There were 4.58 million foreign overnight guests in 1950 alone, an increase of 155 per cent as compared with the preceding year. This, however, is only 70 per cent of the 1937 level. Among the countries from which most foreign guests came were Italy, Great Britain and Switzerland, in that order. 457

Foreign currencies derived from these services amounted to 15.05 million dollars (391.3 million schillings) in 1950. In the scope of the payment balance this corresponds approximately to the expenses for freight and transportation or, in other words, to 10 per cent of the whole deficit from foreign trade. In 1937, the influx of foreign currencies from this source amounted to 41.2 million dollars or 220 million schillings (i.e., at the present dollar exchange rate, 80 million dollars). The present income in foreign currencies, therefore, corresponds in purchasing power to only 20 per cent of the prewar income from the same source. To support the tourist traffic (modernization and extension of hotels, resorts, etc.) 280 million schillings from counterpart funds are being provided in the investment program 1950-52. Of this amount 28.8 per cent (109.3 million schillings) have been allocated during 1950.

D. Balance of Payments and the "Gross National Product."

According to calculations of the Oesterreichisches Institut für Wirtschaftsforschung, the Austrian "gross national product" amounted to 30.0 and 36.8 billion schillings in 1948 and 1949, respectively. Figures are not available for 1950. Compared to the price level of 1937, the gross national product for 1948 is 7.7 billion schillings and for 1949, 8.6 billion schillings, as compared with 8.5 billion 434

434 schillings in 1937. Although this increase from 1948 to 1949 was caused mainly by changes in prices, the fact remains that the gross national product increased in 1948 by 15 per cent and in 1949 by another 12 per cent. Thus, the prewar level was [433] approximated. The increase of capacity and at the same time the increase of the gross national product in the years 1948-50 is due to the rise in productivity of the whole economy. However, further increase will be even more difficult because the utilization of capacities and of available labor reserves will advance. Although industrial production had reached a level in 1947 equal to 56 per cent of the 1937 level (in 1949 119 per cent and in 1950 140 per cent of the prewar volume), the productivity increased in the same period from 47 per cent to 79 per cent (in 1949) and 90 per cent (in 1950). Therefore, it still lags behind the prewar period. The same holds true for agriculture; the total production (agricultural and livestock production on the basis of 1937) reached only 55 per cent of the 1937 level in the year 1947, 80 per cent in 1949 and approximately 84 per cent in 1950, but the productivity reached only 90 per cent.

[439] Remarkable progress was attained as compared to the years 1945-46. By its own efforts and with the help of foreign aid Austria could satisfy the urgent demand for imports and the volume of imports was increased above the prewar level. The exports, however, lagged behind as measured by the quantum-index. The same holds true for the balance of services. On the basis of economic data the balance of payments of Austria in 1950 is presented in the following table.

Explanatory notes to table:

457 a. Quoted in dollars due to change in exchange rate.
b. Calculated in dollars for 1949 and 1950 by the Oesterreichische Statistisches Zentralamt.
c. Other services.
d. Up to June 1950 including drawing rights.
e. Among them aid deliveries in form of credits; no decision has been made about the obligation for repayment.
f. Net payment of drawing rights up to the end of June 1950, and Initial Position payments since July 1950.
g. Provisional figure.

The Austrian Balance of Payments 1948-1950

(In millions of U.S. Dollars)[a]

	1948	1949	1950
EXPENDITURES			
I. Imports			
Commercial goods imports (incl. ERP and indirect aid) [b]	211.45	397.29	360.33[g]
ERP deliveries (direct aid)[b]	94.30	194.20	118.88[g]
Private organization charity and relief	19.60	9.34	4.10
Other relief deliveries	162.55	0.99	0.11
Electric current	1.90	1.90	0.60
TOTAL	489.80	603.72	484.02
II. Services and Interest			
Freight and Transportation	c	9.29	15.72
Tourist Traffic	2.10	2.61	3.63
Post and Communications	0.25	0.35	0.45
Diplomatic Service	1.40	1.70	1.58
Insurance	c	0.37	0.25
Other services	2.05	6.16	6.37
Interests	0.20	0.58	0.53
TOTAL	6.00	21.06	28.53
III. Refunds for foreign credits	8.00	7.50	6.93
IV. Net changes of short-term foreign loans and obligations	19.40	11.05	30.27[g]
Unexplained difference	6.63	--	39.74[g]
TOTAL EXPENDITURES	529.83	643.33	589.49[g]
INCOME			
I. Exports			
Export of goods[b, d]	198.30	285.86	326.10
Electric current	8.60	5.67	6.18
TOTAL	206.90	291.53	332.28
II. Services and Interest			
Freight and Transportation	c	10.01	6.94
Tourist Traffic	0.80	3.48	15.05
Post and Communications	0.65	1.05	0.80
Diplomatic Service	c	0.37	1.36
Insurance	c	0.05	0.08
Other services	20.23	22.82	21.91
Interest	--	--	--
TOTAL	21.68	37.76	46.14
III. Claims to foreign credits[e]	21.50	12.70	4.88
IV. Financing of deficits by aid deliveries			
ERP (direct aid)	94.30	194.20	118.88[g]
ERP (indirect aid)[f]	3.30	95.57	83.10
Private organization relief and charity	19.60	9.34	4.10
Other aid deliveries	162.55	0.99	0.11
TOTAL	279.75	300.10	206.19
Unexplained difference	--	1.22	--
TOTAL INCOME	529.83	643.33	589.49[g]

000 in the course of the last decade, by which a number of areas formerly at the disposal of the western hemisphere were totally or in part lost (such as Malaya, Indonesia, China, Iran, etc.). By these changes the balance of payments was adversely affected also. Thus, even the dollar problem which has become so urgent today is nothing more than the result of a development that had started during World War II by the loss of the eastern Asiatic area for raw materials and the forced transfer of natural production of a number of items to synthetic production, especially in the United States.

The reactions which came from the markets for raw materials in the first half of the year produced, as a consequence, an inflation of the total European price and wage level. In the second half of the year these tendencies weakened and lost much of their original impetus, with the sinking of the price level. It is a fact that the business activities of the western hemisphere toward the end of the year were no longer overshadowed by the concern over an immediate shortage of goods, which had characterized the development of the international economy after the outbreak of the Korean conflict.

Since the middle of 1951 a certain decrease in the demands was observable on the consumer goods market in the leading countries; this was considered a salutary relaxation after hoard buying. Towards the end of the year, however, buyers exercised more restraint as they no longer expected any considerable increases in prices. On the other hand, certain impulses again took on a more serious character stemming from increasing public expenditures and structural changes of certain balances of payment.

The international development as sketched in rough outline here could not help but have an impact upon Austria.

457 The forces working in the world market and influencing the structure of the Austrian economy 1/ (especially the price discrepancy between import and export prices) led in the beginning of the year to a difference between the trade and foreign currency balance, thus to an increasing tension in the balance of payments. (This was the case regardless of apparent shortages in important raw materials and in spite of a relatively favorable trade balance, considerable income from foreign currencies, and the direct and indirect

1/ [Cf. category 116, pp. 92-94--Analyst]

aid which wat granted.) The result was not only a very early claim upon direct aid (in the third ERP year, i.e., from July 1, 1950, to June 30, 1951--8.81 million dollars) but also an exhaustion to a very considerable degree of the Initial Position supplied by the EPU in the amount of 80 million dollars. To ease the precarious situation, the OEEC was asked to increase the direct aid and to extend the Initial Position. This was granted by ECA after complicated discussions with regard to the special situation in Austria; at last, amounts of 18.2 and 10 million dollars, respectively, were granted for the period up to June 1951. 457

B. Credits, Wages, Prices and Subsides (Measures and Agreements).

The higher prices of foreign raw materials, their shortage, and the reactions which followed the fourth price and wage agreement reached between the Chambers of Economy (Wirtschaftskammern) in September 1950 led eventually to an actual transfer of the single cost elements, thus endangering the potential exports of Austria designed for the international market. In 1950 the center of gravity in the foreign trade policy ley with the foreign currency policy and was the main concern of the Nationalbank. The existing international shortage of raw materials shifted this center to the planning of quantities of imports and exports. The Austrian Federal Government, therefore, had to coordinate Austrian economy with world economic conditions. A number of economic-political proposals were introduced in the National Assembly which, limited in time to June 30, 1952, were enacted in the last session of the Fall Convocation 1950-51 (ending in February 1951). These were the laws enacted: 652 [439]

1. The law concerning the creation of an economic directorate (Wirtschaftsdirektorium) consisting of members of the Federal Government; it has as its task coordination in the fields of production, prices, food supplies and foreign trade policy. 656

2. An amendment to the price control law (Preisregelungsgesetz) to exercise a rein upon prices; [435]

3. An amendment to the raw materials allocation law (Rohstofflenkungsgesetz) which is supposed to channel raw materials of which there is a shortage toward those goals which are most urgent economically; [433]

435 3. The tariffs of the public corporations (Federal
655 Railway, Posts, Tramways) as well as the prices for
[651] current were increased[1] from 20 per cent to 100 per cent to keep pace with the prices on the world market which had increased due to increases in cost (especially the price of coal); the trend toward a deficit in the Federal Railway and public service enterprises had to be checked. In spite of these considerable increases, these price rises were only three to five times as high as the level of 1937.

[646] 4. On the basis of the newly calculated producer and import tax prices, new retailer prices were worked out; to balance this rise every receiver of gross wages received an additional income of from 10 per cent to 12 per cent per month, but at least a minimum of 140 schillings. For persons in the public service, special measures were taken on the ground of the so-called "Gehaltsüberleitungsgesetz."

[65] 5. Finally, in immediate connection with this agreement a number of taxes and duties were altered: progression of the taxes on wages and incomes; a change in the rates of the mineral tax; a change in the contributions of the employers to the balance funds for charitable relief; a change in the turnover-tax; on the grounds of the law of adjustment of social insurance of 1951, the basis of the maximum contributions to social security were changes.[2]

648 The most remarkable progress within the scope
[654] of this agreement, however, was (as already mentioned) the reduction of subsidies. As is known, the individual ERP countries obligated themselves in the bilateral economic agreements (Austrian agreement, August 2, 1948) toward the USA to pay the full value of the American relief deliveries in the currency of the recipient country on a special account (counterpart accounts). These accounts should be disposed of by the individual governments in accordance with the approval of the ECA to cover, as a rule, the financing of productive investments and to support currencies. The utilization of these means for financing for consumer goods should be limited as far as possible, although this had been tolerated in the beginning to raise the general standard of living. The purpose of this limitation was not to prolong the dependence upon foreign aid which was to end toward the end of June 1952.

457 With regard to the necessary balancing of
652 the balance of payments (the special measures to achieve

1 [i.e., in July, 1951. Cf. cat. 116, p. 97, for rationale--Analyst]
2 [sic.,--Analyst]

these aims will be discussed later), which becomes more and more urgent because of the decrease in ERP funds, means from counterpart funds for investment aims had to be released to an increasing degree. 457 652

The Austrian government declared, therefore, its readiness as early as the fourth price and wage agreement to abolish all ERP subsidies for imports. In the interest of keeping living costs at the lower level, also, certain quantities of vital goods were provided at lower prices in 1951. Besides fertilizers and raw materials for fats (which continued to be calculated on the basis of former prices), the prices of wheat and fodder corn were increased but they still remained far below the prices on the world market. In addition, smaller subsidies were provided to support the prices of sugar, glass, drugs, and hides. 652 435 439 654

In spite of the partial abolition of subsidies, they still amounted to approximately 1 billion schillings for the period from October 1950 to June 1951. Seven hundred and fifty million schillings went to the debit of the counterpart accounts and 250 million schillings to the debit of the budget. Further subsidies had to be faced for two reasons: a sinking of the allocated means in the last year of the Marshall Plan (1951-52) had to be taken into consideration; and further means were necessary to continue investments which already had been started.

The agreements, therefore, provided adequate increases in sale prices for the import of individual goods. In spite of these price correction measures by which the difference between the import prices for wheat, rye, fodders and raw materials for fats and the prices on the world markets could be diminished, but not fully absorbed, there still remained a considerable burden on the budget because of the existing prices on the world market and the projected quantities of imports, as well as by changes in the ways of financing (transfer of counterpart accounts to the public budget). Thus, the differences had to be covered by the next balance period, a fact which the government budget 1951-52 had to take into account. This problem will rise again with the end of the Marshall Plan aid in June 1952.

If one considers the results of these agreements as a whole, a clear success had been scored in the prevention of further increases of subsidies, in the improvement of real income of public servants. 652 434

452 the Austrian Nationalbank) an increase of the total
652 amount of credit extended from 10,677.2 million schillings (December 31, 1950) to 15,226.5 million schillings (in the end of December 1951).

The total volume of credit comprised in the single categories of credit is:

	Dec. 31, 1950	Dec. 31, 1951
	(in millions of schillings)	
Credits for raw materials[a]	702.0	804.6
Other commercial credits	7,707.6	10,347.6
Reconstruction credits[b]	2,267.6	4,074.4
TOTAL	10,677.2	15,226.6

[453] a) These are credits which are to finance the import of semi-manufactures (in the first place, raw materials). Promises of refinancing are given by the
[457] Nationalbank and by credit institutions which have to guarantee them along with the Nationalbank. They come from direct and indirect ERP aid for carrying out of deliveries.

b) These are check-credits serving the financing of ERP investments out of ECA releases. They are guaranteed by the government according to the law of March 30, 1949 (BGBl.101/49) and by the promise of refinancing by the Nationalbank.

Listed below are the total credits according to their use as of September 30, 1951 (a later listing is not yet available).

	In Millions of Schillings		
Total credit volume	14,415	=	100.0 per cent
Commercial credits	10,908	=	75.7 per cent
ERP credits	3,507	=	24.3 per cent
From these: Industry and Mining	3,500	=	99.8 per cent
Small business	7	=	0.2 per cent

The commercial credits are listed as follows:

Industry and mining	4,342	30.1 per cent
Trade	2,894	19.3 per cent
Small business	934	6.5 per cent
Agriculture	759	5.3 per cent
Länder and municipalities	623	4.3 per cent
Other credit purposes	978	7.6 per cent
Reconstruction of dwellings	378	2.6 per cent

The development of Savings and Checking Accounts is shown in the following table:

	December 1950		November 1951	
	(in millions of schillings)			
Grand Total:				
Savings Accounts	2,198.1		2,320.0	
Checking Accounts	7,271.1	9,469.2	8,817.6	11,137.6
Break-down:				
Joint-Stock Banks				
Savings Accounts	484.5		537.2	
Checking Accounts	4,056.3	4,540.8	4,993.1	5,530.3
Bankers				
Savings Accounts	17.5		23.3	
Checking Accounts	250.9	268.4	207.0	230.3
Savings Offices				
Savings Accounts	965.3		954.7	
Checking Accounts	1,091.7	2,057.0	1,365.9	2,320.6
Credit Associations				
Savings Accounts	488.8		542.6	
Checking Accounts	386.4	875.2	466.6	1,009.2
Other Credit Institutions				
Savings Accounts	242.0		262.2	
Checking Accounts	1,485.8	1,727.8	1,785.0	2,047.2
		9,469.2		11,137.6

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[452]

Since the beginning of the Marshall Plan up to November 30, 1951, an amount of 12,280.1 million schillings was deposited in the special fund as a schillings equivalent of ERP aid deliveries (U.S. laws 84, 389, 470 and 472). From this amount, 750 million schillings were released for monetary purposes, 6,875 million schillings for financing the industrial investment program, 54.9 million schillings for other purposes, and 679.4 million schillings for the 5 per cent quota reserved for the U.S.--a total of 8,284.3 million schillings. On the key-date an amount of 3,995.8 million schillings remained for further purposes. (These figures do not include the United States aid transactions in the amount of 478.2 million schillings for the period from July 1, 1947, to December 31, 1947, the latter amount referring to purchases.)

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D. Balance of Payments, Production, Investment.

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The problem is to carry out economic aims within the framework of inter-state coordination and the solving of certain intra-economic problems (problems of structure and priority). This is a specific Austrian task which must be attained by an increase in the transfer of production, by the rise of productivity, by an alteration of the structure of employment and foreign trade. The latter is a problem of international cooperation and of easing tensions in world politics.

Austria was dependent upon close international cooperation and international help from the start. This was due, for example, to the economic and political burdens such as the loss of a considerable capacity of production, which constituted a heavy drain upon the newly reestablished independent status of Austria achieved in 1945; new currency and credit policy foundations; the creation of an industry adapted to changed world economic conditions, which could be achieved only over a long period and only with the help of foreign aid. The situation of Austria is essentially different from that of western European countries which, at least after the outbreak of the Korean conflict, suffered only one-sidedly by the dollar shortage. Their balance of payments against countries with soft currencies were, on the average, favorable.

The following table shows the development of the Austrian balance of payments during recent years.

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	1947[a]	1948	1949	1950[b]
	(In millions of schillings)			
A. Current Expenditures				
Import of Goods	312.0	489.8	603.7	481.6
Invisible Expenditures	4.3	6.0	21.1	28.5
Total	316.3	495.8	624.8	510.1
B. Current Income				
Import of Goods	90.7	206.9	291.5	335.0
Invisible Income	19.8	21.7	37.8	46.1
Total	110.5	228.6	329.3	381.1
C. Deficit of the Current Balance of Payments	205.8	267.2	295.5	129.0
D. Increase in Deposits of Foreign Currency	7.3	19.4	11.1	30.3
E. Debt Liquidation	--	8.0	7.5	6.9
F. Statistical Correction	† 6.0	† 6.7	- 1.3	†45.5
G. Import of Capital, including Aid Deliveries	219.1	301.3	312.8	211.7

a) According to estimates of the International Monetary Fund.
b) 1948, 1949 and 1950: According to reports of the Board of Directors of the Austrian Nationalbank.

In spite of the initial difficulties and in spite of the impossibility of taking up the threads of development as they were before 1937 (attention is called to fundamental changes in the political, economic and social structure of central and south-eastern Europe), Austria was able to hold to a level which secured inner stability and an equilibrium in external relations. With the help of foreign aid granted in the last few years, Austria was thus able to achieve, among other things, a balance of payments.

Since 1946, when the gross national product available for consumption and investments (goods and services) had sunk to almost half the prewar amount, the gross national product and productivity has been doubled in the last few years. By 1950, the prewar level was exceeded by 10 per cent. In the same period industrial production increased two-and-a-half times and the volume of the total agricultural production increased by approximately one-half. A relatively high 434 433

433 investment rate as well as an increase of the general
434 level of consumption was made possible by this extension of the gross national product.

In 1951, the gross national product (according to provisional calculations and estimations of the Oesterreichische Institut für Wirtschaftsforschung) increased by about 7 per cent in spite of production bottlenecks. This figure, however, is slightly lower than in 1950 (10 per cent), but still higher than could be expected in a normal economy. This increase was almost exclusively due to the industrial production which, owing to the 10 per cent rise in productivity, could produce 14 per cent more goods than in 1950. In this way reactions on the level of prices could be neutralized in some ways
[457] through the greater quantity of goods. However, as the exchange conditions in Austrian foreign trade deteriorated by 10 per cent, and as the increase in prices on the world market lowered the real value of foreign aid by one-third, the Austrian economy in 1951 had only about 4 per cent more goods and services (i.e., about 2.3 billion schillings) for consumption and investments at its disposal than in 1950. Tourist traffic showed an increase of about 20 per cent more overnight guests in 1950-51 than in the preceding season, but the remaining sectors of economy, especially agriculture, showed only slight progress.

434 In the previous six years, especially since
454 1948, a far greater part of the gross national product was invested than before the war. In 1937 only about 6 per cent of the available gross national product was used for investments. The percentage increased from 17 per cent in 1948 to 20 per cent in 1950. As a comparison, the annual average in Great Britain is about 18 per cent. In 1951 the increase of the gross national product invested reached its highest extent, about 21 per cent. The greater part of these investments was carried out within the scope of the public budget or through special funds (for instance, reconstruction fund for dwelling units) and out of ERP funds. (In 1951 about 3.7 billion schillings flowed in from the purchase of ERP goods upon counterpart accounts). The high level of the investment rate, however, was only possible with foreign aid. It will be one of the main considerations of the Austrian economic policy to keep to or divert an adequately high rate after the end of the Marshall Plan. In this connection the adjustment between the investment rate and the monetary stability as well as the distribution of investments between

industries of production goods and consumer goods, will gain top importance. 434 454

During the Marshall Plan period preference was given to short-term investments within the scope of the Austrian Investment Program 1950-52. The aim was to ease the strain on the balance of payments, either by an increase of exports or by a decrease of the import demands, whether by direct or indirect means (for instance, by lower prices for semi-manufactures in industries which depend upon exports). The decisive factor for the selection of investments was the degree of contribution to the balancing of payments within the shortest time possible. This had to be coordinated with the requirements for big projects which had been started or were far advanced. In this way the projects could be completed in a technically and economically sound way. By finishing the started projects, especially in electric energy and in the iron and steel industry, Austria should be enabled to use its rich natural resources (water power, iron ore) as rationally as possible and better than was the case before. In view of the low capacity of the domestic capital market these projects had to be carried out, as far as possible, within the ERP period. In spite of the continuation of big industrial projects, the main tendency of the three-years' program (1950-52) is to give industries and crafts which need export outlets as well as the tourist traffic higher counterpart sums in the last two years than they received in 1948-49. It is self-evident for reasons of export and social policy that the investment plan tries to support, above all, small and medium-sized enterprises of the semi-manufactures category and the crafts. [457] 652 454 457

Development of the most important economic fields is on the average satisfactory. One has to consider, however, that the full results of investment projects, especially the big ones, will not show up until 1954-55. Most impressive has been the development of the iron producing industry. Thus, for instance, in 1950 about 15 times more raw iron and 5 times more raw steel and rolled products were produced than in 1946. The production of the iron producing industry surmounted that of the prewar level in 1945. Compared to 1937, by 1950 the production of raw iron was higher by 128 per cent, that of raw steel by 46 per cent, that of rolled products by 37 per cent, and that of pressed and wrought iron products by as much as 246 per cent. This development continued in 1951. Thus, the production of 433 327

Industrial Production Index - Comparison of Averages for October (monthly average 1937 = 100) 433

	1951	1950	1949
Total Index of Production	180.3	145.4	122.8
Production Goods	230.7	178.6	151.6
Consumption Goods	138.8	117.3	98.3
Total Index of Productivity	105.7	91.8	82.1

Although agriculture and forestry showed some results production was lagging behind due to many soil-improvement measures which were neglected during the war. It remained behind the prewar level. Further investments are now being made in this field. [311] Considerable increase can be seen in the traffic capacity of the Federal Railways. [497] The extension of electrification, modernization of traffic installations, of rolling stock, and of railway stations are among the projects.

Tourist traffic is of special importance to achieving balance of payments. 457 Tourist traffic was one of the most important foreign currency earners before 1937. In 1948-49, 31.6 per cent of the number of overnight guests for 1937 was reached. This proportion rose to 70.4 per cent in 1949-50 and to 74.3 per cent in the winter season of 1950-51. However, the income from foreign tourist traffic lagged behind that of the prewar period. It amounted to 15.1 million dollars in 1950. With regard to its purchasing power, it reached one-fifth of the 1937 level. In this field also investments for modernization and extension of enterprises are continuing. The aim is to reach a reasonable balance between investments and incomes from foreign currencies. Similarly motivated is the [529] aim of opening areas of the country which might be very important for tourist traffic by building new roads and means of transport, such as cable cars and ski-lifts. In the investment program for 1950-52 net investments of 960 million schillings are provided for this sector alone.

The main vehicle for the balancing of payments is foreign trade.

E. Foreign Trade.

439 457 Austria's foreign trade was naturally effected by the outbreak of the Korean crisis. In the beginning it caused considerable increases for Austrian exports. In the following period, however, import prices rose above export prices creating a discrepancy between the trade balance and the balance of foreign currencies in the spring of the year. A number of legal regulations were necessary. Intensification of Austrian foreign trade, therefore, becomes one of the most important economic-political assignments in connection with the end of the Marshall Plan. (See Monatsberichte for January 1952: "Ausfuhrsteigerung-erstes wirtschaftspolitisches Gebot." Compare especially what is said about the abolishing of the quota, which will not be changed, and about the material supports to raise the export trade, especially the extension of exchange business.)

[648] In the last quarter of the year, a committee of the EPU in Paris was discussing this problem which is of paramount importance to Austria. It stressed the urgent need for further developments in this sector since Austria shows a permanent deficit account in its clearing with the EPU. This deficit reached an amount of 5.4 and 5.5 million dollars in October and November, respectively, while foreign aid in an amount of approximately 8 million dollars was allocated for these two months. The balance must be supplied by the Nationalbank out of its own reserves.

457 648 439 By means of trade agreements Austria endeavors to extend the scope of its obligations to the European area as well as to overseas areas. (In the following, explanations are based on: "Die Handels- und Zahlungsabkommen Oesterreichs" by Dr. Helmuth Boller, chief of the Trade Policy Section of the Bundeskammer der gewerblichen Wirtschaft, Vienna.) Certain progress could be reached. Thus, the lack of trade agreements with the Iberian peninsula could be corrected by the conclusion of a commercial agreement with Portugal. Toward Spain there are only feelers of a trade and political character. Indonesia joined the ranks of overseas agreement partners. New trade agreements were reached with Belgium, Luxembourg, the Netherlands, and Poland to replace former agreements which had expired. Trade agreements were renewed with Argentina, Brazil, Denmark, West Germany, France, Italy, Yugoslavia, Norway, Rumania, Sweden, Czechoslovakia and Hungary in 1951. As a rule, the formation of the goods

traffic on the basis of hitherto valid agreements were revised and new goods lists for the future worked out. The new agreements are, in general, valid for only one year. Additional payment agreements could be reached with Belgium, Luxembourg, Brazil, the Netherlands, Poland, and Portugal at the same time the commercial negotiations were concluded. (At present there are twenty-three payment agreements.) Payment agreements not connected with commercial agreements now exist with Great Britain, Canada, and Uruguay, and commercial agreements without corresponding payment agreement with India, Ireland, Indonesia, and Pakistan.

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If one groups the concluded commercial agreements according to basic common features, one can see that an extensive adjustment of the regulations to the decisions of the OEEC and the EPU took place in the so-called OEEC countries in 1951. Basically, the principle of Liberalization was stressed in all bilateral commercial agreements with OEEC countries in accord with obligations which result from membership in the OEEC and EPU. The lists drawn up are restricted to goods not covered by the general liberalization.

The paramount importance problems about the supply of raw materials caused a remarkable shift toward fixed promises for deliveries. In many cases the partners not only worked out lists for the import of non-liberalized goods but they added additional lists creating fixed promises for the allocation of export licenses in the form of delivery contingents. Austria uses agreements of this kind in its trade with West Germany, France, Italy, the Netherlands, and Portugal. All these agreements with OEEC countries also have in common the basic renunciation of the principle of compensation and its replacement by the so-called "clearing agreement." In 1951 even the last agreement based on bartering had to cede to this principle. The trade agreement with the Netherlands of December 13, 1947, which represents the type of mixed agreement, was replaced by a new trade agreement of February 5, 1951, which actually adopted the standards of those clearing agreements which were reached with other OEEC countries.

The renewed agreements (not in the framework of OEEC and partly only prolonged former agreements) with Bulgaria, Poland, Rumania, and Czechoslovakia do not show essential changes as compared with the preceding year. On the grounds of merely bilateral basis, the

457 balancing of the bilateral trade balance sometimes
048 causes considerable trouble. The trade agreement
439 with Yugoslavia was considerably extended by a credit for goods to the amount of 10 million dollars which Austria granted to that country; the goods have been almost totally delivered. The goods credit, starting with the year 1952, must be balanced by Yugoslavian counter-deliveries. The new discussions about a trade agreement with Yugoslavia were begun on January 7, 1952.

Among the overseas agreements, those with Argentina and Brazil contain very interesting new elements with regard to the techniques of agreements. Thus, for instance, the listing of the items of Austria's exports to Argentina is extremely detailed. One is certain that the establishment of a permanent Mixed Commission with its seat in Buenos Aires will be a success. It is the Commission's task to control observance of the agreement and the development of the goods traffic. In the agreement with Brazil the new method of balancing payments is most interesting because it deviates from the usual scheme. The establishment of annual accounts for the balancing is most remakable. At the end of the year in which the agreement operates, the amounts will be balanced and replaced by a new annual account for the following period of the agreement. It is equally remarkable for the regulation that a payment of a credit account will be demanded only to the extent in which import licenses actually were issued by the competent authorities after ordinary application procedures.

In the first months of the coming year further agreements with Brazil, Bulgaria, Denmark, Greece, the Netherlands, Norway, Pakistan, and Sweden are to be concluded. Existing agreements are to be renewed or prolonged.

457 The achievement of the balance of payments
652 is the aim to which all endeavors of the economic policy must be subordinated. As explained in the foregoing, these endeavors contain those measures which are to restrict the inflationary development. The craft segment of the economy under the direction of the Bundeskammer der gewerblichen Wirtschaft started various measures of material and psychological importance toward the end of 1951. Among these measures was price reduction (see Monatsberichte for November 1951 (No. 31): "Die ökonomische Bedeutung der Preissenkungsaktion").

The same aim is to be reached by an increase of the production with regard to quantities, by the balance between the production-goods and consumer-goods industries and by regard to necessities arising out of the export policy. In this connection, not only problems of an increase in productivity were discussed, but also fixed legally-based calculation principles (Eröffnungsbilanzen) were created which make it possible to strike an unassailable balance and to tax sham profits. 652 457

F. Liquidation of Marshall Plan Aid and Future Planning.

The Marshall Plan is drawing to an end; it expires, according to the Foreign Aid Law of 1948, at the end of June 1952. That the American Marshall Plan administration, the ECA in Washington, has ceased functioning and the Mutual Security Administration started its activities as of January 1, 1952, do not alter the basic principles of Austria's economic policy (see Monatsberichte for January 1952: "Vom Marshallplan zum Mutual Security Agency"). [648] 652 457

This is a fast-moving age in which we live. People almost forget that at the bottom of such a complicated program of procedures as the ERP allocations, of the releases from the counterpart funds, from the direct and indirect aid, from the drawing rights, and from the EPU, there was a relatively simple, but nonetheless, grand idea which aimed at the economic and social reconstruction of the war-torn European continent and the cooperation of the European countries in a free and comprehensive European market. Out of the 13 billion dollars supplied in the Reconstruction Program by the American taxpayer for Europe, Austria got 1 billion dollars for the purchase of bread and fodder grains, cotton, oil, and fats, for payment of overseas freight, for the extension and rationalization of its mining and industrial plants, for carrying out the enormous power-plants, for the reconstruction of its traffic network, and for its recreational and tourist traffic establishments. These dollar means, which were represented also in the counterpart accounts, served immediately or mediately in connection with aid deliveries to supplement investments and necessities in various enterprises.

V. TRANSITION PERIOD (First Half of 1952)

A. The General Picture.

With the end of the Marshall Plan in the middle of this year, the 17 European ERP countries (among them Austria) will have to face a number of rather difficult decisions in the realm of economic policy. If one totals up the grants of aid which Austria got within the scope of the Economic Cooperation Act of 1949, and of the Foreign Aid Law of April 3, 1948, in the course of the last four years under the title of direct and indirect aid, and under the EPU, the allocated dollar means and goods and services altogether amount to 833 million dollars. Allocations for the single years were: 652 457

1948-49 - 270 million dollars
1949-50 - 253 million dollars
1950-51 - 190 million dollars
1951-52 - 120 million dollars

In the schilling balance, the inflowing counter-value to the ERP aid deliveries amounted (in counterpart funds) to 13,243 million schillings with the key-date of February 29, 1952 (according to the statistics of the Austrian Nationalbank). (The principles contained in the agreement and the technical procedures of carrying out these aid programs are quoted in the "bilateral agreement" between the USA and Austria on July 2, 1948.) Out of this amount 775.0 million shillings were used for monetary purposes, 7,275.0 million schillings for financing the Austrian investment programs and 682.3 million schillings for other economic expenditures. The above-mentioned grand total does not contain the counter-value of 478.2 million schillings which was granted in the period from July 1, 1947, to December 31, 1947, under U.S. Relief appropriations (UNRRA, congressional interim funds); they also do not contain such credits as the pound-sterling credit, Export-Import Bank credits, surplus credits and War Assets credits, etc.

The conditions and developments described in the preceding sections for the year 1951 were the result of these financial aids, together with legal and organizational provisions made since 1945 and the attitude of the Austrian people. It should not be forgotten that the economic level of Austria was far lower than that of the other ERP countries. Therefore, in

652 restoring Austria's living conditions a number of
457 problems had to be faced which could not be mastered by the country alone. Moreover, an economically smaller country which is about to change the whole economic structure is more sensitive toward the trends on the world market. Its economic and political possibilities are more restricted than those of big continental powers.

The above-mentioned elements, as well as the thoroughgoing changes which have taken place in the traditional pattern of Austria's trade with southeastern Europe, must be borne in mind when judging Austria's total economic situation.

652 Austria used all possibilities under the ERP as intensively as possible. It has replaced its war damages to a great extent. It has rebuilt its industrial and agricultural production within the limits of given conditions. It has again reestablished connections with European and overseas partners and restored the functional capacity of its money and credit system. Hindrances to these developments were: losses in substance, structural time-limited transfers, existing political encumbrances, and, not least, the recent impact of world economic conditions (Far East crisis). These are the reasons that the aims which were generally set forth by the ERP could not all be realized within the time provided in the program. This is a fate which Austria has in common with other ERP countries to varying degrees.

The problems which Austria has to face after the end of the Marshall Plan are the same in all other ERP countries. Although the capacity and the means may be very different, to restrict the loss of the gross national product in a socially bearable way is the main task. Now the top problem becomes the maintenance of a workable and humane order of economy and society. Various factors will play a role, among them are: a synthesis between captivity and freedom, regard for law and natural development, the cooperation of all political and social forces, the cooperation of individual markets within the framework of sound competition and real prices and the like.

000 No specific social and economic order is autonomous; it is only a part of a great network from which it receives specific impulses and on which it

B. Developments in the Field of Trade and Payments.

If one considers conditions when the laws of economic policy were issued in the spring of 1951, one will see that the discrepancy between the sharply increasing prices of imports and the lagging prices for exports led to a discrepancy between trade balances and currency balances. This was the case despite shortages of the most important raw materials and in spite of a relatively favorable trade balance. In view of this, not only the direct aid was used up in a shorter time, but the "Initial Position" supplied by the EPU was exhausted to a far greater extent in the counter-value of 80 millions. The deficit eventually was covered by additional funds for direct aid in the amount of 18.2 million dollars from EPU and a sum of 10 million dollars from the "Special Resources" of the ECA, awarded in view of the special conditions of Austria. To an extent it was also covered out of the limited reserves of the Austrian Nationalbank. 439 457 652

The later decline of the prices of raw materials made the reduction process slower. This was the case especially with finished goods because of the natural alterations concerned with the various stages of the program. A number of these goods not only reached the maximum prices in the world market, but also the amount in the following period. The total development is reflected in the table of the balance of payment. The figures for 1949 and 1950 are used for comparison.[1]

[Cf. category 116, pp. 132-133--Analyst]

LSH

P. 132

BALANCE OF PAYMENTS OF AUSTRIA FOR 1951 (Final)*
--A Comparison of 1950 and 1949--

	1951 (Quarters) Fourth	Third	Second	First	1951	1950	1949
EXPENDITURES	(In Millions of U.S. Dollars1)						
I. Imports							
Commercial Imports of Goods (incl. ERP, indirect aid)	146.78	126.08	131.68	120.56	525.10	357.30	397.29
ERP Deliveries (direct aid)	28.55	34.10	38.40	26.58	127.63	119.48	194.20
Private Charity Deliveries	0.60	0.60	0.60	0.60	2.40	4.10	9.34
Other Deliveries	---	---	---	---	---	0.11	0.99
Supply of Current	---	---	---	0.00	0.00	0.61	1.90
TOTAL	175.93	160.78	170.68	147.74	655.13	481.60	603.72
II. Services and Interest							
Freight and Transport	7.93	7.39	3.95	4.17	23.44	15.72	9.29
Tourist Traffic	1.34	2.29	1.35	0.98	5.96	3.63	2.61
Posts and Communications	0.10	0.08	0.07	0.09	0.34	0.45	0.35
Diplomatic Service	0.25	0.41	0.48	0.33	1.47	1.58	1.70
Insurance	0.11	0.16	0.20	0.18	0.65	0.25	0.37
Other Services	3.03	4.73	3.02	2.08	12.86	6.37	6.16
Interest	0.06	0.11	0.09	0.14	0.40	0.53	0.58
TOTAL	12.82	15.17	9.16	7.97	45.12	28.53	21.06
III. Capital Flow							
Net Alterations of Foreign Credits	1.01	3.56	---	---	4.14	2.05	---
Net Alterations of Short-Term Foreign Accounts & Obligations	0.67	12.69	---	1.36	8.43	30.27	11.05
TOTAL	1.68	16.25	---	1.36	12.57	32.32	11.05
Unexplained Accounts	---	4.47	1.46	22.07	16.75	42.40	---
TOTAL EXPENDITURES	190.43	196.67	181.30	179.14	729.57	584.85	635.83

INCOME

I. Exports							
Export of Goods	124.26	118.59	109.15	96.41	448.41	325.50	285.86
Deliveries of Current	1.46	1.52	1.54	0.89	5.41	6.42	5.67
TOTAL	125.72	120.11	110.69	97.30	453.82	331.92	291.53
II. Services and Interest							
Freight and Transport	1.72	1.60	2.97	1.52	7.81	6.94	10.01
Tourist Traffic	2.39	13.79	4.34	3.38	23.90	15.05	3.48
Post and Communications	0.15	0.14	0.21	0.10	0.60	0.80	1.05
Diplomatic Service	0.39	0.34	0.43	0.21	1.37	1.36	0.37
Insurance	0.03	0.04	0.02	0.01	0.10	0.08	0.05
Other Services	11.48	10.75	6.93	6.50	35.66	21.91	22.82
Interest	0.15	0.20	0.19	0.18	0.72	---	---
TOTAL	16.31	26.86	15.09	11.90	70.16	46.14	37.78
III. Capital Flow							
Net Alterations in Foreign Credits	---	---	0.23	0.20	---	---	5.20
Net Alterations of Short-Term Foreign Accounts & Obligations	---	---	6.29	---	---	---	---
TOTAL	---	----	6.52	0.20	---	---	5.20
IV. Financing of Deficits by Aid Deliveries							
ERP Direct Aid	28.55	34.10	38.40	26.58	127.63	119.48	194.20
ERP Indirect Aid	8.00	15.00	10.00	42.56	75.56	83.10	95.57
Private Charities	0.60	0.60	0.60	0.60	2.40	4.10	9.34
Other Aid Deliveries	---	---	---	---	---	0.11	0.99
TOTAL	37.15	49.70	49.00	69.74	205.59	206.79	300.10
Unexplained Accounts	11.25	---	---	---	---	---	1.22
TOTAL INCOME	190.43	196.67	181.30	179.14	729.57	584.85	635.83

1) With regard to the change of the schilling rate the figures of the balance of payments are given in foreign currency. 2) On the basis of Foreign Trade statistics of the Österreichisches Statistisches Zentralamt.

* The publication of the Austrian balance of payments for 1951 in Vol. II (February 1952), page 106, was based to a large extent upon provisional results. See also the diagram.

P.133

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439 If one examines the structure of these re-
●457 sults more closely, one will see immediately that the
652 deficit of the trade balance is by far the biggest burden to the total balance, which is not covered at present by the moderate assets of tourist traffic and the surplus of the transit traffic, plus other receipts from services. This deficit was covered up to the present from ERP funds, which must be replaced in the present year (at least in the second half of the year) by other methods if the import programs are not to be seriously restricted. Any restriction, however, would be most decisive. If reduction of the imports of foodstuffs were undertaken it would result in a grievous lowering of the general standard of living; if one attempts a restriction of raw material imports the plants and factories would have their operation curtailed and partial unemployment would result; if one lowers the import of coal and fuel the general tempo of production will suffer with all the consequences this would have upon the social and economic life of the country.

435 It is clear that none of these alternatives
439 would be acceptable since normal development must be to the interest of Austria as well as the whole of Europe. But where is one to find an acceptable solution? An analysis of the figures of foreign trade gives the following picture:

To begin with, the table shows the development of foreign trade in the last two years as compared to the last year before the war. To make the figures of 1937 comparable with those of 1950 and 1951 (which are inflated owing to currency devaluation), the amounts in new schillings were reduced to the previous schillings value by dividing them by the index of wholesale prices (1950: 553 and 1951: 742).

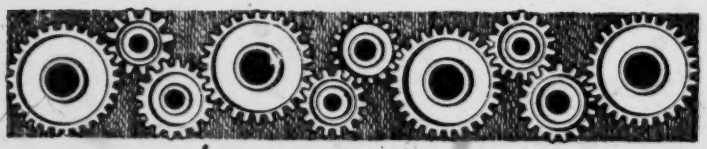
C. Reconstruction Planning.

Reconstruction of the economic policy means 457
a gradual overcoming of the crisis of the balance of payments and the securing of internal and external balance. Such a policy will create conditions which can provide a free convertibility of currencies and the real integration of the single economies. (This is among the aims of the Marshall Plan.) (The EPU is of special value. Due to expire on June 30, 1952, it will be prolonged as an instrument of overcoming crises in the balance of payments which arose as a consequence of the Korean crisis in a number of countries. Without this aid the difficulties could not have been overcome so easily. At present the problem of the quotas, of the brake on money, and of establishing currency rates is an open one, since the current rates no longer correspond to purchasing power.) However, the aim of abolishing the restrictions on foreign currencies and the free convertibility of foreign currencies cannot be achieved within a short time. It will be necessary to establish manipulation funds which serve toward overcoming short-term shifts and creating certain structural correctives.

The maintenance of financial stability as 652
a means of guaranteeing the functioning of a currency is connected with the status of the governmental balance (excluding the calculation of costs in an economy). The frame of figures for the single items (titles, chapters) of the Finance Law (Budget) must be reduced if a surplus of expenditures arises which is not covered by taxes or other possibilities (at present counterpart funds); in this way a balance can be achieved between incomes and expenditures if the foundations of a stable currency are not to be shaken by the budget. If one tries to avoid these conditions, one has to set up a system of savings on the one hand, and to take measures for the reconstruction of a capital market of high capacity, on the other. Like other countries, Austria also will have to endeavor to [454]
transfer gradually a big part of its investment demands from bank credits or counterpart credits to the capital market. This development must be considered the soundest form of long-term financing. The necessary revision of the investments policy caused by 652 457
reasons of the total economy has been dealt with in connection with the balancing of the balance of payments. (This is connected with the reduction of

457 foreign aid. While in 1951 about 200 million
652 dollars was available, this sum will be approximately 100 million dollars for 1952; the schilling counter value to foreign aid, therefore, will decline from 4.4 billion schillings to presumably 2.1
[435] billion schillings. Moreover, as the prices at the end of 1951 were higher by 12 per cent than the average for 1951, there will be about 2.7 billion schillings less out of foreign aid funds for investments than in 1951.) In addition, the budget is burdened by a number of price supports, the abolition of which will not be possible to a full extent under the present conditions. Immediate reactions on the prices for foodstuffs and new rises in wages would be the consequence. The policy of supporting prices must not be omitted when the system of subsidies is altered. [Since the fifth Wage and Price Agreement of July 1951 the existing method of financing important consumption goods was taken over from counterpart funds by the budget. Thus, there are still considerable budgetary expenditures under this title. They amount per year to about 40 million schillings for the support of domestic bread-grain prices, 366.5 million schillings for foreign bread-grains, 555.75 million schillings for fodder, 110 million schillings for fertilizers and 135 million schillings for raw materials of fats needed by the margarine industry. The term for supporting the prices of domestic bread grains (15 groschen per kilo) already has expired. The remaining subsidies will expire with the end of June. Discussions with the aim of continuing these subsidies are not yet finished. They tend, above all, to stimulate production by adequate prices.]

652 Already in the preceding year the stabili-
[453] zation of the money value was prepared to a considerable extent. Measures of this type were: the introduction of the quantitative and qualitative control of credits; the increase of the bank rate from 3 1/2
[435] per cent to 5 per cent; and the lowering of prices, started by private industry of its own volition--this latter measure applying to about 80 categories of goods. This materially and psychologically important premise of an organic policy for stabilization must be supplemented by an adequate budgetary policy. It cannot be denied that the measures which were taken in the preceding year had already brought about signifi-
454 cant results. The savings increased considerably in
652 the first two months of the present year; they rose from 2,275.1 million schillings (checking account deposits 8,898.7 million) to 2,619.5 million schillings



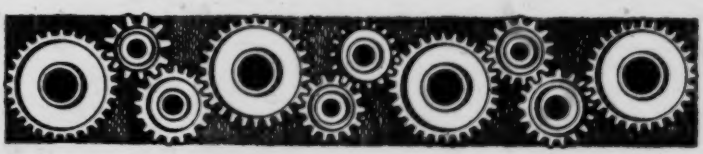
THE AUSTRIAN ECONOMY AFTER 1918.

439 The disintegration of the Dual Monarchy was immediately followed by severe economic disturbances. These were by no means small, even in comparison with the position after 1945. The heart of Austria, with its highly developed trade, was suddenly completely cut off from its former inland sources of raw products and markets. The oilfields of Galicia, like the important coal deposits in the lands of Bohemia, Moravia and Silesia, were lost, having fallen to the Succession States, and the loss of the agricultural surplus areas produced a threat of famine.

433 439 The Succession States—Czechoslovakia, Yugoslavia and Hungary—each attempted to build up a national economy, to balance its economic structure and to make itself as far as possible independent of raw and semi-manufactured materials and finished goods. A division of labour which had grown during decades into one complete organism was thus broken up, to the detriment of all peoples living within this territory. For Austria this meant that an intensive system of internal trading suddenly turned into one of foreign trade, where great difficulties had to be overcome. At first even inter-state transport communications were further complicated by barriers created by the Succession States.

728 433 458 The nadir of those days was reached with the signing of the Treaty of Saint-Germain, which revealed the full extent of the catastrophe. Austria's tragic path at that time was blocked by a series of apparently insurmountable obstacles to the procuring of essential foodstuffs, coal and raw materials. Inflation to an extent never before seen set in and led to a selling-out of national assets. The unfavourable basis of the rump economic structure as well as the instability of Austria's relations with foreign countries seemed to doom all her efforts to failure.

648 457 652 After difficult but very skilfully conducted inter-state negotiations, the governments of Czechoslovakia, France and Italy were persuaded to advance credits to the Austrian Republic. The Allied Powers convinced themselves that Austria, if help came from the League of Nations, would exert her own energies to the utmost in order to put her finances and trade on a sound footing. The will of the Austrian Government to stabilise the budget, demonstrated by the previous abolition of food subsidies (in December 1921), did much to assist these efforts. The Financial Recovery Plan which was signed at Geneva on October 4th, 1922, proved the turning



point. The banknote printing presses were stopped and national administration 652
put on a firm footing through drastic measures of economy.

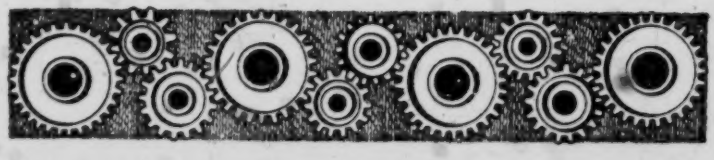
However praiseworthy the efforts which led to a balancing of the budget, the 433
difficulties which still confronted Austrian trade remained considerable. Austria's
productive capacity was far greater than its markets (which had shrunk to an eighth 439
of their former size) could possibly absorb. As a great part of Austrian industry
was devoted to manufacture, the country was dependent on the import of foreign
raw materials (textile, metal and chemical raw materials, hides, furs etc.) and
auxiliary materials (above all coal). On the other hand, the social services (unem- [745]
ployment pay, emergency aid, health insurance etc.) which were more extensive
than in all the other Danube States made the costs of Austrian production comparatively high.

All Austria's efforts were directed towards export. In 1931, 25 per cent of all inland output was exported, 45 per cent of this being industrial production. If one works out the value of goods exported per head of population and compares it with the exports from other countries it will be seen that in 1937 Austria was ahead of Germany, France and the U. S. A., the comparative figures being 39 : 36 : 34 : 28.

As an industrial country, Austria was forced through the ceding of her agricultural
surplus territories to rely on the import of foreign foodstuffs. These imports had 457
to be paid for by the export of industrial goods, as had also the raw and auxiliary materials.

According to the balance of payment figures for the year 1934, the exchange of commodities, which amounted to 63 per cent of all listed inter-state payments was the most important item of Austria's inter-state economic transactions. Second in importance were payments under the heading of invisible imports and exports (balance of services), which amounted to 23 per cent of the total payments. Austria made a profit on these transactions of about 200 million schillings. That proportion of the goods imported which could not be covered by exports alone was therefore paid for by services in the strictest sense of the word. Of these services, the tourist trade and transit trade were the most important.

Through the loss of former markets, Austria was forced to form new export connect- 439
ions in the north, south, west and overseas. As the goods which had formerly been exported to the east and south-east were not automatically marketable in these



bank 34 and the Wiener Bankverein 29 branches outside the territory of present-day Austria.

Adapting the Austrian credit system to the conditions and needs of the Austrian Republic actually took more than one and a half decades. It was not until the year 1934 that this process could be considered as completed with the fusion of the Creditanstalt and the Bankverein. The enormous difficulties involved were still further complicated by the fact that the change coincided in point of time with far-reaching international crises of trade and finance, so that certain grave reactions on the Austrian economy were unavoidable. Notwithstanding this, the latter and its credit system proved themselves strong and vital enough to survive those troubled times and to prepare the ground for the favourable development of Austrian trade in general and the Austrian banking system in particular.

This development was broken off in abrupt and catastrophic fashion through the establishment of the National Socialist regime and the outbreak of the war which soon followed. Although the end of the war restored Austrian independence—in theory, at least—it left behind chaotic conditions—both figuratively and literally a heap of ruins.

In the realm of finance, the first attempts at reconstruction had to be directed towards the re-establishment of the means of payment, a solid national currency being of course a primary condition for the normal system in foreign trade became the guiding 439
principle, the narrowing down of inter-state 648
trade relations being shortly afterwards still more strongly emphasized through currency restrictions and the clearing agreements connected herewith. The currency devaluations of the 457
gold-standard countries towards the end of the 435
year 1936 created new difficulties for Austrian foreign trade. As devaluation was out of the question and an export subsidy was not considered to be a suitable political-economic instrument, the only remaining alternative was to lower the costs of production. The difficulties of such a course have been proved by practical experience in all countries, as the questions of fixed prices and wages combine to form an insurmountable obstacle to such a development.

Nevertheless Austria still succeeded in linking 458
up with the world boom which began in 1935—
1936. In the year 1937 her figures of production 457
were 6 per cent higher than those of the last characteristic boom year of 1929. The tourist trade developed exceptionally favourably, despite the "1000 mark limit" imposed by Germany, and the volume of foreign trade was constantly on the increase.

In view of the heavy burden of debt which 652
the country had to assume after 1918, of the increasingly protectionist tendencies throughout the whole of Europe, especially among Austria's immediate neighbours and considering the severe and long-continued world trade depression, as well as the crises of international currency,

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of 8 warehouses, 258 tobacco distributors and 13,253 tobacconists' shops, thus providing a large number of Austrians with a secure livelihood. As the Tabakregie is a valued customer in the tobacco-producing countries compensation transactions are made possible for other home industries through its foreign dealings. Even during the first months of reconstruction (April to December, 1945) the Tabakregie contributed in taxes about 10 per cent of the total state revenues. In 1946 it provided about a third of these revenues (corporation taxes about 30 per cent and customs dues over 40 per cent), despite decreased production. A rise in output will certainly mean a considerable increase in these figures. It must also be mentioned that Tabakregie exports brought in over 55 million schillings in the year 1933, and that they should therefore play an important rôle in stabilising finances as soon as foreign markets are reopened.

The staff of the Tabakregie varies according to available supplies of raw materials and depends on the preferences and satisfaction of the smoker. In the year 1937, the concern employed 5421 workers, including 3912 women, and at the end of 1947, 2930 workers, of whom 1581 were women. The dwindling of the number of workers is only in a minor degree due to the effects of the war. The main reason must be sought for in the decrease in cigar consumption which has been in progress for some time. The smoker of today is turning more and more to the cheaper type of cigarette which is quickly consumed. The cigar is one of the victims of our hustling and mechanical age. Cigar production, which depends mostly on manual labour, is on the decline, while the cigarette, which is produced entirely by machinery, is becoming more popular. This explains the reduced number of employees. It may increase one day again, if people find time in more leisured days to blow heavy smoke rings from fat cigars.

At all events, the Austrian Tobacco Monopoly is doing its best to see that the smoker is well supplied at all times with his needs, which are those of so large a section of the community.

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9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

health. The death-rate soared.[1] A large number of people were carried off by the influenza epidemic of 1919. In the same year, the mortality among Viennese schoolchildren was 60 per cent higher than in 1913. Deaths from tuberculosis for young people between the ages of 16 to 21 years rose by 160 per cent. 727

Outside help was obviously needed if serious famine conditions were to be averted. Private philanthropic organizations, particularly in the United States and Great Britain, at once organized relief measures, and the Netherlands, Scandinavian countries, and Switzerland offered hospitality to Austrian children on a generous scale. But this was merely a drop in the ocean. A problem of this order could not be solved by private charity. The hopes of the Government therefore turned on the Hoover Mission with its considerable command of food supplies. In December, 1918, the Austrian Government succeeded in getting an advance of 4,000 tons of cereals; though in the circumstances this was entirely inadequate. Negotiations were then begun; but in spite of the catastrophic conditions in Vienna they were protracted owing to Austria's inability to procure the required means of payment; and also because Mr. Hoover's food policy was partly used as a means of influencing the internal politics of the destitute countries. In February, 1919, at last, relief credits were granted to Austria to the tune of $24 million from the United States and $16 million from Great Britain, France, and Italy (who in turn borrowed this money from the United States), and from the middle of March onwards, 1,000 tons of foodstuffs were delivered daily. In April this amount was increased to 1,800 tons daily. 727 457

The available credits soon proved inadequate and additional relief credits were provided by the same group

1 [In late 1919 -- ANALYST]

457 of countries and also by the neutral states. Altogether, 727 between 1919 and 1921, relief credits to the value of about £27 million were given to Austria, of which £9 million came from Great Britain, the largest single lender. These relief credits were secured by a mortgage, with priority over all other charges, on Austrian State property.

But while the relief of the food situation was the most 433 pressing need, the plight of the industrial sector was no 727 less serious. All coal supplies from Bohemia and Upper Silesia were, at first, cut off. The domestic coal ration was 15 kg. per family per week, and even this was not always available. On the main line from Vienna to Salzburg there was only one slow train per day. It stopped at every station, and its time of arrival was anyone's guess as the breakdown of the old rolling-stock and the lack of coal caused frequent and lengthy hold-ups. Often the travellers had to walk beside the train because the locomotive could not pull the load over a steep hill. Of the blast furnaces in Upper Styria only one could be kept working; and that at a time when there was an enormous need for all basic materials. In fact, practically all important raw materials were in short supply. In consequence production had to be cut down or stopped altogether. [457] The amount of supplies from abroad was determined by so-called "compensation treaties": barter agreements on a strictly quantitative exchange basis. There were further complications. For instance, until the rolling stock of the old Monarchy was finally divided up among the various "Succession States", all goods had to be unloaded at each frontier station, as no state would allow its waggons to leave their own territory. This tended to raise costs and to cause greater delay, reducing still further the already meagre flow of goods.

It is, therefore, not surprising that in its initial stages

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

the German Steel Trust. We shall see later what ominous political and economic consequences flowed from this transfer of control. 458 471

Summing up, it may be said that the years of inflation brought a marked revival in the sphere of production and foreign trade; but that little was accomplished in the way of urgently needed structural adjustment.

One further result of the inflation should be mentioned. In Austria, as elsewhere, the internal National Debt was practically wiped out. No doubt this put a heavy burden on some classes of the population, particularly the small saver. No doubt, the inflation involved a heavier burden of external debt than would otherwise have been the case. But the disappearance of the National Debt undoubtedly relieves a government of some headaches when it comes to the point of drawing up a budget. And to balance the budget was one of the main tasks before the Government if the inflation was to be brought to an end. 458 652

THE STABILIZATION OF THE CURRENCY

We have seen that the Austrian Government pinned all its hopes of overcoming the monetary chaos on foreign help. A foreign loan would both help to balance the Government's budget and to stabilize the foreign exchange rate, the barometer of the country's confidence in the Crown. 457 652

Negotiations for such a loan had started as early as 1920; but to secure a loan was by no means a simple matter. The allied governments expected to receive reparations from Austria, not to make loans to her. They pointed to the relief credits they had already granted (but which had of course been used up for "unproductive" relief) and were unwilling to make any further advances. Private investors, on the other hand, were unwilling to

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

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lend money to a country which constantly stressed the lack of a sound basis for its economic future. Only first-class guarantees would induce capital to come to Austria. The Austrian Government, therefore, proposed to guarantee such a loan by pledging some of its major sources of revenue (customs, tobacco monopoly, State forests) to its service. Unfortunately, however, all properties and revenues of the Austrian State had already been charged with guaranteeing reparations, occupation costs, and relief credits. Negotiations were therefore begun with a view to securing the agreement of all the states concerned (eighteen in number), to raise their mortgage on Austrian assets. By the time the necessary agreement had been secured—which was not until about a year later—the position had deteriorated to such an extent that the original financial plan was no longer adequate.

Finally the League of Nations decided to step in. In October, 1922, the famous Geneva Protocols were signed. The first Protocol, signed by Great Britain, France, Italy, Czechoslovakia, and Austria, re-affirmed the political and economic independence and territorial integrity of Austria. In the second Protocol the British, French, Italian, and Czechoslovak governments each guaranteed a portion of an Austrian loan of 650 million gold Crowns. In the third Protocol the Austrian Government promised to put its own house in order, to balance its budget, to stop borrowing from the Bank of issue, and to create a new and independant bank of issue, the Austrian National Bank.

The Geneva Protocols had a remarkable effect on the monetary situation. The mere fact that promising negotiations were in progress led to a return of confidence and put a stop to the panic flight from the Crown. The dollar exchange rate reached its highest point in August, 1922, when it stood at 83,600 Crowns. After that there was a

slight fall. Retail prices ceased to rise in September, 1922; after that they merely fluctuated in the normal way. The return of confidence in the currency enabled the Government to raise loans from the public once more. Between November, 1922, and January, 1923 (long before the raising of the foreign loans), 80 million gold Crowns were subscribed in domestic loans. In the summer of 1923—after some short-term credits had been granted to Austria—the guaranteed long-term loan was at last launched in the various Allied and neutral countries. The subscription was a complete success. The reorganization of Austria's finances could at last be taken in hand. Careful economy, the cessation of borrowing from the bank of issue, and the increased yield from taxation all helped to reduce the deficit.

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In November, 1923, the budget for the first time showed a surplus. The operation had been clearly successful. At that time most of the other European countries, and particularly Germany, were in the throes of inflationary catastrophes which surpassed anything that had happened in Austria. In 1923 and 1924 the Austrian Crown[12] was indeed one of the most stable currencies in Europe; a fact which earned it the nickname of the "Alpine dollar". The way was now open for the more fundamental tasks of readjustment and reconstruction. Nevertheless, a more courageous policy might have achieved the same results without the aid of so much foreign borrowing, whose burden could not help but make itself unpleasantly felt at a later stage.

1 [CA. CATEGORY 116, P. 35. — ANALYST]

READJUSTMENT AND CONSOLIDATION

UNEMPLOYMENT[1]

(000's omitted)

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1923	161	167	152	132	107	92	87	83	78	75	79	98
1924	119	125	106	82	68	63	66	74	77	89	113	154

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The situation was aggravated particularly by the shortage of capital for industry. An enormous speculative boom swept the stock exchange in 1923 and early in 1924. Industrial shares which had been neglected in the uncertain period of inflation were now eagerly taken up and funds were increasingly drawn into the financial sphere. Since private saving had fallen to negligible levels the rate of interest charged to industry was excessive. Interest rates on first-class overdrafts reached the absurdly high level of 22 per cent in 1924, and even in 1925 they still stood at 15½ per cent. The cost of credit was also raised by the monopolistic policy of the bank cartel which fixed the rates and left a margin of 7½ to 9½ per cent between rates paid and charged. As Austrian industry was largely owned and controlled by the banks, and also dependent on them for short-term credit, industrial interests were often subordinated to "orthodox" financial considerations. 454 455

Some relief was afforded by foreign loans. These were attracted by the high rates of interest and were usually obtainable on more favourable terms. The main drawback on this score was that—apart from loans to local authorities, public utilities and very big firms—it was only short-term credits which were offered, while what was needed at that time were long-term credits for industry. Indeed, once the monetary systems of the central and eastern European states were stabilized the *political* interest in their reconstruction ceased in the Western 457

1 [CP CATEGORY 1/6, PAGE 50 -- ANALYST]

•457 world, and the field was left open to private investors who failed to appreciate the long-term needs of that area.

433 But in spite of the heavy unemployment, production continued to increase; though there were some setbacks in the capital-goods industries which had benefited most from the inflation. The following figures may serve to illustrate the trends of this period (no general index of production is available for these years):

Production	Unit	1922	1923	1924
Coal, lignite	Thousand tons	3,136	2,659	2,777
Steel	" "	481	499	370
Paper	Waggons	15,108	15,285	17,211
Wheat	Thousand tons	202	242	231
Rye	" "	345	402	411
Potatoes	" "	1,398	1,426	1,647
Sugar	Quintals	244,680	472,555	750,102
Merchandise carried by railway	Thousand tons	—	5,493	6,174

The general rise in production was mainly due to the installation of modern plant during and after the inflation, to the resumption of more careful costing and accounting practices, and to a considerable rise in output per head. By 1925, total output reached about 80 per cent of the pre-war level.[3]

464 The overall figures of unemployment conceal, however, the very uneven incidence of unemployment in the various industries: a consequence of the structural changes then taking place. In February, 1925, when unemployment had reached the high level of 193,000, the percentage of unemployed was fairly low in the quickly expanding light and consumer goods industries—8 per cent in the food processing trades, 4 per cent in the paper industry, 6 per

1 [CR. CATEGORY 116, p. 50 - - ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

trial output was largely due to measures of rationalization rather than to an increase in the numbers employed. On the other hand, the pressure on the labour market continued. Apart from the structural unemployment inherited from war and inflation—the decline of the war industries, the reduction in administrative and banking personnel, the difficulties of the export industry—the process of readjustment still went on, slowly and haphazardly. Bank mergers, numerous liquidations, etc., all created new friction in the labour market. Walter Lippmann once said that it was the foreign policy of the United States not to have a foreign policy. Similarly it might be said of the Austrian Government of that period that its economic policy was to have no economic policy. 464

Not only was there no clear idea about the measures required to bring about the necessary and only half-completed changes as smoothly and as quickly as possible; the Government was also overcautious in its own spending policy. There was some expenditure on railway electrification, on agricultural improvement and on other investment and public work items. But this was altogether inadequate. The memories of the recent inflation, the need to maintain the country's foreign credit, the enormous burden of pensions for the great pre-war administrative machine, all made a balanced budget seem the ultimate goal of state finance. Thus unemployment in Austria was considerable even before the world depression. It remained high in 1925 and 1926, decreased slightly in 1927 and 1928, only to rise again in 1929. During the whole period there were at least 10 to 15 per cent unemployed.

Foreign trade was another source of weakness. With the growth of production in Austria and elsewhere, imports and particularly exports did, it is true, increase steadily. 439 457

AUSTRIA'S ECONOMIC DEVELOPMENT

[439]
457

AUSTRIA'S FOREIGN TRADE

(in million schillings)

	1926	1927	1928	1929
Imports	2,771·3	3,094·1	3,230·1	3,248·3
Exports	1,706·4	2,040·5	2,202·1	2,169·0

But the adverse balance remained uncomfortably high throughout. The larger part of this deficit—probably 700 to 800 million schillings—was covered from income on the various invisible items mentioned earlier. The remainder is accounted for by foreign borrowing. It has been estimated that between 3,000 and 4,000 million schillings had been borrowed between 1923 and 1930.[8] This would not have mattered greatly in normal world economic conditions, except that a large part of these loans consisted of short-term advances to the banks. A large part of this money was lent to industry on, what was in fact if not in form, long-term conditions. The dangers of a sudden withdrawal of these funds should have been obvious. Moreover it was clearly impossible to continue indefinitely with an import surplus of that size since, in addition to current interest payments, the capital itself would ultimately have had to be repaid.

433 But it was not easy to find a solution. Austria's demand for her imports—mainly food and raw materials—was
439 highly inelastic and could not be easily adjusted to changing conditions; while her exports—mainly manufactured goods—were increasingly excluded by the tariff walls that sprang up all over Europe. Slow, and sometimes painful, structural changes did, however, take place which prepared the ground for later improvements.

Reference has already been made to the improvements

1 [CP Category 116, p. 50. — Analyst]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

453 banks had tended to increase their liabilities in relation to their own capital; and the high rates of interest had led to a continuous influx of foreign short-term money which the banks re-lent for medium- and even long-term purposes. This could not but render the banking system (in Austria and elsewhere) highly vulnerable to any sudden outside shocks.

The shock (or rather several shocks) came with the 453 outbreak of the world depression. First, with the 1929 stock-exchange boom in Wall Street in full swing, the • 457 inflow of short-term funds (particularly American) which had been continuous from 1925 onwards came to an abrupt end. Later, loans were called in so as to satisfy the desire for liquidity which the depression had everywhere created. But a large part of this money had been re-lent for purposes of long-term capital-extension and it was now found to be "frozen". Further sums had been invested in the Balkan countries where the catastrophic fall in agricultural prices rendered the service on foreign loans increasingly out of the question. Bad debts accumulated and had to be written off.

The decline in the banks' liquidity was only half the trouble. They also lost much of their own capital. The Austrian banks—and to a lesser degree all Continental banks—had been in the habit of investing a large part of their capital in industry. With the severe decline in industrial production and profits, the banks thus suffered heavy losses on their shareholdings.

All these factors had been quietly at work below the 453 surface of an apparently smoothly working banking system. Quite suddenly, however, these facts were brought to light, with all their devastating implications. On May 11th, 1931, it was announced that the losses of the Credit-Anstalt had been so severe that it was unable

453 capital; the country's foreign credit was too closely bound
652 up with the solvency of this bank. The Government therefore stepped in within four days and, together with the Austrian National Bank and the House of Rothschild, assumed responsibility for its financial reconstruction. A number of measures followed in quick succession. The government guaranteed first the foreign, and later also the domestic deposits of the Credit-Anstalt. A committee was set up in London to represent the interests of foreign creditors. An agreement was signed providing that 500 million schillings of foreign short-term credits were not to be withdrawn for two years. Strict economies were introduced. Salaries and pensions were heavily cut by
453 decree; many of the bank's employees were sacked. The
652 problem of an overgrown banking system was at last being solved; but in a way which created much misery and
464 dislocation. No doubt, the Credit-Anstalt had somehow to be saved. But the Government was too concerned about the profitability of the concern and the interests of the shareholders. Its measures contributed to the already serious structural unemployment among the middle classes and served to prolong the depression. Moreover, the Government missed an unique opportunity of using its newly gained influence over the main credit institution to re-organize and direct the country's industrial structure in the national interest.

453 But the collapse of the Credit-Anstalt did not only call for far-reaching measures for the restoration of that
436 institution. It also had grave repercussions on Austria's
652 monetary system. The National Bank had been forced to re-discount a large number of Credit-Anstalt bills, and
• 457 the note circulation began to swell. At the same time, in spite of the Government's speedy assistance and guarantee, confidence had been shaken and funds were withdrawn

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

from the Credit-Anstalt on a large scale. Particularly foreign short-term credits, which had already trickled outwards ever since 1929, were now called in rapidly. About 1,000 million schillings were withdrawn from Austria within a year.

This put a severe strain on the foreign exchange reserves of the National Bank. The stability of the currency, which had rested on a firm basis since the inflation had come to an end, was threatened once again.[6] Support was urgently needed and, for the second time in its short history, the Austrian Republic had to appeal for foreign help. Some welcome, but sadly inadequate, help was rendered in June, 1931, in the shape of a 150 million schillings credit from the Bank of England and 100 million schillings from the Bank for International Settlements. This eased the strain for the moment, but soon there was a renewed decline in foreign exchange reserves. Germany and Hungary suspended their foreign payments. This meant not only a loss of expected income but it also undermined confidence still further and a flight of capital set in which threw the foreign exchange market completely out of gear.

On August 7th, 1931, the Austrian Government asked the League of Nations for a 250 million schillings loan. As in 1922, this loan was ultimately granted. But again the help did not come soon enough. After prolonged negotiations and investigations the Financial Committee of the League of Nations stressed in March, 1932, that the financial strain of Austria, Hungary, Greece, Bulgaria, etc., was mainly due to world causes over which they had very little control, and that there was an urgent need for international financial help. In the summer of 1933, two years after the first appeal, the loan was finally launched.

But in the meantime the position had gone from bad

[1] [Cf. Carsberg 116 pp. 63-64. — Author]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

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to worse. Action became imperative. The demand for foreign exchange increased steadily and an unofficial premium on foreign currencies developed. On October 9th, 1931, after the foreign exchange reserves of the National Bank had fallen from 856 million schillings on May 7th to 359 million schillings, exchange control was finally introduced to stop any further loss of reserves. The same measure had already been introduced by Germany, Denmark, Hungary, Greece, Czechoslovakia, and Yugoslavia. It soon spread to most of the smaller nations in Europe and South America. Further measures —above all import quotas and clearing agreements— followed for the purpose of husbanding the scarce foreign exchange reserves.

In this way the emergency was temporarily met, the further flight of capital reduced, and the "devisen" resources preserved for essential imports of raw materials and foodstuffs. But exchange control created problems of its own. Prices in Austria had tended to be higher than world prices since mid-1931 so that now, with the value of the schilling artificially maintained, imports were encouraged while exporters found it increasingly difficult to compete in foreign markets. In spite of the controls the reserves of the National Bank therefore continued to decline in 1932, and in June of that year the transfer on foreign debts had to be suspended for almost a year.

The Austrian schilling had to be brought into line with world prices. But the Government was reluctant to devalue the currency for two reasons. First, the Austrian public was still very much "inflation-minded", and considered devaluation as equivalent to inflation. Devaluation might thus raise political difficulties. Secondly, devaluation would raise the burden of the foreign debt.

These considerations, however, lost much of their force

as one country after another went off the gold standard and devalued its currency. After a period of strict exchange control, lasting from October, 1931, to the middle of 1932, the Government relaxed some of its regulations. "Private clearing" was admitted, first in a restricted field, from which it quickly expanded until it covered the great majority of Austria's imports and exports. The private clearing system consisted in permitting exporters to sell their foreign exchange directly to importers instead of requiring them to hand it over to the National Bank at the official exchange rate. In these private clearing dealings the schilling was actually devalued and found its equilibrium level so that exporters could once again compete in the world market while importers could obtain the necessary "devisen" without further formalities and delays. This *de facto* devaluation of the schilling was finally officially recognized in April, 1934, when the Austrian National Bank revalued its gold and "devisen" resources at the new parity of the schilling. This revaluation of the reserves corresponded to a 22 per cent devaluation of the schilling. 652 457

After that date Austria returned to a practically free foreign exchange market,[7] and the stability of the schilling was once again secured. This was a remarkable achievement at a time when most of the other countries in central and eastern Europe travelled in the opposite direction, viz. towards more exchange control and a greater isolation of their economies from the world market. Austria's withdrawal from all but rudimentary exchange control was indeed, as an American economist said, "a unique chapter in monetary history".[8] 1

Its importance lay not only in preserving Austria's position as a centre for transit trade and commercial and financial services; above all, it rescued Austria's foreign 652 439

1 [Cf. p. 64; category 116 — Analyst]

in the past although it was excellently suited to Austria's natural conditions. In spite of increased home consumption an export surplus was now achieved for the first time.

EXCESS OF IMPORTS (−) OR EXCESS OF EXPORTS (+)
(in quintals)

	1923	1936
Milk	− 200,000	+ 114,000
Butter	− 16,000	+ 35,000
Cheese	− 43,000	+ 31,000
Condensed milk	− 80,000	+ 300

In foreign trade, too, considerable advances were made. Foreign trade did not, it is true, recover to the same extent as production. Even in 1937 Austrian imports, amounting to approximately 1,500 million schillings, were only 45 per cent of the 1929 value, while exports in the same year (approximately 1,200 million schillings) were only 55 per cent of the 1929 value. Moreover, the recovery of Austria's foreign trade was less marked than elsewhere, and Austria's share in world trade fell from 1·12 per cent in 1929 to 0·93 per cent in 1937.

The volume of foreign trade, therefore, did not increase as much as was desirable. But the balance of trade became much more favourable than it had ever been. When, after 1933, foreign trade began to revive, exports increased to a greater extent than imports. In spite of the growing volume of trade, the import surplus therefore remained at a low level. For the period 1933–7 it amounted to about 320 million schillings per year, as compared with more than 1,000 million schillings in the years before 1930.

Moreover, the gap of 300 million schillings or so was easily covered by Austria's income from various other sources, and it was now no longer necessary to raise foreign loans on that account. Income from tourist

• 457 traffic, in particular, had greatly increased in importance since the beginning of the thirties. Austria's great potentialities in this sphere were now much more fully used than in the past. The hospitality and the cosmopolitan outlook of the population; the increased facilities for cheap accommodation and the cheap railway fares; the Salzburg festivals, the Grossglockner Alpine Road, the International Congresses in Vienna; all these attracted a large and increasing number of foreigners to Austria. Between May and August, 1936, 500,000 foreigners visited the country; a third more than in 1935; and it has been estimated that the revenue from this source alone amounted to 300 million schillings in 1936.[1]

Alongside this improvement in the balance of trade there was a general change for the better in Austria's foreign debt position. When, in 1933, the League of Nations finally floated the Austrian Government Guaranteed Loan, the bulk of its yield was used for repaying the most pressing short-term debts and to clear up some arrears which had accumulated after the crash of the Credit-Anstalt. These and some further minor funding transactions reduced Austria's short-term indebtedness from about 1,290 million schillings in 1932 to the negligible figure of 47 million schillings in 1937. Thus the old standing danger to the stability of the currency of a large foreign short-term debt was removed.

Moreover, in the same period, the total amount of foreign indebtedness (whether long-term or short-term) was considerably reduced. Repayment of part of the capital, and above all the devaluation of the dollar, franc, and other currencies, reduced Austria's total foreign indebtedness by more than one half: from approximately 4,250 million schillings in 1932 to 1,880 million schillings in 1937. This, as well as the successful conversion of the

1 [CD CATEGORY 11b, p. 77--ANALYST]

1932 League of Nations Loan to lower interest rates, 457 greatly eased the burden of Austria's foreign debt service. Interest payments fell from 282 million schillings in 1932 to 110 million schillings in 1937.

The improved position in the spheres of foreign trade 652 and foreign indebtedness, and the reorganization of banking after the fall of the Credit-Anstalt,[3] put Austria's finances on a thoroughly sound basis. The gold and foreign exchange reserves of the National Bank recovered to a comfortable level. This enabled the Government to do away with most of the exchange control introduced at the height of the crisis; and the value of the schilling was successfully maintained when, in 1936, three of Austria's neighbours—Italy, Switzerland, and Czechoslovakia—devalued their currency.[3] For the second time in her short history Austria had emerged successfully from a very difficult financial position. Confidence in her stability was restored, and in 1937 Austria was in the unique position among all the European debtor nations of obtaining short-term commercial credits on the London market.[4] There can hardly be any doubt that Austria could have solved her problems without any further foreign assistance had she been able to maintain her national independence.

Altogether, then, it may be said that Austria had passed 511 through a period of sound, if stormy, development in the twenty years of her existence. Many improvements were 434 still required, many mistakes remained to be made good. Nevertheless, Austria had reached economic standards which compared very favourably with those of most other countries in central and eastern Europe. Her economic structure was much more similar to that of the Western industrial nations, though her standard of living fell greatly short of, say, British standards. To illustrate

1 [CA CATEGORY 116, p. 77 — ANALYST]

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439 was no exception and it is in this field that particularly
652 grave mistakes were made in the period under review.

As early as 1931, when Austria was still a democracy, a
641 dangerous and harmful attempt was made in the inter-
439 national field to solve the growing economic difficulties. Dr. Schober, a member of the small Pan-German group in Parliament and Foreign Minister in the Coalition Government of the day, entered into secret negotiations with Dr. Curtius, the German Foreign Minister. On March 19th, 1931, the world was suddenly informed of the intention of the two governments to form a customs union. The plan found instant and wholehearted support in Germany. In Austria there was no enthusiasm about it outside the ranks of the Pan-Germans, and many Austrian industrialists were gravely disturbed by the prospect of falling completely under German control. But it was mainly in France and Czechoslovakia that the full implications of this Pan-German move were immediately grasped. Only a few days after the scheme was announced, on March 26th, Dr. Beneš, the Foreign Minister of Czechoslovakia, explained to the members of the Foreign Affairs Committee that the customs union project raised the question of the *Anschluss* indirectly as a customs union between unequal parties was certain to destroy the independence of the weaker.

Fortunately the project did not materialize. The
457 growing financial difficulties of Austria and the need for
648 foreign help, which Germany was neither able nor willing to provide, induced the Austrian Government to give up the plan for a customs union. A few days later, on September 5th, the Permanent Court of International Justice decided by a narrow majority—eight votes to seven—that a customs union would be incompatible with Austria's obligations under the Geneva Protocols.

promises of Fascist Italy,* and, in 1934 signed the Rome Protocols. This was an agreement signed by Italy, Austria and Hungary providing for a preferential trade régime for these countries. Hungary was to find improved outlets for her agricultural exports while Austria and Italy would obtain preferential treatment for their industrial products. Behind all this, however, loomed Italy's attempt to obtain a dominant position in central Europe. 648 439

The economic results of the Rome Protocols were anything but satisfactory as far as Austria was concerned. There was no great expansion of trade with Hungary. Exports to Italy increased quickly, it is true, particularly after the outbreak of the Abyssinian war and the imposition of sanctions in which Austria failed to join. Italy moved from fourth to second place on Austria's export list. In 1936, 14 per cent of Austria's exports went to Italy, as compared with 10 per cent (out of a much smaller total) in 1932. But Italy was neither able nor particularly willing to pay for these exports. Austria's export surplus to Italy amounted to no less than 70 million schillings in 1936 and 93 million schillings in 1937. Thus Austria, herself in sore need of capital investment in her industry, was compelled to make loans to Italy. The same applied to a slighter extent to Germany, where the clearing agreement also led to the accumulation of a credit balance in Austria's favour.[11] 1/1

It was not until 1936, when Italy's incapacity to pay became obvious and when the Italian Government tried to change the terms of the agreement in its favour, that an effort was made to re-direct Austria's trade. A preferential treaty was concluded with Czechoslovakia, in spite of severe opposition from Germany. Other attempts for 457 439

* Instead of helping Austria, Mussolini, in the event, congratulated Hitler on his successful annexation of the country.

1/1 [CA. CATEGORY 116, F. 78 -- ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

•457 freeing trade from the straight-jacket of bilateral clearing agreements followed. This was partly successful; exports 459 to "free payment" countries increased from 32 per cent of total exports in 1929 to 36 per cent in 1937. But this was a rather poor showing compared with Czechoslovakia, where the share of exports to free-exchange countries increased from 36 per cent to 52 per cent in the same period. There was no time for obtaining any better results for on March 11th, 1938, German troops crossed the Austrian frontier.

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

CHAPTER VI

THE SHADOW OF GERMANY

ECONOMIC PENETRATION

AFTER the annexation of 11th March, 1938, Austria's economy became completely subordinated to Germany's war requirements and to the German preparations for a "New Order" in Europe. But it must not be assumed that Austria's economy had ever been able to develop freely and without interference from its powerful neighbour. Indeed, to understand fully the economic and political events in Austria the long-standing and baneful German influence must be constantly borne in mind.

Long before the last war German imperialism exerted a powerful influence on Austria's economic policy. After the creation of the German Reich in 1870 German industry grew at a rapid pace and Germany became the leading economic power in Europe. She soon took third place, after Britain and France, as a foreign investor. After a short period of all round lending in response to purely economic incentives, the loan policy of the German banks and industrial concerns was increasingly brought into line with wider political aims.[1] The *Drang nach dem Osten*, a prime feature in Germany's expansionist designs since the days of Bismark, came to determine the direction of her capital export. Large sums were invested in the Near East, in the Balkans and particularly in the Austro-Hungarian Empire. German investments in the Empire totalled RM. 3,000 million in 1913, more than the value of British and French investments taken together. There

1 [Cf. Category 116, p. 91 — Analyse]

648 was also much direct participation in the Empire's industry and banking.

457 In those days free economic relations were still the rule. But Germany's lending policy was quickly used to help carve out political and economic spheres of influence. Loans were frequently granted only on condition that their proceeds should be spent on German products.[2] By this means, the big German concerns obtained a dominant influence in these areas and trade was often diverted from its natural channels. Not less than 40 per cent of Austro-Hungary's foreign trade thus came to depend on Germany. The economic penetration of the Monarchy contributed greatly to its conversion into a junior partner in Germany's foreign policy and into a willing tool in the First World War.

As a result of that war Germany lost most of her foreign investments and eventually became herself largely dependent on foreign capital. Consequently, she was no longer of any importance as a source of capital supply for Austria and in foreign trade, too, she lost her predominant position, accounting for no more than about one-sixth of Austria's foreign trade.

But Germany did not therefore abandon her attempts at economic penetration in Austria. If anything, her efforts in that direction were greatly increased to compensate at least in part for the areas and opportunities lost in the war. The aim remained the same, though the methods were changed.

648 While Germany ceased to make loans to Austria she continued to maintain a close grip through her shares in
471 Austrian companies. The total amount of these holdings was moderate but they were of major strategic significance. German concerns had managed to obtain full or partial control over important firms in most of Austria's

2 [CA CATEGORY 1161, P 91 — ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

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648 The Alpine had been the offspring of a merger of many small companies in the days of the Monarchy. After the 327 war the majority of shares was acquired by the Government, but in 1919—during the most critical period—they 471 were sold to a group of Italian financiers. From there, in 1921, they passed into the hands of the notorious German inflation profiteer, Hugo Stinnes. When his meteoric rise came to a sudden end the majority of shares (56 per cent) were acquired, in 1926, by a member of the German Steel Cartel, the Vereinigte Stahlwerke of Duesseldorf, a combine headed by the Nazi promoter Fritz Thyssen.

From then on this most important combine in Austria's heavy industry was run exclusively in the interests of the German Steel Trust. All the important positions and research facilities were reserved for adherents of "Pan-German" convictions. The workers were forced to leave 469 their free trade unions and to join the *Heimwehr*, an armed, anti-democratic body, whose Styrian branch was heavily subsidized by the Alpine Montan. As early as 1931, the Styrian *Heimwehr* organized an unsuccessful *coup d'état* against the Austrian Government. A number of directors of the Alpine Montan were behind this *putsch*. They were again involved, and actually arrested for a short time, when the Nazis made an abortive *putsch* in July, 1934, in the course of which Chancellor Dollfuss was murdered.

648 On the outbreak of the great economic depression the German steel magnates decided to concentrate production 327 in Germany. All Austrian blast furnaces were closed down 457 and the industrial districts of Styria were thus converted into one of the worst-depressed areas in Europe. After Hitler's rise to power, the Alpine was completely harnessed to the German armament programme, regardless of Austria's political or economic needs. In 1937, when

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Austria was in great need of "free currency", the Alpine refused orders from England and other countries, and sent its whole output to Germany, in spite of the clearing debts which had accumulated there. Ultimately the behaviour of the directors became so hard to distinguish from high treason that the Austrian Government put a Government Commissioner in charge of the firm. But it was too late. A few weeks later the policy which the directors of the Alpine had backed all along was fulfilled—Austria was occupied by Germany. 648 327 459

Direct ownership and control were not the only means by which the Germans exerted their influence in the economic affairs of Austria. Recent investigations by the American Anti-Trust Division have shown how, over a long period, German combines used international cartels in order to increase Germany's economic war potential.[3] If powerful monopolistic concerns in Britain and the United States could be induced to act against the interests of their own nation it is clear that the Germans had much easier play as far as Austria was concerned. 648 471 477

Cartelization was a widespread feature of Austria's industrial structure. The wide ramifications of industrial investments of the major banks greatly smoothed the way for trade agreements, mergers, etc. Many of these cartels worked in close agreement with their German counterparts. Owing to their much greater financial strength the German firms had the decisive say in directing cartel policy. In their desire for high and safe profits the Austrian cartel members not only damaged consumers through their restrictionist policies; they also betrayed the economic and political interests of their country in favour of Germany.

These direct economic influences were supplemented by other, more subtle, methods. From the day of the 648 668

[CR CATEGORY 116, P. 91 — ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

728 Germany which had swallowed up one of their important customers and suppliers—Austria had up till then occupied the third or fourth place in the foreign trade of most of these countries. Politically and economically Germany had become the complete master of the whole area.

471 For Austria, of course, the occupation meant far more than a dangerous shift in Europe's economic balance. Her economy ceased to exist as a separate entity; within a very short time it was completely absorbed into Germany's war economy and her "New Order".[5]

The Germans were able at once to lay their hands on all Austrian State property. The railways were incorporated into the German railway system, the State forests taken over by the German State. The State monopoly in salt was given to the Deutsche Bank, and the tobacco monopoly taken over by a private German company. Far more important, however, were the shares of the Credit-Anstalt which were owned, at that time, by the Austrian Government. After the reorganization of the Credit-Anstalt in 1931, 49 per cent of its shares were taken over by the Government. These, together with some others, were now transferred to the Deutsche Bank. Since at the same time the only other important bank, the Zentraleuropäische Länderbank, came under the control of the Dresdner Bank, practically the whole of Austria's banking and insurance business had passed into German hands.

471 It must be borne in mind, in this connection, that the Central-European banks held a key position in the industrial life of their countries. It has been estimated that the Credit-Anstalt controlled almost 90 per cent of Austria's industry and agriculture. Moreover, the Austrian banks and financial institutions still possessed considerable investments in the Balkan countries, particu-

[CA p. 91, CATEGORY 116 -- ANALYST]

larly in banking, and in the textile, chemical, and food-processing industries.[7] All these controlling positions now passed into the hands of the German banks. Vienna became Germany's launching ramp for south-eastern Europe, and Austrian economic quislings greatly helped the Germans to advance their economic penetration of the Balkans. 471 453 457

But the indirect control of Austrian industry through the banking system was only a first step. Within a very short space of time all the more important Austrian firms passed either partly or wholly into German hands. This was achieved either by methods of outright robbery, as in the case of "aryanization" (the confiscation of Jewish property), or by exploiting the financial difficulties in which many firms had been landed as a result of the occupation and incorporation of Austria; or through a skilful handling of the financial control which had been gained in the first instance. In this way all important industrial enterprises were absorbed into the big German combines like the I.G.-Farben, Krupp, Henschel, Vereinigte Industrie—A.G., and particularly the Hermann-Goering Works, which acquired the control of the largest part of Austria's heavy and allied industries.[8] Altogether, it has been estimated, a share capital of about 380 to 400 million schillings (of industrial, commercial, and banking firms) passed into German hands. This compares with a sum of about 710 million schillings which was the total value of all shares admitted for quotation on the Vienna Stock Exchange in August, 1938.[9] 648 471 728

While the big Austrian firms were being subjected to German control a process of decline took place among the smaller firms. Many small business men were ruined by the policies of rationalization, concentration, and above all by the extension of war production at the cost of the 471

1 [CT CATEGORY 116. P. 91-92 -- ANALYST]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

Austria her financial independence. It also acted as a stimulus to trade and a check, though a purely temporary check, on inflationary tendencies. Dr. Renner has described how the legislation re-establishing the schilling lay for weeks in his drawer awaiting the re-unification of the country. So long as uncertainty regarding the currency continued, merchants preferred to hold on to their limited stocks of goods, and trade was restricted. So long as Austria continued to use German money, marks flowed across the frontier and prices were inflated. An immediate result of conversion was a substantial fall in the black-market prices of commodities and foreign currencies.

The provisions of the Counter and Schilling Laws blocking 60 per cent of the 'old' and 'new accounts' were interim, in so far as no indication was given as to the final fate of the blocked credits. This question was settled by the Currency Protection Law of the 19th of November 1947.

By the autumn of 1947 serious inflationary tendencies had begun to reveal themselves. There was a growing belief that currency reform was necessary, and rumours that it was imminent made the situation worse. Goods were hoarded, prices rose, and holders of capital showed anxiety to invest at any cost. In introducing the Currency Protection Law the Government's main purpose was to stabilize the schilling by reducing note circulation and finally liquidating the blocked accounts, from which there had been increasing demands for releases during recent months.

The law in its full details was very complex. But its main provisions were as follows. The existing currency was to be replaced. Every individual could exchange his note-holdings on the basis of three old schillings for one new, although each person was allowed 150 schillings at the rate of 1 for 1. Blocked accounts were forfeited to the State, and the unblocked portions of the 'old accounts' were converted into 2 per cent Government bonds. All free accounts, which included deposits made between the 23rd of December 1945 and November 1947, retained their full value, but, in so far as they exceeded 1,000

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

which the debts themselves had been incurred. The Government received payment not only for taxes that were already due but for taxes that were to be levied during the coming year, though it naturally gave notice that it could not accept payments in advance. The Austrians appreciated the comic side of the situation, but many realized that the comedy was being played at the expense of their country's interests. It was estimated that evasion and manipulation reduced the deflationary effect of the law by over a billion schillings.

Apart from the way in which it was introduced, the Defence Protection Law was no final solution of the inflationary problem. It was not accompanied by the strong financial measures necessary to ensure financial stability and restore full confidence in the schilling. Little or no inducement was given to the Austrian people to resume the habit of saving. But in the winter of 1947–8 the time had not yet arrived for a more comprehensive settlement. Austria's political situation was uncertain; her economic position still precarious. It is probable that the law, though a half-measure, went as far as was reasonable at the time.

The immediate result was a decisive check to inflationary tendencies. On the 7th of November the note circulation and the free accounts at the National Bank amounted to 9 billion schillings in all. Immediately after the law went into effect the combined total had fallen to 5·6 billion schillings, and at the end of January it had only risen by 100 million schillings. For many Austrians the currency reform marked the beginning of real recovery, in spite of the financial sacrifices it had imposed. Goods became more plentiful and prices fell. By Easter 1948 new signs of hope could be seen in the faces of the long-suffering Viennese. The following October, less than ten months after the reform became effective, black-market food prices, which in November 1947 had been about twenty-three times as much as the official prices, were only three to five times as high. In the case of luxuries, such as cigarettes, the black-market and official prices were very close to each other. These developments brought new confidence and had a

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

stimulating effect upon trade. There is no doubt that the currency reform made a substantial contribution to the economic revival associated with the beginning of Marshall Aid.

The social results of the reform were less fortunate. The law, as has been seen, made limited concessions to the needy, but they were of small help to many who were dependent on their savings and whose earning days were past. On the other hand, the treatment of the well-to-do was very uneven. The holders of large bank balances came off worst, while the owners of real estate and valuables, in spite of the capital levy, were more fortunate. The most unfair feature of all was that industrialists, who were in the best position to renew their wealth, could retain it most easily in the form of stored goods. When currency adjustments become necessary, they are always accompanied by injustice, and the results mentioned were, to some extent, the inevitable consequences of inflation. But more might have been done by the Government to help those least able to make their influence felt and to help themselves.

Throughout the years from 1945 and 1951 the Austrian economy was subject to persistent inflationary pressure. It was checked very temporarily by the Schilling Law and restrained for the best part of two years by the currency reform. But the forces making for inflation were never absent, and the political and economic climate was such that the Government did not consider itself in a position to attempt a fundamental cure. The schilling steadily lost value, until in 1951 it was worth about one-seventh of what it had been in 1945. The following table[1] shows the rise in the cost-of-living index between 1945 and 1951:—

1945 April	100·0
1946 April–December	125·7
1947 ,, ,,	248·1
1948 ,, ,,	378·0
1949 ,, ,,	484·3
1950 ,, ,,	547·7
1951 ,, ,,	700·1

[1] Prepared by the Austrian Institute of Economic Research.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

458 Such conditions, combined with the hardships that have already been described, carried with them the danger of serious 435 unrest, and it is fortunate that a method was worked out in 46 1947 by which wages as a whole could keep pace with the steadily rising prices. The method, which was used each year between 1947 and 1951, had its good and bad sides. On the one hand, it contributed to the steady and controlled nature of the inflationary process and ensured the harmonious settlement of the wage question. On the other hand, after the first two years, when its effects were predominantly good, it accentuated inflationary tendencies.

The system involved the co-operation of the Government, the trade unions, and the Chambers of Industry, Agriculture, and Labour. The representatives of the employers and the employees in the Chambers and the trade unions worked out, in consultation with the Government, a general agreement covering the prices of basic necessities and the wages of the different classes of workers in all branches of the economy. The proposals were then submitted to Parliament for approval.

This procedure was only possible owing to the spirit of co-operation and conciliation called forth by the emergency. Austria would not have recovered as soon as she did from the post-War economic crisis had her revival been held back by serious industrial disputes, and the political consequences of such disputes would have endangered the country's unity. The Coalition Government fully realized the position, and its broad composition fitted it well for a mediatory role. The employers' representatives and the trade unions were also aware of the dangers. The common sense and intuition of the Austrian people led them to support their leaders.

467 The country was fortunate both in the organization of its trade unions and in the nature of their leadership at the time. The fact that the Austrian Federation of Trade Unions had been established on an all-party basis in 1945 was of decisive importance in the price-wage negotiations. It meant that in spite of the Socialist preponderance among union members every party was represented on the workers' side in the dis-

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

cussions. Herr Johann Böhm, President of the Federation, revealed himself as one of the big personalities in post-War Austria. Like Ernest Bevin in war-time England, he combined loyalty to the workers whom he represented with breadth of outlook and courageous patriotism.

Between the spring of 1946 and the summer of 1947 wages followed prices upwards in a dangerous spiral movement, though they lagged slightly behind prices and were in reality still farther behind owing to the need to purchase food on the black market. Yet the prices charged for such public utilities as gas, electricity, and transport were below the level that production costs justified. And official food prices were unreasonably low, whether judged by world levels or by the cost of producing home-grown food. The two main purposes of the First Price–Wage Agreement were to check the spiral movement, which showed signs of getting out of control, and to make an adjustment in wages to allow for the higher food prices and public utility rates that were approved at the same time.

The Agreement took effect on the 1st of August 1947. Food prices were raised on an average by 58 per cent, while the rise in public utility rates varied from 50 to over 100 per cent. Wage and salary increases varied considerably between different categories. But, on the whole, salaried employees obtained less than wage-earners, and skilled workers less than unskilled; that is to say, the poorer paid received the greater proportionate increases. In addition, on the 1st of August the Government decided on certain tax-relief measures for those with small incomes. This levelling tendency was a characteristic of all the Price–Wage Agreements except the last. It was justified as a protective measure, when the total supplies available to the Austrian people were scarcely sufficient to cover their basic needs. But it reduced incentive to workers to earn promotion to a higher wage category by their own efforts and became less defensible, as economic conditions improved.

By the terms of the Agreement, individual trade unions renounced their right, while it lasted, to take independent action

With the enactment of June 25, 1946, the Austrian National Bank was authorized to control foreign exchange transactions. For the time being the rate of exchange had been fixed at the rate decreed by the occupation powers: 1 dollar = 10 schillings and 1 pound = 40 schillings. 652 453 457

A gratifying step towards free foreign exchange relations was the release of blocked Austrian assets in the USA in 1946, and later on, the return of the gold reserve of the Austrian National Bank which had been transferred by the German administration. As a first step the United States had returned to the Austrian Federal Government 4,450 kg gold, representing a part of the gold reserve, which in 1938 amounted to 78,000 kg. On November 4, 1947, the Austrian envoy to London signed a protocol. According to its terms Austria was awarded an additional 26,187 kg fine gold by the Reparation Commission in Brussels. 457

With this substantial gold reserve on hand the Austrian Federal Government progressed a step further with its currency policy and enacted the Währungsschutzgesetz (a measure to protect currency), reducing the aggregate currency circulation almost 40 percent. For the intended reform, aimed at reducing currency in circulation as well as funds deposited with bank and credit institutions, the cited federal law of November 19 1947 (confirmed by the Allied Commission for Austria on December 4, 1947, and enforced on December 10, 1947), was important in the following three points: 652

(a) Through a reduction of the aggregate currency volume (money in circulation plus deposited funds) a corresponding reduction of prices, and, last but not least, a restriction of black market trades could be accomplished;

(b) The general business moral could be improved; and

(c) Through a cancellation of the old blocked accounts (in accordance with the first laws covering currency policies in 1945) an elimination of economically untenable positions, and therewith, the first step towards a reconstruction of the credit system in the interest of the entire economy could be undertaken.

With the enforcement of this law a new trend in financial matters developed. The inflationary influences prevailing until then were curtailed while, financially, the prerequisites necessary for the reconstruction of the Austrian economy were set up. Although the circulating means did not become scarce to the extent 458 652

458 originally anticipated, due to the prolonged interval
652 between the publication and the enforcement of the law, the following months nevertheless did produce some economic results (lowering of prices, elimination of black markets and a general slackening of the purchasing psychosis).

727 In the meantime the occupation powers,
648 particularly the American and the British elements,
157 had introduced relief measures ameliorating need and want among the Austrian population. One of the first was initiated by UNRRA, whereby, in connection with a number of special credits, a "subsistence level" was achieved. Additional assistance measures followed. On June 26, 1947, an agreement between the United States and Austria provided a new form of assistance, substituting for the UNRRA aid which was ending. For this "Austria Assistance" about 85 million dollars were provided. With these contributions of foodstuffs, commodities and machines, it was possible to start the reconstruction of the ruined communication system and to restore a modest production line.

Additional alleviation was obtained from a credit granted by the British Government for purchase of consumer goods. In October 1947, the Export Import Bank at Washington, D. C., granted Austria a credit amounting to 13 million dollars, of which amount 8 million dollars were placed at the disposal of the heavy and metal industry, 4 million dollars at the disposal of the chemical industry for purchases of raw materials and as equipment, while the remaining 1 million dollars served other purposes (freights, etc.).

652 Of particular importance was the establishment
727 of a regular budget. The first federal estimates (1946-1947) were, in view of conditions, only of an emergency nature.

The item of occupation costs was from the start a rather burdensome one. Until May 1946 these costs were covered by an additional issuance of bank notes. Beginning June 1946, all expenditures not covered by current incomes (including occupation costs as well as costs arising in connection with the welfare of displaced persons) were paid for with short-term treasury bonds, taken by banks, or with cash reserves. Later (July 1948) the expenditures of the occupation costs were
[651] met fiscally by an additional tax (occupation cost tax) to the income and wage tax.

452
453 The "Schaltergesetz" decreed the reopening of the banks, closed since April 1945, and, for the time being, a blocking of 60 percent of old deposits (i.e., funds deposited prior to the reopening of banks). The remaining 40 percent could be used, within restricted limits, for vital economic purposes. The "Schillinggesetz" went a step further. Extending the variously applied monetary measures, enforced within the Russian zone, to Austria as a whole, it established the basis for the Austrian (schilling) currency under the sole control of the Austrian National Bank and blocked 60 percent of all deposits accumulated prior to December 22, 1945. This was a monetary measure to [458] effect a diminution of the upwards trend of prices through a curtailment of money in circulation. The remaining 40 percent were disposable, partly free, partly non-negotiable andpartly restricted to certain uses. Funds deposited after December 22, 1945, were free of any restrictions.

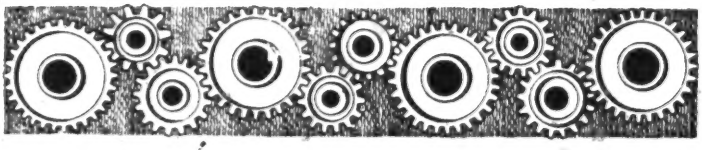
The third and most important step towards a currency consolidation occurred with the enforcement of the "Währungsschutzgesetz," which had to accomplish a two-fold task. One was the diminution of currency in circulation (notes in circulation plus free contingent liabilities) amounting to 9 billion schillings prior to the enforcement, by a skimming-off process of notes in circulation and by a cancellation (diminution of deposited currency) of blocked funds, accumulated with banks as a result of prior enactments. The other task was to prepare a settlement of the unbalanced statements of banking institutions, reflecting the war and postwar losses. Thus the prerequisites for a reorganization of the entire credit apparatus were created.

Particulars about the technical procedure of the curtailment of the currency circulation in accordance with the "Währungsschutzgesetz," will not be discussed here. With regard to deposited funds, all blocked accounts established in accordance with the "Schaltergesetz" and the "Schillinggesetz" of 1945 were cancelled. The remaining, restricted disposable 40 percent balances were converted into demands against the federal treasury. [To cover the demand against the federal treasury, following the skimming of accounts, the federal ministry of finance was empowered to issue "Bundesschuldverschreibungen" (treasury bonds) or to enter these demands into a newly created "Bundesschuldbuch" (record of federal obligations).] The various

454 With the gradual diminution of the ERP aid,
434 the raising of new capital gains significance. It is a question made particularly difficult inasmuch as prices rose on the world markets during the last half year and the decline in the purchasing power of the schilling caused by the lag in wages. (Running parallel is the sharp decline of the value of savings deposits.) A number of other factors retard the creation of savings capital: the lowered real wages, the long pent-up consumer demand of the broad masses, the lack of investment-seeking capital from insurance institutions which, as holders of collective saving, normally placed substantial amounts at the disposal of the capital market, the use of retained profits for self-financing of investments and, last but not least, the stress of fiscal necessities.

Naturally, Austria shares these developments with other European nations. Even France, the country of savers, according to latest reports has experienced a decline in savings to 4.3 per cent of the national income.

458 Despite progressive credit extension (which
[652] is, qualitatively as well as quantitatively, being held under control by measures adopted during the first quarter of 1951), in contrast to other economically stronger nations, there seems to be no dangerous monetary development even though the political situation in the world in the fall of 1950 caused an increase in the volume of money and payments.



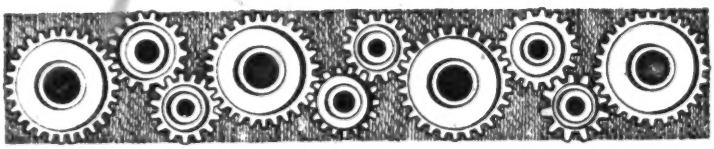
THE AUSTRIAN ECONOMY AFTER 1918.

439 The disintegration of the Dual Monarchy was immediately followed by severe economic disturbances. These were by no means small, even in comparison with the position after 1945. The heart of Austria, with its highly developed trade, was suddenly completely cut off from its former inland sources of raw products and markets. The oilfields of Galicia, like the important coal deposits in the lands of Bohemia, Moravia and Silesia, were lost, having fallen to the Succession States, and the loss of the agricultural surplus areas produced a threat of famine.

433 439 The Succession States—Czechoslovakia, Yugoslavia and Hungary—each attempted to build up a national economy, to balance its economic structure and to make itself as far as possible independent of raw and semi-manufactured materials and finished goods. A division of labour which had grown during decades into one complete organism was thus broken up, to the detriment of all peoples living within this territory. For Austria this meant that an intensive system of internal trading suddenly turned into one of foreign trade, where great difficulties had to be overcome. At first even inter-state transport communications were further complicated by barriers created by the Succession States.

728 433 458 The nadir of those days was reached with the signing of the Treaty of Saint-Germain, which revealed the full extent of the catastrophe. Austria's tragic path at that time was blocked by a series of apparently insurmountable obstacles to the procuring of essential foodstuffs, coal and raw materials. Inflation to an extent never before seen set in and led to a selling-out of national assets. The unfavourable basis of the rump economic structure as well as the instability of Austria's relations with foreign countries seemed to doom all her efforts to failure.

648 457 652 After difficult but very skilfully conducted inter-state negotiations, the governments of Czechoslovakia, France and Italy were persuaded to advance credits to the Austrian Republic. The Allied Powers convinced themselves that Austria, if help came from the League of Nations, would exert her own energies to the utmost in order to put her finances and trade on a sound footing. The will of the Austrian Government to stabilise the budget, demonstrated by the previous abolition of food subsidies (in December 1921), did much to assist these efforts. The Financial Recovery Plan which was signed at Geneva on October 4th, 1922, proved the turning



439 territories, Austrian producers were forced to adapt their output to these new conditions. This was of course only possible through the painful process of making certain changes in the economic structure.

439 The main bases of Austrian trade, as vital then as now, were:

135 a) the abundance of forests which ensure timber for export as well as for the furniture-making and paper industries.

b) The deposits of iron ore which form the basis of iron and steel production and the iron-working industry.

c) The wealth of water in the alpine districts, constituting an extensive source of power which is being increasingly exported in addition to supplying Austrian industry with current.

d) The recently-discovered inland oil fields (at Zistersdorf).

e) The fashion and luxury-article industry, an export factor of increasing importance.

f) The credit balance of services (tourist trade and transit trade).

433 It is one of the characteristics of industrial-commercial production that Austria, as a result of her comparative lack of capital, should be at a disadvantage whenever it is a question of mass production. But wherever there is a chance for painstaking finishing, special skill or workmanship, as well as good taste and original ideas on the part of the producer to play a rôle, the prospects of success are excellent. It is not only, as is often mistakenly imagined, the fashion and luxury industries to which this applies, but all the many branches of manufacturing where it is the quality of the work which counts. These factors are 472 strengthened by the prevalence of small concerns in Austria. Factories with up to 100 employees amount to 75 per cent of the total, those with 100 to 1000 employees to a little over 20 per cent, and the factories employing over 1000 persons to only 4·4 per cent.

652 After the stabilisation of the currency, production and export trade showed a favourable increase between the years 1923 and 1929. Production rose during 433 this time by nearly one third. Then followed the general slump, especially 458 serious for Austria on account of her great dependence on export. The development which had begun so hopefully was now brought to a standstill through the external crisis.

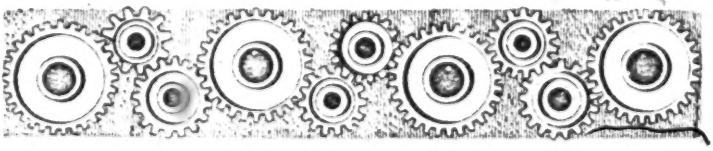
The increase in production resulting from all these measures was bound to increase the difficulties of marketing during the slump. In pig-raising it at last became necessary to resort to curtailment of output (prohibition of pig-raising for the market). An attempt was also made to increase the costs of cattle-rearing and thus limit the supply by raising the so-calledli cence fee for the import of fodder. 231 656

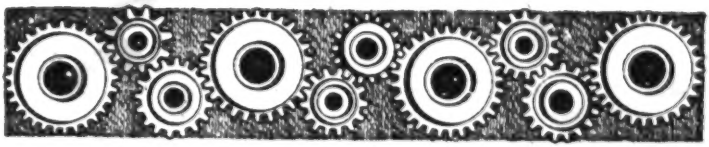
As a stimulant of milk production, a milk-equalisation fund was created to content with sales difficulties, through which the means for the export of dairy products at prices below production costs were raised by the imposition of a tax on fresh milk. 234 654

Thus it came about that in the 1930s Austrian products such as standard butter, high grades of cheese and cream could compete successfully on the markets with the dairy products of such leading countries as Denmark, Switzerland and Holland. The western alpine provinces especially profited by this arrangement, but at the same time a great demand was created for home milk products throughout the whole country. Gradually, in the Danube City which has been known from Roman times for its enjoyment of sweet wines, depôts were established where milk could be drunk in the busy streets and on public squares, giving the City a new attraction. 234 439 275

The doubtless necessary encouragement of dairy farming, just at this time, however, brought with it new problems which were aggravated by the effect of the world economic depression. The situation was made worse by the fact that the prices for agricultural and dairy products had sunk far lower than the prices for technical aids to agriculture. The discrepancy between these two sets of prices became still greater from 1933 to 1937. The comparative fixity of wages and the increase in public debts accompanied by sinking prices were not inconsiderable factors in bringing about general deterioration. 234 458 435

Problems of agrarian policy were bound to have a reaction on industrial-commercial economics. Austrian products had to compete with those of countries which had the advantage of considerably lower agricultural prices and thus of a lower cost of living. For a land such as Austria, which in the main can only secure the goods she needs through the export of her own products, it is essential that wages, an important factor in costs, should not be affected too unfavourably by the high price of grain. 241 439 435





bank 34 and the Wiener Bankverein 29 branches outside the territory of present-day Austria.

Adapting the Austrian credit system to the conditions and needs of the Austrian Republic actually took more than one and a half decades. It was not until the year 1934 that this process could be considered as completed with the fusion of the Creditanstalt and the Bankverein. The enormous difficulties involved were still further complicated by the fact that the change coincided in point of time with far-reaching international crises of trade and finance, so that certain grave reactions on the Austrian economy were unavoidable. Notwithstanding this, the latter and its credit system proved themselves strong and vital enough to survive those troubled times and to prepare the ground for the favourable development of Austrian trade in general and the Austrian banking system in particular.

This development was broken off in abrupt and catastrophic fashion through the establishment of the National Socialist regime and the outbreak of the war which soon followed. Although the end of the war restored Austrian independence—in theory, at least—it left behind chaotic conditions—both figuratively and literally a heap of ruins.

In the realm of finance, the first attempts at reconstruction had to be directed towards the re-establishment of the means of payment, a solid national currency being of course a primary condition for the normal

system in foreign trade became the guiding principle, the narrowing down of inter-state trade relations being shortly afterwards still more strongly emphasized through currency restrictions and the clearing agreements connected herewith. The currency devaluations of the gold-standard countries towards the end of the year 1936 created new difficulties for Austrian foreign trade. As devaluation was out of the question and an export subsidy was not considered to be a suitable political-economic instrument, the only remaining alternative was to lower the costs of production. The difficulties of such a course have been proved by practical experience in all countries, as the questions of fixed prices and wages combine to form an insurmountable obstacle to such a development.

Nevertheless Austria still succeeded in linking up with the world boom which began in 1935—1936. In the year 1937 her figures of production were 6 per cent higher than those of the last characteristic boom year of 1929. The tourist trade developed exceptionally favourably, despite the "1000 mark limit" imposed by Germany, and the volume of foreign trade was constantly on the increase.

In view of the heavy burden of debt which the country had to assume after 1918, of the increasingly protectionist tendencies throughout the whole of Europe, especially among Austria's immediate neighbours and considering the severe and long-continued world trade depression, as well as the crises of international currency,

Vienna, for Tyrol, for Salzburg, for instance; but the cohesive force of a national conception was largely missing. Moreover, the provinces feared that an unproductive Vienna would hang like a deadweight on their economy and some of the western provinces tried to break away and to join Germany or Switzerland. In addition, the small but active Pan-German minority[5] tried to use the defeatism of the major political parties to further their own imperialist aims of a Greater Germany.

Perhaps inflation was unavoidable by the time the war ended. After all, inflations swept practically all central and eastern Europe. But the course of inflation in Austria was greatly influenced by the weakness of a government which did not believe in its own and its people's strength. This is clearly shown by the speech made by the Christian Socialist Chancellor Seipel before the Council of the League of Nations in 1922, when he tried to obtain financial help for Austria. The collapse of Austria, he said, would be "a serious blow to the Treaties of Peace, for it would afford a proof that the new Austria which they created is incapable of existence, either now or in the future".[6]

What, then, was the main sequence of the economic events of the period of inflation, and what was its significance for the further development of Austria's economy?[7]

The roots of the post-war inflation went back to the war years. The strong inflationary pressure inherited from the past would have been difficult to restrain whatever the post-war setting. Taking July, 1914, as 1, the circulation of banknotes in the Austrian-Hungarian Monarchy had risen to 13·17 in November, 1918, and the cost-of-living[8] to 16·40 in the same month.

The financial situation did not ease with the ending of hostilities. The delay in the arrival of relief supplies and

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458 the disruption of production and foreign trade caused a
435 continued and increasing shortage of goods. Though rationing of essentials was not immediately abolished, wartime controls were relaxed and the rise in prices was accelerated. This rise in prices, together with the dearth of so many industrial goods, induced many peasants to resort to a system of barter. This further diminished the flow of goods to the market, and with it the value of money.

At the same time, the socialist revolutions in neighbouring Hungary and Bavaria and the revolutionary tendencies among the Austrian people led to a mass transfer of capital to other countries. The various controls of the post-war period, designed to prevent capital movements and to preserve the precious foreign exchange for essential imports, were largely ineffective and the conspiracy against the Crown (the Austrian currency unit at that time) continued openly and in the numerous black markets. Consequently, the dollar exchange which—owing to the blockade and the practical cessation of international trade—had risen from 4·95 Crowns in July, 1914, to only 14·33 Crowns in November, 1918, began to soar rapidly (see the table on p. 25). With the dependence on imported raw materials and foodstuffs this quickly led to
652 further price increases. The governments of the day should of course have adopted drastic measures to keep
458 the inflationary pressure in check. In fact, their policy
435 intensified the inflation. Expenditure continued to run at a high level. Food subsidies, for instance, had to be continued in view of the rise in food prices. These subsidies were often quite considerable; in December, 1921, for instance, they accounted for more than half the budget deficit. Then there was the large item of civil service salaries. Not only did Vienna inherit the central adminis-

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

trative staff of a 50 million empire—and a very bureaucratic empire at that—but this staff had been considerably swollen in war time and was further enlarged by the absorption of all those Austrian officials who after the war returned from their posts in the "Succession States". To reduce this number of officials was one of the problems of readjustment which Austria had to solve; and in fact a drastic reduction was carried out later. But little was done in the first post-war period and salaries—inadequate as they were with the increasing depreciation of the Crown—were a heavy drag on the Exchequer. In other lines, too, expenditure continued to run in an unplanned and uncoordinated manner. This was perhaps an effect as much as a cause of the inflation; but it was also symptomatic of the Government's fatalism; for they considered all this as the natural expression of Austria's doom.

The Government's weakness also showed itself on the revenue side. Expenditure, however carefully planned, is bound to be high in any post-war period. The social and economic upheavals of modern wars call for a high degree of State control and interference so as to facilitate an orderly return to a peace-time economy. But if inflation is to be avoided this high level of expenditure must be matched by an equally high level of revenue—at any rate under conditions of more or less full employment. This, however, the governments completely failed to achieve. The years 1919 to 1922 were years of continuous budget deficits, as is shown by the table on page 24.

The failure of revenue to come anywhere near expenditure was due to a number of reasons. First, the rapid depreciation of the crown implied that every time lag between assessment and payment caused a reduction in the real value of the tax. This opened the way to tax evasion on a grand scale; for even the incidence of stiffer nominal rates

AUSTRIA'S ECONOMIC DEVELOPMENT

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Budgets	Receipts	Expenditure (Mill. of Crowns)	Deficit	Deficit in per cent of Expenditure
Jan. 1– June 30, 1919	1,339	4,034	2,704	67
July 1, 1919– June 30, 1920	6,295	16,873	10,579	63
July 1, 1920– June 30, 1921	29,483	70,601	41,117	58
July 1– Dec. 31, 1921	24,075	49,496	25,421	51
Jan. 1– Dec. 31, 1922	209,763	347,533	137,770	40

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of taxation could be avoided by simply delaying payment for a little while. It was not until much later that the Government introduced "tax units" of a stable value to put a stop to this. Secondly, stronger measures, such as a capital levy and a compulsory loan, which were intended to bring some relief in this extraordinary emergency, were greatly watered down through endless delay and the strong pressure from vested interest. By the time they were finally introduced they were in fact quite ineffective. Thirdly, the Government was slow in adjusting the prices of State-owned enterprises to the rapidly rising price level, and considerable losses were incurred as a result.

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Expenditure thus rose with rising prices while receipts lagged behind. The gap had to be filled. A loan was out of the question for nobody was willing to lend money which would probably be worthless by the time of repayment. So the printing press, which had proved a convenient servant in war-time, had to continue its work. More and more notes were printed, prices went up and with it the State's expenditure and deficit. The vicious spiral was set in motion.

The following table indicates the course of the inflation.

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

THE BIRTH OF A NEW REPUBLIC

INDEX OF NOTE CIRCULATION, PRICE INDEX, AND DOLLAR EXCHANGE RATE, 1919–22

4/58
4/35

	1919			1920		
	Index of Note Circn.	Price Index	Dollar Rate in Vienna	Index of Note Circn.	Price Index	Dollar Rate in Vienna
	1914 = 1					
January	—	28·37	16·17	24·20	49·22	176
February	—	—	17·91	26·55	—	268
March	1·66	—	21·84	28·97	—	250
April	9·57	—	26·65	30·84	58·42	200
May	11·18	—	23·25	30·14	—	204
June	13·07	—	27·00	31·98	—	149
July	15·15	31·02	31·13	34·42	63·76	145
August	16·83	—	38·00	37·29	—	181
September	18·52	—	46·83	40·67	—	241
October	19·71	—	69·58	45·44	69·60	278
November	21·90	—	99·50	51·04	—	426
December	22·41	—	135·00	56·92	—	533
	1921			1922		
January	61	92	676	365	830	6,875
February	70	100	716	465	980	7,725
March	77	112	730	532	989	6,750
April	84	111	655	616	1,089	7,625
May	89	119	604	690	1,364	8,375
June	93	119	632	815	2,339	15,450
July	100	125	738	1,166	3,308	22,900
August	109	124	1,142	1,667	7,422	51,650
September	119	151	1,189	3,034	14,153	75,050
October	148	238	3,000	4,908	12,965	73,525
November	190	374	5,850	5,959	12,158	73,450
December	265	661	7,200	6,957	11,737	71,300

Source: J. van Walré de Bordes, *The Austrian Crown*, pp. 48–50, 82–3, 115–35.

AUSTRIA'S ECONOMIC DEVELOPMENT

458 What were the effects of the inflation on Austria's economic life? It is impossible to give a comprehensive answer because an inflation of these dimensions affects practically every aspect of society. Nevertheless, some of its more important consequences must be indicated at this point.

Perhaps the most fatal effects were those on wealth and income. Wealth in money-form lost its value almost overnight. This was particularly hard on the small saver who had not the same knowledge or opportunities as the big investor or large company who quickly learned how to turn their liquid money into foreign exchange or into goods. By 1922, of course, practically everybody had realized the implications of a rapidly depreciating currency; even schoolchildren hoarded a few Swiss francs, dollars, or Czechoslovak Crowns which they had obtained in one way or other. But by that time the greater part of the savings of the middle and working classes, accumulated over decades, had melted to nothing.

458 The distribution of income, too, was greatly affected. Inflation is essentially a method of taxation which leaves
434 the actual money in the hands of the income receiver but reduces its purchasing power. It is, however, a form of taxation that falls very unevenly on different groups of the population. Some find their income reduced to a starvation level while others find their real income considerably increased. Huge profits were made as prices rose rapidly while costs lagged behind (at least before 1922 when most costs and particularly wages were more rigid than the price level). Those firms which grasped the essence of inflation at an early stage and turned these profits at once into plant, stocks of goods, or foreign exchange, emerged in greater strength at the end. Small firms, on the other hand, which had neither the financial experience nor the

same opportunities of quick and cheap buying, found their receipts insufficient to replace their working capital. The tendency towards concentration was thus greatly accelerated in this period. The larger concerns and the banks especially were able to expand at the expense of the smaller enterprises. 458 434

Although money wages rose considerably during the inflation, they lagged greatly behind the cost of living. This was true at least until 1922 when both prices and wages came to be fixed in terms of dollars (and thus rose automatically with every depreciation of the Crown). The following wage indices for certain categories of labour show the deterioration of real wages: 465 458

INDEX NUMBERS OF WEEKLY WAGE RATES OF WORKERS IN VARIOUS OCCUPATIONS IN VIENNA

(1914 = 1)

	Brick-layers	Printers	Joiners	Metal Workers	Tailors	Cotton Spinners	Cost-of-Living Index
1921.							
Dec.	541	385	503	394	338	424	661
1922.							
Mar.	858	617	603	585	666	627	989
June	1,180	935	1,131	810	915	1,477	2,339
July	2,030	1,280	1,290	1,546	1,419	1,419	3,308
Aug.	2,910	3,270	3,019	2,162	4,481	4,675	7,422
Sept.	8,980	6,060	6,570	6,603	5,377	6,358	14,153
Oct.	11,600	7,270	8,333	8,637	7,618	7,714	12,965
Nov.	11,600	7,270	8,333	8,637	7,618	7,188	12,158
Dec.	11,300	7,270	7,666	7,786	7,085	6,837	11,737

Salary earners (such as clerks, teachers, and civil servants) were even worse off than wage earners as their incomes were revised upwards only at rare intervals.

Worst of all, of course, was the position of old-age 458 465

1 [CP CAT 116, p. 35 -- ANALYST]

1158 pensioners and others dependent on small fixed incomes.
745 These people were reduced to abject poverty; they were compelled to sell most of their belongings and to turn to public assistance. These reductions in income occurred side by side with the creation of a small class of new rich—the inflation profiteers who had been able, through skilful buying and selling, to amass considerable wealth.

458 But there was also a brighter side to the picture. In the first stage of inflation, at least, the rising price level and
433 the flow of new money stimulated industry and quickly raised production above the stagnating post-war level.
464 The unemployed, whose number had greatly risen after the end of the war, were almost completely absorbed into work:

NUMBER OF UNEMPLOYED RECEIVING RELIEF

	1919	1920	1921	1922
February	162,104	69,427	16,217	33,554
May	186,030	45,883	9,518	44,281
August	133,362	23,970	11,702	30,967
November	—	14,733	8,709	55,008

458 Production increased in almost every field. Agriculture, for instance, largely regained its pre-war productivity in
433 this period; and agricultural production was also increased by an extension of the area under cultivation.

YIELD PER HECTARE IN QUINTALS

	1913	1919	1923
Wheat	14·8	9·3	12·6
Rye	14·7	8·0	10·8
Barley	13·9	8·8	12·7
Oats	13·5	8·0	11·6
Maize	16·3	12·7	15·1

Sugar production rose from about 57,000 quintals in 1919–20 to about 138,000 in 1920–1 and to 160,000 in 1921–2. Production of chemical pulp increased from 75,000 tons in 1919 to 102,000 in 1921 and 128,000 in 1922, while exports increased from 17,000 tons in 1921 to 46,000 tons in 1922. Paper production, which was 92,000 tons in 1919 and 94,000 tons in 1920, went up to 128,000 tons in 1921 and to 151,000 tons in 1922. 458 433

The industrial situation was further relieved by the crisis which followed the post-war boom in western Europe and the United States. Raw-materials which had been in very short supply in the immediate post-war period were now easily obtainable and the fall in world prices to some extent counteracted the rise in Austrian import prices due to the rapid rise in the value of foreign exchange. Imports of vital raw materials increased quickly. 438 439 433

There is then no doubt that the inflation accelerated the impending recovery. At the same time the extent of the inflation and the resulting distortion of the price structure prevented the reconstruction of industry on new lines. With prices and costs rising almost hourly, speculation became far more important and profitable than the careful consideration of technical improvements and of long-term development. The proper timing of buying and selling—be it labour, goods, or foreign exchange—became the main pre-occupation of business. Perhaps the main thing after 1919 was to get the productive mechanism going in one way or other. This was largely achieved in the inflationary period. But the process of readjustment was still to come.

Inflations normally stimulate exports and discourage imports. For the extraordinary demand for foreign exchange, the "flight from the currency" drives up the exchange rate at a quicker rate than the domestic price level so that exports become cheap and imports expensive.

AUSTRIA'S ECONOMIC DEVELOPMENT

•458 This was precisely what happened in Austria. But while
433 exports increased more than imports the balance of trade
439 continued to be unfavourable.[10]

This was partly due to the fact that production in Austria was as yet insufficient to provide exports on any scale; partly because Austrian exports have a high "import content" so that every increase in exports involves increased imports. Also, the fall in world prices in 1920 tended to reduce the margin between the Austrian and the world price level.

Unfortunately, we have no statistics on invisible exports. But there is every indication that these exports increased considerably. Vienna soon regained her importance as a transit centre: by 1920, the weight of goods passing through the great municipal warehouses had already increased over three times as compared with 1913. The Viennese banks again played an important part in the "Succession States" and the Balkans, and the low value of the Crown attracted an increasing number of foreigners to Austria. The number of foreigners arriving at hotels in Vienna rose from about 230,000 in 1920 to about 330,000 in 1922. On all these scores a considerable income must have accrued to Austria which helped to fill at least part of the gap on the balance of trade.[11]

458 But the low value of the Crown and the insatiable hunger for foreign exchange did not only stimulate current
471 exports. It also led to the sale of capital. Real estate, houses, and industrial shares were sold to foreigners and part of Austria's industry thus came under foreign control. It was in this period that a decisive parcel of shares of the Alpine Montan Gesellschaft, Austria's most important heavy industrial concern, passed into the hands of a group of Italian capitalists from where they wandered on until they became the property of one of the firms belonging to

1 [CA. p. 35, CATEGORY 116 -- ANALYST]

the German Steel Trust. We shall see later what ominous political and economic consequences flowed from this transfer of control. 458 471

Summing up, it may be said that the years of inflation brought a marked revival in the sphere of production and foreign trade; but that little was accomplished in the way of urgently needed structural adjustment.

One further result of the inflation should be mentioned. In Austria, as elsewhere, the internal National Debt was practically wiped out. No doubt this put a heavy burden on some classes of the population, particularly the small saver. No doubt, the inflation involved a heavier burden of external debt than would otherwise have been the case. But the disappearance of the National Debt undoubtedly relieves a government of some headaches when it comes to the point of drawing up a budget. And to balance the budget was one of the main tasks before the Government if the inflation was to be brought to an end. 458 652

THE STABILIZATION OF THE CURRENCY

We have seen that the Austrian Government pinned all its hopes of overcoming the monetary chaos on foreign help. A foreign loan would both help to balance the Government's budget and to stabilize the foreign exchange rate, the barometer of the country's confidence in the Crown. 457 652

Negotiations for such a loan had started as early as 1920; but to secure a loan was by no means a simple matter. The allied governments expected to receive reparations from Austria, not to make loans to her. They pointed to the relief credits they had already granted (but which had of course been used up for "unproductive" relief) and were unwilling to make any further advances. Private investors, on the other hand, were unwilling to

CHAPTER III

READJUSTMENT AND CONSOLIDATION

READJUSTMENT

•458 IN spite of certain improvements Austria had failed, during the period of inflation, to adapt its economic structure to the new environment. In fact, the inflation tended to add to these underlying difficulties. The easy flow of money and the enormous speculation in prices and foreign exchanges, for instance, greatly increased the number of commercial establishments of all types. It was clear that these mushroom growths could not survive in the long run.

But these, and other necessary adjustments, were hampered by the absence of any clear economic policy which could have minimized the frictions involved. There were of course a large number of *ad hoc* measures to help here and to fill a gap there. But there was never a consistent and conscious approach to the problem as a whole. If, in spite of this, considerable progress was, in fact, achieved in the 'twenties, this can only be regarded as evidence of the vitality which Austrian economic life had preserved through all the difficult years.

458 The immediate result of the stabilization was indeed to cause a severe crisis. Industry had been geared to the
464 expectation of quickly rising prices, encouraging many speculative and unsound developments. These had now to be liquidated and a general process of economy and rationalization set in which caused a great increase in unemployment.

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

CHAPTER IV

THE EFFECTS OF THE WORLD CRISIS

AUSTRIA'S economic development in the 'twenties was, as we have seen, largely coloured by her special post-war problems. But when, in the autumn of 1929, the spectacular American boom came to an abrupt end, and depression spread like a wild fire from one country to another, economic events in Austria became far more "synchronized" with those elsewhere. Austria's economic system had largely returned to normal conditions; and it was so integrated into world trade that her experience and her problems were now far more like those of other countries. Events in Austria between 1929 and 1933 thus followed the general world pattern. But Austria was particularly sensitive to outside economic shocks. There are few—if any—countries which are or could be wholly self-sufficient; they all depend to some extent on foreign trade and are therefore affected by the loss of export outlets. In Austria, however, foreign trade played an exceptionally large part. An estimate published in the *German Statistical Year-book* puts imports and exports (in brackets) per head of the population in 1929 at RM. 534 (414) for Switzerland, 288 (193) for Austria, 233 (201) for France, 210 (211) for Germany, 168 (172) for Czechoslovakia, 118 (81) for Italy, 90 (88) for Hungary, 46 (44) for Yugoslavia, 44 (34) for Bulgaria, and 41 (40) for Roumania. Another estimate puts the percentage of manufactured goods produced for export in Austria in 1931 as high as 45 per cent. The drastic fall in world

AUSTRIA'S ECONOMIC DEVELOPMENT

458 [439] purchasing power, followed by an orgy of tariffs, quotas, and currency wars, was therefore bound to hit Austria severely. Moreover, Austria was particularly vulnerable owing to the fact that the financial problems inherited from war, inflation, and foreign borrowing suddenly became acute and led to a severe crisis.

The turning point, as in most other countries, came in the third quarter of 1929. Prices tumbled down, production declined, unemployment grew, foreign trade vanished. The following figures indicate this process of decline in Austria and some other countries.

INDEX OF INDUSTRIAL PRODUCTION

(1929 = 100)

[433]

	1929	1930	1931	1932	1933	1934
Austria	100	85	70	61	63	70
Czechoslovakia	100	89	81	64	60	67
Hungary	100	95	87	82	88	99
United Kingdom	100	92	84	84	88	99
U.S.A.	100	81	68	54	64	66
Germany	100	86	68	53	61	80

PERCENTAGE OF WORKERS UNEMPLOYED [1]

[464]

	1929	1930	1931	1932	1933	1934
Austria	12·3	15·0	20·3	26·1	29·0	26·3
Czechoslovakia	2·2	4·5	8·3	13·5	16·9	17·4
Great Britain	10·4	16·1	21·3	22·1	19·9	16·7
U.S.A.	8·2	14·5	19·1	23·8	24·3	20·9
Germany	9·3	15·3	23·3	30·1	26·3	14·9

1 [CF. CATEGORY III, p. 63 -- ANALYST]

THE EFFECTS OF THE WORLD CRISIS

IMPORTS AND EXPORTS

Value in national currencies (000,000's omitted)

		1929	1930	1931	1932	1933	1934
Austria	Imp.	3,263	2,699	2,161	1,384	1,148	1,153
	Exp.	2,189	1,851	1,291	764	775	857
Czecho-slovakia	Imp.	19,942	15,680	11,725	7,459	5,799	6,349
	Exp.	20,485	17,460	13,106	7,329	5,843	7,267
United Kingdom	Imp.	1,111	957	797	651	626	680
	Exp.	729	571	391	365	368	396
U.S.A.	Imp.	4,339	3,114	2,089	1,325	1,433	1,636
	Exp.	5,157	3,781	2,378	1,576	1,647	2,100
Germany	Imp.	13,447	10,393	6,727	4,666	4,204	4,451
	Exp.	13,483	12,036	9,599	5,739	4,871	4,167

These figures clearly demonstrate the extent and the universality of the depression.

The decline in foreign trade, which was everywhere far more severe than the decline in production, affected Austria gravely. The increasing adoption of "beggar-my-neighbour" policies greatly restricted outlets for Austria's manufactured goods. Tariffs rose to incredible heights in central and south-eastern Europe; quotas, import prohibitions, and a hundred and one forms of administrative protectionism blocked the flow of goods.

Austria was compelled, in turn, to resort to increasing protectionism and her agriculture, in particular, was increasingly cut off from the world market. Home food prices were, in fact, maintained much more than prices of manufactured goods, and this resulted in an increase in agricultural production, contrasting strangely with the persistent decline in industrial output.

The workers, of course, had now to pay relatively higher prices for their essential needs. On the other hand, the stability and purchasing power of another important

458 section of the population was substantially preserved. Even so, to the extent that prices *did* fall, the real burden
435 of debt was increased. The smaller peasants, particularly those in the poorer mountain districts, suffered most and the Government was more than once forced to come to their assistance.

439 There can be no doubt that the growing protectionism reduced the advantages of international division of labour. But there was little choice in the circumstances. The loss of income from exports had to be replaced by home-produced income. While exports declined rapidly (until in 1933 they were only 35 per cent of the 1929 level [2]). Austria's readjustment of production allowed her to cut down imports in the same period to 35 per cent of the 1929 level. This went a long way in solving the long-standing balance of trade problem; but the way in which it was solved was hardly the ideal one. The import surplus, which had amounted to over 1,000 million schillings annually in the period preceding the depression, fell to 848 million schillings in 1930, 870 million schillings in 1931, 620 million schillings in 1932, 373 million schillings in 1933, and 296 million schillings in 1934.

453 The depression thus took its "normal" course in Austria: a fall in the national income and in production, a rise in unemployment, misery, and social tension, accompanied by frantic but unco-ordinated efforts by all governments to stop the catastrophe and to readjust the domestic economic structure. Austria travelled the same road as the rest of the world. But half-way through the crisis, in the beginning of 1931, there occurred an event which suddenly revealed, not only Austria's financial weaknesses, but those of the whole world. To this event, the breakdown of the Credit-Anstalt, we must now turn.

There were two major financial problems in Austria.

2 [Cf. CATAGORY 116, p. 63 - - ANALYST]

CHAPTER V

RECOVERY

TOWARDS A BALANCED NATIONAL ECONOMY

IF the world depression had dragged Austria down with it, the subsequent world recovery reacted beneficially on her economic life. The deflationary policy pursued by the Government after the financial shocks of 1931 tended, indeed, to retard the upswing in Austria. Nevertheless, from the second half of 1933 onwards, there was a clear and unmistakable upward trend in all spheres of economic life. 458

Industrial production, which had fallen to 61 per cent of its level in 1932, increased rapidly until it reached a new record level in 1937, the last year of Austria's independence. 433

INDICES OF INDUSTRIAL PRODUCTION

(1929 = 100)

	Austria	Czecho-slovakia	Germany	Great Britain	U.S.A.
1932	61	64	53	84	54
1933	63	60	61	88	64
1934	70	67	80	99	66
1935	80	70	94	106	76
1936	86	80	106	116	88
1937	103	96	117	124	92

This increase in production naturally led to some reduction in unemployment. Unemployment figures, 464

former minister Dr. Georg Zimmermann, and the manager of the Statistisches Institut der Universität Wien (Statistical Institute of the University of Vienna), Professor Dr. Wilhelm Winkler. The latter is the author of a number of treatises about principles of methods and economic statistics. In this field of endeavor he is being supported by F. Klezl-Norberg, vice-president of the Statistical Central Office. These two theorists share, from a national economic point of view, the ideas of the Austrian School, whereby the first named inclines more or less towards mathematics and economics. 647 816

The Ständige interministerielle Referentenkomitee zur Bekämpfung der Arbeitslosigkeit und Sicherung der Vollbeschäftigung (Permanent Inter-ministerial Committee of Department Heads to combat Unemployment and to secure Full-time Employment) also cooperates with the Institute of Economic Research. This committee concerns itself not solely with the task of enforcing immediately adequate measures, but also directs attention towards weak points in the economy which eventually could influence the intensity of work; it further prepares long-term economic measures which should be enacted. [464] [654]

The Mitteilungen (Reports) of the Oesterreichisches Kuratorium für Wirtschaftlichkeit (Austrian Board of Trustees for Economy), a board sponsored by the Bundeskammer der gewerblichen Wirtschaft, are especially concerned with rationalization problems (Manager: Consul Schmidhuber). Science of business economics is a discipline particularly taught at the Hochschule für Welthandel, Vienna, which has quite a number of experts on its lecturing staff (W. Bouffier, F. Dörfel, K. Oberparleiter). This branch of science became, via the balance theory, more and more related to theoretical economics. In this way--and this applies to the entire field of commercial science--the selection of themes, the setting of problems and the methods of presentation show the influence of the Austrian School. The science of business economics has contributed to better and more standarized forms of accounting, improvements in bookkeeping and cost accounting. Scientific handling of advertising and market research has substantially improved plant management. 874 457 816

Austria has become intensely interested lately in methods of work psychology, which have proven successful in the United States, England and other western nations. In this connection may be mentioned the 461 466 816

461 Oesterreichisches Institut für angewandte Arbeits-
466 wissenschaft (Austrian Institute of Applied Science
816 of Work), Vienna, under Dipl. Ing. Otto Korwik. Employing principles of work-psychology, this institute has undertaken research work within large plants on production increases, improvement of quality, of production, working conditions, etc. The magazine Mensch und Arbeit, published by the Arbeitsgemeinschaft für Psychotechnik in Oesterreich (Committee for Psycho-Technics in Austria), Vienna, covers this field. On the board of trustees of this committee are former minister Dr. H. C. Eduard Heinl, member of parliament and president of the Gewerkschaftsbund Johann Böhm, as well as many other prominent individuals.

654 Thanks to a release of ERP-counterpart
313 funds, it will be possible to establish an Austrian Institute for Timber Research. The lumber industry is one of the most important in Austria. This Institute shall furnish the work industry with new theoretical and practical ideas, which in turn should benefit production. The Institute will cooperate closely with the testing laboratories of the technical colleges of Vienna and Graz.

Scientific as well as economic endeavors
217 are being supported by large libraries. The Wiener
815 Handelskammer (Chamber of Commerce), for instance, accumulated during the one hundred years of its existence more than 150,000 volumes, becoming thereby not only the largest library of economic science in Austria but probably also in central Europe if one takes into account the losses incurred during the last war. The latest foreign publications are in its collections and it is continuously frequented by economists as well as students of national economics. The library of the Oesterreichische Institut für Wirtschaftsforschung contains 10,000 volumes, mostly about market prospecting and foreign trade, while the library of the Institut für Wirtschaftswissenschaften an der Wiener Universität with its 30,000 volumes comprises works of theoretical economics besides international publications.

Austria also has a number of well-edited
204 periodicals for political economy. The oldest one
815 in the economic field in Austria, adhering to a scientific background and serving an extended reader clientele, is Der Oesterreichische Volkswirt (The

In comparison to prewar times a definite lowering of 727
individual performance efficiency had set in among
the rest of the population caused by years of under- [46]
nourishment and poor general physical condition
aggravated by a series of psychological strains up to [433]
1947. Another thing to be taken into account was the
reorientation of the entire European economic
structure in the wake of political changes, particu-
larly the solution of certain problems of large in-
dustrial enterprises (the iron and steel industry).
Last but not least were the great economic and
political changes which had taken place in the areas
of Austria's traditional markets, eastern and south-
eastern Europe.

The destruction of capital substance weighed [454]
particularly heavy. It was obvious that the greater
part of savings capital, accumulated prior to 1945,
was economically no longer covered. Within the scope
of a planned war economy that money had either been
invested in weapons and war material which became
valueless, or it was originally invested in profitable
enterprises which were destroyed or diminished through
the effects of the war, e.g., plants, equipment, razed
woodland, etc. On the other hand, in accordance with
instructions of the German finance administration,
great parts of the liquid assets and reserves of banks,
the premium reserves of large insurance companies,
etc. had to be invested in bonds of the German Reich
(especially Reichsschaftsanweisungen), whose value be-
came as questionable as savings deposits.

In view of these circumstances the Austrian 452
federal government faced difficult problems. For the
sake of simply existing it was necessary to reestablish
the financial foundation, a task impossible to ac-
complish without a proper Austrian currency (to be
newly created), without gold or foreign exchange re-
serves to cover this currency, without a national bank
of issue, without reconstruction of a banking and credit
apparatus, and particularly without first straightening
out the balances essential to large banking institutions.

Not any less difficult to solve, in relation 433
to the previously mentioned conditions, was the second
problem: the revival of production and trade. Apart [438]
from incurred losses in plants, machinery and raw
materials, the disorganization of communication and the
dislocation of great parts of the population, valuable
components of the production apparatus as well as other
natural assets of the Austrian economy, classified as

317

Salt Pans in the Lambach Area.

Great advantages were secured at this time by conducting surface water under pressure to the mines to water the underground facings. A passing attempt to introduce an irrigation process in 1908 was discontinued on account of the amount of gravel washed down from the Haselgebirge.

The second half of the 19th century brought great progress in the boiling process through the use of steam heat for preliminary warming of the saline solution. The works which were started at Ebensee for this procedure were subsequently considerably improved.

At Hall-in-Tyrol, a new electric thermo-compression plant is under construction for the production of fine salt.

Austria's salt mountains have been inhabited for hundreds of years by an ancient race of miners. Happy in the beauty of the surrounding countryside and inspired by love of their lovely native Austria, they hold fast to their ancient rights, customs and traditions.

This long-rooted attachment of the miner to his beloved salt mountain proved its value after the most terrible of all wars. The Austrian saline works were among the first concerns to resume work immediately after the collapse of the German

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9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

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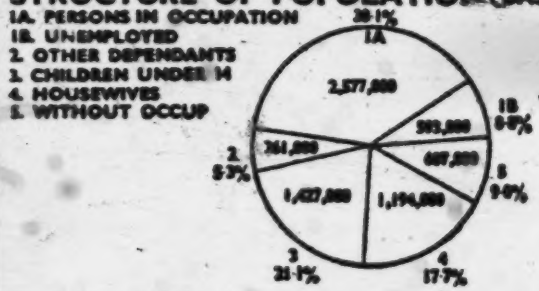
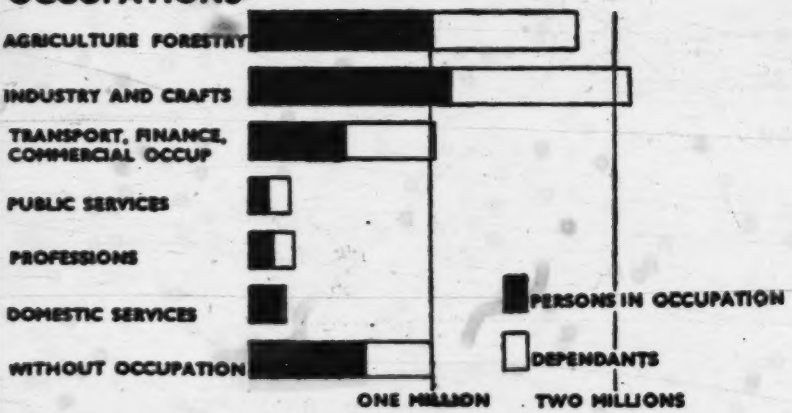
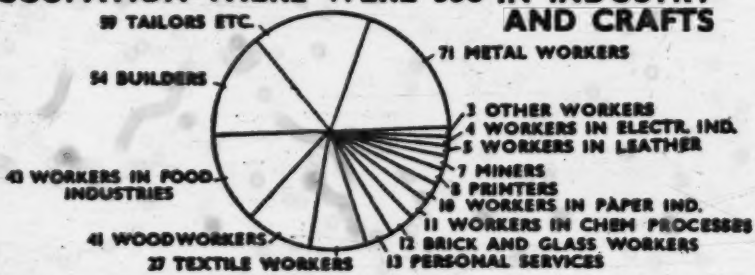
STRUCTURE OF POPULATION (BASED ON 1934 CENSUS)



OCCUPATIONS



OUT OF ONE THOUSAND PERSONS IN OCCUPATION THERE WERE 358 IN INDUSTRY AND CRAFTS



[p. 117]

3: Hiscocks G7-4, 5 (1946-1949) 1953 EK1 Austria EK1

a time when the country was struggling to rebuild its economy, one of its main sources of wealth was in a state of convalescence.

Highly skilled workers are one of Austria's chief economic assets, and between the Wars consumer-goods and luxury industries played an important part in her economic life. This side of her economy declined seriously during the German occupation. As part of the deliberate plan to turn the country into an arsenal, workers were diverted from secondary industries and agriculture to the large new war-production centres that were established.

The great Hermann Goering Iron and Steel Works were set up at Linz, with their own coking plant. Sixty miles away at Ranshofen near the River Inn a big aluminium plant was built. There were several reasons for these developments. The fundamental idea was to provide a reserve of vital war industries in a district less vulnerable to enemy attack. Just as the Russians transferred some of their main war industries to Central Asia, so Hitler wanted to have some of his production centres farther away from Allied bomber bases. Secondly, there were certain economic considerations in favour of the two sites. Both were on important waterways. Linz was some sixty miles from the iron ore of the Erzberg, or Iron Mountain, in Styria and not far away from the low-grade ore of Bavaria. Ranshofen was reasonably close to the Hungarian bauxite deposits and conveniently situated in relation to the Third Reich's electricity network, cheap current being the main consideration in the siting of an aluminium works. Further, there were reasons of sentiment and prestige for the choice of location. Hitler was born in Braunau, a few miles from Ranshofen, and went to school in Linz. It seemed fitting that the scenes of the Führer's youth should become centres of war production.

From the purely Austrian point of view, however, such developments were not so satisfactory. Hardly one of the considerations that influenced German leaders would have carried weight with an independent Austria. The strategic and sentimental arguments were both irrelevant. Neither Bavaria nor

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

433 If the different branches of the Austrian economy are considered separately, the record of agriculture is the most 241 disappointing, although the rise in population and food prices since before the War made it vitally important that agricultural production should at least regain its pre-War level.

The disappearance of the black market and the progressive adjustment of internal food prices since the end of the War had improved the situation from one point of view. The conservatism of the farmers and the prevalence of small holdings in Austrian agriculture were features that could scarcely be altered. But there were several aspects of the problem that were susceptible to treatment and in which more could have been done both by the Government and by the ERP authorities.

[464] The number of paid agricultural employees, not counting the farmers themselves and members of their families, dropped by nearly a quarter, from 285,600 in 1937 to 217,000 in 1951. In view of the man-power available, more speedy and energetic steps should have been taken by the Government to counteract this tendency. The plan that has been drawn up to deal with it will be considered later. The loss of labour was balanced to some extent by mechanization, carried out largely with Marshall Aid. The number of tractors increased by 850 per cent between 1939 and the end of 1951. But the supply of artificial fertilizer and feeding-stuffs from abroad fell far short of essential needs, and agriculture's share of counterpart funds was less than the allocation to the primary iron and steel industry, which did not employ a tenth of the number of men on the land. It was not until the summer of 1952 that increased imports of feeding-stuffs and an adjustment of prices by the Government made it possible to fix the cost of bread-grains at 25 per cent above that of maize for feeding, and so stimulate farmers to increase their bread-grain production.

433 Austrian forestry and its dependent industries responded well to ERP assistance. During the first three years of Marshall Aid lumber exports increased fivefold, and in 1951 they amounted to 17 per cent of Austria's total exports. By 1951 paper industry production had risen to 113 per cent, and cellulose

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

464 The decline in exports was accompanied by a fall in the production of almost all consumer-goods industries during the first half of 1952. This in turn was accompanied by a rise in the number of unemployed.

During the early post-War years there was virtually no unemployment in Austria. During the winter of 1949–50 unemployment first became a real problem, when the number of unemployed in February 1950 rose to 195,000, or nearly 10 per cent of the insured labour force in the country. This figure taken alone, however, is misleading. A high proportion of the total was due to seasonal unemployment in the building trade, in which owing to post-War reconstruction needs nearly four times as many were employed as before the War. An increasing number of women also had been registering at employment exchanges in the hope of supplementing the family income in difficult times. At the same time the total number of insured persons employed in the winter of 1951–2 exceeded 2 million, and this represented an increase of nearly 50 per cent on the pre-War level.[1] The serious development in 1952 was that the high February total of 215,000 unemployed did not yield normally to seasonal improvement, and that throughout the summer there were never less than 115,000 unemployed.

The original European Recovery Programme was intended to come to an end in 1952. It was a great disappointment, after four years of planned aid on such a generous scale and after so large a measure of success, that these disquieting tendencies should have begun to reveal themselves in the Austrian economy. It was equally disappointing to the Austrians that in 1952 they had not regained the independence that the Moscow Declaration had given them every reason to expect. Had they had control over the industries administered by the Soviet authorities and over even a part of their oil, the economic position of the country would have been very different.

[1] The increase was due partly to the growth of population, partly to the increase in the proportion of people seeking paid employment, and partly to the decrease in the number of independent, uninsured workers.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

had achieved considerable success. The currency had been stabilized. Between December 1951 and December 1952 wholesale prices had dropped 6·4 per cent and the cost of living 1 per cent. With unimportant exceptions wages had remained constant. Total savings during 1952 amounted to over a billion schillings, compared to the 77 million in 1951. Although the gross national product only just kept up to the level for the previous year, the foreign trade position improved substantially. Figures available in February 1953 showed a drop in the balance-of-trade deficit from 4·3 billion schillings in 1951 to 3·1 billion in 1952, while the balance-of-payments deficit fell from $176 million to $100 million. 652

The Ministers of Trade and Finance deserved great credit for this achievement. But it must be remembered that they were members of a coalition government and that the policy of stabilization had begun before their appointment. Furthermore, the policy depended for its success on the voluntary action of both industrialists and trade unions in keeping down prices and wages.

During the election campaign a large measure of agreement on economic and financial policy was revealed between the Socialists and the People's Party, but the gap between the two points of view, which had made elections necessary, could not be closed entirely. The serious deterioration in the employment situation accentuated the differences on this vital issue. At the end of 1952 there were nearly 100,000 more unemployed than there had been in December 1951, and throughout 1952 the average number of unemployed had been 158,000, compared with 117,000 the previous year. 464 665

The deadlock that followed the elections and delayed the formation of a new Government for more than five weeks was proof of the stubbornness of the differences. The replacement of Figl by the industrialist Raab made it clear that a long-term compromise could not be expected: the Coalition survived, but for external, not for internal reasons. It was, nevertheless, encouraging that Austria's two main political parties should have 642 665

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

3,013 married quarters. During the summer of 1952 further legislation was under consideration dealing with accommodation and technical training for agricultural workers. 362

The Ministry[1] also worked on a number of schemes in conjunction with the provinces and the Ministry of Social Welfare for helping displaced persons to settle on farms, inducing unemployed to work on the land, and persuading town-bred youths to give agriculture a trial. 464

As a result of all these efforts the flight from the land has been checked, though not stopped. Between November 1951 and November 1952 the number employed in agriculture and forestry fell by 6,500 compared with 9,400 the previous year. The fact that during the winter of 1952–3 there was a certain amount of unemployment on the land, due largely to increased mechanization, does not mean that the problem has ceased to be serious. Until agricultural production has at least regained the pre-War level, any further reduction in the number employed must remain a cause of great concern. It is a national problem which, like the drive to increase productivity, requires co-ordinated effort and a programme of public education for its solution. 464 166

A less obvious but no less dangerous trend in Austrian society since the War has been the progressive deterioration of the economic position of certain sections of the community, limited in number, but of value and importance to the nation out of all proportion to their numerical strength. The categories in question are university professors, school teachers, the administrative ranks of the civil service, and certain highly qualified groups in industry and the professions. They differ widely from one another, but there are certain common causes of their depressed condition. 565

The different categories belong, on the whole, to the so-called middle class, with its tradition of thrift and careful conservation of possessions and its deep-seated reluctance to take part in any organized public complaint about its condition. Such private property as they or their families possessed, including personal articles of value, had very largely disappeared

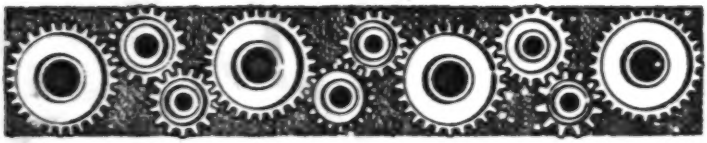
[1] [i.e. the ministry of Agriculture and Forestry - Analyst]

former minister Dr. Georg Zimmermann, and the manager of the Statistisches Institut der Universität Wien (Statistical Institute of the University of Vienna), Professor Dr. Wilhelm Winkler. The latter is the author of a number of treatises about principles of methods and economic statistics. In this field of endeavor he is being supported by F. Klezl-Norberg, vice-president of the Statistical Central Office. These two theorists share, from a national economic point of view, the ideas of the Austrian School, whereby the first named inclines more or less towards mathematics and economics. 647 816

The Ständige interministerielle Referentenkomitee zur Bekämpfung der Arbeitslosigkeit und Sicherung der Vollbeschäftigung (Permanent Inter-ministerial Committee of Department Heads to combat Unemployment and to secure Full-time Employment) also cooperates with the Institute of Economic Research. This committee concerns itself not solely with the task of enforcing immediately adequate measures, but also directs attention towards weak points in the economy which eventually could influence the intensity of work; it further prepares long-term economic measures which should be enacted. [464] [654]

The Mitteilungen (Reports) of the Oesterreichisches Kuratorium für Wirtschaftlichkeit (Austrian Board of Trustees for Economy), a board sponsored by the Bundeskammer der gewerblichen Wirtschaft, are especially concerned with rationalization problems (Manager: Consul Schmidhuber). Science of business economics is a discipline particularly taught at the Hochschule für Welthandel, Vienna, which has quite a number of experts on its lecturing staff (W. Bouffier, F. Dörfel, K. Oberparleiter). This branch of science became, via the balance theory, more and more related to theoretical economics. In this way--and this applies to the entire field of commercial science--the selection of themes, the setting of problems and the methods of presentation show the influence of the Austrian School. The science of business economics has contributed to better and more standarized forms of accounting, improvements in bookkeeping and cost accounting. Scientific handling of advertising and market research has substantially improved plant management. 874 457 816

Austria has become intensely interested lately in methods of work psychology, which have proven successful in the United States, England and other western nations. In this connection may be mentioned the 461 466 816



Banking in Austria is carried on chiefly by joint stock banks, some of which have an extensive branch business. A few of the smaller concerns are situated in the provinces. Apart from these there are a number of highly respected banking houses and nine provincial mortgage banks. Two special characteristics of the first named are their ability to give individual attention to clients and their valuable foreign connections. The provincial mortgage banks are public bodies which have the principal duty, apart from other banking transactions, of attending to mortgage and municipal credits, financing the loans they grant through the issuing of bonds of mortgage.

Despite the difficulties still to be encountered in the reconstruction of Austria and its economy, the Austrian banks will continue to place their services at the disposal of the nation's commerce in accordance with their traditions, and to assist in securing for the Motherland a brighter future after long years of impoverishment and peril.

THE AUSTRIAN INSURANCE SYSTEM.

Insurance, with its estimation of risk and liability, of success or collapse, forms a mirror of Austria's development from the First to the Second Republic.

Within the space of not quite thirty years—1918 to 1945—the Austrian insurance concerns were faced with

a food catastrophe would have been inevitable 727 and the work of reconstruction have been indefinitely postponed.

From the outset, everything possible was done 727 to help build up foreign trade again. At first, in 439 view of transport difficulties, only trade with neighbouring countries came into consideration. The initial results were not great, since all these countries were busy with their own reconstruction and usually themselves needed the goods which Austria wanted. It was only gradually that by means of compensation agreements and later of clearing agreements, the trade relations which in 1938 had been broken off with Austria's most important suppliers and customers could be resumed.

In this way raw materials and auxiliary products as well as the means of production for industry were brought into the country, thus forming a basis for the recovery of industrial-commercial production. With the improvement of food conditions, the power situation and the increasing exploitation of available resources, output again began to rise.

In 1947 it was possible to reach 61 per cent 433 of the industrial production of the year 1937; for the first time in 1948 output rose above 85 per cent of the former figure. Industrial employment [464] figures for 1947 were 19 per cent and those of the year 1948 were about 30 per cent higher than those of 1937.

The most rapid strides in industrial production were first made in the branches more remote from

production was in a chaotic state and could not absorb the 433
men who came back from the army and from the munition 727
industries. Unemployment, which had been at a level of about 46,000 in December, 1918, rose quickly to a peak of 727
186,000 (131,500 in Vienna) in May, 1919, at the very 464
time when the Western democracies enjoyed a short-lived post-war boom. After that, unemployment decreased steadily until it reached its lowest level in November, 1921, when there were 8,709 unemployed on the register.

THE INFLATION

The extent of Austria's economic exhaustion after the 727
last war has been deliberately described at some length so as to indicate the level from which reconstruction had to start. No doubt, it was a tremendous job. But, with the relief credits to help out in the first period of distress, it was surely not beyond the strength of the Austrian people to build up a working economy. The tens of thousands of workers who struck work in January, 1918, in order to finish the war, the soldiers who returned disgusted with the war and the old régime, the peasants who had more than enough of the constant military requisitioning, all combined to turn out the Emperor, practically without any bloodshed; and they now looked confidently to the new Republic to lay the foundations for a new life.

There was much enthusiasm here that could have been 186
harnessed to a great crusade for the rebuilding of the 665
nation's life. But it was the tragedy of the situation that the statesmen of the day, those of the right and those of the left alike, completely lacked the required conception of leadership. Instead of stimulating the patriotic and social aspirations of the masses and guiding them in the difficult tasks of reconstruction, the general attitude of the leading politicians, reared in a 50-million empire, was to profess

1/A [Cf. Cat. 116, p. 34 — — ANALYST]

458 745 pensioners and others dependent on small fixed incomes. These people were reduced to abject poverty; they were compelled to sell most of their belongings and to turn to public assistance. These reductions in income occurred side by side with the creation of a small class of new rich—the inflation profiteers who had been able, through skilful buying and selling, to amass considerable wealth.

458 But there was also a brighter side to the picture. In the first stage of inflation, at least, the rising price level and 433 the flow of new money stimulated industry and quickly raised production above the stagnating post-war level. 464 The unemployed, whose number had greatly risen after the end of the war, were almost completely absorbed into work:

NUMBER OF UNEMPLOYED RECEIVING RELIEF

	1919	1920	1921	1922
February	162,104	69,427	16,217	33,554
May	186,030	45,883	9,518	44,281
August	133,362	23,970	11,702	30,967
November	—	14,733	8,709	55,008

458 Production increased in almost every field. Agriculture, for instance, largely regained its pre-war productivity in 433 this period; and agricultural production was also increased by an extension of the area under cultivation.

YIELD PER HECTARE IN QUINTALS

	1913	1919	1923
Wheat	14·8	9·3	12·6
Rye	14·7	8·0	10·8
Barley	13·9	8·8	12·7
Oats	13·5	8·0	11·6
Maize	16·3	12·7	15·1

CHAPTER III

READJUSTMENT AND CONSOLIDATION

READJUSTMENT

458 IN spite of certain improvements Austria had failed, during the period of inflation, to adapt its economic structure to the new environment. In fact, the inflation tended to add to these underlying difficulties. The easy flow of money and the enormous speculation in prices and foreign exchanges, for instance, greatly increased the number of commercial establishments of all types. It was clear that these mushroom growths could not survive in the long run.

But these, and other necessary adjustments, were hampered by the absence of any clear economic policy which could have minimized the frictions involved. There were of course a large number of *ad hoc* measures to help here and to fill a gap there. But there was never a consistent and conscious approach to the problem as a whole. If, in spite of this, considerable progress was, in fact, achieved in the 'twenties, this can only be regarded as evidence of the vitality which Austrian economic life had preserved through all the difficult years.

458 The immediate result of the stabilization was indeed to cause a severe crisis. Industry had been geared to the
464 expectation of quickly rising prices, encouraging many speculative and unsound developments. These had now to be liquidated and a general process of economy and rationalization set in which caused a great increase in unemployment.

READJUSTMENT AND CONSOLIDATION

UNEMPLOYMENT[1]

(000's omitted)

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1923	161	167	152	132	107	92	87	83	78	75	79	98
1924	119	125	106	82	68	63	66	74	77	89	113	154

464

The situation was aggravated particularly by the shortage of capital for industry. An enormous speculative boom swept the stock exchange in 1923 and early in 1924. Industrial shares which had been neglected in the uncertain period of inflation were now eagerly taken up and funds were increasingly drawn into the financial sphere. Since private saving had fallen to negligible levels the rate of interest charged to industry was excessive. Interest rates on first-class overdrafts reached the absurdly high level of 22 per cent in 1924, and even in 1925 they still stood at 15½ per cent. The cost of credit was also raised by the monopolistic policy of the bank cartel which fixed the rates and left a margin of 7½ to 9½ per cent between rates paid and charged. As Austrian industry was largely owned and controlled by the banks, and also dependent on them for short-term credit, industrial interests were often subordinated to "orthodox" financial considerations. 454 455

Some relief was afforded by foreign loans. These were attracted by the high rates of interest and were usually obtainable on more favourable terms. The main drawback on this score was that—apart from loans to local authorities, public utilities and very big firms—it was only short-term credits which were offered, while what was needed at that time were long-term credits for industry. Indeed, once the monetary systems of the central and eastern European states were stabilized the *political* interest in their reconstruction ceased in the Western 457

1 [CP CATEGORY 116, PAGE 50 -- ANALYST]

457 world, and the field was left open to private investors who failed to appreciate the long-term needs of that area.

433 But in spite of the heavy unemployment, production continued to increase; though there were some setbacks in the capital-goods industries which had benefited most from the inflation. The following figures may serve to illustrate the trends of this period (no general index of production is available for these years):

Production	Unit	1922	1923	1924
Coal, lignite	Thousand tons	3,136	2,659	2,777
Steel	" "	481	499	370
Paper	Waggons	15,108	15,285	17,211
Wheat	Thousand tons	202	242	231
Rye	" "	345	402	411
Potatoes	" "	1,398	1,426	1,647
Sugar	Quintals	244,680	472,555	750,102
Merchandise carried by railway	Thousand tons	—	5,493	6,174

The general rise in production was mainly due to the installation of modern plant during and after the inflation, to the resumption of more careful costing and accounting practices, and to a considerable rise in output per head. By 1925, total output reached about 80 per cent of the pre-war level.[2]

464 The overall figures of unemployment conceal, however, the very uneven incidence of unemployment in the various industries: a consequence of the structural changes then taking place. In February, 1925, when unemployment had reached the high level of 193,000, the percentage of unemployed was fairly low in the quickly expanding light and consumer goods industries—8 per cent in the food processing trades, 4 per cent in the paper industry, 6 per

1 [CR. CATEGORY 116, p. 50 -- ANALYST]

cent in textiles, and 3 per cent in the chemical industry. 464. Owing to seasonal factors the percentage was highest in the building trade (35 per cent) and in the hotel trade (22 per cent). But the permanent changes that had taken place since the war and the inflation were reflected in the high percentage of unemployment in the declining war industries ("metals and machinery"), where it reached 30 per cent, in some of the industries which formerly produced for a home market but which were now up against high tariff walls (e.g. clothing 19 per cent, pottery, glass, etc., 15 per cent, leather and hides 12 per cent), in "commerce, transport and traffic" (17 per cent) and among the clerks and professions (10 per cent). This high level of unemployment among the "black-coated" workers and the middle class was due to the inevitable contraction of the State apparatus and of those banking and commercial activities which had flourished so much during the inflation period.[42] The failure to tackle these structural problems courageously contributed greatly to the slow recovery of the home market and to the persistence of unemployment even in the more prosperous years.

One of the most important economic effects of the 439 break-up of the old Empire was the increased dependence on foreign trade. The Empire had to a large extent been self-sufficient and Austria had obtained its foodstuffs and raw-materials from other parts of the Monarchy. These goods had now to be imported from separate economic units and great efforts were required to increase exports, especially of manufactured goods. The structure of foreign trade in that period is shown by the figures on page 40.

With the return of stable conditions and the increase in productivity, both imports and exports increased rapidly. Imports rose from about 1,800 million gold Crowns in

1 [Cf. CATEGORY 116, P. 50 -- ANALYST]

439 tariffs had increased to 296 per cent of the 1913 level in Bulgaria, to 144 per cent in Yugoslavia, to 140 per cent in Roumania, and to 137 per cent in Czechoslovakia, the Austrian tariffs had actually fallen to 77 per cent of their pre-war level, a fall which, in continental Europe, was surpassed only in Sweden. But it was obvious that this policy could not be permanently maintained in face of high tariffs elsewhere. After the Geneva Conference in 1927 had failed to achieve tangible results with regard to the reduction of trade barriers, Austria too turned towards protectionism to reduce her dependence on a highly unstable world trade. The world preferred to learn the hard way.

361 What of the position of Vienna? When the new Austria, with its 6½ million people, had to take over the economic
631 and administrative centre of a 50-million empire, containing almost 30 per cent of the population of the new Republic, many people thought that this "huge head far too big for a small body" would prove an insoluble economic problem. Actually it soon turned out that the general process of readjustment, described above, also helped to solve this problem. First, it should be noted that while the percentage of the population living in the *capital* was unusually high, the percentage of the *urban* population was quite normal for an industrial country. It was smaller than, for instance, in Great Britain or Switzerland. The establishment of new commercial and government centres did, it is true, hit Vienna badly. The [464] reduction in the number of civil servants, banking and commercial employees and the unemployment among lawyers, solicitors, etc., created a burden which was mainly concentrated on the capital.

366 But apart from this particular problem which was
368 slowly—all too slowly—mended, it soon became clear that

[CP. CATEGORY 116, p. 50 --ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

433

	Potatoes			Sugar		
	Area in ha. (000's)	Yield in thous. q.	Yield per ha.	Area in ha. (000's)	Yield in thous. q.	Yield per ha.
1925	176	20,684	117·4	20	4,925	244·1
1929	189	28,030	147·6	30	6,912	227·6

As a result, Austria's dependence on food imports was somewhat reduced. This applied particularly to rye, sugar, and potatoes; in the case of potatoes the import surplus actually gave place to an export surplus. More important, there was a change in the structure of Austria's agriculture. Great strides were made in the spheres of stock-raising and the dairy industry which are particularly suited to Austria's topographic conditions. Between 1925 and 1930 the proportion of home-raised live cattle supplied to the Vienna market rose from 19 to 44 per cent. For beef the proportions were 17 and 33 per cent respectively, and for pork 47 per cent and 52 per cent. The establishment of 310 new co-operative dairy-farming and cheese-making companies greatly stimulated expansion in the dairy industry. In spite of increasing consumption, imports of milk and other dairy products fell from 40·1 to 9·1 million schillings between 1924 and 1929, while the exports of these products increased from 1·1 to 10·5 schillings over the same period. Within six years an adverse balance of almost 40 million schillings in this group was thus wiped out and an export surplus established.

464 In spite of all this progress the problems of unemployment and of an adverse balance of trade remained as yet unsolved.

It had already been suggested that the increase in indus-

trial output was largely due to measures of rationalization rather than to an increase in the numbers employed. On the other hand, the pressure on the labour market continued. Apart from the structural unemployment inherited from war and inflation—the decline of the war industries, the reduction in administrative and banking personnel, the difficulties of the export industry—the process of readjustment still went on, slowly and haphazardly. Bank mergers, numerous liquidations, etc., all created new friction in the labour market. Walter Lippmann once said that it was the foreign policy of the United States not to have a foreign policy. Similarly it might be said of the Austrian Government of that period that its economic policy was to have no economic policy. 464

Not only was there no clear idea about the measures required to bring about the necessary and only half-completed changes as smoothly and as quickly as possible; the Government was also overcautious in its own spending policy. There was some expenditure on railway electrification, on agricultural improvement and on other investment and public work items. But this was altogether inadequate. The memories of the recent inflation, the need to maintain the country's foreign credit, the enormous burden of pensions for the great pre-war administrative machine, all made a balanced budget seem the ultimate goal of state finance. Thus unemployment in Austria was considerable even before the world depression. It remained high in 1925 and 1926, decreased slightly in 1927 and 1928, only to rise again in 1929. During the whole period there were at least 10 to 15 per cent unemployed.

Foreign trade was another source of weakness. With the growth of production in Austria and elsewhere, imports and particularly exports did, it is true, increase steadily. 439 457

458 [439] purchasing power, followed by an orgy of tariffs, quotas, and currency wars, was therefore bound to hit Austria severely. Moreover, Austria was particularly vulnerable owing to the fact that the financial problems inherited from war, inflation, and foreign borrowing suddenly became acute and led to a severe crisis.

The turning point, as in most other countries, came in the third quarter of 1929. Prices tumbled down, production declined, unemployment grew, foreign trade vanished. The following figures indicate this process of decline in Austria and some other countries.

INDEX OF INDUSTRIAL PRODUCTION

(1929 = 100)

[433]

	1929	1930	1931	1932	1933	1934
Austria	100	85	70	61	63	70
Czechoslovakia	100	89	81	64	60	67
Hungary	100	95	87	82	88	99
United Kingdom	100	92	84	84	88	99
U.S.A.	100	81	68	54	64	66
Germany	100	86	68	53	61	80

PERCENTAGE OF WORKERS UNEMPLOYED [1]

• [464]

	1929	1930	1931	1932	1933	1934
Austria	12·3	15·0	20·3	26·1	29·0	26·3
Czechoslovakia	2·2	4·5	8·3	13·5	16·9	17·4
Great Britain	10·4	16·1	21·3	22·1	19·9	16·7
U.S.A.	8·2	14·5	19·1	23·8	24·3	20·9
Germany	9·3	15·3	23·3	30·1	26·3	14·9

1 [CF. CATEGORY III, 52 p. 63 -- ANALYST]

453 capital; the country's foreign credit was too closely bound
652 up with the solvency of this bank. The Government therefore stepped in within four days and, together with the Austrian National Bank and the House of Rothschild, assumed responsibility for its financial reconstruction. A number of measures followed in quick succession. The government guaranteed first the foreign, and later also the domestic deposits of the Credit-Anstalt. A committee was set up in London to represent the interests of foreign creditors. An agreement was signed providing that 500 million schillings of foreign short-term credits were not to be withdrawn for two years. Strict economies were introduced. Salaries and pensions were heavily cut by
453 decree; many of the bank's employees were sacked. The
652 problem of an overgrown banking system was at last being solved; but in a way which created much misery and
464 dislocation. No doubt, the Credit-Anstalt had somehow to be saved. But the Government was too concerned about the profitability of the concern and the interests of the shareholders. Its measures contributed to the already serious structural unemployment among the middle classes and served to prolong the depression. Moreover, the Government missed an unique opportunity of using its newly gained influence over the main credit institution to re-organize and direct the country's industrial structure in the national interest.

453 But the collapse of the Credit-Anstalt did not only call for far-reaching measures for the restoration of that
436 institution. It also had grave repercussions on Austria's
652 monetary system. The National Bank had been forced to re-discount a large number of Credit-Anstalt bills, and
457 the note circulation began to swell. At the same time, in spite of the Government's speedy assistance and guarantee, confidence had been shaken and funds were withdrawn

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

CHAPTER V

RECOVERY

TOWARDS A BALANCED NATIONAL ECONOMY

IF the world depression had dragged Austria down with it, the subsequent world recovery reacted beneficially on her economic life. The deflationary policy pursued by the Government after the financial shocks of 1931 tended, indeed, to retard the upswing in Austria. Nevertheless, from the second half of 1933 onwards, there was a clear and unmistakable upward trend in all spheres of economic life. 488

Industrial production, which had fallen to 61 per cent of its level in 1932, increased rapidly until it reached a new record level in 1937, the last year of Austria's independence. 433

INDICES OF INDUSTRIAL PRODUCTION

(1929 = 100)

	Austria	Czecho-slovakia	Germany	Great Britain	U.S.A.
1932	61	64	53	84	54
1933	63	60	61	88	64
1934	70	67	80	99	66
1935	80	70	94	106	76
1936	86	80	106	116	88
1937	103	96	117	124	92

This increase in production naturally led to some reduction in unemployment. Unemployment figures, 464

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

464 which had passed the 400,000 mark in 1933, fell gradually to approximately 320,000 in 1937. This was, however, still considerably above the level of 200,000 unemployed in 1929. In fact, the problem of unemployment, particularly in the heavy industries and among commercial and administrative workers, remained virtually unsolved. The policy of the Government lay the foundation for a more solid and independent national economy. But it fell far short of an expansionist policy that would have ensured the full use of the country's human and material resources.

341 433 Of great importance was the conspicuous progress in agriculture which had been continuous ever since 1920. In a world striving for self-sufficiency, where markets for manufactured exports became increasingly closed, it was necessary to reduce the import requirements for foodstuffs. This object was largely achieved. Taking 1923 as the first normal year in Austria's economic life, we obtain the following picture of development.

	Year	Production (in 1,000 quintals)	Per cent of Requirements
Wheat	1923	2,419	33
	1936	3,678	63
Rye	1923	4,023	76
	1936	4,605	81
Barley	1923	1,710	63
	1936	2,531	85
Oats	1923	3,754	82
	1936	4,029	94
Potatoes	1923	14,262	95
	1936	24,994	100
Sugar	1923	473	31
	1934–6	1,919	99

234 439 Even more important were the structural changes in agriculture. In particular, great progress was made in dairy farming; an industry which had been badly neglected

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

UNEMPLOYMENT

UNEMPLOYED IN RECEIPT OF BENEFITS IN THOUSANDS

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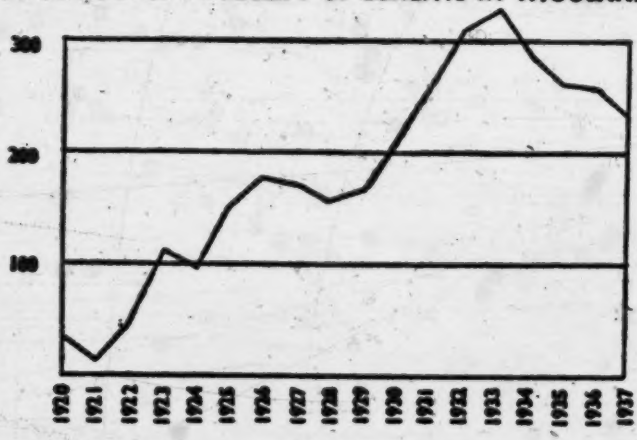

IMPORTS AND EXPORTS OF COMMODITIES

IN MILLION SCHILLINGS

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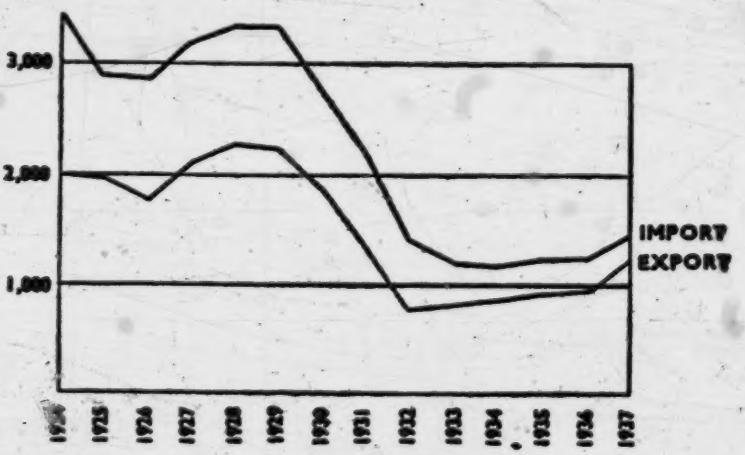

[p. 119]

2: MacDonald S-4 (no date) 1946 EK1 Austria EK1

the Federal Government, or from individual members of the Government, they would be thereby removed from office.[1] It was not, however, intended that this weapon should be lightly employed against a Government, for it was stipulated that such a resolution would require a quorum of half the members of the National Council. And, if one-fifth of the members so demanded, the vote could be postponed for two days.[2] The Government, apart from this somewhat meagre stipulation, had no means of protecting itself against an adverse vote by a chance coalition in the National Council, since it could not confront the National Council with the choice between continued support and a dissolution.

As has been pointed out, the National Council had practically complete control over all legislation. It had also considerable executive functions. By Article 50, political and certain other treaties required for their validity the consent of the National Council. By Article 53, it was empowered to set up by resolution Committees of Inquiry,[3] before which all public authorities were obliged to give evidence if required. By Article 54 certain executive duties were specifically made over to the National Council, such as the fixing of the prices of such federal services as railways; the fixing of the prices of monopoly goods; and the fixing of the salaries of persons employed by the State. Apart from these specified cases, it was laid down in Article 55 that the National Council should share in the executive power of the State through its Chief Committee, to which reference has already been made. Kelsen has described this body as the most important political organ of the National Council.[4] Provision had been made for its election in the constitution of 14 March 1919. Its membership had then been fixed at eleven, whereas by the constitution of 1920

[1] It may be noted that, since it was anticipated that the dismissal of an individual minister by a vote of no confidence should not necessarily involve the resignation of the whole ministry, the cabinet system was not adopted.

[2] Kelsen comments on this: 'Dass die Wirkung des Misstrauensvotums verfassungsgesetzlich ausdrücklich normiert wird, ist eine Besonderheit unserer Verfassung' (op. cit., vol. v, p. 169).

[3] Cf. with Article 34 of the German Constitution, according to which such a committee had to be set up if one-fifth of members so demanded.

[4] *Jahrbuch des öffentlichen Rechts*, vol. xi, p. 246.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

458 Such conditions, combined with the hardships that have already been described, carried with them the danger of serious
435 unrest, and it is fortunate that a method was worked out in
465 1947 by which wages as a whole could keep pace with the steadily rising prices. The method, which was used each year between 1947 and 1951, had its good and bad sides. On the one hand, it contributed to the steady and controlled nature of the inflationary process and ensured the harmonious settlement of the wage question. On the other hand, after the first two years, when its effects were predominantly good, it accentuated inflationary tendencies.

The system involved the co-operation of the Government, the trade unions, and the Chambers of Industry, Agriculture, and Labour. The representatives of the employers and the employees in the Chambers and the trade unions worked out, in consultation with the Government, a general agreement covering the prices of basic necessities and the wages of the different classes of workers in all branches of the economy. The proposals were then submitted to Parliament for approval.

This procedure was only possible owing to the spirit of co-operation and conciliation called forth by the emergency. Austria would not have recovered as soon as she did from the post-War economic crisis had her revival been held back by serious industrial disputes, and the political consequences of such disputes would have endangered the country's unity. The Coalition Government fully realized the position, and its broad composition fitted it well for a mediatory role. The employers' representatives and the trade unions were also aware of the dangers. The common sense and intuition of the Austrian people led them to support their leaders.

467 The country was fortunate both in the organization of its trade unions and in the nature of their leadership at the time. The fact that the Austrian Federation of Trade Unions had been established on an all-party basis in 1945 was of decisive importance in the price–wage negotiations. It meant that in spite of the Socialist preponderance among union members every party was represented on the workers' side in the dis-

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

cussions. Herr Johann Böhm, President of the Federation, revealed himself as one of the big personalities in post-War Austria. Like Ernest Bevin in war-time England, he combined loyalty to the workers whom he represented with breadth of outlook and courageous patriotism.

Between the spring of 1946 and the summer of 1947 wages followed prices upwards in a dangerous spiral movement, though they lagged slightly behind prices and were in reality still farther behind owing to the need to purchase food on the black market. Yet the prices charged for such public utilities as gas, electricity, and transport were below the level that production costs justified. And official food prices were unreasonably low, whether judged by world levels or by the cost of producing home-grown food. The two main purposes of the First Price–Wage Agreement were to check the spiral movement, which showed signs of getting out of control, and to make an adjustment in wages to allow for the higher food prices and public utility rates that were approved at the same time.

The Agreement took effect on the 1st of August 1947. Food prices were raised on an average by 58 per cent, while the rise in public utility rates varied from 50 to over 100 per cent. Wage and salary increases varied considerably between different categories. But, on the whole, salaried employees obtained less than wage-earners, and skilled workers less than unskilled; that is to say, the poorer paid received the greater proportionate increases. In addition, on the 1st of August the Government decided on certain tax-relief measures for those with small incomes. This levelling tendency was a characteristic of all the Price–Wage Agreements except the last. It was justified as a protective measure, when the total supplies available to the Austrian people were scarcely sufficient to cover their basic needs. But it reduced incentive to workers to earn promotion to a higher wage category by their own efforts and became less defensible, as economic conditions improved.

By the terms of the Agreement, individual trade unions renounced their right, while it lasted, to take independent action

3: Hiscocks G-4, 5 (1946-1948) 1953 EK1 Austria EK1

435 465 to increase wages. But it was recognized that the Federation of Trade Unions could terminate the Agreement, and demand higher wages, if at any time the cost-of-living index should rise more than 10 per cent above the wage-rate index. Actually this state of affairs occurred within three months, but currency reform was then imminent, and the trade unions decided to continue the Agreement. In the end it lasted for just over a year and performed a valuable service at a critical time.

When the year was over the cost of living had risen by an additional 15 per cent, and the Government was anxious to abolish some of its food subsidies, a procedure which would have the effect of raising it still farther. There had, however, been some progress towards economic recovery, and the national income was rising. In order that wage rates should keep pace with these two tendencies, the Second Price–Wage Agreement was made in September 1948. Government subsidies for meat, milk, and fats were removed. At the same time wages and salaries were increased by 6 per cent. A flat-rate food bonus of thirty-four schillings a month was given to every employee by his employer, and a family allowance of twenty-three schillings a month was paid for every child by the State. The policy of equalizing incomes was much less marked than in the First Agreement, but the introduction of the flat-rate bonus carried the levelling process one step farther.

The Third Price–Wage Agreement of May 1949 was due to the danger of a serious budget deficit. It was a much more complicated measure than the first two and involved the introduction of additional taxes and of an important piece of social legislation.

Railway and tram fares, postal charges and the cost of gas and electricity were all increased. Social insurance contributions were raised and higher taxes imposed on income, capital, and purchases. Government subsidies on coal, potatoes, and grain were abolished.

[745] To gild the pill as far as possible and offset in some measure the rise in living costs a series of concessions were made. An adequate system of old-age pensions for workers was introduced.

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duced. In place of the food bonus a flat-rate increase in wages and salaries of thirty groschen an hour or sixty schillings a month was introduced, on top of which there was to be a further 4½ per cent rise. Children's allowances were to be raised to thirty-seven schillings a month. The combined effects of the increased taxes and the various concessions, on this occasion, were strongly levelling in tendency. Medium incomes were particularly hard hit, and in some cases net incomes were actually reduced at a time when the cost of living went up by at least 14 per cent. But nobody came off very well. Even in the case of the average worker's family the net rise in wages was little more than half the percentage increase in the cost of living.

The comprehensive nature of this Agreement and the fact that it was the third in three years suggested the danger that it was a device to which the Government might resort to solve all its financial problems. Certainly at this stage the economic disadvantages of the system began to outweigh the advantages. The Agreements regulated, but did not check, the inflationary process, and producers and consumers now began to reckon on rising prices. The habit of saving, which heavy taxation had already made almost impossible, was thus positively discouraged.

For a short period during the first half of 1950 prices began to fall, but with the outbreak of the Korean War in June rising prices again became a problem. There were two other reasons for the Fourth Price–Wage Agreement, which was approved in September 1950. In preparation for the end of Marshall Aid in 1952 the Economic Co-operation Administration wanted to remove the ERP subsidies on Austrian imports. Secondly, the farmers justifiably demanded that a higher price should be fixed for bread-grains, which were being sold at two and a half times the pre-War price, although the cost-of-living index was nearly five times as high as in 1938. The demand was not popular, as the farmers on the whole had suffered a good deal less than other sections of the community. But unless some adjustment were made there was no hope of increasing home

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production of bread-grain, and the farmers would continue to feed it to their animals.

The Agreement came into force on the 1st of October. ERP subsidies were reduced by more than a half, and higher prices were fixed for wheat, rye, and sugar-beet. To compensate for the increased cost of living, all wages and salaries were raised by 10 per cent, with a minimum rise of 100 schillings a month for the lower categories; pensioners received an extra fifty schillings a month and children's allowances went up to sixty schillings. This time special provisions were again made for the lowest-income groups, and it was intended that the main burden should fall on industry and the State.

The fifth and final Price–Wage Agreement was made in July 1951 and was one of the most comprehensive of the series. In the first place, it carried a stage farther the programme of the previous Agreement. The new prices fixed for agricultural produce in 1950 were the result of a compromise and still did not prevent farmers from using bread-grains as feeding-stuff. Increases were approved in the prices of wheat, rye, and milk, and these in turn led to a rise in the cost of butter, cheese, and flour. ERP subsidies on imports were removed altogether. One of the general results of the Price–Wage Agreements had been to bring Austrian prices nearer to world price-levels. This process was not yet complete, but in future such subsidies as were retained were borne by the Austrian budget and were therefore in no danger of being taken for granted by the Government.

The Agreement raised the rates charged by most public utilities, including railway and tram fares, postal and telephone charges. Social insurance contributions were also increased.

As compensation for the higher cost of living, wages were raised by 10 per cent, with a minimum rise of 140 schillings a month. Children's allowances went up to 105 schillings, and pension rates were increased.

The slight levelling tendency of these adjustments was more than offset on this occasion by certain provisions of the Agreement, which attempted to restore in some measure the former

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differentiation between wages and salaries that previous Agreements had progressively diminished. The increase rate for salaries at 12 per cent was slightly higher than that for wages. Furthermore, something was at last done for the long-suffering class of administrative Civil Servants, whose vital contribution to Austrian recovery had so far been rewarded only by measures discriminating against them. Their salaries were raised by rates varying from 28 to 58 per cent, with the highest increases going to the senior officers. But it must be remembered that these gross increases would be considerably reduced, especially at the higher levels, after taxation had been deducted.

All the Price–Wage Agreements had one thing in common: they tried to redistribute an inadequate national income during a period of inflation and at the same time give rise to a minimum of discontent. But the fact remained that there was not enough to go round, even judged by the low standards of the difficult years between 1918 and 1945. Each of the Agreements achieved something of value, especially the first two, but each was a kind of conjuring trick in which the Government tried to make everyone happy when the conditions for material satisfaction were absent. The trick was never more than temporarily successful, and it grew stale with repetition. Furthermore, the audience, who had no alternative but to watch, began to take precautionary measures that progressively reduced the conjurer's chance of a successful performance.

This weakness became unmistakably clear during the months that followed the Fifth Agreement. The increase in salary and wage rates very soon led to an alarming rise in prices at a time when world prices had become comparatively steady. Between the outbreak of the Korean War and November 1951 the cost-of-living index in Austria rose by about 50 per cent, compared with about 11 per cent in England and Germany, 9 per cent in the United States, and 7 per cent in Switzerland. In fact the attempt made in the Fifth Price–Wage Agreement to combine the removal of subsidies with raising incomes all round simply did not make sense. The higher wages and salaries soon led to a further rise in prices, and within a few

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465 435 months the real incomes of most Austrians were slightly lower than they had been before the Agreement. Such a development was the inevitable result of the abolition of foreign subsidies, and no amount of conjuring could prevent it. The Agreement did, however, have the harmful effect on Austrian exports that has already been described and that could have been avoided.

This situation was part of the background against which many Austrians decided that the time had come for the Government to adopt a new economic policy and against which the new Ministers of Trade, Finance, and Agriculture took office. The only way for Austria to raise her standards of living, now that foreign aid was coming to an end, was to produce more and strengthen the competitive power of Austrian goods in world markets by increasing productivity.

Yet a final judgement on the Price–Wage Agreements cannot be reached if they are regarded from an economic standpoint only. Their social and political consequences were of no less importance.

On Austrian society as a whole the Agreements had both good and bad effects. Their general tendency to equalize incomes by a levelling-up process was reasonable in the circumstances. At a time of desperate national shortage something had to be done to ensure that the barest needs of the lowest-income groups were satisfied. So far as organized workers were concerned, this result was achieved. But there were other poorly paid categories whose needs were largely or entirely neglected, such as young professional men and women and retired civil servants with small pensions. In December 1948, after the first two Agreements, the incomes of unskilled industrial workers had risen by 350 per cent since April 1945, while the figures for retired civil servants varied between 51 and 114 per cent. These anomalies, together with the injustices resulting from the currency laws, were not only wrong in themselves but, on a long view, constituted a threat to the whole structure of Austrian society.

The political results of the Agreements can be assessed more

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decisively. With all their faults, they ensured the smooth transition of the economy through an exceedingly difficult period. Production and the slow, laborious process of recovery were not held up by strikes. Nor were the opponents of true democracy in Austria given any encouragement to hope that Austrian workers would turn to totalitarian solutions through desperation. The relationship maintained by the Agreements between the cost-of-living index and the wage-rate index was a fiction, because basic necessities could not all be bought at the official prices on which the cost-of-living index was based. But in the circumstances it was a necessary fiction, and the workers were at least justified in their belief that the Government, the employers, and the trade unions were working together to achieve the justest solution possible. Perhaps most important of all, the Agreements were made possible owing to a sustained joint effort between Right and Left, between trade unions and employers, which was in marked contrast to the bitter hostility of pre-War years and was an educative experience of incalculable importance for the political future of the country.

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town offers. But there were a number of special reasons to which the post-War trend in Austria can be attributed. The comparative neglect of Austrian agriculture by the Nazis and the discriminatory nature of Austrian social legislation, before the Law of 1948 was passed, have already been mentioned. In addition, the accommodation provided for agricultural labourers was most unsatisfactory. On the majority of farms there were no dwellings at all for married workers, and the rooms provided for single men were frequently quite inadequate. Agricultural wages lagged far behind those paid in industry. At the end of 1948 they varied between 127 and 203 per cent above the 1945 level, while the wages of an unskilled industrial worker had risen 350 per cent. It is true that the farm worker had virtually no food problems and also received payments in kind, but the comparison with industry was a natural cause of discontent. Furthermore, the boom in building and construction work due to war damage and the large undertakings financed by ERP funds provided attractive opportunities of alternative employment, often near enough to agricultural areas to attract the labourers' notice.

The Ministry of Agriculture and Forestry realized the danger of the situation and evolved, somewhat tardily, a comprehensive programme to deal with it. The new Minister, Herr Thoma, who took office in January 1952, brought fresh energy to his department and issued a forceful memorandum on the subject the following summer.

The first important step taken was the Agricultural Labourers' Law of 1948. It did a great deal to raise morale and, by strengthening the workers' organization, ensured that their point of view would be heard. The establishment of Agricultural Workers' Chambers in most provinces contributed to the same result. The price increases for agricultural products approved by the Fourth and Fifth Price-Wage Agreements also improved the general situation.

Between 1947 and 1951 Government and ERP subsidies amounting to 55 million schillings were spent on agricultural housing, and 10,371 dwellings were completed, including

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565 during the inflation and devaluation that followed the two Wars. But until quite recently their dislike of any organized protest remained.

During the whole series of Price–Wage Agreements, except the last, these people were discriminated against consistently. In the grave national emergency it was right that the better paid of them should be called on to make great sacrifices, though the process was carried too far, but in the case of the worse paid the discrimination was never just. The wage-earners were catered for adequately in the circumstances. The incomes of landowners and industrialists participated, in varying degrees, in the inflationary process, and their earning powers remained. But the categories in question suffered both from devaluation and State neglect. The situation therefore arose in which a young surgeon or research worker might receive a fraction of the income of a wage-earner of the same age whose hours of work were considerably less.

875 465 The incomes of academic workers were so low by world standards that there was the strongest temptation for them to emigrate, and it was almost impossible to persuade foreign professors to fill Austrian chairs. At the end of 1951 the net salaries of Austrian professors varied between 3,489 schillings ($163.34) a month [1] for the most senior and 1,866 schillings ($87.31) for the lowest paid. The Privatdozent, or lecturer, member of a traditionally neglected class in Austrian and German universities, got no salary, but received lecture dues amounting on an average to 540 schillings ($25.28) a year, which might just cover his tram-fares. The starting salary of school teachers in 1951 was less than three times the 1937 figure and the final salary less than twice the amount, which meant that the teacher's standard of living had fallen by more than 50 per cent since pre-War days.

647 465 As regards administrative civil servants, in March 1951, before the Fifth Price–Wage Agreement, the increase in their net salaries since 1946 varied between 120 and 180 per cent,

[1] Calculated at the commercial rate of 21·36 schillings to the dollar. The foreign visitor to Austria normally obtains 26 schillings to the dollar.

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while the cost of living had risen during the same period by more than 400 per cent. This state of affairs applied not only to the top ranks, but to those with salaries of less than 1,000 schillings a month, who were therefore in lower-income groups than many wage-earners who had been adequately cared for by the Price-Wage Agreements. 647 465

Two examples will illustrate the position of certain highly qualified groups in industry and the professions.

The discrimination against some salaried industrial employees with most valuable technical qualifications has been carried to foolhardy lengths, especially in the nationalized industries, and has aroused the indignation of enlightened managers and directors, whose political opinions put their loyalty to the principle of nationalization beyond question. In one of Austria's greatest industrial enterprises the engineer in charge of the main productive process, who has saved the management millions of schillings a year by his technical knowledge and initiative, was earning less in 1952 than a number of his own labourers. Were such a man to emigrate even to Western Germany he could easily obtain many times his present salary. He is only prevented from doing so by patriotic sentiment, interest in his work, or sheer lack of money to cover the cost of moving. But Austria's need of such men is as great as any country's in the world. 465

A second example is provided by the case of the 'guest doctors' in Austrian hospitals. The title was given to newly-qualified doctors in need of experience, who were employed by hospitals without any remuneration. This form of exploitation was possible owing to the large number of medical students, but in the many cases where the 'guests' played an essential role in the running of the hospitals it was quite inexcusable. In 1947 there were several hundred 'guest doctors' in Vienna, and by the summer of 1951 the number had risen to 700. The salaries received by young doctors were at best very low, and as a result there was a tendency for some of the ablest of them to emigrate. The loss of outstanding talent in this way is especially damaging to a country whose capital in 759

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759 the past has had a great reputation as a centre of medical studies.

During the last two or three years an increasing number of Austrians, belonging to both the main political parties, have become aware of the danger of these developments, and certain palliative measures have been taken on a piecemeal basis.

759 In 1950 the salaries of qualified medical assistants were raised from the miserable scale of 200 to 300 schillings ($9.36 465 to $14.04) a month to the still quite inadequate scale of 310 to 390 schillings a month, and very small extra payments were made for night work. In the summer of 1951, as a result of determined protests and a public demonstration by the 'guest doctors', the Minister of Finance agreed to fifty of them being taken on as paid medical assistants in Viennese hospitals.

875 University professors were given allowances for the purchase of books and certain minor concessions regarding taxa- 465 tion. Lecturers obtained research allowances of 165 schillings a month. And in connexion with the Universities of Vienna, Graz and Innsbruck special accommodation was built to relieve the housing shortage from which many professors were suffering. Since the War students' fees at Austrian universities have been extremely low and until recently averaged between 160 and 200 schillings a year. To increase the normal remuneration of the professors, the Government agreed in the autumn of 1952 that the fees should be trebled, and, in deference to the students' protests, undertook temporarily to bear the whole cost, until a final settlement could be negotiated for the following summer semester. Yet, in spite of these various measures, the net salary scale for professors at the beginning of 1953 ranged from 4,530 to 2,255 schillings ($212.08 to $105.57) a month. The net monthly salaries of school-teachers varied between 2,561 and 1,079 schillings ($119.89 to $50.51).

647 As has been seen, the Fifth Price–Wage Agreement improved 465 the position of the administrative civil servants. By the summer of 1951 the cost of living had risen by over 470 per cent since 1946. The civil servants asked that their salaries

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should be brought up to 350 per cent above the 1946 level, but owing to the opposition of the Finance Ministry and the trade unions the increases they were given by the Agreement only amounted to a 270 per cent improvement on the 1946 figure and within a few months were largely offset by the substantial rise in prices that followed. The 12 per cent increases received under the Agreement by salaried employees in industry, compared to the 10 per cent increases given to wage-earners, made very little difference to their depressed condition.

In fact, although these various measures revealed a changing attitude on the part of the authorities towards the whole problem, they were quite insufficient to bring an end to the inherent dangers of the situation. Neglect of the economic position of civil servants and academics is a common disease of States in the twentieth century. But few States are suffering from it so seriously as Austria, and fewer still are so vulnerable to its effects. Austria is faced with complex and stubborn political problems. Her cultural and economic contribution to the world since 1918 has been based on quality, not quantity. It is therefore of vital importance to her future that her civil service should continue to attract men of great ability and that her high intellectual standards should be maintained. The pride and devotion of her public servants and academic class have been exemplary in recent years, but they cannot without deterioration stand up indefinitely to the inordinate strain that is being imposed on them.

INTRODUCTION

121 In my capacity as Foreign Consultant to the Library of Congress, I attempted to provide in this study a report on Austria's postwar economic problems accompanied by a short survey of the Austrian economic theory and related literature.

The survey deals with the reconstruction of Austria in the period from 1945 until 1952, and the major economic elements and features sponsoring the reconsolidation of the country are considered. 647 The ideological reflections elaborated therein are the result of those basic decisions which had been shaped within the scope of the Ministerial Committee for Economic Questions, which is a sub-committee of the Federal Austrian Government. The Ministerial Committee for Economic Questions is a joint bipartisan committee consisting of representatives of the Austrian People's Party and of the Socialist Party of Austria and functions in accordance with the constitutional rules of the Austrian Federal Government. Consequently, resolutions made by it require in each case unanimous vote of its members. Built up on this fundamental basis are the big investment programs of the Austrian Federal Government, which have been carried through during the last years, particularly after the ERP Program started. These programs are set up by the ERP Central Office of the Federal Chancellory in permanent consultation with the competent Ministerial Departments and the interested parties of industry, trade and commerce before a definite decision is taken by the Ministerial Committee for Economic Questions, whence they are reforwarded to the respective sections of the ECA Service.

465 As regards the five agreements about wages 435 and prices reached in the years from August 1947, 652 they were negotiated and passed as a result of common deliberations between the various interested economic associations (Federal Chamber of Industrial Activities, the Chamber of Agriculture, Labor and Trade Union), whereby, in this sector which is so important to the whole economy of the country, a middle line was maintained and the political interests coordinated as far as possible. In this connection it might be considered that all political parties agree in the view that the real wages and salaries of the workers and employees should be maintained, thus

435 preventing a disastrous decline in the buying power
465 of the broad classes of the population. The unavoid-
652 able adjustment of certain distortions in prices as well as the entire stabilization of wages and prices was undertaken on the basis of the economic, budgetary and credit policy. This applied also to the coordination of prices of specified agrarian products which, in the general development, have to a large extent re-
454 mained below an adequate level. These adjustments were
652 intended chiefly to insure an utmost favorable development of savings deposits and the initiated investment program without intensifying inflation. The promotion of capital accumulation, thereby encouraging the influx of new savings capital to the banks and institutions, and the systematic consolidation of capital reserves of the insurance companies and of the social insurance institutions will, particularly in Austria, gain special importance in the coming years. As a consequence of the elimination of the counterpart funds and of the relative slow reflux of the means invested, resulting in limited possibilities of rediscount with the National Bank, the necessarily long-postponed replacement of the long-term and expensive bank credit to the capital investment market has been initiated. Expressed in other words this means that the reconstruction of the capital basis of economy, by opening the cheaper sources of financing offered by the capital market, should facilitate new short and middle-term credits and consolidate long-term credits which had previously been granted (especially investment and reconstruction credits). It should also contribute to an improved competition of Austrian products on the world markets through an adequate reduction of one of the chief factors of the basic cost price, i.e., credit procurement.

185 All measures of an economic-political nature
652 which are taken, however, are not applied in a purely dogmatic way. They are effected within the ideology of the two big political parties of Austria and thus of the Federal Government which is sustained by the coalition in power. It might be explained that the economic political measures described in the following survey are approved in principle by both of the leading political parties, though it may be that they differ somewhat as to the means and methods of reaching determined aims of political economy.

185 The problem of increasing economic productive-
433 ness receives particular attention from the Austrian Federal Government and the Austrian Productivity Center. Labor and management are equally represented in this

457 created a new situation. As a result of this de-
652 valuation process, the Federal Government, in November 1949, decreed a reorganization of the foreign exchange market. This was intended to be the first step towards the establishment of a uniform exchange rate system. The official rate of exchange, henceforth called the basic rate, was increased from 10 to 14.40 schillings per 1 U. S. dollar (in accordance with the devaluation of the English Pound Sterling). At the same time a variable premium rate of exchange, presently fixed at 26 schillings to 1 U. S. dollar, was established. Exporters were required to give up 40 per cent of their foreign exchange proceeds at the basic rate. The remainder they could retain for payment of their imports within a period of 60 days or could offer to the Austrian National Bank at the premium rate. Goods to be imported were classified into three groups. Those listed in schedule A were imported at the basic rate of exchange, those listed in schedule B at a mixed rate (21.36) and those appearing in schedule C at the premium rate. Goods imported within the scope of the ERP, commodities to be disposed at prevailing cheaper price levels, were grouped with the mixed rate. Service charges and capital transactions were dealt in at the premium rate.

457 There remained, however, a conspicuous dis-
435 crepancy in the import exchange rates which introduced
● 465 disturbances into the cost-price structure of the eco-
652 nomy, and these in turn influenced living costs and wages.

Upon recommendation of the International Mone-
[649] tary Fund, a unification of the exchange rates had been considered at the time the multiple exchange rate system was promulgated, i.e., during November 1949. At the
[654] same time, and in order to ease budgetary strains, the system of subsidizing essential commodities like food, coal and agricultural necessities (which up to now had been sold at cheaper levels because of the ERP imports or imports financed under the basic rate of exchange) had to be substantially curtailed. Since any increase in the prices of grains and grain products was likely to impair living costs and wages, difficult situations arose. As a result of the changed price and wage relations, certain price and wage adjustments as well as a partial reduction of subsidies (covering sugar, coal and agricultural products) had already been promulgated in 1947, 1948 and 1949. After due consideration between political representatives and economic interests, a fourth price and wage agreement was enacted on September 27, 1950.

IV. AUSTRIA'S ECONOMIC POSITION IN 1951

452 The following points are characteristic of the economic trends in 1951.

1. In the monetary field: the tendency in the world economy toward forcing reductions in the credit policy; the figures will be rounded-up by an increase of the bank rates toward the end of the year;

652 435 2. In the budgetary field: the approaching end of ERP aid makes it necessary to reduce the price supports still existing;

454 3. In the field of investment policy: a reasonable balance between the investments of the production goods sector and the consumer goods sector is to be prepared; by increasing the offer of goods ready for consumption and export the imbalance in the balance of payments will be overcome as rapidly as possible;

439 4. In the field of foreign trade: the shortage of raw materials and the existing discrepancy between the trade and foreign currency balance (deterioration of the exchange rates) make special laws and measures necessary to promote exports;

435 465 5. In the field of prices and wages policy: certain discrepancies in prices, especially in the agricultural sector, make necessary adequate adjustments as well as improvements of real income of wage earners to the level of higher prices;

6. In the field of production and productivity: a general increase of the capacities and the extent of capacities, is necessary between the social partners and the abolition of burdens which prevent an increase in production. Adequate relations should be created.

A. International Economics and Austria's Reaction

000 A glance at the representative statistics prove that international development proceeded along quite different lines in 1951 than was expected at the beginning of the year. The steep rise of prices for raw materials, especially those of wool, tin, rubber, which started from the beginning of the Korean crisis have created an ever-increasing inflationary tendency.

435 656 [651] 3. The tariffs of the public corporations (Federal Railway, Posts, Tramways) as well as the prices for current were increased[1] from 20 per cent to 100 per cent to keep pace with[1] the prices on the world market which had increased due to increases in cost (especially the price of coal); the trend toward a deficit in the Federal Railway and public service enterprises had to be checked. In spite of these considerable increases, these price rises were only three to five times as high as the level of 1937.

[646] 4. On the basis of the newly calculated producer and import tax prices, new retailer prices were worked out; to balance this rise every receiver of gross wages received an additional income of from 10 per cent to 12 per cent per month, but at least a minimum of 140 schillings. For persons in the public service, special measures were taken on the ground of the so-called "Gehaltsüberleitungsgesetz."

[65] 5. Finally, in immediate connection with this agreement a number of taxes and duties were altered: progression of the taxes on wages and incomes; a change in the rates of the mineral tax; a change in the contributions of the employers to the balance funds for charitable relief; a change in the turnover-tax; on the grounds of the law of adjustment of social insurance of 1951, the basis of the maximum contributions to social security were changes.[2]

648 [654] The most remarkable progress within the scope of this agreement, however, was (as already mentioned) the reduction of subsidies. As is known, the individual ERP countries obligated themselves in the bilateral economic agreements (Austrian agreement, August 2, 1948) toward the USA to pay the full value of the American relief deliveries in the currency of the recipient country on a special account (counterpart accounts). These accounts should be disposed of by the individual governments in accordance with the approval of the ECA to cover, as a rule, the financing of productive investments and to support currencies. The utilization of these means for financing for consumer goods should be limited as far as possible, although this had been tolerated in the beginning to raise the general standard of living. The purpose of this limitation was not to prolong the dependence upon foreign aid which was to end toward the end of June 1952.

457 652 With regard to the necessary balancing of the balance of payments (the special measures to achieve

1 [i.e., in July, 1951. Cf. cat. 116, p. 97, for rationale--Analyst]
2 [sic.,--Analyst]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

same opportunities of quick and cheap buying, found 458
their receipts insufficient to replace their working capital. 434
The tendency towards concentration was thus greatly accelerated in this period. The larger concerns and the banks especially were able to expand at the expense of the smaller enterprises.

Although money wages rose considerably during the 465.
inflation, they lagged greatly behind the cost of living. 458
This was true at least until 1922 when both prices and wages came to be fixed in terms of dollars (and thus rose automatically with every depreciation of the Crown). The following wage indices for certain categories of labour show the deterioration of real wages:

INDEX NUMBERS OF WEEKLY WAGE RATES OF WORKERS IN VARIOUS OCCUPATIONS IN VIENNA [1]

(1914 = 1)

	Bricklayers	Printers	Joiners	Metal Workers	Tailors	Cotton Spinners	Cost-of-Living Index
1921.							
Dec.	541	385	503	394	338	424	661
1922.							
Mar.	858	617	603	585	666	627	989
June	1,180	935	1,131	810	915	1,477	2,339
July	2,030	1,280	1,290	1,546	1,419	1,419	3,308
Aug.	2,910	3,270	3,019	2,162	4,481	4,675	7,422
Sept.	8,980	6,060	6,570	6,603	5,377	6,358	14,153
Oct.	11,600	7,270	8,333	8,637	7,618	7,714	12,965
Nov.	11,600	7,270	8,333	8,637	7,618	7,188	12,158
Dec.	11,300	7,270	7,666	7,786	7,085	6,837	11,737

Salary earners (such as clerks, teachers, and civil servants) were even worse off than wage earners as their incomes were revised upwards only at rare intervals.

Worst of all, of course, was the position of old-age 458

1 [CP. CAT. 116, p. 35 -- ANALYST] 745

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

[p. 148]

IX

Social Change

178 565 BETWEEN the two World Wars the whole structure of Austrian society was radically transformed. The social pyramid, culminating in the great aristocratic families and the Emperor, began to disintegrate when the Habsburg power collapsed and Austria, from being the centre of a great cosmopolitan Empire, became a poverty-stricken fragment struggling to make ends meet. The process of disintegration was completed by the post-War inflation and the economic crisis of 1930–1. When the Second World War broke out, the most glaring inequalities of the years before 1914, with the glamour and the squalor that accompanied them, had largely disappeared.

745 During the period of transition a new social order was built up in Austria which was one of the most advanced and en-
•466 lightened in the world. The origins of Austrian social legislation go back as far as the years 1882–8, when laws were passed regulating labour conditions and introducing compulsory insurance against accident and sickness for certain limited classes of industrial workers. This was followed during the first decade of the present century by measures establishing pensions for salaried employees on a contributory basis. On these foundations, after 1918, a whole series of laws was passed under the influence of Ferdinand Hanusch and Dr. Joseph Resch, the first Austrian Minister of Social Welfare. Subjects covered included unemployment insurance, holidays with pay, the extension of accident and sickness insurance, the eight-hour day, the abolition of night work for women and juveniles and of all work for children, and the introduction of Works
362 Councils and factory inspectors. During the same period Vienna was attracting world attention by its radical improvement of the housing conditions of its workers through the

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

construction of great blocks of flats. By 1938 a social revolution had taken place, though it lacked the dramatic and catastrophic features that have made some less successful revolutions more famous. 362

Under the German occupation Austrian social legislation was replaced by the National-Socialist system. In spite of its authoritarian nature, this system had certain advantages. It included old-age pensions of a kind and much better provisions for agricultural workers. On the other hand, in many respects it was not up to the Austrian standard, and it shared the unreality common to most of the benefits bestowed by Hitler. The total reserves of the Austrian social insurance administration were taken over by the German Government and used for war purposes, so that in 1945, with nothing but worthless German bonds to their credit, the Austrians had to start again from the beginning. Only on the basis of funds provided by the Government was the revived Austrian Ministry of Social Welfare able to make any payments at all. 745

After 1945 the situation was too critical and the administrative problems too pressing for any restoration of the Austrian system of social insurance to be practicable. The public and the officials concerned were used to the German methods, and it would have been asking for trouble to add in any way that could be avoided to the almost intolerable burden already resting on the authorities. It was therefore decided to replace the authoritarian features of the German system by democratic methods and retain it for the time being. A modernized Austrian system of social legislation was to be introduced step by step, after the necessary preparatory work had been done.

Since the War a series of measures have been approved which have had the effect of filling the gaps in the imposing legislative structure built up after 1918 and of improving it in certain respects. In July 1947 a law was passed which greatly improved the conditions governing paid holidays for workers and brought them close to those applicable to salaried employees. Whereas previously two weeks were the maximum that a worker could obtain, the new law gave him the right to 466

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

466 three weeks' paid holiday after five years' service and a month after fifteen years. The Agricultural Labourers' Law of June 1948 extended to workers in agriculture and forestry the conditions and privileges assured to industrial workers by previous laws. This much-needed piece of legislation is one of the most important measures that have been passed since the War. It covered labour contracts, working hours, overtime, holidays, protection against accident, employment of women, inspection of working conditions, and workers' representation. As has 745 already been seen, the Third Price–Wage Agreement, in May 1949, introduced an adequate old-age pension scheme for workers for the first time. During the German occupation old-age pensions were covered by the Invalid Insurance, a classification typical of the National Socialist attitude towards old age. But the sum of forty marks a month paid under this system in 1945 was quite inadequate to cover the barest necessities. The new scheme provided for pensions of 282 schillings a month—a substantial improvement, even allowing for the devaluation of the schilling. This meant that wage-earners at last had a pension scheme comparable to that in force for salaried employees. A law passed one month later widened the scope of unemployment insurance to include certain categories that had previously been left out and did away with the means test for those in receipt of unemployment benefit.

466 The Works Council Law of March 1947 was of special significance, because it took a tentative step in the direction of the system that has since become well known in Germany as *Mitbestimmung*, or co-determination, by which the workers in certain industries actually take part in the management of the concern in which they are employed. The law of 1919, which set up the Austrian Works Councils, provided that they should concern themselves with the economic, social, and cultural interests of the workers and employees. The new measure laid down that a Works Council could make suggestions and recommendations to the management of an enterprise concerning efficiency and productivity, in the general interests of

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

the enterprise and its employees. Its participation in management and administration was limited to an advisory role, but, in the event of its advice being disregarded, it could, in the case of larger concerns, appeal to a State Economic Commission to be set up by the Government. The law provided also that the Works Council should be consulted when workers were engaged, transferred, or given notice to leave, and made special provisions protecting the position of members of the Council. 466

In contrast to these impressive developments, there has been one post-War problem of vital importance which social legislation has failed to settle: the very serious shortage of housing. In Austria it is a problem of great complexity, which political controversy and party prejudice have so far rendered insoluble. The spirit of patriotic co-operation that has on the whole inspired the Coalition has proved inadequate to bridge the gap between Right and Left on this question. 362

Before 1914 the living conditions of a large number of city-dwellers were miserable and rents were high. This state of affairs led to the great Viennese building programme between the Wars and to the Rent Restrictions Act of 1922. Since the Act was passed, the majority of rents have been low, but Government controls, though sufficient to check private enterprise in building, have not been sufficient to prevent serious injustice. Between 1926 and 1946 the percentage of a tenant's expenditure devoted to rent, in dwellings covered by the Restriction Act, varied between 1·9 and 5·48, and in 1946 was 3·76, compared to over 17 per cent in 1914. On the other hand, there was a chronic shortage of housing, and the lot of tenants differed widely. Some rents were restricted, and some were not. In the case of restricted dwellings, a sub-tenant might have to pay a much higher rent; in some cases far more for a single room than the main tenant paid for the whole flat. From a new tenant a large lump sum might be demanded for the privilege of moving in, or proof required that he was a member of the dominant political party. These injustices were not confined to any one social class, and, in the circumstances, [427]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

166 town offers. But there were a number of special reasons to which the post-War trend in Austria can be attributed. The comparative neglect of Austrian agriculture by the Nazis and the discriminatory nature of Austrian social legislation, before the Law of 1948 was passed, have already been mentioned. In addition, the accommodation provided for agricultural labourers was most unsatisfactory. On the majority of farms there were no dwellings at all for married workers, and the rooms provided for single men were frequently quite inadequate. Agricultural wages lagged far behind those paid in industry. At the end of 1948 they varied between 127 and 203 per cent above the 1945 level, while the wages of an unskilled industrial worker had risen 350 per cent. It is true that the farm worker had virtually no food problems and also received payments in kind, but the comparison with industry was a natural cause of discontent. Furthermore, the boom in building and construction work due to war damage and the large undertakings financed by ERP funds provided attractive opportunities of alternative employment, often near enough to agricultural areas to attract the labourers' notice.

645 The Ministry of Agriculture and Forestry realized the danger of the situation and evolved, somewhat tardily, a comprehensive programme to deal with it. The new Minister, Herr Thoma, who took office in January 1952, brought fresh energy to his department and issued a forceful memorandum on the subject the following summer.

466 The first important step taken was the Agricultural Labourers' Law of 1948. It did a great deal to raise morale and, by strengthening the workers' organization, ensured that their point of view would be heard. The establishment of Agricultural Workers' Chambers in most provinces contributed to the same result. The price increases for agricultural products approved by the Fourth and Fifth Price-Wage Agreements also improved the general situation.

362 Between 1947 and 1951 Government and ERP subsidies amounting to 55 million schillings were spent on agricultural housing, and 10,371 dwellings were completed, including

former minister Dr. Georg Zimmermann, and the manager of the Statistisches Institut der Universität Wien (Statistical Institute of the University of Vienna), Professor Dr. Wilhelm Winkler. The latter is the author of a number of treatises about principles of methods and economic statistics. In this field of endeavor he is being supported by F. Klezl-Norberg, vice-president of the Statistical Central Office. These two theorists share, from a national economic point of view, the ideas of the Austrian School, whereby the first named inclines more or less towards mathematics and economics. 647 816

The Ständige interministerielle Referentenkomitee zur Bekämpfung der Arbeitslosigkeit und Sicherung der Vollbeschäftigung (Permanent Inter-ministerial Committee of Department Heads to combat Unemployment and to secure Full-time Employment) also cooperates with the Institute of Economic Research. This committee concerns itself not solely with the task of enforcing immediately adequate measures, but also directs attention towards weak points in the economy which eventually could influence the intensity of work; it further prepares long-term economic measures which should be enacted. [464] [654]

The Mitteilungen (Reports) of the Oesterreichisches Kuratorium für Wirtschaftlichkeit (Austrian Board of Trustees for Economy), a board sponsored by the Bundeskammer der gewerblichen Wirtschaft, are especially concerned with rationalization problems (Manager: Consul Schmidhuber). Science of business economics is a discipline particularly taught at the Hochschule für Welthandel, Vienna, which has quite a number of experts on its lecturing staff (W. Bouffier, F. Dörfel, K. Oberparleiter). This branch of science became, via the balance theory, more and more related to theoretical economics. In this way--and this applies to the entire field of commercial science--the selection of themes, the setting of problems and the methods of presentation show the influence of the Austrian School. The science of business economics has contributed to better and more standarized forms of accounting, improvements in bookkeeping and cost accounting. Scientific handling of advertising and market research has substantially improved plant management. 874 457 816

Austria has become intensely interested lately in methods of work psychology, which have proven successful in the United States, England and other western nations. In this connection may be mentioned the 461 466 816

461 Oesterreichisches Institut für angewandte Arbeits-
● 446 wissenschaft (Austrian Institute of Applied Science
816 of Work), Vienna, under Dipl. Ing. Otto Korwik. Employing principles of work-psychology, this institute has undertaken research work within large plants on production increases, improvement of quality, of production, working conditions, etc. The magazine Mensch und Arbeit, published by the Arbeitsgemeinschaft für Psychotechnik in Oesterreich (Committee for Psycho-Technics in Austria), Vienna, covers this field. On the board of trustees of this committee are former minister Dr. H. C. Eduard Heinl, member of parliament and president of the Gewerkschaftsbund Johann Böhm, as well as many other prominent individuals.

654 Thanks to a release of ERP-counterpart
313 funds, it will be possible to establish an Austrian Institute for Timber Research. The lumber industry is one of the most important in Austria. This Institute shall furnish the work industry with new theoretical and practical ideas, which in turn should benefit production. The Institute will cooperate closely with the testing laboratories of the technical colleges of Vienna and Graz.

217 Scientific as well as economic endeavors
815 are being supported by large libraries. The Wiener Handelskammer (Chamber of Commerce), for instance, accumulated during the one hundred years of its existence more than 150,000 volumes, becoming thereby not only the largest library of economic science in Austria but probably also in central Europe if one takes into account the losses incurred during the last war. The latest foreign publications are in its collections and it is continuously frequented by economists as well as students of national economics. The library of the Oesterreichische Institut für Wirtschaftsforschung contains 10,000 volumes, mostly about market prospecting and foreign trade, while the library of the Institut für Wirtschaftswissenschaften an der Wiener Universität with its 30,000 volumes comprises works of theoretical economics besides international publications.

204 Austria also has a number of well-edited
815 periodicals for political economy. The oldest one in the economic field in Austria, adhering to a scientific background and serving an extended reader clientele, is Der Oesterreichische Volkswirt (The

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

643 government in the critical spring of 1945. He was sufficiently far to the Left in his opinions to be acceptable to the Russians and yet sufficiently moderate to be respected by all parties. He had been first Chancellor of the First Republic, and therefore had unrivalled knowledge and experience of post-War problems. He had also been President of the Austrian Peace Delegation at St. Germain. Furthermore, he combined strong political convictions with flexibility of method and willingness to compromise, a mixture of qualities which were to prove invaluable during the coming years.

[642] When he arrived in Vienna, Dr. Renner found, to his pleased surprise, that the political parties had already combined in many municipalities, including the capital, to set up provisional administrations. In Vienna General Körner and his [204] deputies were established at the Town Hall. Representatives of the three parties had joined together to found a new newspaper, *Neues Österreich*, the first number of which appeared on the 23rd of April, after the city had been without a newspaper for three weeks. A first meeting of trade unionists had also [447] taken place, which led to the foundation on the 27th of April of an Austrian Federation of Trade Unions on an all-party basis. Dr. Renner altered his plans to suit the unexpectedly favourable conditions. Calls to action were not required so much as leadership, organization, and the definition of objectives.

643 The Russians installed Renner in a house in the suburb, Hietzing, that was large enough to accommodate his family 648 and small staff and allow conferences to be held on the main 642 floor. The day after his arrival, the Russian colonel who was acting as liaison officer arranged for leading personalities from the different political parties to come and visit him. The first to arrive was Leopold Kunschak, to whose attitude Renner attached great importance. He was followed by General Körner and Adolf Schärf; the Communists, Ernst Fischer and Johann Koplenig, and others. Negotiations progressed so rapidly that within two or three days agreement had been reached on the membership and constitution of the Provisional

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

458 Such conditions, combined with the hardships that have
435 already been described, carried with them the danger of serious
465 unrest, and it is fortunate that a method was worked out in 1947 by which wages as a whole could keep pace with the steadily rising prices. The method, which was used each year between 1947 and 1951, had its good and bad sides. On the one hand, it contributed to the steady and controlled nature of the inflationary process and ensured the harmonious settlement of the wage question. On the other hand, after the first two years, when its effects were predominantly good, it accentuated inflationary tendencies.

The system involved the co-operation of the Government, the trade unions, and the Chambers of Industry, Agriculture, and Labour. The representatives of the employers and the employees in the Chambers and the trade unions worked out, in consultation with the Government, a general agreement covering the prices of basic necessities and the wages of the different classes of workers in all branches of the economy. The proposals were then submitted to Parliament for approval.

This procedure was only possible owing to the spirit of co-operation and conciliation called forth by the emergency. Austria would not have recovered as soon as she did from the post-War economic crisis had her revival been held back by serious industrial disputes, and the political consequences of such disputes would have endangered the country's unity. The Coalition Government fully realized the position, and its broad composition fitted it well for a mediatory role. The employers' representatives and the trade unions were also aware of the dangers. The common sense and intuition of the Austrian people led them to support their leaders.

467 The country was fortunate both in the organization of its trade unions and in the nature of their leadership at the time. The fact that the Austrian Federation of Trade Unions had been established on an all-party basis in 1945 was of decisive importance in the price–wage negotiations. It meant that in spite of the Socialist preponderance among union members every party was represented on the workers' side in the dis-

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

cussions. Herr Johann Böhm, President of the Federation, revealed himself as one of the big personalities in post-War Austria. Like Ernest Bevin in war-time England, he combined loyalty to the workers whom he represented with breadth of outlook and courageous patriotism. 467

Between the spring of 1946 and the summer of 1947 wages followed prices upwards in a dangerous spiral movement, though they lagged slightly behind prices and were in reality still farther behind owing to the need to purchase food on the black market. Yet the prices charged for such public utilities as gas, electricity, and transport were below the level that production costs justified. And official food prices were unreasonably low, whether judged by world levels or by the cost of producing home-grown food. The two main purposes of the First Price–Wage Agreement were to check the spiral movement, which showed signs of getting out of control, and to make an adjustment in wages to allow for the higher food prices and public utility rates that were approved at the same time. 458 435 465

The Agreement took effect on the 1st of August 1947. Food prices were raised on an average by 58 per cent, while the rise in public utility rates varied from 50 to over 100 per cent. Wage and salary increases varied considerably between different categories. But, on the whole, salaried employees obtained less than wage-earners, and skilled workers less than unskilled; that is to say, the poorer paid received the greater proportionate increases. In addition, on the 1st of August the Government decided on certain tax-relief measures for those with small incomes. This levelling tendency was a characteristic of all the Price–Wage Agreements except the last. It was justified as a protective measure, when the total supplies available to the Austrian people were scarcely sufficient to cover their basic needs. But it reduced incentive to workers to earn promotion to a higher wage category by their own efforts and became less defensible, as economic conditions improved. 435 465

By the terms of the Agreement, individual trade unions renounced their right, while it lasted, to take independent action

influenced the economic structure which emerged in these last years of Austria's independence. Two factors, in particular, were of importance: the changeover from a democratic to an authoritarian régime; and the rapid growth of the German trade offensive in south-eastern Europe.

At home, the most obvious results of the destruction of democratic institutions were of course to be found in the political field. But there were also important economic concomitants. The dissolution of free trade unions and of other democratic bodies eliminated every organized force which might have safeguarded the share of the mass of the population in the national income. While production as a whole returned to and even surpassed the 1929 level, the production of consumption goods—contrary to the experience in most of the other countries—remained far below it. The trade revival came largely from increased exports, rearmament, and public works.[7] The strong cartels which covered a large part of Austria's industry (e.g. in the iron and steel trades, in electrical engineering, in chemicals, rubber processing, sugar refining, in the paper and brewery trades, etc.) absorbed a large proportion of the rising national income into profits, and the revival failed to spread to the consumption goods industries which remained depressed and were a source of unemployment.

The external effects of the changed political situation were even more marked. In the inter-war period, and particularly after 1929, when tariffs, quotas, currency wars, etc., became the order of the day, the economic relations between most countries ceased to be governed by transactions between private traders. Foreign trade increasingly became the concern of governments, and economic policy a special aspect of foreign policy. Austria

[7 [1.5. IN THE CHANGED POLITICAL CONDITIONS AFTER 1932 -- ANN
2 [R. CARSON ... 77 -- ANALYST]

AUSTRIA'S ECONOMIC DEVELOPMENT

648 The Alpine had been the offspring of a merger of many small companies in the days of the Monarchy. After the 327 war the majority of shares was acquired by the Government, but in 1919—during the most critical period—they 471 were sold to a group of Italian financiers. From there, in 1921, they passed into the hands of the notorious German inflation profiteer, Hugo Stinnes. When his meteoric rise came to a sudden end the majority of shares (56 per cent) were acquired, in 1926, by a member of the German Steel Cartel, the Vereinigte Stahlwerke of Duesseldorf, a combine headed by the Nazi promoter Fritz Thyssen.

From then on this most important combine in Austria's heavy industry was run exclusively in the interests of the German Steel Trust. All the important positions and research facilities were reserved for adherents of "Pan-German" convictions. The workers were forced to leave •469 their free trade unions and to join the *Heimwehr*, an armed, anti-democratic body, whose Styrian branch was heavily subsidized by the Alpine Montan. As early as 1931, the Styrian *Heimwehr* organized an unsuccessful *coup d'état* against the Austrian Government. A number of directors of the Alpine Montan were behind this *putsch*. They were again involved, and actually arrested for a short time, when the Nazis made an abortive *putsch* in July, 1934, in the course of which Chancellor Dollfuss was murdered.

648 On the outbreak of the great economic depression the German steel magnates decided to concentrate production 327 in Germany. All Austrian blast furnaces were closed down 457 and the industrial districts of Styria were thus converted into one of the worst-depressed areas in Europe. After Hitler's rise to power, the Alpine was completely harnessed to the German armament programme, regardless of Austria's political or economic needs. In 1937, when

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

decisive contribution to a continent's recovery, and this could best be done by giving aid to the major industries of every country concerned. This fact alone was of great significance for the Austrian economy, with its tradition of skilled craftsmanship and its preponderance of small businesses. 185

In 1946 and 1947 the Coalition Government agreed on the nationalization of the banks and a number of key industries. These included coal, iron and steel production, the mining and smelting of other metals, the nitrogen works at Linz, certain sections of the machine and light-metal industries, the manufacture of locomotives and rolling-stock, the electrical industry, and the production of electric power. There were a number of reasons why both parties approved so large a measure of nationalization. The railways, the post office, and the sale of salt and tobacco had been nationalized under the Habsburgs, and there were compelling arguments for the extension of State control at this stage. Some of the industries now nationalized had been seriously damaged during the War. Some were in process of development on a grand scale but were incomplete. Others again were essential to the national economy but could not be run at a profit. The capital and over-all planning necessary to deal with the situation could not be provided by private enterprise, but part of it at least might be provided by the State. Whatever was done must be part of a co-ordinated plan. The aluminium works at Ranshofen, for example, would become a white elephant unless the necessary electric current were available. These considerations brought the People's Party into accord with the Socialists and Communists. 471

The effect of nationalization was to bring a large section of the Austrian economy under unified control. The nationalized industries were of vital importance to the country. Their success had become the immediate concern of the Government. They therefore had a strong claim to substantial support, and their privileged position ensured that they would get it. No industries were easier to control or would fit more naturally into the national recovery programme.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

727 During the period between the liberation and the Potsdam Conference, Russian troops carried out widespread looting, and the Soviet military authorities organized the systematic dismantling and confiscation of industrial equipment, vehicles, and rolling-stock. Vital installations like the Donawitz rolling-mill and the main turbines of the Vienna power-stations were dismantled before the Potsdam decisions gave such actions a measure of legality. No exact figures can be given for the value of Soviet depredations, but the loss to the Austrian economy through confiscation of installations and equipment before and after Potsdam has been reasonably estimated at over $200 million.

Since the Austrian electorate's first decisive vote against Communism the Soviet Government has, in a number of ways, deliberately hampered Austria's economic revival. Whatever may be the merits or demerits of nationalization in normal circumstances, the Government's nationalization programme was necessary, on the whole, under post-War conditions to co-ordinate industrial recovery. The nationalization laws were strongly opposed by the Soviet representative in the Allied Council, and have never been recognized by the Soviet authorities in their own zone. The Russian representative also violently attacked Austrian participation in the European Recovery Programme. Most revealing of all, in September 1946 a Soviet proposal came before the Allied Council to restrict Austrian production of various items for the next ten years. The proposal not only included armaments and strategically important materials, but recommended fixing the basis of industrial production at the level reached before the *Anschluss*.

The Soviet Government's main economic programme in Austria was the exploitation of her natural and industrial resources on the pretext of exacting reparations from Germany. This served the dual purpose of hindering the country's recovery and substantially benefiting the Soviet economy.

727 471 As has been seen, the term 'German assets' which was used at Potsdam was vague, and the Four Powers never succeeded in agreeing on a definition. During the German occupation of

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

Austria, apart from State property having been taken over by the German Government, most of the leading industrial enterprises had been absorbed in one way or another by the big German concerns. The absurdity of the situation resulting from Potsdam was made clear in May 1946, when a member of the National Assembly pointed out during a session that the Parliament building did not belong to the Austrian people, but was a 'German asset'. Dr. Renner summed up the position by saying: 'If all the concerns that were stolen or swindled from us by Germany are taken away, Austrial will . . . be incapable of an independent economic existence.' More recently, in December 1951, Dr. Klaus, Governor of Salzburg, suggested that had Austria enjoyed the full income from the 'German assets' seized by the Russians it could have dispensed with Marshall Aid. The validity of historical 'ifs' can never be proved, but Austria's total losses to the Russians, including dismantling, evaded taxes, and the products of industry and the oil-fields, have been approximately equal to her gains from the United States under the European Recovery Programme.

The Austrian oil-fields were the largest single asset taken over by the Soviet Authorities.

Before the *Anschluss*, Austrian oil production was largely in the hands of two concerns financed by British and American capital: the 'Britol' Oil Company, later to become the Richard K. van Sickle Deep Drilling Enterprise, and a joint undertaking of the Shell and Vacuum groups, known as RAG. In 1938 a number of German companies entered the field and, in addition to undertaking extensive new developments, forcibly took over some of the oil-fields and refineries owned by British and American companies. As production rose from 32,849 tons in 1937 to 1,213,036 in 1944 under the stimulus of German effort, there was a *prima facie* case for the Austrian oil industry being largely a 'German asset'. On the other hand, human enterprise is only one element in oil production: the oil itself is at least as important. The fact that Germans had ruthlessly exploited Austrian oil to satisfy their war needs gave the Russians no right to confiscate one of Austria's most

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

727 valuable natural resources under the pretence that it was
382 German property.

471 The Austrian Nationalization Law of 1946 included the oil industry, but, so far as oil in the Russian zone was concerned, it never went into effect. In the summer of that year the Soviet High Commissioner announced that all the German-controlled oil-fields had been taken over as 'German assets'. The Soviet Mineral Oil Administration (SMOA) was set up to manage them.

The Soviet authorities did recognize British and American ownership of certain oil-fields and refineries that had not been taken over by the Germans. They are still under British and American management, but are subject to various measures of Soviet control. The producing companies are required to sell their crude oil to SMOA. The refining companies have to buy this oil from SMOA and resell to it the refined product. Payments are made to the British and American concerns in Austrian schillings, after the deduction by SMOA of arbitrary sums for administrative expenses. The disposal of the oil remains in Soviet hands, and the concerns are not able to export it, as they might wish. This limited recognition of foreign rights does not therefore benefit the Austrian trade balance in any way.

727 Exact statistics are not available for the Austrian oil industry since it has been under Soviet control. But it has been esti-
382 mated by the best-informed authorities that production rose
433 from 846,600 tons, to which it had declined in 1946, to about 3,200,000 tons in 1952, and is thus now probably the highest in Europe.[1] This increase indicates the anxiety of the Russians to extract all they can from the Austrian oil-fields while they have them under their control. The result has been achieved by extensive new boring and by the employment of damaging and uneconomic methods that would normally never be used.

It is significant that the expansion has practically been confined to the ex-German enterprises under purely Soviet control, which have had full freedom of action and exploration.

[1] Reliable figures for Roumania, its only possible rival, are not available.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

727 passed by the People's Party, the Socialists, and the League of
382 Independents, in November 1952 calling upon the Minister of Finance to enter into negotiations with the Soviet occupation authorities to ensure that Russia shall pay full compensation to the Austrian Republic for all petroleum removed from her oil-fields since 1945 and meet all its obligations with regard to taxes and customs dues, as required by Austrian law.

727 The remainder of the enterprises, large and small, that have been seized by the Russians as so-called 'German assets' have
471 been administered by one vast organization known as USIA—the initials of the Russian title meaning the Administration of Soviet Property in Austria. The Soviet authorities decided for themselves what they were going to take over as reparations and announced the list during the summer of 1946. The Soviet High Commissioner would allow no discussion of the subject in the Allied Council and made clear that he considered himself the only authority. As the Potsdam Conference had allotted German property in Eastern Austria to the Soviet Union without definition, the Western Powers had no alternative but to accept the decision.

The USIA concerns being entirely under Russian control, full information and statistics regarding their organization, production, and equipment are not available. But a fairly accurate general impression of their extent and method of working can be obtained from reliable sources. The Austrian Minister of Finance stated in Parliament in August 1951 that 471 USIA enterprises were listed with the Treasury, of which 351 were commercial, 100 agricultural, and 20 mixed or doubtful, and that altogether about 60,000 insured persons were employed in them. Since the War USIA has been the largest landholder in Austria. In 1951, a total of 115,980 hectares[1] of land were held by the occupying Powers for aerodromes, military purposes, agriculture, and forestry. Of this area no less than 112,747 hectares were in Russian hands. Some had been taken over soon after the War to produce food for the Soviet forces, and the remainder had been seized as 'German

[1] A hectare equals 2·471 acres.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

assets', although a good deal of it was Jewish property that had been 'aryanized' by Hitler. At the beginning of 1953, 54,000 hectares of agricultural and forest land alone were under USIA's control. 727 471

The key positions in USIA have been concentrated increasingly in Soviet hands. In the central administration Russian influence is dominant, and the Austrians who remain in it are either technical experts or Communists. Until 1952 the head of the USIA selling organization was an Austrian, but he and his wife then escaped to France after a disagreement with the Soviet authorities. Two Russians thereupon became managing director and deputy. In the individual firms the management depends on the importance of the enterprise. Some are run entirely by the Russians, while others are under purely Austrian control. Between these two extremes there is every kind of mixed management. All accounting is done through the central administration, and, to maintain secrecy regarding USIA's affairs, every enterprise deals with the Soviet Military Bank, which was organized for the Russian zone of Austria with its head office in Vienna. 727 471 475

Some USIA products are sold on the Austrian market. But the greater part of them are sent by rail or river to Soviet Russia and Eastern Europe. They are a dead loss to the Austrian economy, because no imports are received in return. The USIA concerns pay wage taxes and the ground tax levied by the local government authorities. But they do not pay income tax, profit tax, or the property tax due to the Federal Government. The Russians maintain that they do not pay these taxes because Austria will not transfer the titles of the USIA properties to them. The Austrian Government, backed by the Western Allies, does not recognize the Soviet right to the properties, and maintains that a legal transfer would be possible only if the companies were dissolved and the shareholders handed over the assets to the Soviet Union. The losses to Austria up to the end of 1952, in respect of USIA exports and unpaid taxes, have been estimated at nearly $200 million and $30 million respectively.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

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Austria's indirect losses owing to USIA's activities are also very considerable. Raw materials and finished industrial products go in and out of Austria as Soviet property without payment of customs duties. Quite apart from the financial loss this entails, USIA exports are thus able to undercut Austria's legitimate industries in East European markets. At the same time the equipment and efficiency of USIA factories are gradually being allowed to deteriorate, as little or no attempt is being made to renew and modernize plant. When the concerns are eventually returned to Austrian ownership their value will be much lower than it was when they were taken over.

A most damaging and sinister aspect of USIA's work has been its entry into retail trade during the past few years. At an early stage USIA imported cigarettes from South-east Europe without payment of duty, and sold them in large quantities on the black market at the expense of the Austrian exchequer. This was followed by the establishment of retail shops in Vienna and the Russian zone. Two hundred of them were opened between the summer of 1950 and the summer of 1952. Like other USIA concerns, they pay only a proportion of the federal and local taxes due from them. In addition, they pay no customs, excise, licence dues, or monopoly taxes on the goods sold, and are thus able to undercut legitimate retail businesses and at the same time make a good profit. The Government makes every effort to discourage people from patronizing them, but the low prices are a temptation difficult for the poor to resist. The shops also are varied and inconspicuous in character, and many purchases are made in them without the customers knowing what they are doing.

In contrast to the enterprises taken over as 'German assets', the establishment of the USIA retail shops had no legal justification whatever. There can have been only two motives for setting them up: a deliberate attempt to undermine the Austrian economy and a desire to make profits at Austria's expense, in particular, to offset losses on inefficient management in the main USIA concerns.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

Austrian political leaders have attacked the USIA retail businesses repeatedly. The Minister of Justice has made clear that Austrians found guilty of evading customs and excise by dealing with USIA will be punishable under Austrian law. The Soviet authorities themselves have shown some signs of embarrassment at this branch of their activities. After the first two years its expansion slowed down considerably. A strong trade union protest against USIA shops remaining open until ten o'clock at night was followed by their compliance with normal closing hours. 727 471 475

In fact, Soviet policy in Austria, in spite of its ruthless economic exploitation of the country, has shown repeatedly a capacity for compromise and the unexpected conciliatory gesture. The Austrian Government has been firm, bold, and insistent in the assertion of its rights, and the Soviet authorities have shown themselves to be very sensitive to public criticism, especially on issues in which popular privileges have been involved. In spite of everything, the impression remains that the Soviet Government has never entirely forgotten the importance of considering its reputation with the Austrian people. 727

On the economic side, the best example of the flexibility of Soviet policy is provided by the attitude of the Russians towards the navigation of the Danube. 727 505 471

The importance of the Danube to Austria as a means of communication requires no emphasis. Between the Wars the ownership of the Danube Shipping Company, the largest concern engaged in Danube traffic, was shared between the Federal Government, the Credit Anstalt Bank, and various Italian interests, the majority of the shares being held in Austria. As the Austrian holdings came under German control during the War, in February 1946 the Soviet authorities assumed ownership of the company, and at the same time took possession of two smaller companies. The Western Powers pointed out that these assets were of doubtful ownership and that the companies operated in more than one zone. They maintained therefore that the whole subject should be

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

727 505 •471 considered in the Allied Council. But the Soviet representative refused to discuss the matter, and the Russians proceeded to take over all the property and installations of the Danube Shipping Company in Eastern Austria and South-east Europe.

727 505 During the fighting in Austria the greater part of the company's shipping was destroyed, but about 40 per cent of it managed to reach Linz, mostly in very poor condition. There it remained under American protection, and during the early post-War years the company concentrated on putting the remnant of its fleet in order. Owing to the Russian attitude, river traffic ceased between Upper Austria and Vienna, and such ships as were available were employed on the stretch between Linz and South Germany. The freight carried by the company between Linz and Regensburg in 1950 reached a total volume of 690,000 tons, the cargoes consisting mainly of Ruhr coal for the VÖEST works, pig-iron, sheet metal, timber, and grain.

The first Russian concession in the direction of opening up the Danube appears to have been made from ulterior motives. After its breach with the Soviet Union, Yugoslavia was in a strong position as regards Danube navigation, because, at the Iron Gates, it could control river traffic between the Russian satellite States, if it so wished, just as Russia controlled traffic between Vienna and the West. Yugoslavia's freedom of navigation was therefore ensured, and in 1950 it started a service between Belgrade, Vienna, and Regensburg. To provide rivalry for Yugoslav ships the Soviet authorities in Austria began to issue licences for Austrian barges to travel between Vienna and Linz. During 1951 more than 73,000 tons of oil were carried in Austrian vessels from Vienna to Linz, and a smaller quantity of grain in the same way from Regensburg to Vienna. Cargoes for the year carried by Austrian ships on the Danube amounted to more than a million tons.

In June 1952 the Soviet High Commissioner informed the Federal Chancellor that, in the interests of the Austrian people and in order to improve Austria's economic position, navigation on the Danube within the Russian zone would hence-

During July 1946, the parliament passed the first nationalization law (see part A, III, paragraph b). This nationalized, in addition to enterprises of heavy industry, mining and shipping, the three largest Austrian commercial banks (the Creditanstalt-Bankverein, the Oesterreichische Länderbank A. G. and the Hypotheken- und Creditinstitut). With the federal law of March 26, 1947 (second nationalization law), establishments and plants producing and distributing electrical energy were nationalized, because 90 percent of these establishments were already publicly or municipally owned. 471 [453] [377]

During the years 1945-1946 only the greatest difficulties were eliminated. A noticeable production increase, fostered by increasing imports of raw materials and food stuffs, occurred during 1947 at which time the coal situation was also eased and the crisis in the power sector could be ameliorated. The decisive turn of events in the economic consolidation, however, remained to be accomplished with the assistance of the Marshall Plan. 433

3. Special Problems in Austrian Reconstruction.

a) The question of "German Property."

At the end of the war, when Austria received her independence (perforce limited because of occupation statutes), her economic situation had been basically altered in comparison with 1937. The economically and organically different set-up of the German Reich made a reorganization of the economic status necessary. Austrian production means were diminished further by transfers of private as well as public production establishments into German hands, particularly after 1938. This "German Property" became fateful in Austrian economy with the Potsdam Agreement of August, 1945. 471 727

According to the agreed terms of the Allied Powers, German reparations were to include German assets located in countries previously occupied or controlled by Germany; these assets were to be subjected to the control of the various Allied Powers relative to their geographic location (in Austria according to occupation zones).

Under this title more than 200 enterprises in Austrian territory, mostly in the eastern part of the country (among them the entire oil industry,

727 chemical plants, large parts of the electric, iron
471 and metal industry), has been classified as "German Property" and were confiscated. Affected also was the Erste Donau Dampfschiffahrt-Gesellschaft (First Danube Steamship Company, Inc.), inasmuch as this enterprise had also been classified as "German Property" under the terms of the Potsdam Agreement.

The nationalized plants and companies (provided there occurred no mitigations such as those later in the western zones) remain not only lost to Austrian economy but complicate the coordination of Austrian production sectors inasmuch as these enterprises, particularly those located in the eastern parts of the country, are no longer subjected to Austrian jurisdiction.

Legally, the control and administration of German assets in Austria was to be effected in line with the control agreement of the Allied Commission for Austria on June 28, 1946. Article V of this agreement provides that the question of the "German Property" has to be settled in accordance with the agreement of Potsdam.

Later on, the interpretation of the stipulations, covering the "German Property," was not handled uniformly by the occupation powers causing a different treatment of such assets in the various occupation zones, a situation which resulted in legal, administrative and economic consequences for the Austrian national economy. This diversity in interpretation also influenced the nationalization proceedings as far as the "German Property" was involved. The occupation element of the United States of America, desiring to make these assets available to the Austrian economy, transferred the largest part of the relative enterprises located in its occupation zone to the competent Austrian ministry. The latter, as a trustee, has to furnish periodical accounts and reports. The French occupation element (taking exception to nationalization legislation on enterprises falling within the scope of Article V, paragraph 4, of the new control agreement) found a solution by leasing such establishments individually. The British element formulated no special provisions but permitted the enforcement of Austrian laws with regard to "German Property" located in its zone. The three western occupation powers finally released simultaneous directions, stating that any disposal of German assets, be it by sale or by other means,

was prohibited, while the Union of the Soviet Socialist Republics decreed the transfer of such assets to a special administration created for this purpose (USIVA, later USIA). In the eastern part of the country, therefore, enterprises representing such assets became "foreign administrative and economic enclavements" within the Austrian economy. 727 471

The definite solution of this question, important to and difficult for the Austrian economy, however, is reserved to the signing of an Austrian state treaty.

b) The "nationalization legislation." 471

In connection with the question as to the scope of freedom and economic relationships to achieve the highest possible degree of national economic productivity (which had been brought up for discussion in a number of European nations), the Austrian authorities were compelled to cope also with the ideologies and trends relative thereto, whereby compulsory issues had to be considered.

With her nationalization legislation Austria endeavored to follow a middle course, which, via a transfer to the government of ownership rights with stipulated compensations, nevertheless permitted management of the various (nationalized) enterprises under the same economic requisites as those ruling the private sector.

The scope of nationalization was fixed by two nationalization laws, i.e., of July 26, 1946, and March 26, 1947. Both of these laws expressly stated the names of the enterprises concerned. However, if not specifically stipulated, only certain enterprises and not entire business sectors were nationalized. The two nationalization laws differ insofar as, under the first, the stipulated enterprises and plants became ex lege (immediately) properties of the government, while under the second the establishments of the electric power sector were transferred by order of the competent administrative authority. The second nationalization law therefore is solely an organization and omnibus bill.

While the administration of the government's participations in nationalized industrial and electric power enterprises (according to the federal law of December 16, 1949, decreeing the discontinuance of 471 655

471 some federal ministries as well as the reorganization
655 of the sphere of action of others), is being taken care of by the federal ministry for traffic and nationalized enterprises, the administration of the nationalized commercial banks falls within the competence of the Federal Ministry of Finance. The nationalization comprises:

[453] 1.) The large banks (Creditanstalt-Bankverein, Oesterreichische Länderbank AG, and Hypotheken- u. Kreditinstitut);

[320] 2.) The most important enterprises of the iron and steel industry (Oesterreichische Alpine Montangesellschaft, Vereinigte Oesterreichische Eisen- und Stahlwerke A. G., Linz, Schoeller-Bleckmann Stahlwerke A. G., Vienna, Gebrüder Böhler u. Co., A. G., Vienna);

[316] 3.) The most important coal mines (Wolfsegg-Traunthaler Kohlenbergwerke A.G., Linz, Steirische Kohlenbergwerke A.G., Vienna, Lankowitzer Kohlen-Compagnie, Vienna, etc.);

[394] 4.) A number of important enterprises of the electric and machine manufacturing industry (AEG-
[393] Union Elektrizitätsgesellschaft, Vienna; Simmering-Graz-Pauker A. G. für Maschinen-, Kessel- und Waggonbau, Vienna, etc.);

5.) The Oesterreichische Stickstoffwerke A. G., Linz;

[314] 6.) The most important non-ferrous mining enterprises (Bleiberger Bergwerks-Union, Klagenfurt; Montanwerke Brixlegg Ges. m.b.H., Brixlegg; Kupferbergbau Mitterberg, Münlbach am Hochkönig; Aluminiumwerk Mattighofen-Ranshofen);

[505] 7.) The Erste Donau Dampfschiffahrtsgesellschaft, Vienna;

[377] 8.) The large enterprises producing electric power; and finally,

[315] 9.) The enterprises for the exploitation of crude oil.

With the enacted legislation the ownership-rights (re: corporations) or the assets and liabilities of certain enterprises (limited companies, etc.) or plants (branch establishments of enterprises located abroad) became the property of the Republic of Austria. This in turn implied also the transfer of the administration of the nationalized enterprises to the Austrian government, provided that such enterprises were not located within the Russian zone (USIA establishments) and therefore beyond Austrian control. The enforcement of the nationalization, however, is not completed because:

1.) Most of the enterprises nationalized under the terms of the first nationalization law represent "German Property," the definite settlement of which is left to the signing of a state-treaty; 471 655

2.) The "German Property" located in the American zone of Austria has been transfered in trust, whereby, in accordance with the terms of the trust agreement, no changes of proprietor status are permitted without prior consent of the United States occupation element;

3.) There is a binding contract of the federal government to enforce the nationalization laws covering enterprises belonging wholly or partly to citizens of the United Nations after settlement of compensation claims.

A decision about compensations also had to be left pending. Despite the written undertaking of the Austrian federal government to compensate the prior proprietors, it has not as yet been possible to fix such compensations for the following reasons:

1.) The three aforesaid reasons prevent, for the time being, a settlement of this question;

2.) The definition of the conception "German Property," as yet not clear, does not permit the definite fixing of the scope and the amount of such compensations;

3.) In consideration of the prevailing uncertainties of the nation, the date under which a calculation of the values of the confiscated enterprises has to be effected is still open and likewise the compensation form;

4.) Legal prerequisites, especially with regard to enterprises partly administered by an occupation element and partly by an Austrian authority, have not as yet been established.

The nationalized enterprises are continuing business under their former legal status, i.e., as corporation and limited companies and under the same regulations covering enterprises of the private sector. Thus, for instance, the nationalized industrial enterprises are not accomodated with special credit terms for reconstruction purposes by the large nationalized banking institutions. They are subjected to the same controls and regulations as enterprises of the private sector, enjoying no privileges with regard to taxations, etc. They are exempted only from the payment of the property-tax. With regard to competition, they are further required to adhere to the same principles and 475 471 [651]

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regulations as privately owned enterprises.

If companies or enterprises, under the regulations of the corporation law, were for any reason not as yet able to install the required responsible executive managements (executive officers, board, stockholder meetings) the competent authority, in accordance with the terms of the federal law of July 26, 1946, installed public administrators. The privilege, however, does not apply to enterprises and plants working under their legally installed executive managements; such an existing status permits the government to introduce motions, by its delegated board members, only within the scope of legal corporate requirements.

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According to the federal constitutional law of June 16, 1948 (Rechnungshofgesetz), all nationalized enterprises are subjected to the accounting and business policy control of the Oberster Rechnungshof (superior accounting office of the government), which in turn is responsible to the parliament for rendering account.

By these means parliament wanted to prevent red tape in the commercially managed establishments.

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c) The reconstruction of the Austrian credit institutions.

Following the loss of Austrian sovereignty in 1938, changes within the great Austrian banking organizations occurred. The Austrian National Bank disappeared as bank of issue, its Vienna organization became a branch office of the German Reichsbank, the substantial gold and foreign exchange holdings as well as other assets were transfered to the latter, so that from 1938 to April 1945 no independent money and currency policy was possible.

Likewise, the nationalized banking institutions were confronted with structural changes which, after 1945, brought about problems of balance adjustments. Therefore, if the entire question complex and the enforcement of relative measures are to be ascertained, it is necessary to become acquainted with the developments which have occurred. Austria, having been reestablished as a sovereign nation at the end of the war, faced a greatly changed situation in comparison with 1937. The prior assimilation into the economically and organically different economy of the German Reich, caused a far

AUSTRIA'S ECONOMIC DEVELOPMENT

458 This was precisely what happened in Austria. But while
433 exports increased more than imports the balance of trade
439 continued to be unfavourable.[10]

This was partly due to the fact that production in Austria was as yet insufficient to provide exports on any scale; partly because Austrian exports have a high "import content" so that every increase in exports involves increased imports. Also, the fall in world prices in 1920 tended to reduce the margin between the Austrian and the world price level.

Unfortunately, we have no statistics on invisible exports. But there is every indication that these exports increased considerably. Vienna soon regained her importance as a transit centre: by 1920, the weight of goods passing through the great municipal warehouses had already increased over three times as compared with 1913. The Viennese banks again played an important part in the "Succession States" and the Balkans, and the low value of the Crown attracted an increasing number of foreigners to Austria. The number of foreigners arriving at hotels in Vienna rose from about 230,000 in 1920 to about 330,000 in 1922. On all these scores a considerable income must have accrued to Austria which helped to fill at least part of the gap on the balance of trade.[11]

458 But the low value of the Crown and the insatiable
471 hunger for foreign exchange did not only stimulate current exports. It also led to the sale of capital. Real estate, houses, and industrial shares were sold to foreigners and part of Austria's industry thus came under foreign control. It was in this period that a decisive parcel of shares of the Alpine Montan Gesellschaft, Austria's most important heavy industrial concern, passed into the hands of a group of Italian capitalists from where they wandered on until they became the property of one of the firms belonging to

[CA p. 35, CATEGORY 116 -- ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

the German Steel Trust. We shall see later what ominous political and economic consequences flowed from this transfer of control. 458 476

Summing up, it may be said that the years of inflation brought a marked revival in the sphere of production and foreign trade; but that little was accomplished in the way of urgently needed structural adjustment.

One further result of the inflation should be mentioned. In Austria, as elsewhere, the internal National Debt was practically wiped out. No doubt this put a heavy burden on some classes of the population, particularly the small saver. No doubt, the inflation involved a heavier burden of external debt than would otherwise have been the case. But the disappearance of the National Debt undoubtedly relieves a government of some headaches when it comes to the point of drawing up a budget. And to balance the budget was one of the main tasks before the Government if the inflation was to be brought to an end. 458 652

THE STABILIZATION OF THE CURRENCY

We have seen that the Austrian Government pinned all its hopes of overcoming the monetary chaos on foreign help. A foreign loan would both help to balance the Government's budget and to stabilize the foreign exchange rate, the barometer of the country's confidence in the Crown. 457 652

Negotiations for such a loan had started as early as 1920; but to secure a loan was by no means a simple matter. The allied governments expected to receive reparations from Austria, not to make loans to her. They pointed to the relief credits they had already granted (but which had of course been used up for "unproductive" relief) and were unwilling to make any further advances. Private investors, on the other hand, were unwilling to

648 was also much direct participation in the Empire's industry and banking.

457 In those days free economic relations were still the rule. But Germany's lending policy was quickly used to help carve out political and economic spheres of influence. Loans were frequently granted only on condition that their proceeds should be spent on German products.[2] By this means, the big German concerns obtained a dominant influence in these areas and trade was often diverted from its natural channels. Not less than 40 per cent of Austro-Hungary's foreign trade thus came to depend on Germany. The economic penetration of the Monarchy contributed greatly to its conversion into a junior partner in Germany's foreign policy and into a willing tool in the First World War.

As a result of that war Germany lost most of her foreign investments and eventually became herself largely dependent on foreign capital. Consequently, she was no longer of any importance as a source of capital supply for Austria and in foreign trade, too, she lost her predominant position, accounting for no more than about one-sixth of Austria's foreign trade.

But Germany did not therefore abandon her attempts at economic penetration in Austria. If anything, her efforts in that direction were greatly increased to compensate at least in part for the areas and opportunities lost in the war. The aim remained the same, though the methods were changed.

648 While Germany ceased to make loans to Austria she continued to maintain a close grip through her shares in
471 Austrian companies. The total amount of these holdings was moderate but they were of major strategic significance. German concerns had managed to obtain full or partial control over important firms in most of Austria's

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key industries. German capital was conspicuous in the spheres of banking and insurance, the iron and steel industry, heavy and electrical engineering, the chemical industry, textiles, hydro-electric works, and in the film industry. In many cases, of course, German capital opened up new opportunities, with benefits to all concerned. But more often German control resulted in the complete subordination of the policy of the Austrian firm to the interests of the German parent concern or to the political aims of the German expansionists. 648 471.

In the electrical engineering industry, for instance, which was dominated by the German controlled Oesterreichische Siemens Schuckert Werke A.G., Siemens-Halske A.G., and the A.E.G.—Union Elektrizitaets—Gesellschaft, the goodwill which Austrian industry possessed in south-eastern Europe was exploited by using the Austrian establishments for exports to these areas. But the development work was invariably carried out in Germany. Austrian research workers and technicians were sent to the Berlin laboratories, and Austrian shareholders deprived of their dividends in order to strengthen the financial reserves of the parent concern. Accordingly, the Austrian establishments became increasingly dependent on German patents and finance while Austria's social and economic requirements were completely neglected. 648 393 471

Many similar examples could be given from other industries. One case, which deserves special mention is that of the biggest single Austrian combine, the Alpine Montan A.G. The Alpine owned all the important iron mines in Styria and Carinthia, all Austrian blast furnaces, a great number of steel works in southern Austria, lignite and magnesite deposits and railways. It controlled the bulk of Austria's metallurgical resources. 648 471 327

AUSTRIA'S ECONOMIC DEVELOPMENT

648 The Alpine had been the offspring of a merger of many small companies in the days of the Monarchy. After the
327 war the majority of shares was acquired by the Government, but in 1919—during the most critical period—they
•471 were sold to a group of Italian financiers. From there, in 1921, they passed into the hands of the notorious German inflation profiteer, Hugo Stinnes. When his meteoric rise came to a sudden end the majority of shares (56 per cent) were acquired, in 1926, by a member of the German Steel Cartel, the Vereinigte Stahlwerke of Duesseldorf, a combine headed by the Nazi promoter Fritz Thyssen.

From then on this most important combine in Austria's heavy industry was run exclusively in the interests of the German Steel Trust. All the important positions and research facilities were reserved for adherents of "Pan-
467 German" convictions. The workers were forced to leave their free trade unions and to join the *Heimwehr*, an armed, anti-democratic body, whose Styrian branch was heavily subsidized by the Alpine Montan. As early as 1931, the Styrian *Heimwehr* organized an unsuccessful *coup d'état* against the Austrian Government. A number of directors of the Alpine Montan were behind this *putsch*. They were again involved, and actually arrested for a short time, when the Nazis made an abortive *putsch* in July, 1934, in the course of which Chancellor Dollfuss was murdered.

648 On the outbreak of the great economic depression the German steel magnates decided to concentrate production
327 in Germany. All Austrian blast furnaces were closed down
457 and the industrial districts of Styria were thus converted into one of the worst-depressed areas in Europe. After Hitler's rise to power, the Alpine was completely harnessed to the German armament programme, regardless of Austria's political or economic needs. In 1937, when

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Austria was in great need of "free currency", the Alpine refused orders from England and other countries, and sent its whole output to Germany, in spite of the clearing debts which had accumulated there. Ultimately the behaviour of the directors became so hard to distinguish from high treason that the Austrian Government put a Government Commissioner in charge of the firm. But it was too late. A few weeks later the policy which the directors of the Alpine had backed all along was fulfilled—Austria was occupied by Germany.

Direct ownership and control were not the only means by which the Germans exerted their influence in the economic affairs of Austria. Recent investigations by the American Anti-Trust Division have shown how, over a long period, German combines used international cartels in order to increase Germany's economic war potential.[3] If powerful monopolistic concerns in Britain and the United States could be induced to act against the interests of their own nation it is clear that the Germans had much easier play as far as Austria was concerned.

Cartelization was a widespread feature of Austria's industrial structure. The wide ramifications of industrial investments of the major banks greatly smoothed the way for trade agreements, mergers, etc. Many of these cartels worked in close agreement with their German counterparts. Owing to their much greater financial strength the German firms had the decisive say in directing cartel policy. In their desire for high and safe profits the Austrian cartel members not only damaged consumers through their restrictionist policies; they also betrayed the economic and political interests of their country in favour of Germany.

These direct economic influences were supplemented by other, more subtle, methods. From the day of the

[CR CATEGORY 116, P. 91 — ANALYST]

728 Germany which had swallowed up one of their important
648 customers and suppliers—Austria had up till then
occupied the third or fourth place in the foreign trade of
439 most of these countries. Politically and economically
Germany had become the complete master of the whole
area.

471 For Austria, of course, the occupation meant far more
than a dangerous shift in Europe's economic balance. Her
648 economy ceased to exist as a separate entity; within a very
655 short time it was completely absorbed into Germany's war
economy and her "New Order".[5]

The Germans were able at once to lay their hands on all Austrian State property. The railways were incorporated into the German railway system, the State forests taken over by the German State. The State monopoly in salt was given to the Deutsche Bank, and the tobacco monopoly taken over by a private German company. Far more important, however, were the shares of the Credit-Anstalt which were owned, at that time, by the Austrian Government. After the reorganization of the Credit-Anstalt in 1931, 49 per cent of its shares were taken over by the Government. These, together with some others, were now transferred to the Deutsche Bank. Since at the same time the only other important bank, the Zentraleuropäische Länderbank, came under the control of the Dresdner Bank, practically the whole of Austria's banking and insurance business had passed into German hands.

471 It must be borne in mind, in this connection, that the
Central-European banks held a key position in the
453 industrial life of their countries. It has been estimated
457 that the Credit-Anstalt controlled almost 90 per cent
of Austria's industry and agriculture. Moreover, the
Austrian banks and financial institutions still possessed
considerable investments in the Balkan countries, particu-

[CA p. 91. CATEGORY 11c -- ANALYST]

larly in banking, and in the textile, chemical, and food-processing industries.[7] All these controlling positions now passed into the hands of the German banks. Vienna became Germany's launching ramp for south-eastern Europe, and Austrian economic quislings greatly helped the Germans to advance their economic penetration of the Balkans.

But the indirect control of Austrian industry through the banking system was only a first step. Within a very short space of time all the more important Austrian firms passed either partly or wholly into German hands. This was achieved either by methods of outright robbery, as in the case of "aryanization" (the confiscation of Jewish property), or by exploiting the financial difficulties in which many firms had been landed as a result of the occupation and incorporation of Austria; or through a skilful handling of the financial control which had been gained in the first instance. In this way all important industrial enterprises were absorbed into the big German combines like the I.G.-Farben, Krupp, Henschel, Vereinigte Industrie—A.G., and particularly the Hermann-Goering Works, which acquired the control of the largest part of Austria's heavy and allied industries.[8] Altogether, it has been estimated, a share capital of about 380 to 400 million schillings (of industrial, commercial, and banking firms) passed into German hands. This compares with a sum of about 710 million schillings which was the total value of all shares admitted for quotation on the Vienna Stock Exchange in August, 1938.[9]

While the big Austrian firms were being subjected to German control a process of decline took place among the smaller firms. Many small business men were ruined by the policies of rationalization, concentration, and above all by the extension of war production at the cost of the

1 [CT CATEGORY 116. P. 91-92 -- ANALYST]

471 typically Austrian high-quality consumer goods industries. Between 1938 and 1942, the number of business enterprises in Austria declined from about 21,300 to 16,300, while the corresponding number in Germany increased from 337,000 to 353,000 over the same period.

648 The changes were less spectacular in agriculture. But
423 many of the large estates belonging to the Church and the
167 monasteries as well as State-owned land came into German
728 ownership. Farmers who were in difficulties were not assisted but bought out and German "hereditary farmers" (*Erbhofbauern*) were settled in Austria. At the same time the sons of Austrian peasants were sent to Poland, Russia, and even to Bohemia and Moravia in order to "colonize" these areas. However, the changes in property relations were of less importance in the sphere of agriculture than the extreme regimentation of production and the system of forced deliveries which reduced the peasants to a state of serfdom.

728 It is too early as yet to give an exact picture of the effects
471 of seven years of German domination on Austria's economy. Some major results are, however, clearly discernible.

648 First, it is clear that the Germans completely changed
433 the economic structure of Austria. Austria's economy was wholly adapted to suit the needs of the German war machine. And since Austria, like Czechoslovakia, was for a long time the safest place from air attack in Hitler's *Festung Europa* it became one of the most important centres for the production of armaments. Heavy industry was greatly expanded. In Linz alone the Hermann Goering concern erected 320 coke ovens and 6 blast furnaces. In 1943, it was estimated that about 25 per cent of Germany's war industries had been concentrated in Austria.

On the other hand, many of the specifically Austrian

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

industries producing high-quality goods such as electrical equipment, precision instruments, food products, leather goods, arts and crafts, the fashion industry, etc., were either completely ruined by the dearth of raw materials, or they lost their identity by being absorbed into some German concern. Many smaller firms with a high reputation had to close down, and their carefully built up personnel was drawn into the army or into the armament industries. A considerable effort will be required to restore these enterprises which are of great importance for Austria's exports, particularly in her trade with Britain and the United States.

In agriculture, too, the many promising developments before 1938 were brought to an end and production was devoted to the sole purpose of yielding as great a surplus for Germany as possible. In particular, the output of vegetables, staple foods and industrial crops was greatly stepped up.

While Austria's economic structure has been altered, total production was greatly increased. Between 1938 and 1944 steel output, for instance, was doubled; the production of aluminium rose from about 4,000 to 72,000 tons, and the generation of electricity increased from 2½ million kW.h. to almost 10 million kW.h.

The upward trend in war industries was accompanied by considerable shifts in the location of industry. In particular, the Linz-Wels-Steyr area in Austria was greatly expanded and converted into a huge centre of heavy industry. Motor roads and inland shipping facilities were also greatly extended.

These increases were achieved through a considerable reduction in the output of the consumer goods industries, by neglecting the replacement of worn-out machinery, by moving German capital equipment and German and

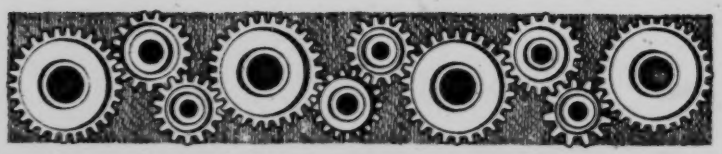
648 foreign labour to Austria,[10] and also by making much
728 fuller use of Austria's resources than ever before. Indeed,
433 the organization of a war economy has revealed the
471 potential wealth of Austria—as of other countries—showing what could be achieved in peace time if only proper use were made of existing opportunities.

The increase in production, however, was also achieved by eating deeply into Austria's resources. In many cases it will take years before the damage can be repaired, if indeed it can be repaired at all. In the case of timber, for instance (an extremely important export commodity in Austria), a reckless policy of exploitation has undone many years' work of careful afforestation. The intensive cultivation of the soil and the lack of artificial fertilizers and of animal feeding-stuffs has had the most damaging effects on agriculture. Up to the middle of 1942 harvests and herds of livestock were maintained at the pre-war level; but the position has greatly deteriorated since then. 1943, in particular, was a bad year and large numbers of livestock had to be slaughtered.

The increase in the output of oil in Zistersdorf from about 30,000 tons in 1937 to something like 1 million tons (which is considerably more than Austria's total peace-time requirements) may, it is feared, have dangerously exhausted these valuable resources. Similarly, the rate of exploitation of the iron ore deposits reached an undesirably high level.[11]

727 Our provisional economic balance sheet would not be complete without remembering the tragic destruction of manpower: the thousands of Austrians killed in Hitler's war and the many brave men and women done to death in concentration camps and at the hands of the executioner.

[CF. CATEGORY 116, P. 92 — ANALYST]



439 territories, Austrian producers were forced to adapt their output to these new conditions. This was of course only possible through the painful process of making certain changes in the economic structure.

439 The main bases of Austrian trade, as vital then as now, were:

135 a) the abundance of forests which ensure timber for export as well as for the furniture-making and paper industries.

b) The deposits of iron ore which form the basis of iron and steel production and the iron-working industry.

c) The wealth of water in the alpine districts, constituting an extensive source of power which is being increasingly exported in addition to supplying Austrian industry with current.

d) The recently-discovered inland oil fields (at Zistersdorf).

e) The fashion and luxury-article industry, an export factor of increasing importance.

f) The credit balance of services (tourist trade and transit trade).

433 It is one of the characteristics of industrial-commercial production that Austria, as a result of her comparative lack of capital, should be at a disadvantage whenever it is a question of mass production. But wherever there is a chance for painstaking finishing, special skill or workmanship, as well as good taste and original ideas on the part of the producer to play a rôle, the prospects of success are excellent. It is not only, as is often mistakenly imagined, the fashion and luxury industries to which this applies, but all the many branches of manu-
472 facturing where it is the quality of the work which counts. These factors are strengthened by the prevalence of small concerns in Austria. Factories with up to 100 employees amount to 75 per cent of the total, those with 100 to 1000 employees to a little over 20 per cent, and the factories employing over 1000 persons to only 4·4 per cent.

652 After the stabilisation of the currency, production and export trade showed
433 a favourable increase between the years 1923 and 1929. Production rose during this time by nearly one third. Then followed the general slump, especially
458 serious for Austria on account of her great dependence on export. The development which had begun so hopefully was now brought to a standstill through the external crisis.

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Day, who transported his goods by one of the prescribed highways enjoyed, no matter whence he came, the local governor's protection for his person, his goods and his waggons, a truly enviable privilege in the unsettled times of the closing 13th and the 14th century.

During the Middle Ages it was open to anyone from every country to bring what goods he liked to the two great Vienna markets, with the exception of wine and beer, which were available in abundance on the spot, and of excellent quality. People of every trade and every guild could sell and offer their wares freely.

After the Turkish Wars there was a fresh revival of Vienna market life in the 18th century. But then the discoveries of the weaving loom and the steam-engine began to take effect on production and trade. In the 19th century the railway rendered goods fairs superfluous and the markets began to be transformed into sample exhibitions.

The economic system of the Austro-Hungarian Monarchy was so well-balanced that it had at first no need of any special display of sample products within its frontiers. The exchange of goods between the agrarian and the industrial areas went on smoothly and although samples of all the products of the Empire were occasionally displayed at great exhibitions—Vienna owes the building of the Rotunde to the Great Exhibition of 1873—there was actually no need of special methods to advertise or boost them, for demand and supply were well adjusted, and connections between producers and their customers dated from the times of their fathers and grandfathers.

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After 1918 more than a third of Austria's population was engaged in industry and commerce, nearly a further third being occupied with agriculture and forestry. In both cases the small or medium sized concerns were predominant, a fact which explains the ability of Austrian economy to weather the storms of crises. It had never taken special measures to promote war industries. Never through war, but through the years of peace had the Empire prospered. When in 1866 Austria lost the war against Prussia it was because, despite the better training of her troops, the Austrian rifle was inferior to the Prussian.

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It is in concerns in which intensive labour and detail is important that the individual talent of the Austrian can find expression, not in great concerns resorting

Up to the end of 1949 approximately 9,000
407 agricultural machines, with a total value of 31.5
474 million schillings, could be bought out of counterpart funds. Through the formation of agricultural machine cooperatives (about 33) even medium and small-sized farms were able to share in the advantages of techni-
377 cal modernization. The progress of electrification in rural areas supplied light and current to 4,800 farms. Storehouses and freezer lockers have been built in fruit producing areas. In addition, dairies and cheese making plants have been erected from ERP funds.

652 Further investments in the agricultural sphere are being carried out in accord with the invest-
241 ment program of 1950-52. For these purposes 270 million schillings were released from counterpart funds in 1950 (i.e., 43.6 per cent of the 620 million schillings provided in the agricultural priority program, or 34.6 per cent of the total of 780 million schillings provided in the whole program).

439 In forestry (exports), which is of paramount importance to Austria, the approximate prewar level of
313 wood and timber output and supply has been achieved through various rationalizations and especially better means of transport and better roads. In 1948 the timber output was 8.24 million cubic meters (Festmeter); in 1949 already it was 9.24 million cubic meters; in 1950 the output could be increased to slightly over 10 million cubic meters.

The increasing production of timber and the stoppage of exports of undressed timber made it possible to supply sawmills and timber finishing plants with bigger quantities of wood in 1949 and 1950 than prior to the war. In 1949, 2.50 million cubic meters of whole timber were planed. In 1950 the amount was 4.41 million cubic meters as compared to 3.14 million cubic meters in 1937. The paper, cellulose, wood fiber and pulp industries could be provided to an increasing extent with all necessary raw materials (especially wood pulp); thus, covering not only the domestic needs but also enabling Austria to gain a foothold in former export markets.

[652] The forestry and sawmill industry received 90 million schillings in 1950 out of counterpart funds and, in addition, 22.5 million schillings in December 1950 to be carried forward for use in 1951.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

assets', although a good deal of it was Jewish property that had been 'aryanized' by Hitler. At the beginning of 1953, 54,000 hectares of agricultural and forest land alone were under USIA's control. 727 471

The key positions in USIA have been concentrated increasingly in Soviet hands. In the central administration Russian influence is dominant, and the Austrians who remain in it are either technical experts or Communists. Until 1952 the head of the USIA selling organization was an Austrian, but he and his wife then escaped to France after a disagreement with the Soviet authorities. Two Russians thereupon became managing director and deputy. In the individual firms the management depends on the importance of the enterprise. Some are run entirely by the Russians, while others are under purely Austrian control. Between these two extremes there is every kind of mixed management. All accounting is done through the central administration, and, to maintain secrecy regarding USIA's affairs, every enterprise deals with the Soviet Military Bank, which was organized for the Russian zone of Austria with its head office in Vienna. 727 471 475

Some USIA products are sold on the Austrian market. But the greater part of them are sent by rail or river to Soviet Russia and Eastern Europe. They are a dead loss to the Austrian economy, because no imports are received in return. The USIA concerns pay wage taxes and the ground tax levied by the local government authorities. But they do not pay income tax, profit tax, or the property tax due to the Federal Government. The Russians maintain that they do not pay these taxes because Austria will not transfer the titles of the USIA properties to them. The Austrian Government, backed by the Western Allies, does not recognize the Soviet right to the properties, and maintains that a legal transfer would be possible only if the companies were dissolved and the shareholders handed over the assets to the Soviet Union. The losses to Austria up to the end of 1952, in respect of USIA exports and unpaid taxes, have been estimated at nearly $200 million and $30 million respectively.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

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Austria's indirect losses owing to USIA's activities are also very considerable. Raw materials and finished industrial products go in and out of Austria as Soviet property without payment of customs duties. Quite apart from the financial loss this entails, USIA exports are thus able to undercut Austria's legitimate industries in East European markets. At the same time the equipment and efficiency of USIA factories are gradually being allowed to deteriorate, as little or no attempt is being made to renew and modernize plant. When the concerns are eventually returned to Austrian ownership their value will be much lower than it was when they were taken over.

A most damaging and sinister aspect of USIA's work has been its entry into retail trade during the past few years. At an early stage USIA imported cigarettes from South-east Europe without payment of duty, and sold them in large quantities on the black market at the expense of the Austrian exchequer. This was followed by the establishment of retail shops in Vienna and the Russian zone. Two hundred of them were opened between the summer of 1950 and the summer of 1952. Like other USIA concerns, they pay only a proportion of the federal and local taxes due from them. In addition, they pay no customs, excise, licence dues, or monopoly taxes on the goods sold, and are thus able to undercut legitimate retail businesses and at the same time make a good profit. The Government makes every effort to discourage people from patronizing them, but the low prices are a temptation difficult for the poor to resist. The shops also are varied and inconspicuous in character, and many purchases are made in them without the customers knowing what they are doing.

In contrast to the enterprises taken over as 'German assets', the establishment of the USIA retail shops had no legal justification whatever. There can have been only two motives for setting them up: a deliberate attempt to undermine the Austrian economy and a desire to make profits at Austria's expense, in particular, to offset losses on inefficient management in the main USIA concerns.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

Austrian political leaders have attacked the USIA retail businesses repeatedly. The Minister of Justice has made clear that Austrians found guilty of evading customs and excise by dealing with USIA will be punishable under Austrian law. The Soviet authorities themselves have shown some signs of embarrassment at this branch of their activities. After the first two years its expansion slowed down considerably. A strong trade union protest against USIA shops remaining open until ten o'clock at night was followed by their compliance with normal closing hours. 727 471 475

In fact, Soviet policy in Austria, in spite of its ruthless economic exploitation of the country, has shown repeatedly a capacity for compromise and the unexpected conciliatory gesture. The Austrian Government has been firm, bold, and insistent in the assertion of its rights, and the Soviet authorities have shown themselves to be very sensitive to public criticism, especially on issues in which popular privileges have been involved. In spite of everything, the impression remains that the Soviet Government has never entirely forgotten the importance of considering its reputation with the Austrian people. 727

On the economic side, the best example of the flexibility of Soviet policy is provided by the attitude of the Russians towards the navigation of the Danube. 727 505

The importance of the Danube to Austria as a means of communication requires no emphasis. Between the Wars the ownership of the Danube Shipping Company, the largest concern engaged in Danube traffic, was shared between the Federal Government, the Credit Anstalt Bank, and various Italian interests, the majority of the shares being held in Austria. As the Austrian holdings came under German control during the War, in February 1946 the Soviet authorities assumed ownership of the company, and at the same time took possession of two smaller companies. The Western Powers pointed out that these assets were of doubtful ownership and that the companies operated in more than one zone. They maintained therefore that the whole subject should be 471

1.) Most of the enterprises nationalized under the terms of the first nationalization law represent "German Property," the definite settlement of which is left to the signing of a state-treaty; 471 655

2.) The "German Property" located in the American zone of Austria has been transfered in trust, whereby, in accordance with the terms of the trust agreement, no changes of proprietor status are permitted without prior consent of the United States occupation element;

3.) There is a binding contract of the federal government to enforce the nationalization laws covering enterprises belonging wholly or partly to citizens of the United Nations after settlement of compensation claims.

A decision about compensations also had to be left pending. Despite the written undertaking of the Austrian federal government to compensate the prior proprietors, it has not as yet been possible to fix such compensations for the following reasons:

1.) The three aforesaid reasons prevent, for the time being, a settlement of this question;

2.) The definition of the conception "German Property," as yet not clear, does not permit the definite fixing of the scope and the amount of such compensations;

3.) In consideration of the prevailing uncertainties of the nation, the date under which a calculation of the values of the confiscated enterprises has to be effected is still open and likewise the compensation form;

4.) Legal prerequisites, especially with regard to enterprises partly administered by an occupation element and partly by an Austrian authority, have not as yet been established.

The nationalized enterprises are continuing business under their former legal status, i.e., as corporation and limited companies and under the same regulations covering enterprises of the private sector. Thus, for instance, the nationalized industrial enterprises are not accomodated with special credit terms for reconstruction purposes by the large nationalized banking institutions. They are subjected to the same controls and regulations as enterprises of the private sector, enjoying no privileges with regard to taxations, etc. They are exempted only from the payment of the property-tax. With regard to competition, they are further required to adhere to the same principles and 475 471 [651]

471 475 regulations as privately owned enterprises.

If companies or enterprises, under the regulations of the corporation law, were for any reason not as yet able to install the required responsible executive managements (executive officers, board, stockholder meetings) the competent authority, in accordance with the terms of the federal law of July 26, 1946, installed public administrators. The privilege, however, does not apply to enterprises and plants working under their legally installed executive managements; such an existing status permits the government to introduce motions, by its delegated board members, only within the scope of legal corporate requirements.

[647] According to the federal constitutional law of June 16, 1948 (Rechnungshofgesetz), all nationalized enterprises are subjected to the accounting and business policy control of the Oberster Rechnungshof (superior accounting office of the government), which in turn is responsible to the parliament for rendering account.

By these means parliament wanted to prevent red tape in the commercially managed establishments.

453 652 727 c) The reconstruction of the Austrian credit institutions.

Following the loss of Austrian sovereignty in 1938, changes within the great Austrian banking organizations occurred. The Austrian National Bank disappeared as bank of issue, its Vienna organization became a branch office of the German Reichsbank, the substantial gold and foreign exchange holdings as well as other assets were transfered to the latter, so that from 1938 to April 1945 no independent money and currency policy was possible.

Likewise, the nationalized banking institutions were confronted with structural changes which, after 1945, brought about problems of balance adjustments. Therefore, if the entire question complex and the enforcement of relative measures are to be ascertained, it is necessary to become acquainted with the developments which have occurred. Austria, having been reestablished as a sovereign nation at the end of the war, faced a greatly changed situation in comparison with 1937. The prior assimilation into the economically and organically different economy of the German Reich, caused a far

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Austria was in great need of "free currency", the Alpine refused orders from England and other countries, and sent its whole output to Germany, in spite of the clearing debts which had accumulated there. Ultimately the behaviour of the directors became so hard to distinguish from high treason that the Austrian Government put a Government Commissioner in charge of the firm. But it was too late. A few weeks later the policy which the directors of the Alpine had backed all along was fulfilled—Austria was occupied by Germany. 648 327 459

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3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

497 kilometres of track being electrified and in the annual saving
457 of 300,000 tons of hard coal. The new programme worked out under the stimulus of ERP aid would mean saving a further 700,000 tons of imported coal. Quite apart, therefore, from the possibility of recovering transit traffic in the future, the new developments would lead to a substantial economy in foreign exchange.

727 In 1936–7 about 80 per cent of Austria's trade deficit had been covered by the earnings of the tourist industry. After the
484 War some years were to elapse before the number of foreign visitors approached the pre-War figure. There were several reasons for this. The total war damage suffered by the industry was estimated at 270 million schillings in terms of 1937 prices and at about 1,500 million schillings with the schilling at its 1950 value. Out of 200,000 beds available for tourists in 1937, 80,000 were lost, of which half had been suitable for foreign visitors. Accommodation for a further 30,000 was requisitioned by the occupying Powers in the early post-War years. In addition, serious obstacles were presented by the food shortage and the difficulty of obtaining passes for entering the country and for crossing the zonal boundaries.

484 Efforts were made both by the Austrians and the Western Allies to establish the conditions necessary for the revival of
457 the industry. In October 1946 an Austrian organization was established for this purpose. In 1947 arrangements were made by which food was purchased abroad in order to provide foreign tourists with rations on a basis of 4,600 calories a day without depleting the limited Austrian supplies. The following year the Austrian Government was made responsible for the issue of visas to intending visitors, and the visitors, once in the country, were free to move about between the different zones. Yet, in spite of these measures, progress was slow. In 1947–8 the volume of foreign tourists, measured both in numbers and length of stay, amounted to only about 12 per cent of the 1936–7 figure, and in terms of foreign exchange earnings the comparative value was considerably less.

The ERP planners recognized the vital importance of the

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

tourist industry in Austria, though it was not until 1950 that a substantial allocation of counterpart funds was first made. Help was needed for the rebuilding and modernization of hotel accommodation, for the construction of ski-lifts and cable railways in mountain resorts, and for the establishment of publicity offices and information centres abroad. The number of tourists from East and South-east Europe had fallen off considerably, while visitors from Italy, Western Europe, and North America were increasing. This meant that post-War tourists from abroad, on the whole, expected a higher standard of comfort and amenities than had been available in the past.

From an economic standpoint no country had a greater need than Austria for the assistance made available under the European Recovery Programme. In few countries, moreover, was the establishment of a sound economy as important from a political point of view. That these two considerations were appreciated by the Economic Co-operation Administration in Washington is shown by the fact that during the first year of Marshall Aid, Austria received a higher allocation per head than any other country. In the second year its share per head was exceeded by Holland only.

The establishment of the counterpart account made it possible for Austria to embark on a much larger investment programme than had previously been possible, at a time when war damage and the legacy of incomplete heavy industrial plant made such a programme particularly desirable. In 1937 only 6 per cent of the national income had been devoted to investment, while in the ERP years the percentage varied between 17 and 21. In the allocation of funds preference was given to projects which promised to improve Austria's trade balance within a short space of time, but this main principle had to be combined with the need to round off and complete, as far as seemed expedient, the great installations that had been left unfinished at the end of the War.

Direct aid was used at first mainly to import food and the raw materials necessary to enable domestic industry to resume production. As the general situation improved, it was possible

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

496 With the help of counterpart funds the war damage suffered by the Austrian railways had practically been made good by the end of 1949. Steady progress was also made with the programme of electrification. By December 1952 the electrification of the main line between Vienna and the Vorarlberg was complete, and 22 per cent of Austria's whole railway system, or about 1,350 kilometres of track, had been electrified. During 1951 receipts for international transit services carried out by the railways covered 6·8 per cent of the country's total trade deficit (including imports under ERP).[1]

484 The tourist industry recovered rapidly with ERP assistance and the return of more normal conditions. In 1951 Austria was visited by about 1,200,000 foreigners, and the number of nights spent in the country by foreign tourists rose to 5,712,025 from 920,555 in 1948. The increase continued the folllowing year. The industry was stimulated considerably in the summer of 1951, by the decision of the Western Allies, in conjunction with the Austrian Government, to allow the entry of Germans into Austria from the West German Republic without special documentation. As a result, West Germany provided by far the most tourists in 1951, and it was followed by Britain, Italy, Switzerland, and France. Interesting developments about the same time were the increasing number of visitors from the West to Vienna and resorts in the Russian zone and the rise in the number of tourists from Yugoslavia.

Although the total volume of foreign tourists measured in numbers and length of stay amounted in the tourist year 1951–2 to about 93 per cent of the 1937 figure, the total earnings in foreign exchange were about $22·5 million, compared with $41·1 million in 1937, when the real value of the dollar was about twice as much. The industry thus covered only 19 per cent of the country's total trade deficit compared with 80 per cent in 1936–7. This unfavourable disproportion in receipts was due partly to a change in the type of tourist,

[1] The deficit in Austria's balance of trade in 1951 was:—

4,392,425,000 schillings (ERP included),
1,649,723,000 schillings (ERP excluded).

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

484 partly to the low Austrian prices, which themselves had contributed to the revival of the tourist industry, but even more to
457 the black-market dealings in foreign exchange, often carried out by the wealthier tourists, which cheated the country of its legitimate earnings.

439 The ultimate test of Austrian recovery, however, was the extent to which the country had approached national solvency. The success of Marshall Aid could best be measured by its effect on the revival of Austria's foreign trade.

Since 1950 the level of Austrian exports has been much more satisfactory than during the preceding three years. Between 1947 and 1951 the volume of exports expressed as a percentage of the 1937 figure rose from 26 to 110. During the same period the volume of commercial imports increased from 24 to 87 per cent of the 1937 level. During the second half of 1950 there was for the first time a surplus of exports over commercial imports, although commercial imports did not nearly cover Austria's total needs, which were still in a large measure satisfied by ERP deliveries.

These results were achieved only as a result of strenuous Austrian efforts in the face of great difficulties.

One of the chief obstacles to trade revival was the loss of markets in East Europe. In the past, Austria's East European customers had been happy to take her consumer goods in return for such vital Austrian requirements as food and coal. But since the War they had been unable to provide Austria with the food that she needed, and, as part of Russia's economic plan for the area, had been endeavouring to build up their heavy industries at the cost of renouncing all imports but basic necessities. In 1937 they had taken nearly half of Austrian textile and clothing exports. In 1950 they took only 7 per cent. What they wanted were such things as steel, aluminium, and cellulose, for which Austria had little difficulty in finding markets and which she was only willing to deliver in return for such goods as food and coal.

Thus Austria had to find markets for her finished products elsewhere. It was not easy to do so in Western Europe, where

In the Burgenland cabbage strudel is very popular. The "Schöberl" has always been a great favourite. This is a mixture of flour, milk and eggs, poured into an earthenware bowl, which is gradually filled with hot lard in ten or twelve layers each one finger deep poured in at short intervals. 252

The "Baumkuchen" or "Prügelkrapfen" of Lower Austria, the "Schnürkrapfen" and the "Schmerstrudel" are indispensable at such festivals as weddings, dedication of church bells, church festivals generally and christenings.

Upper Austria has won fame in the Austrian cuisine with its "Linzertorte" as well as with its Linz pastry and the "Traunkirchnertorte". The "Reinanken", a fish netted in the Salzkammergut lakes, is well-known. The "Schwarzreiterl", a special type of lake char from the Gosau Lakes were once reserved for the Imperial family and were therefore supposed to be a particular delicacy.

Salzburg was formerly famous for its "Salzburger Zungen". Nowadays every visitor tastes the delicious soufflé called "Salzburger Nockerln" before his departure. "Mozartkugeln" are a special kind of sweet which is attractively packed in Salzburg and makes a charming present.

"Green Styria" excels in the preparation of "Sterz" (rather like the Italian polenta) and of various dishes made from maize. Foreigners prefer Styrian chicken and mutton, which are a speciality in Austria.

In addition to the Tyrolese "Grösl", which is an everyday dish, there are a number of sweets in Tyrol which are popular delicacies—the "Hupfauf", a fine pudding, the "Schutzauf", a dish of curds, and the "versoffene Kapuziner", made of rolls, wine, almonds and currants.

The "Kärutner Reindling" replaces the "Guglhupf" in Carinthia.

If someone puts aside a rich menu and calls instead for "Käspätzle" or "Bodenseefelchen" it is sure to be a frugal Vorarlberger.

VIENNA RESTAURANTS. During the Thirty Years' War, manners deteriorated, the inn parlour re-echoed to the jargon of the streets or the brawling of mercenaries. The end of the 17th century saw an attempt made to curb rough manners. France was the first country to establish stiff forms of etiquette, which gradually spread over the frontiers. Inns slowly developed something like comfort, although visitors still whistled for the serving boy through their fingers instead of ringing a bell. 485 576

In the era of pastoral romance, the inns became really popular. Princes used them to give informal costume feasts in the gallant manner; "Wirtschaften" were held where even emperors and empresses appeared as host and hostess, while the rest of the court either acted as servants of the inn, or played the rôle of visitors. Incidentally this obviated disputes about precedence, which made everything more comfortable. In 1698, Peter the Great stayed incognito at the Vienna Court, taking part in a "Wirtschaft" which was arranged in his honour, disguised as a 000

INTRODUCTION

per cent of the world's output of magnesite and thus took 135
second place after the Soviet Union. In producing 9 per 316
cent of the world's graphite output, Austria followed close on the Soviet Union, Korea, and Germany.[4] The output of other minerals was less impressive and there were no great export surpluses.

About fifteen years ago, oil was discovered near the 315
little village of Zistersdorf, near Vienna. Production was 135
started in 1932 at the very low level of 100 tons, but it increased quickly until it reached 33,000 tons in 1937, the last year of Austria's independence. Since then the Germans, in their urgent need for oil, greatly increased the output in this district and annual production reached a level of one to two million tons. This quantity greatly exceeds Austria's peace-time requirements of oil.

As against her lack of coal, Austria is in the fortunate 377
position of having a practically unlimited supply of water power. Although this had by no means been fully harnessed, the 1936 production of 2,680 million kW.h.[5] of electricity sufficed to cover more than half the country's energy requirements. A small proportion of this electricity (340 million kW.h.) was exported.

Stretching the meaning of "natural resources" some- 487
what beyond its usual limits, two further assets, of great importance to Austria's economy, may be mentioned at this juncture. These are the geographic position of Austria in the heart of Europe, and the beauty of the Austrian towns and countryside. With regard to the first, Austria and particularly Vienna have, ever since the days of the Roman traders, been important junctions of the main European traffic routes. The Danube Valley, opening a gap between the Alps and the Carpathians, provide an east-west route, linking the Balkans with central and western Europe. At the same time the Brenner

[CP. p. 12, CAT. 116 — ANALYST]

•487 Pass and the Semmering Pass allow goods from central and northern Europe to cross the Alpine barrier and to travel south to the Mediterranean countries. Further, a number of other important lines of communication fan out from Vienna, enabling Austria to provide important transit services to other countries.

The natural beauty of the Austrian countryside is well known, and the rapid growth of tourist traffic in the inter-war period shows that Austria, like Switzerland, is a natural "recreation centre" not only for her own citizens but for a large number of people from all parts of the world.

AUSTRIA'S DEVELOPMENT BEFORE THE LAST WAR

178 The feudal character of the Habsburg Monarchy was no fertile soil for the development of an industrial bourgoisie. The industrialization of Austria-Hungary started rather late and proceeded slowly as compared with that of Germany and western Europe. When, however, railways began to be built after 1830, manufacturing establishments sprang up in growing numbers, both to provide for the needs of the railway companies and to make use of the new transport facilities. This process of industrialization gathered momentum after the middle of last century, when the foundations were laid for a great variety of industries. The great depression of 1873 resulted in a serious setback, but progress was soon resumed, though at a somewhat slower rate.

A few figures will help to illustrate the rate of growth in 433 that period.[6] Between 1841 and 1871 the production of 178 pig-iron increased from 200,000 tons to 770,000 tons. In 1871 Austria[7] possessed 1½ million cotton spindles and 580,000 wool spindles. Between 1870 and 1913 the production of coal increased from 3·4 million tons to 16·5

[7] [CP CAT. 116, P. 12 — ANALYST]
[8] [CP CAT 116, P. 12 — ANALYST]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

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and the contrast was accentuated by the fact that the capital was Socialist and the provinces largely Conservative. The isolation of Vienna from most of the provinces would therefore tend to revive an unhealthy animosity that years of common subjection to Berlin had done much to overcome. The Chancellor had every reason to fear such a development, because a movement for the formation of an Austrian government in the provinces occupied by the Western Allies had followed the liberation. This fortunately had failed. Had it succeeded, Austria might have shared the fate of Germany. Yet the attempt justified Dr. Renner's misgivings. Salzburg was the only province, outside Russian territory, that endeavoured to recognize the Provisional Government, and its overture to Vienna on the 24th of May led to a rebuke from the American Military Governor.

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Conditions made it difficult to counteract separatist tendencies. The country was divided, and there were still no normal transport services between the different zones. It was easier to travel from Russian-occupied Austria to Czechoslovakia than to the Austrian western provinces; and easier to move between the cities of Salzburg and Munich, which were both occupied by the Americans, than between Salzburg and the Austrian capital. A messenger sent by Dr. Renner from Vienna to the Tyrol in May took seventeen days to make the journey and had to swim the River Enns, when he crossed the Russian frontier. An experienced member of the Resistance, well accustomed to travelling under difficulties, took a week to cover the same distance by car during the summer.

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The Western Allies at first decided not to recognize the Provisional Government. They were suspicious of it as a Russian creation in which Communist influence was unduly strong. Fortunately events so developed that this decision was reversed.

On the 4th of July the Governments of the four occupying Powers reached an agreement in London setting up a Control Commission for Austria. It was to consist of an Allied Council, comprising the four Allied High Commissioners, an Executive Committee, and departmental staffs. Vienna was to be con-

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

taken was a 'German asset', and therefore a legitimate form of 727
reparation. The damage inflicted on the Austrian economy 433
has been decisive in preventing its full recovery.

Russia's subjugation of East and South-east Europe has also 727
been a severe blow to Austrian commerce. Not only has 439
Austrian capital behind the Iron Curtain been confiscated; Austria also has very largely been cut off from her main market area. The Habsburg Empire in its economic aspect represented the material interdependence of the peoples of the Danubian basin. It was natural, therefore, that after the Empire had collapsed Austria should maintain her economic ties with the Succession States. In 1937, 27 per cent of Austria's exports went to the five eastern countries behind the Iron Curtain that are now known as the 'People's Democracies', and 31·5 per cent of her imports came from them. The corresponding figures in the summer of 1952 were 12·3 and 9·9 per cent. The decline is not due to any disinclination on Austria's part to maintain normal trading relations: in that year she signed trade treaties with both Poland and Hungary. Apart from foreign aid, Austria is dependent on her exports for the purchasing power with which to buy food and the equipment necessary for her recovery. Any serious contraction of her foreign markets involves a corresponding setback in her economic revival.

Austria's problems were further increased by her geographical [489] •
position. After the War, Russia controlled the Danube and seized the steamers and barges belonging to the Danube Shipping Company. With no immediate access to the sea, therefore, Austria was entirely dependent on land communications and the availability of transport for her vital coal supplies and a large proportion of her food. She had less flexibility than better-placed countries like Germany in her search for new trading partners, when her industries gradually revived and she found her old markets closed to her. These difficulties were increased by the acute transportation crisis in Europe after the War, due to the shortage of locomotives, railway trucks, and road vehicles.

133 489 ROUNDING OFF THE PICTURE. The broad belt of mountains whose waters flow into the Carinthian basin, towards which their valleys also run, and the uniform transport network which has consequently developed and has its centre here, have helped to give Carinthia remarkable political and economic unity.

361 438 Within its confines there are no dividing barriers. No one area of Carinthia could exist independently of the others. They supply one another's needs. Without serious loss no one of them could be separated from the others and attached to some neighbouring economic territory dependent on a too distant centre. Their life is indissolubly united with the whole Carinthian plain and its towns which are the essential nerve-centres—Klagenfurt, with its government-offices and most of the higher schools, a scientific centre of the Geschichtsverein (Historical Research Society) for Carinthia and the museum collections provides for administration and cultural life, Villach as a railway junction of great importance looks after the technical requirements of the communications system. These two towns with St.-Veit-on-the-Glan and the rest of the smaller towns give the area its necessary economic backing.

Thus this compact organisation is permeated by all those elements of which the living body of Carinthia is constituted. It is surrounded by the eternal symphony of colourful scenery, interesting through its peculiar mingling of culture and national dress, exciting by virtue of the far-away magic beyond its frontiers.

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Old Montafon National Costume (Woman).

"White Art" was developed and cultivated is the Arlberg, which takes its name from the pass which was well-known as a connecting-link between Tyrol and Vorarlberg even in mediaeval times.

The name Arlberg is a magic word which arouses echoes in the heart of every skier, of whom there are hundreds of thousands today. There is scarcely another part of Europe which satisfies so many demands of modern ski-ing as this mountain-world on the borders of Tyrol and Vorarlberg. It gave its name to a well-known ski-ing style, and the name of Hannes Schneider is inseparably connected with the conception of ski-ing. You will quickly get an inkling of the Arlberg district's meaning for the sporting side of modern ski-ing if, at the end of winter, you glance down the lists of winners of the great international races; again and again you find Arlberg names at the head of them. The importance of the Arlberg from a ski-ing as well as from a tourist point of view will be understood and never forgotten by anyone who has ever spent a week there at the height of the season.

[496] The line of approach to this eldorado of the "White Art" is the Arlberg railway, which ascends from the Vorarlberg side of Bludenz in daring curves, overcoming the natural barriers of the narrow Klostertal by many a viaduct and tunnel to reach Langen-on-the-Arlberg, nearly 4000 feet above sea level.

On arriving in Langen one is at once confronted by a scene of activity. Motor-sleighs and innumerable horse-drawn sleighs, vast piles of luggage and a crowd of shouting and excitedly gesticulating people—a gathering of many nations—fill the square in front of the station. Within a few minutes this confusion resolves itself into an orderly line of vehicles which sets out over the Arlbergstrasse and Flexenstrasse with a rattling and tinkling of bells towards Stuben, Zürs and Lech, well-known winter-sport resorts. The drive over the Flexenstrasse, especially [491] in winter, is an unforgettable experience. No one can fail to be impressed by the manner in which this important highroad has been built in defiance of natural obstacles, with a vast expenditure of time and money, but with a due regard for the beauties of nature.

The less attractive the Arlberg scenery around Zürs is in summer, the more appeal the treeless white slopes have in winter when they are softly blanketted

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prehension of all things in which time no longer plays a part. The motor road climbs to a height of almost 7800 feet, ending at the foot of the ascent to the highest peak (12,000 feet).

The Glocknerstrasse takes its start in the pretty little valley town of Bruck-Fusch, near the Zeller Lake, on which the railways and motor roads leading to the Saalach Valley also converge. Zell-am-See, in winter a happy training area for skiers, becomes in summer a gaily-coloured and picturesque holiday resort.

The Glocknerstrasse. View of the Edelweiss Peak.

Valley after valley winds through the giants of the Tauern world until the Grossvenediger is reached, and finally one of Salzburg's two frontiers, that with Italy, which is dominated by the Dreiherrenspitze.

Let us return gradually to the eastern end of the Province where the Niedern Tauern sink by degrees to lay themselves at the foot of man, so to speak, in the Tauern Pass. It must not be imagined that they make it any too easy for him; even this pass, swept by snowstorm and avalanches, is 5400 feet high. On this high plateau lies a blue-white alpine paradise, which makes way for the road to the Lungau, a region consisting mainly of high plains characterised by their clear, sparkling air filled with the faint scent and whispering music of the otherwise rarely-seen larches. Mauterndorf, Maria Pfarr, Moosham (a casket of treasures from a mediaeval museum) and finally Tamsweg, well-known as the coldest place in Austria, and also for its beauty. Spread out in generous profusion are a number of strong, well-built settlements, solid in construction, with beautiful old churches and a horizon of mountain silhouettes. Further away, beyond the confines of the province of Salzburg, towers the mighty Dachstein.

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Behind the nobly formed Bischofsmütze and the remote stretches of the Gamsfeld the Schafberg lifts its beaky nose over the dark waters of the Wolfgangsee, the bizarrely picturesque mountains grouped about it like stage scenery.

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133 The types of rock and strata, of erosion and accumulation, vary within very limited areas. The work accomplished by long-vanished glaciers of the Ice Age is etched in intriguing lines. Below in the valleys lie lakes with shallow and sandy creeks of an almost southern warmth, above them terraces and debris of moraines now thickly wooded. In the hollow lie the isolated hills and the bogs. Up in the mountains you can find romantic lakes and waterfalls, harsh clefts and bare ridges and the wild confusion of the crust of a forgotten world, petrified while still in eruption, then scoured and pounded by wild storms. Add to this the colourful variety of the vegetation, enriched by the flora of the adjacent Mediterranean, Illyrian and Baltic territories, the deciduous forests and woods of mingled firs and larches, and the flowering carpet of the mountain pastures. Who can explain the presence amidst all this profusion of the Wulfenia, a plant native to the Himalayas and unknown in any other part of Europe?

ANDANTE MAESTOSO. Where the province joins Tyrol and Salzburg, it is dominated by the Hohe Tauern, which culminate in the majestic pyramid of the Grossglockner (approximately 12,000 feet) above the Pasterzen Glacier. The colours of the meadows and woods stand out sharply contrasted against rocks and snow. Through it runs the magnificently constructed alpine highway to Salzburg. [491] On the Carinthian side the Möll foams past the well-known mountain village of Heiligenblut, to be joined by the waters of the Malta from Ankogel and Hochalmspitze. Through the glistening spray of a hundred waterfalls it flows into the Lieser, which absorbs it near the ancient town of Gmünd (traversed by a road in use since Roman times which leads over the Katschberg to Salzburg), and bears it onwards to the Drau at Spittal, the starting point of the Tauern railway. Shortly before this the river is joined by the overflow waters of the Millstättersee. This area

Klagenfurt Etching, 1547.

133 with a tempered gaiety. The softly rounded hills and grass-covered slopes with their carpets of flowers strike a bucolic note. This is a domain of shepherds and of modest travellers who come here in summer in search of peace and placid beauty. In winter it is a ski-terrain which not even the novice need fear to tackle. The cable railway to the Kanzel, above the Ossiachersee, which is extended by a ski-lift to the heights of the Gerlitzen, saves a long climb. Broad valleys which are all traversible lead from the Glan, the Gurk and the Lavant through a fertile and cultivated area back to the Drau. The Brennsee and the Afritzersee maintain Carinthia's reputation as a country for warm lake bathing. High up on the Turrach Pass which leads over into the Valley of the Upper Mur one sees the dark, shining surface of a small lake. Towards the East, where gaps leading from north to south mark out the line of the mountain ranges and the flowing water, the melody of the landscape becomes softer as one crosses the saddles of the Kor and Sau Alps with their abundant fauna until it blends into the farewell song of the Drau. Along a railway line and the dreamy road which Rudolf Hans Bartsch calls "the road of the Styrian wine carrier", Carinthia's chief river passes over into the rich vineyards of 133 what was formerly Austrian South Styria. Not far from Wolfsberg, chief town of the fruit-491 producing Lavant Valley, the "Paradise of Carinthia", a modern car road leads over the

Lavant Valley Costume.

Villach, 17th Century.

in the ring of castles surrounding St. Veit, of which the famous Hochosterwitz may be called a "Carinthian Graal", in the castles crowning Frisach and in the fortified mansions near the Italian frontier. A later creation of these proud overlords was Klagenfurt, now the chief town of the Province. Sheltered by the castles and towns splendid buildings arose—in Klagenfurt the Provincial Diet Hall, in Spittal-on-the-Drau a dream of early Renaissance in the shape of the Palazzo Porcia. Here and elsewhere grew up many a comfortable burgher's house which spoke of prosperity resulting from shrewd trading, and some fine churches.

The Napoleonic times did not spare peaceful Carinthia. General Bonaparte marched through the Province in 1797. The Imperial grenadiers occupied it in 1805 and 1809. Open rebellion against the foreign conqueror was organised by Johann Baptist Türk, the Carinthian Andreas Hofer. He moved too early in the day to be successful and it was not until 1814, under Metternich, that the great hour of liberation from foreign rule struck.

During the stormy year of 1848 the inner unity of Carinthia was again demonstrated. It was the same during the first World War, the mountain

saddle of the Pack into the Graz basin, thus affording a quicker and more comfortable connection with Styria than is provided by the railway which runs by way of Friesach and the Neumarkt Saddle. On the southern slopes the peasants' houses lie at very high altitudes. The Benedictine monastery of St. Paul, a well-known educational centre, is situated here. In the mountains are iron ore and coal. The wind sweeps through the extensive forests, and across flower covered fields in which the blue squill, a child of the South, is still to be found.

FURIOSO. South of the west-east line which the Gail-Drau Valley cuts through Carinthia, at the foot of the frontier wall formed by the Carnic-Julian Alps and the Karawanken, the melody of the landscape is different again. After the *Andante* of the Hohen Tauern and *Allegro* of the Noric Alps which is transformed into the softer airs of the Lavant Valley, comes the wild *Furioso* of the storm-swept Kalkgebirge.

Between the Gail and the Drau, the Gailtaler Alps sometimes rise to a height of 6000 feet. To the south they fall away in impressive walls of rock. On the more gentle northern slopes

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Shrine.

the Gerlitzen, with the secularised monastery of Ossiach on its shores. The broad and open Millstättersee, named after the health resort of Millstatt in the centre of which are a monastery and church of venerable age, looks serenely out at the world. Of the "Thousand Statues" which classical scholars claim to have been the origin of the name there is today no trace, unless one is prepared to find a modern version of them in the muscular figures which crowd the great diving-tower of the swimming pool, a true campanile of water sport. The Faakersee lies amidst fascinatingly beautiful scenery. Far away in the south of the Province smiles the little Kloppeinersee, which can boast of being even a few degrees warmer than the Wörthersee.

This lake owes its agreeable temperature to its sheltered position. Although the southern sun reaches it across the wall of mountains, the latter wards off cold wind. During the greater part of the year, this lake forms a calm island of fine weather amidst the surrounding storms. If one looks across the countryside from the Ulrichsberg, Carinthia's most typical mountain, one gets a good picture of how all the varied elements which make up the landscape blend harmoniously together—the central part of the great mussel of Carinthia and the surrounding mountains, with the valley of the Drau which traverses the entire Province from the Porta Tyroliae at Oberdrauburg to Unterdrauburg at the other end and beyond, receiving all the tributary streams and the ribbons of the highways which, a true network of roads, lead from all directions to the heart of the Province.

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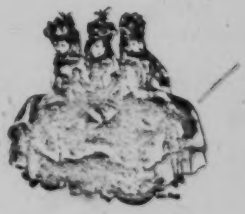
RESTING PLACE BETWEEN NORTH AND SOUTH. Whoever wishes to enter or leave Carinthia must traverse a high pass or a narrow gorge, no matter from where he comes. So nature has ordained.

For this reason the roads have stood from time immemorial, however much they may have been improved by science. Their wearisome length, their task of linking the Adriatic arm of the Mediterranean with the Danube Valley area, have influenced the way of life of human beings and their choice of settlements. Carinthia is and always has been a resting-place for recuperation after climbing up from the sea level and overcoming the barrier of the southern Alps, before preparing to cross those to the North.



Glan Valley Costume.

The pattern of the Roman roads has been indelibly recorded. There is the Noric Road, which

instituted. Hüttenberg has its "Reiftanz", a miners' festival which expresses the longing for light of those who hew coal in darkness below ground. The "Kufenstechen" in the Gail Valley where horse-breeding is important to the people, derives from old tournaments. A ring which is held out on to the course by a girl has to be speared at full gallop. The "Kranzlstechen" in Weissenfeld in the Gurk Valley is a similar custom.

On such festive occasions, or at the ceremony of the dedication of the local church, one sees the old national costumes which are heirlooms in the valleys. At other times simple garments of home-woven linen and "Loden" (coarse woollen cloth) are usually worn.

VILLAGE AND FARM

Variety lends a special charm to farm and village. Scattered in small groups, the buildings stand in colourful and attractive gardens filled with flowers and enclosed by hedges. Built here of wood and there of stone, flat alternate with sloping roofs, and pergolas crossing the garden from one side to the other with those running the length of it. The wooden pillars supporting the veranda roofs are always carved; doors and windows are framed in colour and decorated by flowers. The "Kachelofenstube" ("Tiled Stove Room") contains hand-carved furniture and gaily painted chests. In the remoter valleys the "Rauchstube" ("Smoky Room") is still to be found. Originally it was a living room with an open fireplace and hand-made copper vessels. Shrines and waynide crosses differ greatly one from the other. Grain chests display the pleasure taken in artistic hand carving and colouring.

The food of the country people is simple and wholesome. Milk and sweet dishes made from flour form the basis of nourishment. Of the latter the most popular in town and country are the large "Nudel", a sort of cake, made of

Gmünd.

begins at Aquileia and forks north of Osoppo, the western branch crossing the Plöckenpass and the eastern the watershed of Pontebba. Where it emerges from the high mountains arose the modern Mauthen on the site of Loncium, and where it crosses the Gailberg into the Drau Valley grew up Oberdrauburg. Here one branch leads past Aguntum-Lienz through the Puster Valley to the Brenner and another past Teurnia (now called St.-Peter-im-Holz), Spittal-on-the-Drau and Gmünd to the Katschberg and on to Salzburg. The eastern fork runs from Pontebba-Tarvis to the place where the trading centre of Villach developed, and past the Ossiachersee and the Wörthersee to Virunum at Zollfeld, near the point where Klagenfurt was established, and further on to St. Veit, where the former dukes of the Province held court. Further along its course

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Spittal, Castle Porcia.

to the Neumarkter Sattel and Styria arose the proud town of Friesach. From Virunum a road led eastwards. On this route lie the larger towns of Southern Carinthia, such as Völkermarkt and Bleiburg.

This natural network of roads is as much used as ever today. This has maintained the prosperity of the settlements along its path. The fulcrum may have varied its position slightly as the area developed, but it has always lain within the triangle Villach—Klagenfurt—St. Veit. The advent of the locomotive, of the automobile, even of the airplane have brought little change in this respect. These routes follow the historic, natural highways. At most, where in olden times an obstacle was circumvented, it is today surmounted by an artificial construction, or bored through by a mountain tunnel as the Tauern railway does at Mallnitz and the Karawanken railway at Rosenbach. Even the airplane flying high above follows the old Pontebba route in order to avoid dangerous storms.

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THE TOWNS OF CARINTHIA. The Carinthian settlements have earned their right to be called towns more through their historic past than for any other reason. They are small in size and their economic importance varies greatly. Nowhere do they crush nature like a stone fist, forcefully suppressing it. It is nature which encircles and penetrates them, surrounding them with a framework of lovely scenery, predestinated and naturally developed as centres of a district. This may be the reason why for a long time none of them was given the absolute dominance of a capital. An additional reason may be that the three most important places all lie in the centre part of the Province close together, having originated in different feudal territories of which they formed the centre.

The old ducal town of St.-Veit-on-the-Glan, where Walther von der Vogelweide sang, as well as his less talented colleague, the Carinthian Zachäus von Himmelberg, was pre-eminently a fashionable court centre, which later came into competition with the picturesque little mountain town of Althofen, an iron trading centre. Today it is a typical provincial town,

Klagenfurt, the Dragon.

of peasant labour and civic industry, the wine carriers from Hungary and the lowlands bringing greetings from far-off lands. Occasionally great nobles who broke their journeys had brought the exciting atmosphere of the big world. Like shafts of lightning historical moments lit up this forest-hidden land when the Turks came to trouble even the lonely vicarage on the Pack, or later, when the French marched in via Eibiswald and Preding. After the modest deposits of iron ore had been exhausted, the valuable timber caught the eye of the iron-masters. The streams drove the wheels of the hammers in the scythe workshops. The manor house to which one of the largest, the Tunner-hammer, belonged, still stands today amidst the smoke and noise of the colliery. Ever since Archduke Johann drew up with his own hands the plans for the construction of the railway line from Graz to Köflach in the fifties of the last century, and had them put into effect despite obstinate opposition, West Styria has become more aware of the vigorous life of modern times.

EAST STYRIA. Four main roads give access from the chief town to the rich fruit-bearing country of East Styria. Around this territory winds the River Mur, sweeping southwards from the sharp angle it makes at Bruck, and then eastwards to leave Austria at Radkersburg, forming a living barrier along the boundaries of East Styria.

The white ribbon of the first road runs past Maria Trost, climbing the hill within view of the massive Schöckel, descending to Weiz where it forks, one branch leading to the northern hill country, while the main road runs dead north, right into the heart of Peter Rosegger's "Waldheimat" ("Wooded Homeland"). The second highway is that famous

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one which from its earliest days has been known by its name of the Ries. Its asphalt surface climbs steeply to the high road, affording sweeping views from the inn-benches which date from the days of coach-travel. Bordered by forest and meadow, it descends gently into the Raab Valley. From Gleisdorf, where a branch leads off through Feldbach and Fehring to Hungary and another to the far-distant territory of Hartberg, its main branch continues as the Ungarnstrasse (road to Hungary) through Fürstenfeld to the Province of Burgenland.

The third road wanders towards the East Styrian hills, running past St. Marein-on-the-Pickelbach down into the Raab Valley. The fourth road over the Hühnerberg is the last in the network of roads which serves the quiet peasant life in the valleys between the Raab and the Mur.

These roads all vary, passing over hills and through valleys, past wooded mountains and vineyards linked together by fertile fields. The further east one travels along the valleys, the more they widen out as the space between the ranges of hills broadens until, in the distance, they remind one of the nearby Hungarian Plain. In the same measure that the countryside loses the shelter of the mountains do the human habitations grow together, isolated farms gradually giving place to hamlets, villages and market towns. The farms which in the middle districts consist of rambling house, cattle stalls and outbuildings, loosely grouped around one another as the terrain dictates, now move their components nearer and nearer together until on the other side of the bend in the Raab they become compact rectangles within which man, beast and the fruits of the soil are collected into one homestead.

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It is not hard to discover evidence of the changing fortunes of the Province. Tombstones have been found in remote parts of the forests with inscriptions in Roman letters erected to the memory of Celtic aborigines. By the roadside are overgrown tumuli which the peasants awefully refer to as "heathen graves". If one is to believe local legends, great princes are buried in some of them—perhaps even Attila himself, the King of the Huns. Later the Avars overran the country, destroying the deserted homesteads of the Romans and their culture, and driving

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Seebenstein.

mighty Benedictine monastery according to Prandtauer's grandiose design, the Prelate's Courtyard with its quiet fountains, the Imperial Wing, the great half-moon of the terrace between the two monumental and at the same time delicately contrasted towers, the high dome of the cupola, the library, the fine reliefs of the archways and the artistic ceiling frescoes. Stand beneath this baroque canopy and look upwards: Virtues, Wisdom and the Arts are seen attempting to lead the human soul to higher things.

Here one is confronted with a part of the spirit of Austria. Side by side with the inescapable reality of everyday life and the material world, thought and emotion have built an unattainable but equally real world

491 of the imagination in baroque style. It is in conformity that the Wachau district does not possess any broad, straight motor roads. Here everyone is forced to linger, to regard quietly his surroundings, perhaps also to ponder a little over himself and the world.

133 Melk stands at the beginning of the Wachau, which now passes Schönbühel to oecome the most famous part of the Danube Valley. Church and castle stand here on rocky ground near the river, showing a marked individuality of design. You would be well advised to stop at Aggsbach to climb to the ruins of Aggstein. The countryside here opens up like a burst and overripe fruit. Along the horizon roll the green waves of the mountains, hill upon hill. Far below the remaining walls of the once mighty castle gleams the "Rosengärtlein". Scattered around are farms, churches and fertile fields. Down in the valley vineyard follows vineyard. The sharp tang of woodruff rises on the air, and may later be met again floating in a refreshing wine-cup.

361 A culminating point in this feast for the eyes is Dürnstein. It rises up abruptly in complicated lines and its harmonious blending of ochre and white. Sheltering beneath the dominating ruins of the old castle and a baroque monastery tower is the clean little market town where the moving story of Richard the Lion-Hearted and his minstrel Blondel is still honoured today.

FOLKSONG.

When Croatian girls are singing
To the tamburizza's sound,
You hear ancient lays a-ringing,
Every eye casts smiles around.

For they're singing of Junaken,
Their love's rapture and distress.
Of the king's descendant, Mârko,
And his wife, the proud princess.

derable development of traffic and trade. 172
The Bernsteinstrasse, that famous trading highway of prehistoric times along which, about 1000 years before Christ, the honey-coloured amber, tears of the sea, was brought from the coasts of Samland to Italy, passes through the Burgenland. It crossed the Danube at Hainburg, a predecessor of the Roman road which later lead to Italy by way of Carnuntum, Ödenburg, Steinamanger and Laibach. Today 131
Ödenburg (Sopron) belongs to Hungary. What the "Ödenburg Sack", connected to Hungary by a narrow tongue of land only five kilometres wide between the frontier and the Neusiedler Lake is to Hungary, is to Austria the "Ödenburg Spur" which limits the Burgenland to a width of four kilometres and almost cuts the northern and southern parts of the Province off from one another. Seven roads and three railways are thus cut off. The only road which connects the two regions had to be built by the Austrian Government.

"The bloody Hall", Lockenhaus Castle. 491

Southwards this road leads to the Oberpullendorf district, a hilly country with varied scenery and attractions of its own. Anyone interested in tracing historical developments must hasten through the Province to the spot where a range of mountains forms a barrier dividing Burgenland into two parts. The eastern corner which at the same time marks the Hungarian frontier, is the Geschriebenstein, the tallest mountain of the Province, some 2,700 feet high. Its summit affords a wide view across the plain of Raabau. On its slopes, just on the other side of the frontier at Wöllembach, on the St. Veitsberg, stood one of the best-known foundries in the Bronze Age, a prehistoric industrial centre. 133

Here the Burgenland reveals itself to the traveller. At the foot of the Geschriebenstein lies the forest-surrounded castle of Lockenhaus, which, with its Gothic Knights' Hall and a keep five stories high, dates back to the year 1200. Almost as old are the ruins of Landsee Castle on the borders of Lower Austria, one of the biggest castles in the country. 342

But to bore a tourist by dragging him from castle to castle as far as Kobersdorf would be risky, since it would—finally land him on volcanic soil. 000

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ROADS AND RAILWAYS.

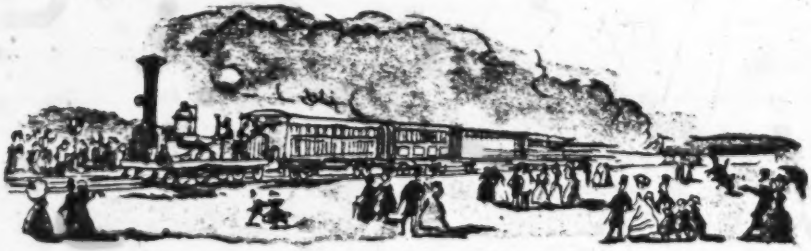
The roads of Austria are as ancient as her history, dating back to the Roman military and passing roads which followed the line of frontier fortifications right through the country. In their Provinces the Romans usually built flint or gravel roads with a uniform width from three to three and a half metres which were kept in good order by soldiers.

The Roman roads, based on surprisingly exact knowledge of the territory—in the alps they were all boldly constructed crossings via alpine passes—survived the flood of the barbarian invasions, forming Austria's principal highroads until well on into the Middle Ages.

Although very few ecclesiastical and secular buildings were created during this period, and the nobility and burghers created flourishing towns, the roads were sadly neglected and their condition became dangerous. The apparent contradiction in progress can be explained by the political situation and general conditions. Most people lived within the fortified areas—the castles, markets and towns in which even countryfolk were forced to take refuge in the constantly recurring periods of war. When danger from the Turks became a constant threat for Austria during two centuries, the roads were still more neglected, partly, perhaps, with the intention of making it more difficult to march from village to village and to penetrate into the interior of the country.

Thus until late into the 17th century the roads were allowed to degenerate into dirt tracks, without any attempt to surface them. Following the lie of the land, they ran uphill and down dale, unplanned and unregulated. The few existing fords were at the mercy of the slightest floods and there were almost no ditches at the side of the roads. Such roads were naturally only negotiable for vehicles in fine and dry weather and it was a work of art to bring a load intact to its destination. A special class of freight carriers grew up who created a monopoly for themselves. Travellers as well as merchants were very much at the mercy of the skill as well as the moods of the carriers.

The great change in politics created by the victory over the Turks and the new urge to build which reached its apex in the blossoming of the baroque period, soon brought about a complete alteration of these conditions. Under the Emperor Karl VI, Vienna became a great European traffic and trading centre. Step by step extensive road planning was carried through. In the forefront stood the road of link with the Mediterranean harbour of Trieste, so the "Kommerzialstrasse" was built. The road over the Semmering Pass took only 48 days to complete. At the same time the



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EXPLANATION OF MAP

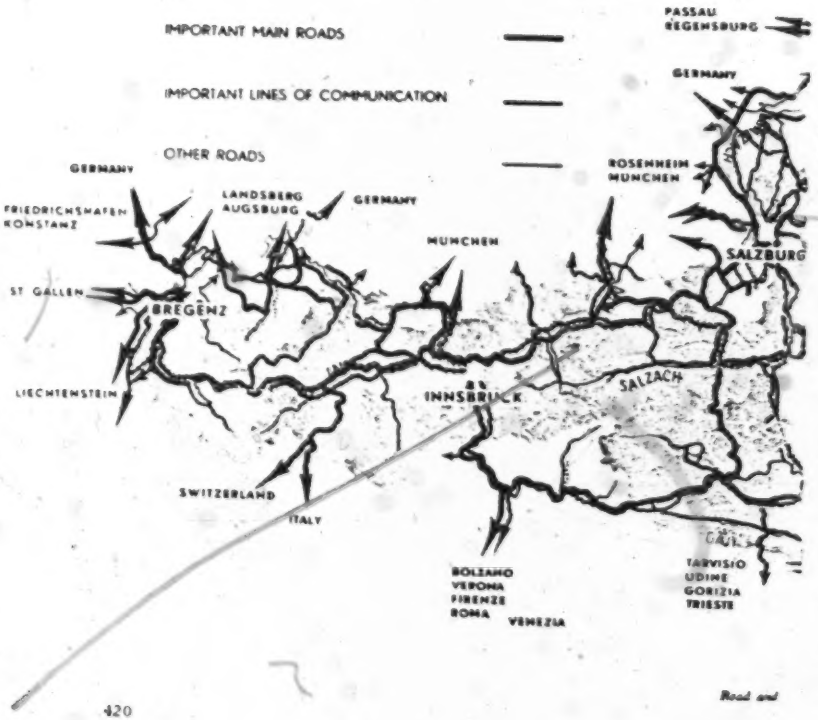
RAILWAY WITH EXPRESS SERVICE

RAILWAY WITHOUT EXPRESS SERVICE
OTHER RAILWAY LINES

IMPORTANT MAIN ROADS

IMPORTANT LINES OF COMMUNICATION

OTHER ROADS



Road and

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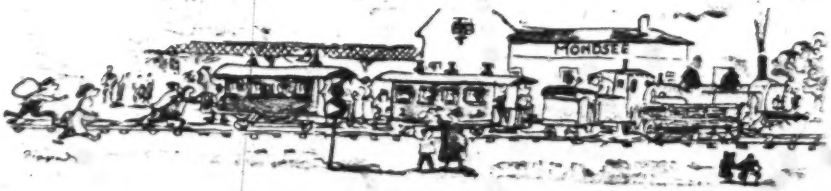
Railway Map.



Salzkammergut Local Railway.

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building of main roads from Vienna to Brünn, Olmütz, Iglau and Prague was started.

Hand in hand with the construction of a modern network of roads went the development of the mail services. When Napoleon made preparations for the conquest of Europe, the way had quite literally been prepared for him.

When steam instead of horse power began to make the wheels go round in the 19th century and the first engines crawled puffing through the country—in short, when technical development revolutionised all previous ideas, covering the countryside with a dense network of railway lines, Austria took the lead among continental countries in railroad construction.

In 1837 the first train left Vienna in the direction of Wagram. By 1841 there were already 350 kilometres of railway line in use. The year 1848 saw work started on the daringly planned Semmering Railway, with its succession of tunnels and viaducts, the world's first exciting attempt to build a mountain railway. The Westbahn was built in 1858 and the Ostbahn completed in 1868. Since that time Austria's key position in the transport system of Central Europe has been undisputed. Soon goods trains from Germany, Bohemia and Poland, heavily laden with coal and industrial products of all kinds were rolling between the Brenner and the Semmering on their way over the Alps to the Mediterranean, bringing back in return southern fruits, rice, fish and silk. Southern France and Switzerland sent costly finished products in exchange for grain, cattle fodder and pigs from Galicia, Hungary, Serbia and the Ukraine.

The Arlberg Express has long been the backbone of the European transport system, collecting passengers from the West, from the Channel ports, from Brussels and Paris, from Zurich and Geneva and carrying them down through the gateway of Austria to the Balkans—to Budapest, Bukarest, Belgrade, Sofia, Athens and Constantinople.

For the lover of the beauties of this world a journey through Austria is itself an unforgettable experience. It is difficult to select for mention any of the countless scenic beauties to be seen from the Austrian railways without slighting the rest. There is the Mittenwald line near Innsbruck, the line by which one passes from Salzburg to Carinthia through the Valley of Gastein, the ascent of the Arlberg and the Brenner, the narrow-gauge Salzkammergut local railway, the cross-country connection from Attnang-Puchheim by way of Gmunden, Ischl and Bad Aussee to Selzthal, the Ennstal stretch, the Pyhrn railway, the line through the Styrian mountains, the views from the line which cuts through the mountains to Mariazell and the innumerable mountain and cable railways. Here we must stop, otherwise it will become just

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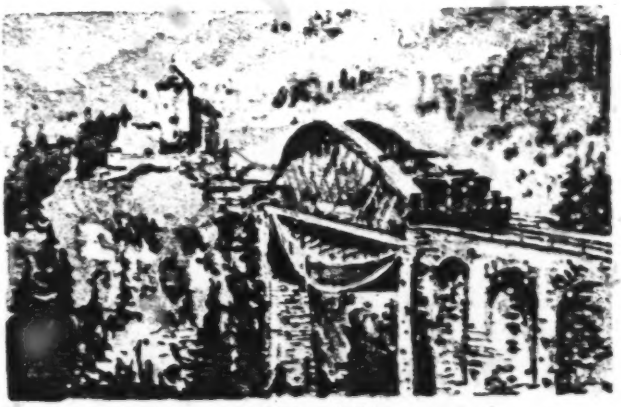

The Trisanna Bridge.

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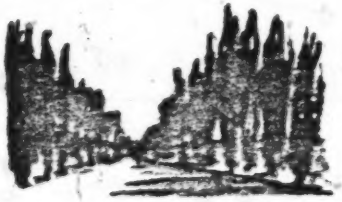
a matter of transcribing from the timetable, for in Austria every rail journey is enchanting.

The scenic beauties which the state railway has raised are covered by a carefully planned network of motor roads, totalling over 70,000 kilometres in length. One name may stand for all the roads over the alps or through mountain passes, along the shores of lakes and by the Danube and through long poplar avenues—the Glocknerstrasse, which climbs up to and penetrates a marvelous world of mighty mountains and glaciers. A motor journey over it brings home Austria's wish to offer of her best to guests from abroad, and wish them to see and enjoy her wonderful countryside.



633 categories, but wages were increased. Since then no worker or employee in municipal employment has been dependent on tips.

The basis of all the great achievements of the Vienna Municipality after the First World War was a stern financial policy which gathered in money where it was to be found—in the hands of the property-owning classes and of those who chose to live luxuriously.

491 Between the years 1934 and 1938 many large-scale road constructional schemes were carried out. First the Höhenstrasse was built through the belt of forests and meadows on the western outskirts of the city, then the Kobenzlstrasse and the Kahlenbergstrasse were constructed, the whole providing a wonderful motor highway. Another road important for modern traffic is the Wientalstrasse, which greets the motorist from the west far outside the city boundaries near Purkersdorf, and conducts him through Hütteldorf, past Schönbrunn Palace deep into the heart of Vienna.

633 Thus the activities of Vienna Municipality in the period following the First World War may be put on record as having been constructive in the best sense of the word, serving the welfare of the people at large and the progress of mankind.

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Aschach-on-the-Danube.

Austrian wine-growing. The green grapes on the sunny walls of many a farmhouse seem to be dreaming of these bygone glories. To-day, the mugs in the "Bauernstuben" ("Peasant Parlours") and the glasses on the inn tables are no longer filled with wine, but with the cider and perry from apples and pears which in late summer lie in great heaps before the old home presses, richly carved and decorated with mottos. The Upper Austrian is a great drinker of cider in pauses between his warm work in the fields, and at "Jause" (tea time), in cool, paved rooms or in the shade of an inn lime-tree in summer.

The wooded charm of the mountains lining the Danube Valley strikes an ever more solitary note. The hills and cliffs twist the ribbon of the river into loops until at Schlögen it makes a great bend around the foot of the mountain on which stand the ruins of Haichenbach. Next come the villages of boat-builders; further upstream we see on high ground the market church of Engelhartszell on the right bank, near the Bavarian frontier.

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IN THE INNVIERTEL.

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Rich harvests are usual in this part of the country. The four-square farms nestle comfortably and with an air of independence in the rich fields. In the stables, side by side with the long row of sturdy cart-horses are fast trotters, which draw the farmer and his wife on cross-country trips, or when they enjoy the hospitality of a wedding feast in some neighbouring village. Baroque church

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and here his "Don Juan" was produced. Nowadays this historic stage is at the disposal of young actors of the Reinhardt School.

Something quite unique for sightseers is the Wagenburg, or carriage park. Its showpiece is the eight-horsed Coronation Coach of the Emperor Karl VI, fashioned in the shape of an enormous gold crown and supposed to be the most beautiful coach in the world. Its interior is decorated with valuable paintings of the Rubens School. This coach was used at seven Hapsburg coronations, the last of them being that of Emperpr Karl, crowned in Budapest during the First World War in the year 1916.

351 Wide gravel parks and avenues conduct one to the lovely grounds of the Palace, a compromise between two art trends—born of the enthusiasm for nature of Rococo and the joy in antiquity which characterised Baroque. Figures taken from legend and ancient history, the rich statuary of the park, reflect the living spirit of those times, commemorating many historic events. Tall, formal hedges clipped in the French manner flank the wide flowerbeds, running diagonally towards fountains with their surrounding statues.

In the far distance are the Neptune Fountain, the "Roman Ruins" and the Kaiserbrunnl with the "Beautiful Fountain" from which Schonbrunn takes its name. On the other side are the Palm House and the extensive Zoo. Half way to them a zigzag path winds up to the heights of the Gloriette, a light and decorative structure with slender columns and stone roof through the round arches of which the skies look down.

344 From here we get a fine view of the wide-spread city, an attractive

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Russia EK1

The German authorities raised the number of employees to over 100,000 during the War, compared with 57,000 in 1937, and owing to the difficult conditions of the immediate post-War years, this excessive figure was only slowly reduced. By 1950 it was down to about 80,000, but only at the expense of increasing the number of pensioners, who in that year actually exceeded the employees by nearly 4,000. This disproportionate burden in respect of pensions, which accounted for nearly a third of the budget, was due to the political changes both in 1945 and 1918, no less than 15,000 of the pensioners being German-speaking employees who were dismissed when the Habsburg Empire broke up. 497

The railways also suffered from the competition of road, river, and air transport, all of which were in receipt of large, mostly concealed subsidies in the form of road construction and repairs and the building and maintenance of wharves and aerodromes. The rivalry of road vehicles was particularly severe, the number of lorries and trailers in the autumn of 1949 exceeding the 1937 figures by nearly 300 and 900 per cent respectively. [494]

A third factor that contributed to the heavy deficit was the comparatively small increase in fares that had occurred since before the War. In the summer of 1951 the passenger and freight fares were only 195 per cent and 285 per cent of the 1937 figures, whereas the rise in the general price level amounted to about 700 per cent. As the railways were subsidized directly, and road transport indirectly, in neither case was the principle respected that those who use transport services should pay for them.

In spite of the serious position of the Austrian railways after the War, they remained by far the greatest single economic enterprise in the country, and their potential contribution to the balance of trade in happier times was considerable. A substantial allocation was therefore made to them from counterpart funds. It was to be used for two main purposes: to repair war damage and to extend electrification. The electrification programme of the between-War period had resulted in 990 497 457

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

Government was obliged to spend approximately 150 million schillings a year on maintaining them.

The Austrian economy under the Nazis had been geared to make a maximum contribution to the war effort. When the War ended, the whole structure collapsed. Factories that had been converted to war production at great expense needed even more spent on them in many cases to fit them for peace-time production. As this situation was common throughout the world and industrial equipment and machine-tools were in very short supply, the process of reconversion could only be carried out slowly and at a high cost. Those industries that served a purely peaceful purpose had been very largely neglected during the War. Much of their equipment and machinery was worn-out and old-fashioned, and the process of replacement involved the same difficulties as the reconversion of war industries.

The railways provide an example of the kind of problem with which Austria was faced. Over a third of the total track mileage was out of action owing to war damage, and nearly 400 bridges had been destroyed. At the same time, the greater part of the locomotives and rolling-stock that were still available were due by pre-War standards for renewal.

A good indication of the War's effect on the Austrian economy is given by the estimated figures for 1946. When the year opened, the country had already had eight months in which to recover from actual hostilities, so the figures represented an injury of more than passing significance that could not be attributed solely to the results of the fighting or to the administrative breakdown that accompanied the German defeat. The total gross national production in 1946 was approximately 45 per cent of the 1937 figure. Agriculture reached only about 50 per cent and industry only 43 per cent of the amounts produced in 1937, while foreign trade was only about 8 per cent of the 1937 total. Of this modest aggregate production it has been conservatively estimated that some 30 per cent was required to meet the needs of the occupying Powers.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

With the help of counterpart funds the war damage suffered by the Austrian railways had practically been made good by the end of 1949. Steady progress was also made with the programme of electrification. By December 1952 the electrification of the main line between Vienna and the Vorarlberg was complete, and 22 per cent of Austria's whole railway system, or about 1,350 kilometres of track, had been electrified. During 1951 receipts for international transit services carried out by the railways covered 6·8 per cent of the country's total trade deficit (including imports under ERP).[1]

The tourist industry recovered rapidly with ERP assistance and the return of more normal conditions. In 1951 Austria was visited by about 1,200,000 foreigners, and the number of nights spent in the country by foreign tourists rose to 5,712,023 from 920,555 in 1948. The increase continued the folllowing year. The industry was stimulated considerably in the summer of 1951, by the decision of the Western Allies, in conjunction with the Austrian Government, to allow the entry of Germans into Austria from the West German Republic without special documentation. As a result, West Germany provided by far the most tourists in 1951, and it was followed by Britain, Italy, Switzerland, and France. Interesting developments about the same time were the increasing number of visitors from the West to Vienna and resorts in the Russian zone and the rise in the number of tourists from Yugoslavia.

Although the total volume of foreign tourists measured in numbers and length of stay amounted in the tourist year 1951–2 to about 93 per cent of the 1937 figure, the total earnings in foreign exchange were about $22·5 million, compared with $41·1 million in 1937, when the real value of the dollar was about twice as much. The industry thus covered only 19 per cent of the country's total trade deficit compared with 80 per cent in 1936–7. This unfavourable disproportion in receipts was due partly to a change in the type of tourist,

[1] The deficit in Austria's balance of trade in 1951 was:—

4,392,425,000 schillings (ERP included),
1,649,723,000 schillings (ERP excluded).

f) Investments for the federal railways and the post and telegraph service. 655 [496]

The Austrian federal railways received 210 million schillings in 1950 to carry out planned investments. Especially mentioned should be: the Semmering tunnel financed in 1950 by ERP counterpart funds, the Prebichl tunnel, the Tauern tunnel, the Danube bridges at Tulin and Krems, the Inn bridge in Brixlegg and the Nordwestbahn bridge in Vienna. These high allocations to the federal railway system were necessary to enable the whole transport system, which was heavily damaged by war action and dismantling, to keep pace with the recovery of the national economy. Gradual renovation of the rolling stock, restoration of road beds and tracks, building of bridges, installations for freight, repair of railway shops and track installations (such as signal houses, etc.) were necessary to fulfill the requirements of the economy.

The same consideration holds true for the Austrian post and telegraph administration, which received 60 million schillings from counterpart funds in 1950 and for which another 15 million schillings were reserved by the December grant. The postal system was able to carry out most of its projected plans. In particular, the transfer of the planned coaxial cable was accomplished. Damaged district cables were changed or transferred in the course of installing the automatic telephone system. Various automatic telephone central offices were enlarged and two new trunk exchanges built. [205] [206]

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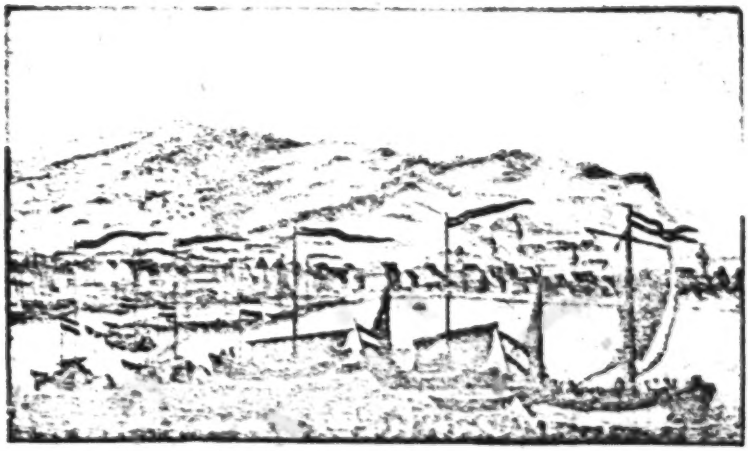

Bregenz in 1799.

361 BREGENZ AND LAKE CONSTANCE. Old and venerable Bregenz, Austria's
131 gateway to the West, has maintained its leading position in the life of Vorarlberg throughout the centuries and today it is still the capital. It has been favoured in its situation. On one side it nestles beneath the protecting spurs of the Northern Alps; on the other it stands astride the route which traffic has followed from the earliest times along the banks of the Rhine, one of the natural highways of Europe. These factors have made of it a little town with a charm which is all its own. Its strategic importance was proved again and again during the chaos of barbarian invasion by the Saracens or from the East, during the quarrels of feudal overlords and the inroads of the Appenzell folk and the Thirty Years' War. These have left marks on its countenance which, do it honour and give it a claim on one's respect. These lines are not the wrinkles of age, but an indication that the spirit behind them has learnt how to overcome adversity and to pursue a settled course with courage and consistency.

Modern Bregenz is once again proving by its actions the existence of this driving spirit. It is fully aware of its importance as Austria's open gateway to the West, and from this realisation has come the strength to begin reconstruction, which in view of the Motherland's difficult position after the second destructive world-war is doubly important.

133 The cable railway which leads straight from the town to the commanding
361 heights of the Pfänder reveals that the attraction of Bregenz lies not only
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IT ALL BEGAN WITH THE FLOOD

When Noah first set foot from the ark on dry land, he found himself not on Mount Ararat, as is generally believed, but in Vorarlberg, at the summit of the Widderstein. It is true that the venerable mountain mentioned in the Old Testament is not the only one which claims to have been the landing place of the Ark after the flood. But the attempts of other places to steal the glory of having been the second cradle of mankind must be disregarded in view of the claims which Vorarlberg can advance. When the first ascent of the Widderstein was made, remains of the bulwarks of the Ark — or at least of some of them — were still lying on the summit. This discovery, the Vorarlberg people claim, of course put an end for all time to the controversy as to which country Noah first set foot on. 133 *The second patriarch of the human race was thus the first inhabitant of Vorarlberg.*

Alas that efforts to continue the history of Vorarlberg from this point onwards should oblige one to admit that the descendants of the Old Testament here must have remained analphabets through several thousands of years, at least until the birth of Christ, for they have left to posterity no record that they ever existed.

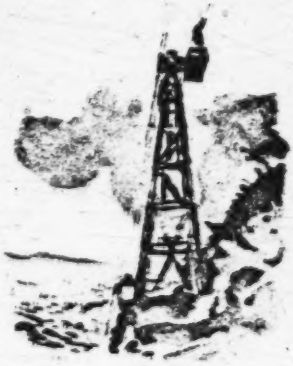
Otherwise, Vorarlberg's first inhabitants seem to have known a very elementary form of civilisation. There are few traces of their activities, other than a few primitive hearths sheltered behind rough walls. Much ingenuity was called for to find even these.

In fact, the first tidings of Vorarlberg come to us from one of the many branches of the family of Noah, those who called themselves Romans. They selected the fifteenth year after the Emperor Augustus ascended the

in its historic importance and culural activity, but also in its geographical position. This overhead railway is one of the oldest and most popular in Austria. Certainly the view from the Pfänder over Lake Constance and the Swabian Plain which lie below, spread out like a map framed by the Swiss and Vorarlberg mountains, can hardly find its equal. And the lake itself! In its manifold beauty, whether it presents a limpid surface ruffled by tiny sparkling waves which caress the swimmer, or some masterpiece of colouring by nature which takes one's breath away, with the tinted curtains of the sunset changing from minute to minute, or the threat and fury of unleashed elements, lies a magic attraction from which few are immune and which tempt the poet to take up his pen in their praise.

THE AUSTRIAN GEOGRAPHY OF THE RHINE. As the whole world knows, the question of the left bank of the Rhine has been the starting point of many bloody European wars, even of the world wars.

Strange how the most complex questions change their whole character when treated in Austrian fashion. The left bank of the Rhine! Who knows that Austria possesses a left bank of the Rhine, or that the river is crossed by two Austrian bridges? That the Vorarlberg parishes of Höchst, Fussach and Rheinau belong to the left bank? (It may be



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Old Montafon National Costume (Woman).

"White Art" was developed and cultivated is the Arlberg, which takes its name from the pass which was well-known as a connecting-link between Tyrol and Vorarlberg even in mediaeval times.

The name Arlberg is a magic word which arouses echoes in the heart of every skier, of whom there are hundreds of thousands today. There is scarcely another part of Europe which satisfies so many demands of modern ski-ing as this mountain-world on the borders of Tyrol and Vorarlberg. It gave its name to a well-known ski-ing style, and the name of Hannes Schneider is inseparably connected with the conception of ski-ing. You will quickly get an inkling of the Arlberg district's meaning for the sporting side of modern ski-ing if, at the end of winter, you glance down the lists of winners of the great international races; again and again you find Arlberg names at the head of them. The importance of the Arlberg from a ski-ing as well as from a tourist point of view will be understood and never forgotten by anyone who has ever spent a week there at the height of the season.

[496] The line of approach to this eldorado of the "White Art" is the Arlberg railway, which ascends from the Vorarlberg side of Bludenz in daring curves, overcoming the natural barriers of the narrow Klostertal by many a viaduct and tunnel to reach Langen-on-the-Arlberg, nearly 4000 feet above sea level.

On arriving in Langen one is at once confronted by a scene of activity. Motor-sleighs and innumerable horse-drawn sleighs, vast piles of luggage and a crowd of shouting and excitedly gesticulating people—a gathering of many nations—fill the square in front of the station. Within a few minutes this confusion resolves itself into an orderly line of vehicles which sets out over the Arlbergstrasse and Flexenstrasse with a rattling and tinkling of bells towards Stuben, Zürs and Lech, [491] well-known winter-sport resorts. The drive over the Flexenstrasse, especially in winter, is an unforgettable experience. No one can fail to be impressed by the manner in which this important highroad has been built in defiance of natural obstacles, with a vast expenditure of time and money, but with a due regard for the beauties of nature.

The less attractive the Arlberg scenery around Zürs is in summer, the more appeal the treeless white slopes have in winter when they are softly blanketted

[496] 133 Within half-an-hour the cabin of the cable-railway swings one up from a height of over 1700 feet to well over 7000 feet, to the Hafelekar, whence one gets a fine view of the mountains of the wild Karwendel range. But one cannot see as far as the heart of the Karwendel, to the mysterious and death-haunted Ahornboden. In one hour the cable railway lands the visitor amid the extensive pine-woods on the Patscherkofel, opposite the Stubaier Ferner (glacier). In half a day one can reach the Stubai Alps and the glaciers of the Ötztal and Zillertal. Three hours by road or rail take one over the Brenner, in the south, to Bozen and Meran. It is from this neighbouring other-world that the Föhn, the heady south wind, streams [243] into the Province of Tyrol. Its burning breath does the maizecobs to a turn even in autumn. The maize stocks are left standing in the harvested fields of the Innsbruck valley until late in the year, while the reddish gold and brown cobs lend the splendours of their colouring to the gable walls beneath the protecting eaves of the peasants' homes.

The immediate surroundings of Innsbruck exhausted, a short train journey of one to three hours will present the traveller with new and attractive beauty-centres: the dark Achen Lake, set amidst steep and gloomily-romantic cliffs, the little fortress of Kufstein with its giant organ whose thunderous pipes are audible from afar and its imposing background of the many-peaked Kaisergebirge, the smiling and sunny surroundings of Kitzbühel with its mountain pastures and ski-ing areas. Or one may go further up the Inn Valley to the glacier world of the Urgebirge Valleys as far as the Paznauntal which ends so impressively below the Trisanna Bridge and Wiesberg Castle, to the sun-bathed townships of Imst and Landeck. Still further [496] on lies the world-famous Arlberg and the Fernpass with its lakes. There is distant Ausserfern with the Plansee and the bizarre chalk mountains of the Lechtal and the Zugspitz mountain with its rack-and-pinion railway.

133 *frontiers of the Province proving an insurmountable barrier. In 1918 South Serbia laid claim to Carinthian territory and foreign troops soon invaded a country which had collapsed after four years of war. But the Carinthians stood firm in loyalty to the Motherland, and the Province emerged intact from the defensive battles of the year 1919 and the plebiscite of 1920. The inflexible patriotism of its people had triumphed. History repeated itself after the second World War in which Austria was involved. The old saying "Carinthia free and undivided" will be bequeathed by the present sorely-tried generation to its sons, as an inheritance which is part of the very existence of the Province.*

[629]

WHAT THE PEOPLE ARE LIKE

Anthropologically there are two main races clearly traceable in Carinthia: a blond, tall, long-skulled type and a dark, tall, long-faced but short-skulled type. Both types are about equally prevalent. The eastern type of man, smaller, with a broader skull and darker skin, is less frequently met with. Here and there in many places there are isolated traces of a Mongol race, revealed by the characteristically wrinkled eyelid and the position of the eye. It is typical of Carinthia that none of these traits indicates a national division. They result from centuries of constant racial intermingling, being found quite as frequently among the German-speaking as among the Slovene inhabitants of the Province. It seems that the original Celtic peasant inhabitants gradually mixed with Germanic, Slovenic and other elements which penetrated the Province as the result of colonisation, wars and the expeditions of merchant caravans.

[532]

[476]

[137]

Living in this area marked out by its natural boundaries, these peoples, aided by the effects of common conditions of life and progressive intermarriage, gradually developed into that Austrian-

lies the picturesque Weissensee, the only alpine lake which can boast of a bridge. The Gailberg offers a way over this mountain range connecting the towns of Kötschach and Oberdrauburg. A second road leads over the Kreuzberg between Hermagor in the Gail Valley and Greifenburg in the Drau Valley. Where the two broad river valleys meet lies Villach, on the extensive mountain plateau of the Dobratsch which has been given the name of "Carinthian Rigi" on account of the wonderful view from it. The acrothermal baths and the valuable metals won from the Bleiberger Erzberge are some compensation for the devastation caused by landslides in the dawn of history on the south side of the Dobratsch. The wierd scenery must be in part the reason why a famous colony of painters has settled in these parts, in the village of Nötsch. Among them are such well-known artists as Franz Wiegele, Arnold Clemenschitsch, Kolig senior and Herbert Boeckl, as well as Anton Mahringer and Raimund Kalcher.

Only south of the Gail Valley and of the lower reaches of the Drau is the wild character of the frontier mountains fully apparent. The wall of the Carinthian-Julian Alps stretches from Tyrol to the Gailitz Gorge through which passes the railway-line to Italy. In the Monte Coglians it attains a height of 9000 feet. It has a single negotiable pass—a military road even in Roman times—at Plöcken. The crests of the ranges tower upwards in pyramids or sheer walls of rock in a bewildering variety of forms, differing according to their height and the type of stone. Dense beech woods alternate with open fields, the meadows of the Gartnerkofel reflect the majestic violet blossoms of the Wulfenia. The Wolayersee reflects an impressive view of the surrounding country.

of peasant labour and civic industry, the wine carriers from Hungary and the lowlands bringing greetings from far-off lands. Occasionally great nobles who broke their journeys had brought the exciting atmosphere of the big world. Like shafts of lightning historical moments lit up this forest-hidden land when the Turks came to trouble even the lonely vicarage on the Pack, or later, when the French marched in via Eibiswald and Preding. After the modest deposits of iron ore had been exhausted, the valuable timber caught the eye of the iron-masters. The streams drove the wheels of the hammers in the scythe workshops. The manor house to which one of the largest, the Tunner-hammer, belonged, still stands today amidst the smoke and noise of the colliery. Ever since Archduke Johann drew up with his own hands the plans for the construction of the railway line from Graz to Köflach in the fifties of the last century, and had them put into effect despite obstinate opposition, West Styria has become more aware of the vigorous life of modern times.

EAST STYRIA. Four main roads give access from the chief town to the rich fruit-bearing country of East Styria. Around this territory winds the River Mur, sweeping southwards from the sharp angle it makes at Bruck, and then eastwards to leave Austria at Radkersburg, forming a living barrier along the boundaries of East Styria.

The white ribbon of the first road runs past Maria Trost, climbing the hill within view of the massive Schöckel, descending to Weiz where it forks, one branch leading to the northern hill country, while the main road runs dead north, right into the heart of Peter Rosegger's "Waldheimat" ("Wooded Homeland"). The second highway is that famous

and appearance of the old town is determined by a mingling of Late Gothic, Lombardian Renaissance and Italian Early Baroque. The well-known double-spiral stairway is a specimen of the extravagance in form of the 15th century. Half a century later the Diet Hall was built, a renaissance building of mature beauty. Within the severe exterior, dominated by massive cornice mouldings, one is surprised by the southern spaciousness of the three-storied arcaded courtyard. A harmoniously blended stairway leads to the banqueting hall. The bronze well in the courtyard is the work of native bronze casting. The adjoining Provincial Armoury, established in 1640, contains the greatest collection of historical armour and weapons in Europe.

The best work of the early baroque period is the tomb of the Emperor Ferdinand II. It was designed as a reminder of the triumph of the Counter-Reformation. The 16th and 17th centuries are responsible for the many arcaded courtyards. It was in the 18th century that the palais and residences of prosperous citizens were built.

SOUTH STYRIA, LAND OF VINEYARDS.

On the mountain tops shine small, white churches and summer bungalows gleam palely among groves and thickets. The shaded side of the mountain slopes are covered with forests, the southern sides bear sunny vineyards. The vines are often trained up poles which are usually the tops of fir trees, planted in the soil so that each vine looks like a well-grown tree. In the leafy vineyards are dozens of rattles, operated by the wind, which chatter at every gust. They are like wooden stars, little ones and big ones, which reflect the sunbeams, lending an unusual charm to the countryside. They give tongue at the least breath of air, their varied and often

Pöllau.

iron hammers of Admont Monastery, the iron-bearing rocks affording a meagre existence. Its few houses were not enough to form a village, and it belonged to the parish of Versbühel in the district of Rottenmann. But where the railway lines came to meet and cross, there the noise and bustle of the new life brought new inhabitants, new houses. Workshops and homes grew up amid the ever increasing noise and drifting smoke. In itself no beauty-spot, it is the gateway to a world of high mountains and age-old valley culture, the Ennstal. 361

To the right following the course of the river runs the Pyhrn railway, which then crosses the valley and disappears into the Bosruck Tunnel behind Ardning, emerging into the open to carry traffic to Linz in Upper Austria. 496

The track of the other line which leads to Amstetten follows the course of the Enns. From it one sees one picture after another of the ever-changing beauties of nature. The moss which spreads over the valley has in places been torn 133

133 and raftsmen, leaving Altenmarkt behind it, the Enns, today the favourite torrent for adventurous souls in collapsible boats, flows across the frontier into Upper Austria.

[496] From Selzthal the railway runs upstream along the left bank of the Enns to Radstadt and Bischofshofen in the province of Salzburg. All along its course northwards stands a chain of the characteristic peaks of the Kalkalpen in exciting divergency—Hochmölbing, Totes Gebirge, Hochtausing, Grimming, Stoderzinken and the lower flanks of the massive Dachstein. Different again, less wild, but as unique in their own way, are the forested subalpine hills which run off here to the left. Behind them lies the wilderness of the Niedere Tauern with their many lakes.

361 [438] Liezen at the northern edge of the valley, mention of which occurs in documents of 900 years ago, was the most important transport junction before the railway came into being. Trade and barter brought prosperity from the salt carriers and the traders who arrived by way of the Pyhrnstrasse. The growth of the neighbouring town of Selzthal has brought losses to the former roadside settlement, but the persevering inhabitants have found other means of livelihood and today its flourishing industries have raised Liezen to the status of a town.

[529] Wörschach, a pleasant and peaceful spot at the entrance to a gorge, attracts from afar holiday visitors and health seekers year after year to the healing springs of its radio-active sulphur baths. Mountaineers and ski-ers climb from here into the mountain world of Hochmölbing, Warschenegg and Hochtausing, the climber often finding summer conditions on the verdant heights of the Schneehitzalm and the Bärenfeuchten between the numerous herdsmen's huts. The mere pedestrian crosses the Taschnermoos within view of the towering Grimming and goes on to the Puttererseе by way of Aigen.

[346] From Wörschach the road leads westwards to Niederhofen, whose little gothic church deserves the attention of all lovers of art—and of Styria. This building contains curious tempera paintings from about the year 1500 and three carved altars from the 17th century. According to Ferdinand Tremel, the Styrian historian, we have in it one of the oldest churches of the Enns Valley. In Stainach, to which the junction of the Salzkammergut electric railway and the Bischofshofen—Selzthal line have brought new life and trade, we catch sight of the rocky nest of "in der Pürgg" above. The great gothic church there, noteworthy for its antiquity as well as for its unusually artistic architecture, well earns its local name of "Steyrisches Kripperl" (Styrian Crib). Inns and farmhouses surround it, completely filling the gap in the rocky cliffs.

On the other side of the valley lies Irdning, an impressive market-town whose busy life confers many advantages on the wide mountainous hinterland.

From Liezen onwards one is impressed again and again by a mountain which rises above lower wooded heights like a vast, glittering castle of rock—the Grimming.

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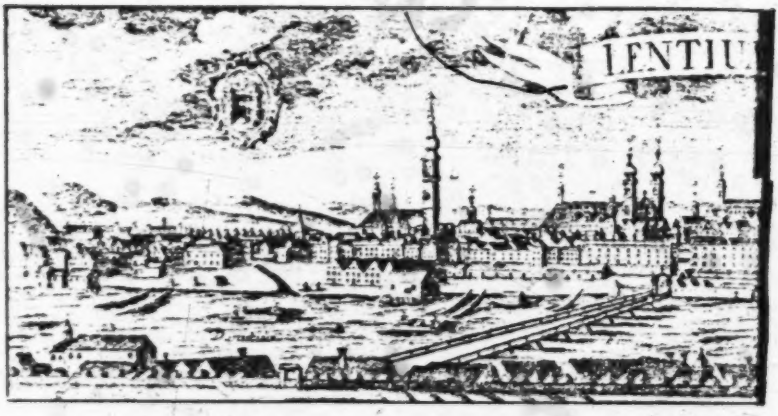

132 by raging storms. Here an early winter may often come to destroy the harvest, the fruit of bitter toil, and sweep away bridges and footpaths so that neighbour is isolated from neighbour.

361 At such times life is easier in the Upper Austrian towns—for instance, in Freistadt, the former frontier fortification north of Kefermarkt. Round the mediaeval town with its wide, turreted square lies a broad moat. On the wall which once defended the citadel whisper ancient lime-trees, casting their shadows over the children who play beneath them.

496 Not far from here runs the line between Linz and Budweis, the first "railway" line constructed on the continent of Europe, which unites the former Crown Lands of Bohemia to Upper Austria. In biedermeier times the citizens of Linz used to make excursions on this railway, travelling far into the country in horse-drawn railway carriages resembling post-coaches. These were in use for 40 years before the horse-drawn was replaced by the steam railway.

133 Up hill, down dale, sometimes in deep valleys, sometimes climbing up to the heights, the Mühlviertel, which has been called, not without reason, the "hunchback"-land, stretches further and further out towards the dim vastness of the Böhmerwald. At the foot of the Dreisesselberg, where Bavaria, Bohemia and Upper Austria meet, rises the broad Mühl from which the district takes its name, its golden-brown waters flowing on to the Prämenstratensian monastery of Schlögl. For many hours one can trace its meanderings through solitary mountain forests, following the sound of the woodsman's axe or the smoke of the charcoal-burners, where the grey wisps 288 float above the lofty crests of the pines. From courtyards and houses come the 248 muffled rhythm of hand-operated spinning wheels. Here flax is grown, spun and

bleached.

133 You once stood in May in Wiener Neustadt on the Ungarfeld. There was the rocky wall of the Hohe Wand in the south. The Rosalien range appeared as a light coloured, enticing forest. Eastwards the green pasture-land opened out like a [874] gateway. The two gothic towers of the Theresian Military Academy were an unchanging landmark of the "ever-loyal town".

You first drove over the Semmering in time of peace. Then you were able to enjoy yourself quietly and at leisure. Giants must once have played in this area, using as dice the mountains which begin here, wild and majestic. A man of the determination of Karl Ghega was needed to tame this wilderness. He bent the mountains and the deep gorges to his will. His tunnels and viaducts alternate [496] in carrying the railroad to its highest point. The Semmering railway was the first mountain railway of the world which all others used as a model. All the railways of the Andes in South America learned from it.

[132] The Semmering district, in a pocket of warm air above cold and misty valleys, is Lower Austria's show-piece. People from all the world over come here in search of health and peace. The Viennese regard the Semmering, Rax and Schneeberg as their own estates in the Alps. Towards the east the landscape slopes gradually down to the forested knolls of the hill country. In Mönichkirchen the work of Anton Wildgans reached epic status.

IN THE WACHAU DISTRICT. In the first days of creation there may have been some question as to which was the stronger, land or water. In the Wachau, the river triumphed over the mountains, although it has still to follow a course prescribed by the former, as to where it should narrow, should turn, should form bays and inlets; rocks jut out to spur its flanks, hidden granite builds hurdles over which it is forced to leap. Between Melk and Krems nestle a dozen charming villages whose picture lingers long with the wanderers along the banks and the passengers on the Danube steamers. Weissenkirchen lies in the heart of the Wachau district in a sunny position to the south. Old courtyards, arcades, rounded archways and vinecovered houses call for attention. In the small village of Schwallenbach they will show you the old parish church and the "Devil's Wall". The boatmen of the Danube tell the story of its origin. The Devil's grandmother is said to have scoffed regularly at the columns of pilgrims and the ships of the Crusaders, moving the Archfiend one night to try to block the flow of the Danube by building this [172] stout wall. At Willendorf was found the sandstone figure of a "Venus" which archaeologists admire as a relic of matriarchal, pre-historic times. Spitz, a sleepy little Danube town at the foot of the Jauerling should not be overlooked. Backed by the four-square tower of the Hinterhaus ruins, it is in blossom time a fairy garden of pink and white. Standing out against the mountains behind are multi-coloured forests—pale green larches, rust-brown fir trees and dark pines.

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EXPLANATION OF MAP

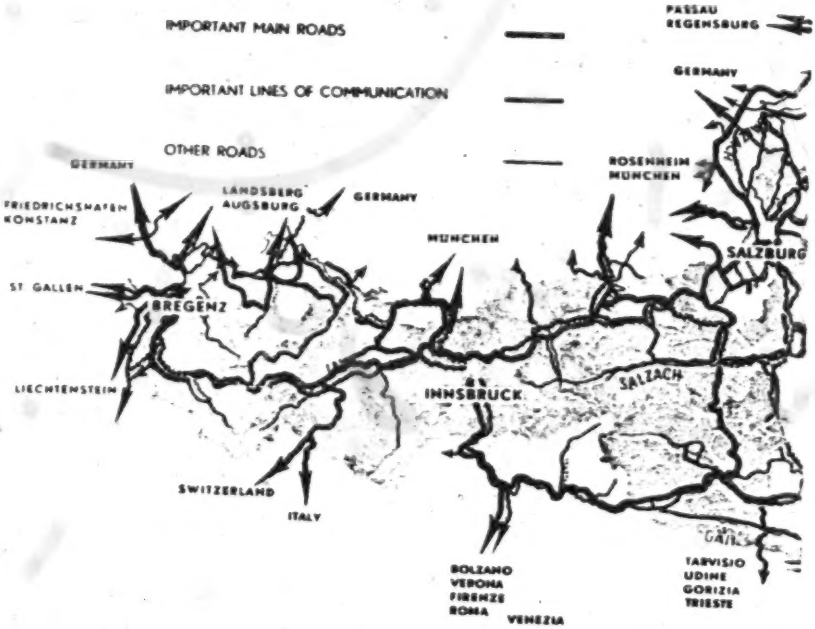
RAILWAY WITH EXPRESS SERVICE

RAILWAY WITHOUT EXPRESS SERVICE
OTHER RAILWAY LINES

IMPORTANT MAIN ROADS

IMPORTANT LINES OF COMMUNICATION

OTHER ROADS



Road and

Salzkammergut Local Railway.

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building of main roads from Vienna to Brünn, Olmütz, Iglau and Prague was started.

Hand in hand with the construction of a modern network of roads went the development of the mail service. When Napoleon made preparations for the conquest of Europe, the way had quite literally been prepared for him.

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When steam instead of horse power began to make the wheels go round in the 19th century and the first engines crawled puffing through the country—in short, when technical development revolutionized all previous ideas, covering the countryside with a dense network of railway lines, Austria took the lead among continental countries in railroad construction.

In 1837 the first train left Vienna in the direction of Wagram. By 1841 there were already 350 kilometres of railway line in use. The year 1848 saw work started on the daringly planned Semmering Railway, with its succession of tunnels and viaducts, the world's first exciting attempt to build a mountain railway. The Westbahn was built in 1858 and the Ostbahn completed in 1868. Since that time Austria's key position in the transport system of Central Europe has been undisputed. Snow goods trains from Germany, Bohemia and Poland, heavily laden with coal and industrial products of all kinds were rolling between the Brenner and the Semmering on their way over the Alps to the Mediterranean, bringing back in return southern fruits, rice, fish and silk. Southern France and Switzerland sent costly finished products in exchange for grain, cattle fodder and pigs from Galicia, Hungary, Serbia and the Ukraine.

The Arlberg Express has long been the backbone of the European transport system, collecting passengers from the West, from the Channel ports, from Brussels and Paris, from Zurich and Geneva and carrying them down through the gateway of Austria to the Balkans—to Budapest, Bukarest, Belgrade, Sofia, Athens and Constantinople.

For the lover of the beauties of this world a journey through Austria is itself an unforgettable experience. It is difficult to select for mention any of the countless scenic beauties to be seen from the Austrian railways without slighting the rest. There is the Mittenwald line near Innsbruck, the line by which one passes from Salzburg to Carinthia through the Valley of Gastein, the ascent of the Arlberg and the Brenner, the narrow-gauge Salzkammergut local railway, the cross-country connection from Attnang-Puchheim by way of Gmunden, Ischl and Bad Aussee to Selzthal, the Ennstal stretch, the Pyhrn railway, the line through the Styrian mountains, the views from the line which cuts through the mountains to Mariazell and the remarkable mountain and cable railways. Here we must stop, otherwise it will become just

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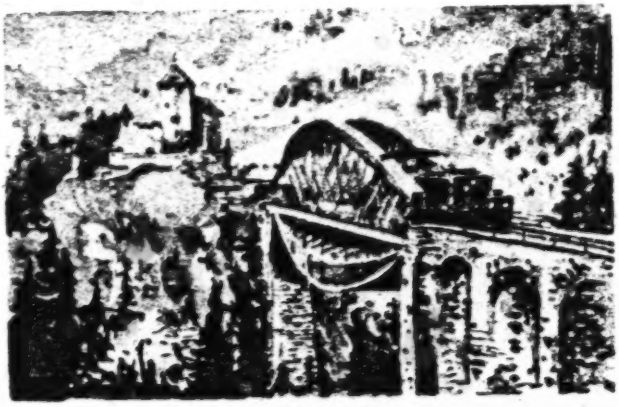

The Trisanna Bridge.

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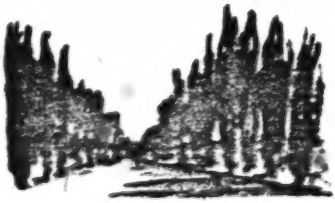
a matter of transcribing from the timetable, for in Austria every rail journey is enchanting.

The scenic beauties which the state railway has missed are covered by a carefully planned network of motor roads, totalling over 70,000 kilometres in length. One name may stand for all the roads over the alps or through mountain passes, along the shores of lakes and by the Danube and through long poplar avenues—the Glocknerstrasse, which climbs up to and penetrates a monstrous world of mighty mountains and glaciers. A motor journey over it brings home Austria's wish to offer of her best to guests from abroad, and wish them to see and enjoy her wonderful countryside.



9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

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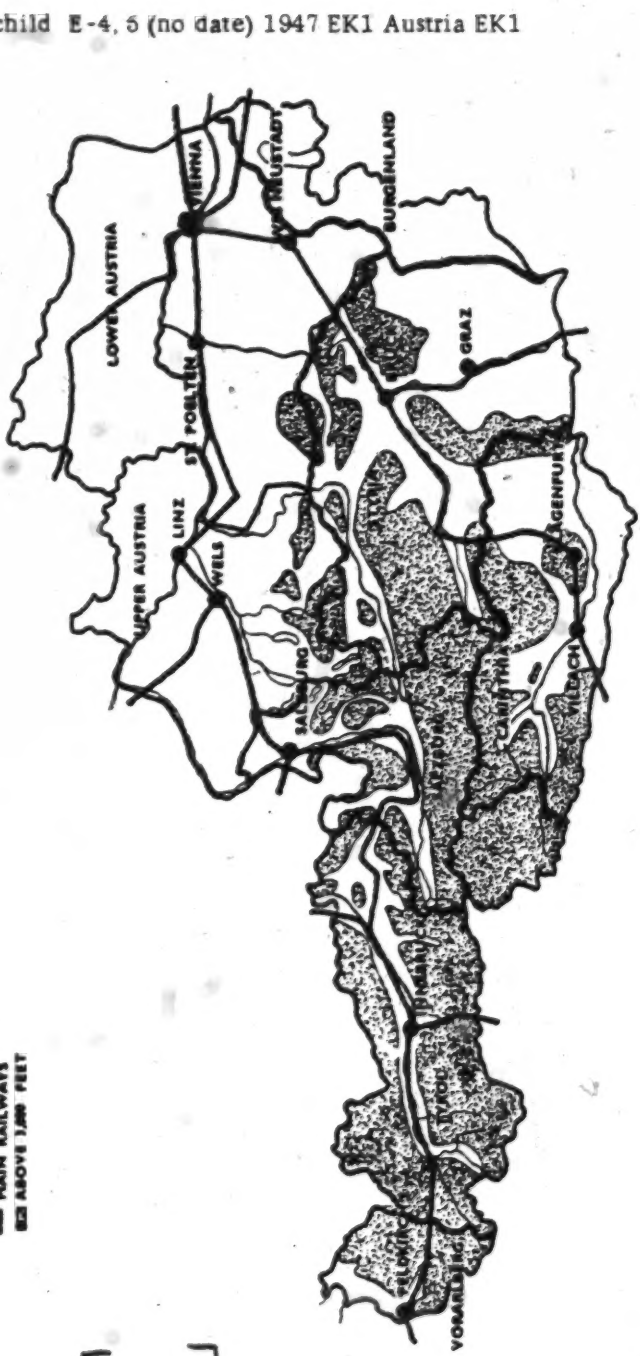

[p. 110]

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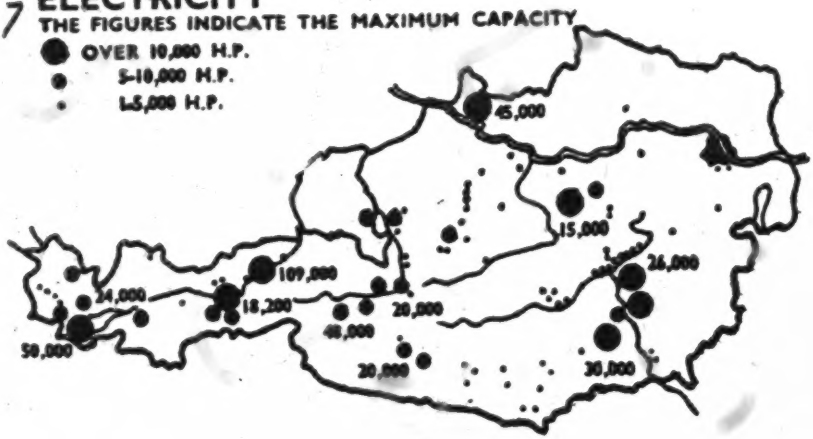
ELECTRICITY

THE FIGURES INDICATE THE MAXIMUM CAPACITY

- OVER 10,000 H.P.
- 5-10,000 H.P.
- 1-5,000 H.P.



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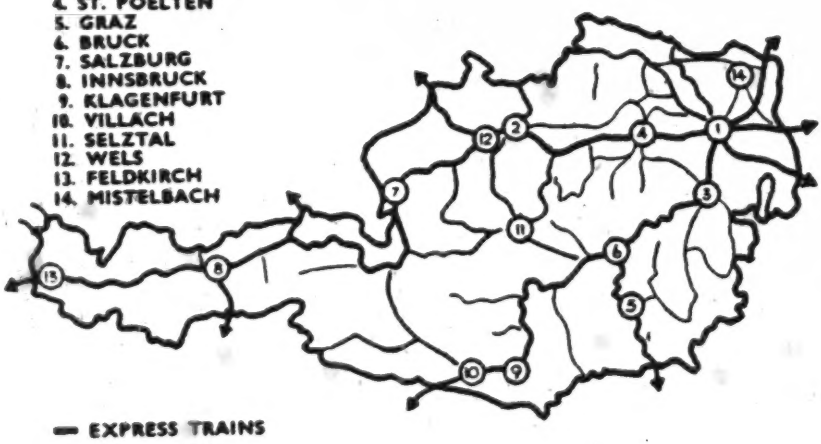
RAILWAYS

1. VIENNA
2. LINZ
3. WR. NEUSTADT
4. ST. PÖELTEN
5. GRAZ
6. BRUCK
7. SALZBURG
8. INNSBRUCK
9. KLAGENFURT
10. VILLACH
11. SELZTAL
12. WELS
13. FELDKIRCH
14. MISTELBACH



— EXPRESS TRAINS
— FAST TRAINS
— SLOW TRAINS

[p. 112]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

316 buy freely in the cheapest market. The main purpose of the
457 counterpart funds allotted to the development and modernization of mines and refineries, therefore, has been to save foreign exchange, with the possibility of increasing the exports of finished products as a secondary incentive.

497 The railways have always played a part of special significance in the Austrian Republic's economy. When the Habsburg Empire fell apart, Vienna remained an important centre of communications linking up Western Europe with the Succession States and the Balkans. Between the Wars the international transit services carried out by the Austrian railways between East and West, and North and South, were an important source of national revenue. After the tourist industry they were the main means on which Austria relied to reduce her trade deficit.

After the Second World War the amount of transit traffic through Austria fell off considerably for two main reasons. In the first place, there was a sharp decline in trade and travel between the Iron Curtain countries and the West. Secondly, war damage, lack of coal, wholesale confiscation of rolling-stock by the Russians, and the failure of Hungary and other satellite countries to return trucks sent across the border seriously reduced the efficiency of the services the Austrian railways could offer. Traffic between Switzerland, on the one hand, and Poland and Czechoslovakia, on the other, was diverted from Austria to Germany.

The Austrian railways have come in for a good deal of criticism since the War, and from a first glance at their annual balance-sheets the criticisms appear to be justified. A series of losses culminated in a deficit of approximately one and a half billion schillings in 1951, which meant that every Austrian would have to pay about 200 schillings to make up the deficiency. Yet a superficial judgement in this case is unfair. The railways unquestionably required to be reorganized and rationalized. But, apart from the losses and damage resulting from the War, they were suffering from a number of adverse circumstances that were not always taken into account.

3: Hiscocks G-4, 5 (1946-1949) 1958 [redacted] EK1

The German authorities raised the number of employees to over 100,000 during the War, compared with 57,000 in 1937, and owing to the difficult conditions of the immediate post-War years, this excessive figure was only slowly reduced. By 1950 it was down to about 80,000, but only at the expense of increasing the number of pensioners, who in that year actually exceeded the employees by nearly 4,000. This disproportionate burden in respect of pensions, which accounted for nearly a third of the budget, was due to the political changes both in 1945 and 1918, no less than 15,000 of the pensioners being German-speaking employees who were dismissed when the Habsburg Empire broke up. 497

The railways also suffered from the competition of road, river, and air transport, all of which were in receipt of large, mostly concealed subsidies in the form of road construction and repairs and the building and maintenance of wharves and aerodromes. The rivalry of road vehicles was particularly severe, the number of lorries and trailers in the autumn of 1949 exceeding the 1937 figures by nearly 300 and 900 per cent respectively. [494]

A third factor that contributed to the heavy deficit was the comparatively small increase in fares that had occurred since before the War. In the summer of 1951 the passenger and freight fares were only 195 per cent and 285 per cent of the 1937 figures, whereas the rise in the general price level amounted to about 700 per cent. As the railways were subsidized directly, and road transport indirectly, in neither case was the principle respected that those who use transport services should pay for them.

In spite of the serious position of the Austrian railways after the War, they remained by far the greatest single economic enterprise in the country, and their potential contribution to the balance of trade in happier times was considerable. A substantial allocation was therefore made to them from counterpart funds. It was to be used for two main purposes: to repair war damage and to extend electrification. The electrification programme of the between-War period had resulted in 990 497 457

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

497 kilometres of track being electrified and in the annual saving
457 of 300,000 tons of hard coal. The new programme worked out under the stimulus of ERP aid would mean saving a further 700,000 tons of imported coal. Quite apart, therefore, from the possibility of recovering transit traffic in the future, the new developments would lead to a substantial economy in foreign exchange.

727 In 1936–7 about 80 per cent of Austria's trade deficit had been covered by the earnings of the tourist industry. After the
484 War some years were to elapse before the number of foreign visitors approached the pre-War figure. There were several reasons for this. The total war damage suffered by the industry was estimated at 270 million schillings in terms of 1937 prices and at about 1,500 million schillings with the schilling at its 1950 value. Out of 200,000 beds available for tourists in 1937, 80,000 were lost, of which half had been suitable for foreign visitors. Accommodation for a further 30,000 was requisitioned by the occupying Powers in the early post-War years. In addition, serious obstacles were presented by the food shortage and the difficulty of obtaining passes for entering the country and for crossing the zonal boundaries.

484 Efforts were made both by the Austrians and the Western Allies to establish the conditions necessary for the revival of
457 the industry. In October 1946 an Austrian organization was established for this purpose. In 1947 arrangements were made by which food was purchased abroad in order to provide foreign tourists with rations on a basis of 4,600 calories a day without depleting the limited Austrian supplies. The following year the Austrian Government was made responsible for the issue of visas to intending visitors, and the visitors, once in the country, were free to move about between the different zones. Yet, in spite of these measures, progress was slow. In 1947–8 the volume of foreign tourists, measured both in numbers and length of stay, amounted to only about 12 per cent of the 1936–7 figure, and in terms of foreign exchange earnings the comparative value was considerably less.

The ERP planners recognized the vital importance of the

Industrial Production Index - Comparison of Averages for October (monthly average 1937 = 100) 433

	1951	1950	1949
Total Index of Production	180.3	145.4	122.8
Production Goods	230.7	178.6	151.6
Consumption Goods	138.8	117.3	98.3
Total Index of Productivity	105.7	91.8	82.1

Although agriculture and forestry showed some results production was lagging behind due to many soil-improvement measures which were neglected during the war. It remained behind the prewar level. Further investments are now being made in this field. Considerable increase can be seen in the traffic capacity of the Federal Railways. The extension of electrification, modernization of traffic installations, of rolling stock, and of railway stations are among the projects. [311] [497]

Tourist traffic is of special importance to achieving balance of payments. Tourist traffic was one of the most important foreign currency earners before 1937. In 1948-49, 31.6 per cent of the number of overnight guests for 1937 was reached. This proportion rose to 70.4 per cent in 1949-50 and to 74.3 per cent in the winter season of 1950-51. However, the income from foreign tourist traffic lagged behind that of the prewar period. It amounted to 15.1 million dollars in 1950. With regard to its purchasing power, it reached one-fifth of the 1937 level. In this field also investments for modernization and extension of enterprises are continuing. The aim is to reach a reasonable balance between investments and incomes from foreign currencies. Similarly motivated is the aim of opening areas of the country which might be very important for tourist traffic by building new roads and means of transport, such as cable cars and ski-lifts. In the investment program for 1950-52 net investments of 960 million schillings are provided for this sector alone. 457 [529]

The main vehicle for the balancing of payments is foreign trade.

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of local feudal lords, special privileges which ensured it unusual opportunities for development.

The picture of a mediaeval townlet which Feldkirch presents today is furnished mainly by the streets of the inner town, consisting of solid and impressive buildings in which merchants have carried on their affairs for many generations. Such evidence as survives of former defensive constructions like the Churer Tor, the Katzenturm and Schattenburg Castle, which towers over the town, conjure up visions of scenes long past to attract a stranger's attention.

361 871 Feldkirch was called "Studierstädtlein" in bygone days when it was of great importance—one might almost say of unparalleled importance—in educational affairs. It had a grammar school, a college for teachers which attracted students from all over the country, and the famous Jesuit college "Stella Matutina", well-known throughout Europe.

361 635 It could with almost equal justice have been called the "Township of Bureaucrats", although it was never a centre of government. But the majority of the other administrative bodies of the province are established in Feldkirch. The cosmopolitan character of the bureaucracy of the Austro-Hungarian Monarchy has affected the racial composition of the local population.

361 498 Feldkirch, as a junction on the only direct East-West route, is of importance to the Austrian traffic system. It is the main railway station on the frontiers of Austria with Switzerland and Liechtenstein, and thus a connecting-link in the West European transport organization.

133 DO YOU KNOW THE LEGEND OF THE THREE SISTERS? No? Then wander from Feldkirch through the Ill Ravine, the "Felsenau", that deep channel which the river has for centuries been cutting through the imprisoning rocks and which is still so narrow that there is only just room for the railway leading to the Walgau to run beside it. A feat of engineering was called for to carry the road over river and railway on a precarious bridge. Once one emerges from this narrow gorge, the character of the countryside is seen to have completely changed. Even the air is cooler, and the natives say that east of the Felsenau (i. e. in Walgau) it is "a jacket cooler" than in the Rhine Valley. You walk all

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by J. C. Flackhofer, and the library for its treasures of old manuscripts.

Space must be found for a word about the hill country between the Raab and the Mur, the Land of the Seven Valleys which, separated from one another by forested heights, all guide their dark streams past quiet rural villages and mills hidden behind alder groves, flowing in the same direction towards the Mur. The latter, sweeping eastwards, forms a natural boundary for Styria. In the forests the edible chestnut is common, here and there casting its shade over a tumulus, which bears witness to long-forgotten settlements. Summer warms the air with southern strength, autumn bringing clear skies and the finest views from the footpaths which wind through vineyards and woods to white chapels.

529 The Gleichenberge and the Stradner Kogel are of volcanic origin. The curative properties of their springs are widely known. Bad Gleichenberg enables numerous visitors to combine the healing qualities of forest solitude, with up-to-date medical equipment.

245 The vine, which is cultivated in East Styria with varying results north of Hartberg, steadily improves in quality towards the south, reaching its zenith in the Klöcher Gebirge and around Halbenrain where the fine vintages are stored in the wine-cellars.

361 Mureck is a town of ancient Styrian civic culture, but its crown, the castle of Obermureck, lies on the other side of the Mur in what is today foreign territory, [342] as does Oberradkersburg, the ducal castle which since 1918 has been separated from the most southern town in Austria, the ever-loyal Radkersburg. None of the sufferings of a frontier town has been spared it. The tombstones in the churchyard of the gothic parish church are witness to the origins of its inhabitants. The venerable relics of Styrian civic life of olden times which are preserved in the tower of the Rathaus below the solemn frescoes of Fritz Silberbauer will encourage future generations to emulate the loyalty and watchfulness of their ancestors.

[498] THE STYRIAN ENNSTAL. Where the train leaves the narrow valley of the Palten to enter the broader valley of the Enns, it is greeted by a noisy network of sidings, signals and rails in the big station of Selzthal. The time-table describes it as a junction where many passengers change trains at an important crossing of north-south and west-east routes. Its name is better known in and outside the Province than many another which formerly meant fame and surviving tradition in the Enns Valley. A hundred years ago Selzthal was not much more than the name of a district, of a forest valley in which the charcoal-burners worked for the

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[438]

Schwertberg

Downstream the raftsmen see from afar the massive blocks of the city tower of Enns. Known already to the Romans, Enns has been since olden times an important depot for salt, wood and iron. Goods not discharged there for road transport, stayed on the barges until the Danube Maut (customs house) was reached. The market-town there is still known as Mauthausen, and commands the waterway to Vienna and Hungary.

[316] IN THE MÜHLVIERTEL. In the great quarries carved out of the steep Danube cliffs one glimpses the primitive Mühlviertel scenery, based literally on granite. How many blocks of it have been cut and shipped upstream and downstream from Mauthausen, and used to build railways, roads and bridges, making the name of this picturesque market-town known throughout Europe! On the same bank further downstream before the Danube enters the narrows of the Strudengau is a fertile stretch of land known as the Machland. The chief town is Perg, once famous for its sandstone quarries from which millstones were cut. Close by is Baumgartenberg, which rises abruptly with the massive tower of its entrance gates and its high-roofed church out of the spreading orchards.

• 502

133 *Steyr; the old Dominican Church.*

A secular building of equal interest is the massive Greinburg with its granite arcades built on a cliff jutting out towards the Danube, dominating the town of Grein, framed by the forests and reflected in the waters of the Danube. Ships navigating this part of the Danube have to be on the lookout for rapids and whirlpools. Warnings are exhibited on the banks near danger spots and where necessary, hoisted on flag poles. The tugs toil upstream laboriously hauling heavily-laden barges past the picturesque riverside villages of Sarmingstein and St. Nikola.

Northwards from Perg and Mauthausen the Mühlviertel countryside broadens

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

Austrian political leaders have attacked the USIA retail businesses repeatedly. The Minister of Justice has made clear that Austrians found guilty of evading customs and excise by dealing with USIA will be punishable under Austrian law. The Soviet authorities themselves have shown some signs of embarrassment at this branch of their activities. After the first two years its expansion slowed down considerably. A strong trade union protest against USIA shops remaining open until ten o'clock at night was followed by their compliance with normal closing hours. 727 471 475

In fact, Soviet policy in Austria, in spite of its ruthless economic exploitation of the country, has shown repeatedly a capacity for compromise and the unexpected conciliatory gesture. The Austrian Government has been firm, bold, and insistent in the assertion of its rights, and the Soviet authorities have shown themselves to be very sensitive to public criticism, especially on issues in which popular privileges have been involved. In spite of everything, the impression remains that the Soviet Government has never entirely forgotten the importance of considering its reputation with the Austrian people. 727

On the economic side, the best example of the flexibility of Soviet policy is provided by the attitude of the Russians towards the navigation of the Danube. 727 505

The importance of the Danube to Austria as a means of communication requires no emphasis. Between the Wars the ownership of the Danube Shipping Company, the largest concern engaged in Danube traffic, was shared between the Federal Government, the Credit Anstalt Bank, and various Italian interests, the majority of the shares being held in Austria. As the Austrian holdings came under German control during the War, in February 1946 the Soviet authorities assumed ownership of the company, and at the same time took possession of two smaller companies. The Western Powers pointed out that these assets were of doubtful ownership and that the companies operated in more than one zone. They maintained therefore that the whole subject should be 471

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

727 considered in the Allied Council. But the Soviet representative
●505 refused to discuss the matter, and the Russians proceeded to
471 take over all the property and installations of the Danube Shipping Company in Eastern Austria and South-east Europe.

727 During the fighting in Austria the greater part of the
505 company's shipping was destroyed, but about 40 per cent of it managed to reach Linz, mostly in very poor condition. There it remained under American protection, and during the early post-War years the company concentrated on putting the remnant of its fleet in order. Owing to the Russian attitude, river traffic ceased between Upper Austria and Vienna, and such ships as were available were employed on the stretch between Linz and South Germany. The freight carried by the company between Linz and Regensburg in 1950 reached a total volume of 690,000 tons, the cargoes consisting mainly of Ruhr coal for the VÖEST works, pig-iron, sheet metal, timber, and grain.

The first Russian concession in the direction of opening up the Danube appears to have been made from ulterior motives. After its breach with the Soviet Union, Yugoslavia was in a strong position as regards Danube navigation, because, at the Iron Gates, it could control river traffic between the Russian satellite States, if it so wished, just as Russia controlled traffic between Vienna and the West. Yugoslavia's freedom of navigation was therefore ensured, and in 1950 it started a service between Belgrade, Vienna, and Regensburg. To provide rivalry for Yugoslav ships the Soviet authorities in Austria began to issue licences for Austrian barges to travel between Vienna and Linz. During 1951 more than 73,000 tons of oil were carried in Austrian vessels from Vienna to Linz, and a smaller quantity of grain in the same way from Regensburg to Vienna. Cargoes for the year carried by Austrian ships on the Danube amounted to more than a million tons.

In June 1952 the Soviet High Commissioner informed the Federal Chancellor that, in the interests of the Austrian people and in order to improve Austria's economic position, navigation on the Danube within the Russian zone would hence-

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

forth be free. On the 12th of July the first passenger ship travelled between Linz and Vienna. In September an agreement was made between Austria and Hungary for the resumption of river traffic between the two countries in which each was to share equally. The reasons for these further concessions can only be surmised. But the motives almost certainly went beyond rivalry with Yugoslavia. One purpose may have been to please Austrian opinion. Another reason was probably a belated realization of the wastefulness of previous Soviet policy. The contrast between the enterprising developments in Western Austria and the economic deterioration of the Russian zone was becoming increasingly clear, and could only have a damaging effect on Soviet prestige.

Russia's attitude regarding the Danube, however, cannot be regarded as characteristic. The most hopeful indication for Austria's future is that the Soviet economic policy within Austria appears to be based on short-term considerations. The ruthless exploitation of the oil-fields and the failure to invest capital in the USIA enterprises both point in the same direction. It is a measure of Austria's economic suffering at Soviet hands that comfort has to be drawn from exploitation and neglect.

471 some federal ministries as well as the reorganization
655 of the sphere of action of others), is being taken care of by the federal ministry for traffic and nationalized enterprises, the administration of the nationalized commercial banks falls within the competence of the Federal Ministry of Finance. The nationalization comprises:

[453] 1.) The large banks (Creditanstalt-Bankverein, Oesterreichische Länderbank AG, and Hypotheken- u. Kreditinstitut);

[327] 2.) The most important enterprises of the iron and steel industry (Oesterreichische Alpine Montangesellschaft, Vereinigte Oesterreichische Eisen- und Stahlwerke A. G., Linz, Schoeller-Bleckmann Stahlwerke A. G., Vienna, Gebrüder Böhler u. Co., A. G., Vienna);

[316] 3.) The most important coal mines (Wolfsegg-Traunthaler Kohlenbergwerke A.G., Linz, Steirische Kohlenbergwerke A.G., Vienna, Lankowitzer Kohlen-Compagnie, Vienna, etc.);

[392] 4.) A number of important enterprises of the electric and machine manufacturing industry (AEG-
[393] Union Elektrizitätsgesellschaft, Vienna; Simmering-Graz-Pauker A. G. für Maschinen-, Kessel- und Waggonbau, Vienna, etc.);

5.) The Oesterreichische Stickstoffwerke A. G., Linz;

[316] 6.) The most important non-ferrous mining enterprises (Bleiberger Bergwerks-Union, Klagenfurt; Montanwerke Brixlegg Ges. m.b.H., Brixlegg; Kupferbergbau Mitterberg, Münlbach am Hochkönig; Aluminiumwerk Mattighofen-Ranshofen);

● [505] 7.) The Erste Donau Dampfschiffahrtsgesellschaft, Vienna;

[377] 8.) The large enterprises producing electric power; and, finally,

[315] 9.) The enterprises for the exploitation of crude oil.

With the enacted legislation the ownership-rights (re: corporations) or the assets and liabilities of certain enterprises (limited companies, etc.) or plants (branch establishments of enterprises located abroad) became the property of the Republic of Austria. This in turn implied also the transfer of the administration of the nationalized enterprises to the Austrian government, provided that such enterprises were not located within the Russian zone (USIA establishments) and therefore beyond Austrian control. The enforcement of the nationalization, however, is not completed because:

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

[R81]

VI

UNRRA and Foreign Relief

THE most urgent economic problem in Austria after the War was the lack of food. It was a problem that could not be dealt with adequately by the first-aid measures that have been described.* The assistance given by the occupying Powers in the summer and autumn of 1945 led to a temporary rise in the ration scale, but in the spring of the following year the situation deteriorated. The normal consumer's ration was reduced during March to a theoretical level of 1,200 calories a day. In Vienna during May it amounted in practice to only 950 calories; 'too many to cause death and too few to sustain life', as one member of Parliament put it. 146 434 511

In October 1946 the Federal Chancellor stated in Parliament that Austria had the lowest rations of any country in Europe. According to the official history of UNRRA, Austria had a lower calorie level than any other country in receipt of UNRRA aid. What strained the patience of the Austrian people most severely was an announcement by the occupying Powers in Germany of a higher ration for the ex-enemy country. When this news was made known, food riots broke out in Vienna, and popular indignation was so strong that in November the Austrian Government announced a similar ration of 1,550 calories for Austria. It did so without the approval of the Allied Council and without consultation with UNRRA. There was therefore no guarantee that the necessary supplies would be forthcoming. But the combined efforts of UNRRA and the Governments of the United States and the United Kingdom were equal to the challenge.

The effects of the low calories scale were made worse by the nature of the rations available. They were particularly deficient in fat, animal protein, calcium, and certain vitamins. For two

* [Cf. category 116, p.20 — Analyst]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

146 to three months during 1945 in Vienna milk could only be
434 provided for infants in arms and the seriously ill. It was only
511 by gradual and progressive stages that the supply could be organized for children between one and twelve years of age. At the worst period only about 5,000 litres a day were being distributed in the capital, whereas the normal daily consumption in 1952 was approximately 700,000 litres.

[165] The infant mortality and tuberculosis rates in Vienna show the results of under-nourishment. For every thousand live births the mortality rate amongst infants was 191 in 1945, as opposed to 53 in 1938. New cases of tuberculosis numbered 2·87 a thousand in 1946 compared with 1·11 in 1940. The tuberculosis death-rate for the first half of 1946 was nearly double the pre-War figures and about three times as high as in Britain.

The food situation naturally varied a great deal between the country and the towns. In most parts of Austria there was little real shortage on the land, and the consumption of those engaged in food production probably averaged about 3,000 calories a day. In the small country towns, from which access to the farms was easy, official rations could usually be supplemented. It was in the large towns, above all in Vienna, that the position was very serious.

The emergency was aggravated and prolonged by the requirements of the refugees and displaced persons. The return of hundreds of thousands of Austrian prisoners of war during 1945 and 1946 also increased the scale of the problem.

434 One of the worst features of the whole situation in Vienna
511 was the acute shortage of fuel that accompanied the meagre rations. Gas and electricity were severely rationed, and the supply of both was unreliable and limited to a few hours a day. Fuel of all kinds, whether coal, coke, wood, or oil, for the average person was almost unobtainable. The official ration of coal per household during the winter of 1947–8 was 300 kilograms, and even this quite inadequate amount could not be
511 delivered in full. Yet a great many rooms in the city had broken windows, and glass was in very short supply and

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

prohibitively expensive. The pathetic sight was common at the time of an old woman trudging back from a long tramp into the Vienna woods with sticks under her arm and a rucksack full of twigs on her back. The load would at most provide a little heat for a few hours, and the extremity of the need was proved by the lengths to which people would go to produce such small results. 511

Vienna is a cold city in winter. There is no doubt that the combined effect of unheated houses and inadequate food was responsible for the death of many old and ailing people. It was also partly responsible for the very high suicide rate. In 1946 there were 933 suicides or attempted suicides in Vienna alone. [165]

The figures given regarding the food supply have referred to food coming from official sources. In Austria after the War there was an extensive black market in food, fuel, and a large number of luxuries. It was the time now often described by Austrians as the period of 'The Third Man', after the well-known film with its unflattering portrayal of Viennese conditions. The rationing system was unreliable as well as inadequate. People were justifiably sceptical as to whether they would actually receive the quotas that had been officially announced. In these circumstances it was understandable that they should turn to the black market as an alternative source. 437 433

In August 1945, when the shortage was at its worst, black-market food prices in Vienna were about 264 times as high as the official rates. The exorbitant prices reflect the intensity of the need. And there is no doubt that there were many who paid them. Otherwise the health of the people would have suffered much more than it did. There were very few rich. But the majority of the working population had been able to save during the War, when most articles were scarce. Many members of the impoverished aristocracy and middle class parted with their valuables to avoid starvation.

There was a considerable difference between the black market in Austria and that in England. In England rations were

457 There is no doubt, however, that the de-
[51] sired higher standard of living requires greater
433 accomplishments from the economy if, as is the case today not only in Austria but also in other ERP member countries, edible foodstuffs, raw materials and machinery are not to be continuously supplied by foreign aid. In this connection it is useful to recapitulate the value of such aid. Thus the total value of direct and indirect aid, congressional aid, interim aid, surplus goods, gifts, etc., amounted in 1948 and 1949 to approximately 300 million dollars yearly, an amount sufficient to cover the deficit of the payments balance up to now. In other words, the Austrian economy received more than 6 billion schillings which increased the gross national product available for consumption and industrial investments by 20 per cent. Foreign aid in 1950 amounted to 200 million dollars or 4 billion schillings and in 1951 to 100 million dollars.

433 As a matter of fact, production and productivity increased rapidly during the last years. However, this rapid increase was due to the extraordinarily low starting point. It is true that present industrial production exceeds the prewar level by 40 per cent, but it is a result of using about 50 per cent more than in 1937. At the end of 1950 the individual output index of both industrial as well as agricultural labor amounted to 90. Today, the task of increasing productivity rapidly is far more difficult since, in addition to diminishing foreign assistance, any reopening of idle capacities and procurement of additional raw materials and coal is almost impossible. It follows that every percentage of productivity to be gained requires greater efforts than before.

433 In connection with the above, there arises in
439 Austria a specific coordination problem with regard to
454 output gains already achieved in other nations, the question of cost computation. (Compared with Austria's present production ability the American, Swiss, Swedish, and English national economies, during 1949, furnished respectively 7, 4, 3 1/2, and 2 1/2 times as much goods and services per capita. This fact is intensified by the progressive industrialization of the previously agricultural countries of southeastern Europe.) If Austrian manufactured goods (as producers of foreign exchange, and therewith as guarantors of sufficient raw materials, employment and living standard) are to be competitive on international markets, the question of decreasing production costs per unit becomes imperative. Such a decrease, excluding developments beyond the control of

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after the avalanche has subsided to the view, the accompanying thunderous roar continues, itself gradually subsiding into a silence which leaves the ear keyed up for the next demonstration.

The Walser villages are interesting, in character easily distinguishable from other places in Vorarlberg. Every farm is built at least a stone's throw away from the next, according to Walser custom, and isolated houses are to be found as high up as the last slopes which it is at all possible to reach by vehicle.

The picture of the Great Walser Valley reminds the observer that it is not always man who rules nature, but that sometimes it is nature who forces man to acknowledge her imperious rule. The impression left by a visit to the Small Walser Valley is a much friendlier one. This district, which economically is an enclave not only within Vorarlberg but also within Austria, has an individual note due to the highly developed tourist trade which is everywhere in evidence. The natural traffic routes of the Small Walser Valley connect it with the adjacent Allgäu, but it has no direct connections with Vorarlberg or Tyrol. This valley, which offers many opportunities for winter sport, but is also attractive in summer on account of its beautiful scenery, has built up a remarkable tourist connection. It can boast of a very large number of comfortable inns and hotels. You will find them all along the only road, which links up the market towns of Riezlern, Hirschegg and Mittelberg, and on the slopes above. Obviously such developments have an influence on the way of life of the native population. But it is surprising to learn that in the Lesser Walser Valley even simple peasant's farms are furnished with many of the comforts of civilisation. Most of them have central heating, running hot and cold water, mechanical washers and modern kitchen conveniences run by electricity.

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[133] 361 MODERN NOMADS. The Upper Bregenzerwald, that is, the country above the Bregenzer Ache from the Bezau onwards, is chiefly mountainous in character, declining to hill country in the Lower Bregenzerwald. Populous settlements are scattered through the vales which branch off from the wide valley; solitary, 'sun-

565 them. Although the Viennese woman, superficially regarded, may have achieved
593 the emancipation of the self-supporting woman later than those of other countries, she early became the unchallenged and particularly respected representative of a well-defined and charming type of culture in the family, the home and in her salon. The average middle-class woman in Vienna has always lavished her imagination, her good taste, her emotions and her love on the home and its cultured atmosphere.
264 The famous Viennese "Gemütlichkeit" (comfort) is eternally to her credit. This was not difficult for her to achieve in the days of plenty, but she has the art of lending the poetic touch to the simplest meal. A snow-white tablecloth, a tasteful vase with flowers, an old china service, the dainty mat for a wine bottle and a touch of greenery as decoration can make the plainest meal attractive. Or the cobwebby teacloth of the Vienna Jause (tea table) with the hand-painted biedermeier cups, the charmingly arranged flowers, the sugary white and crisp "Guglhupf" (a sort of sponge-cake) in the centre and the aromatic coffee combine to bring a welcome break in the daily round.

265 This is also the reason why the restaurants in Vienna are less frequented than in other big cities. The stranger who remains more than a week in Vienna looks for private lodgings. If he is a man of name and position he soon finds acquaintances and free board. It was the custom when making a longer stay for a visitor to rent a room for the month and to eat only in restaurants.

511 In Vienna everything was cheaper than in most other cities. Karl Julius Weber wrote:—"Where is the great city where a philosopher may live so pleasantly for such a small sum of money and a man of the world can enjoy the fashionable world for an expenditure of 3,000 to 4,000 gulden? In any case one can live in Vienna twice as well as elsewhere with half as much money."

565 Glasbrenner writes with enthusiasm of Vienna:—"The Viennese is above all
181 a human being. In Vienna there is hardly a trace of class-consciousness, for in the same tavern lackeys and cab drivers sit next to artists, rich citizens and merchants,

RECOVERY

1932 League of Nations Loan to lower interest rates, 457
greatly eased the burden of Austria's foreign debt service. Interest payments fell from 282 million schillings in 1932 to 110 million schillings in 1937.

The improved position in the spheres of foreign trade 652
and foreign indebtedness, and the reorganization of banking after the fall of the Credit-Anstalt,[2] put Austria's finances on a thoroughly sound basis. The gold and foreign exchange reserves of the National Bank recovered to a comfortable level. This enabled the Government to do away with most of the exchange control introduced at the height of the crisis; and the value of the schilling was successfully maintained when, in 1936, three of Austria's neighbours—Italy, Switzerland, and Czechoslovakia—devalued their currency.[3] For the second time in her short history Austria had emerged successfully from a very difficult financial position. Confidence in her stability was restored, and in 1937 Austria was in the unique position among all the European debtor nations of obtaining short-term commercial credits on the London market.[4] There can hardly be any doubt that Austria could have solved her problems without any further foreign assistance had she been able to maintain her national independence.

Altogether, then, it may be said that Austria had passed 511
through a period of sound, if stormy, development in the twenty years of her existence. Many improvements were 434
still required, many mistakes remained to be made good. Nevertheless, Austria had reached economic standards which compared very favourably with those of most other countries in central and eastern Europe. Her economic structure was much more similar to that of the Western industrial nations, though her standard of living fell greatly short of, say, British standards. To illustrate

1 [CP CATEGORY 116, p. 77 -- ANALYST]

AUSTRIA'S ECONOMIC DEVELOPMENT

511 Austria's intermediate position between the countries of eastern and western Europe, two sets of comparisons may 424 be given: one showing estimates of the national income of some of the countries in question; the other showing the yearly consumption of some manufactured consumer goods.[5]

ESTIMATES OF NATIONAL INCOME

Country	Year of Estimate	Approx. National Income per Head in U.S. Dollars
Austria	1935	150–160
Czechoslovakia	1937	150–160
Hungary	1937	90–100
Yugoslavia	1937	55–65
France	1936	270–280
United Kingdom	1935	490–500

ESTIMATED YEARLY CONSUMPTION OF SOME MANUFACTURED GOODS PER HEAD OF POPULATION

(Year: 1937)

	Cotton Goods (kilos)	Paper (kilos)	Sugar (kilos)	Wireless Sets (No. of Licences per 1,000 Persons)
Austria	5·1	14·8	19·5	92
Czechoslovakia	4·2	13·9	22·4	69
Hungary	2·4	10·0	12·7	43
Yugoslavia	2·0	3·5	5·4	7
Western Europe	8	30	32	120

THE NEW POLITICAL FRAMEWORK

178 In this second period of recovery Austria thus acquired what had only been half accomplished in the years from 1923 to 1929: a sound and stable economic foundation. But the recovery after 1932 did not simply pick up the threads of 1929. Political conditions had changed considerably, both at home and abroad; and this decisively

[5] [CP CATELLORAY 116, p. 7 — ANNAY]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

433 *Anschluss* took place, Austria already had a good chance of becoming a viable State.

657 Politically the main achievement had been in the field of social legislation. Nowhere in Europe did the Socialist ideal find more impressive realization than in the legislative programme initiated by Ferdinand Hanusch, the Austrian Secretary of Social Administration between 1918 and 1920, and in 367 the housing schemes carried out between the Wars by the Vienna municipality under Social Democratic control. These improvements gave the young Republic something to be proud of, something, moreover, which was associated with the difficult present rather than with the glorious past, and which 648 directed attention to the possibilities of the future. Another political event of importance was the appeal for financial help made to the Allies by the Christian Socialist Chancellor, Monsignor Seipel, which led to the appointment of the League of Nations Commissioner. He was accused of being a traitor by his opponents, but his action established an important precedent in international collaboration. It showed that it was possible to combine patriotism with the acceptance of international control, an innovation of great significance for a small State like Austria.

• 517 In culture and sport the period also brought great success. The triumphs of the Austrian football team, the Vienna State Opera, and the Salzburg Festival stirred the pride and enthusiasm of the harassed Austrian people.

186 Anton Wildgans' *Rede über Österreich*, which was written in 1929, reflected the development of Austrian patriotism and Austria's sense of identity as a State. This great speech was intended for a foreign audience. But it was also a noble expression of patriotic faith. Its enthusiastic reception in Austria was a clear indication that it summed up ideas that were germinating in many Austrian minds.

648 Austria's growing self-consciousness and sense of independence were stimulated by Hitler's rise to power. Austrian Socialists had been in favour of union with a Germany in which Socialism and democracy were strong, but they had no

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

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Austrian cultural and intellectual life suffered great damage during the seven years of Hitler's occupation. The Nazi régime in Austria, as in Germany, was accompanied by systematic vandalism. Books were destroyed, teachers regimented, and intellectual effort discouraged amongst students. Certain kinds of art and music were banned, either owing to the race or nationality of the artist or composer, or because the style was classified as decadent. Musicians, authors, artists, and scholars were driven into exile owing to their race or political opinions. And finally the destructive process was completed during the last year of the War by bombs and gunfire. In addition to St. Stephen's Cathedral and the Burgtheater, the Vienna State Opera was almost completely destroyed. Schönbrunn, the Belvedere, the Albertina, the Schwarzenberg Palace, and the Museum of Art History were all damaged in varying degrees. A bomb fell through the dome of Salzburg Cathedral.

Furthermore, so cosmopolitan and receptive a people as the Austrians suffered severely from the intellectual isolation that the occupation and the War brought with them. Engaged in a struggle in which most of them did not believe, for the sake of a creed that most of them despised, the Austrian people were victims of cultural claustrophobia. In spite of the severe penalties for doing so, many of them listened regularly to foreign broadcasts throughout the War, and when the B.B.C. broadcasters in German visited Austria afterwards they were received like popular heroes.

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The Allied occupation helped to bring an end to the isolation in several ways. The presence of foreign troops contributed to this result, as the majority of soldiers from the West soon showed themselves to be friendly disposed towards Austria. The four occupying Powers also maintained efficient Information Services with the dual purpose of counteracting the effects of Nazi indoctrination and providing news and information about themselves and their ways of life. Each Power published a daily German newspaper in Vienna, ran a broadcasting service of its own, and set up libraries and reading-rooms in Vienna and its own zone.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

and its own zone. In addition, the occupation furthered the development between Austria and the Allies of the cultural diplomacy that has made such rapid progress in recent years. Leaders in this field were the French with their well-organized *Division des Affaires Culturelles* in the French Foreign Office. Its headquarters in Austria was the magnificent Lobkowitz Palace in Vienna, and a very active French Institute was also set up in Innsbruck. The British Council opened an office in Vienna towards the end of 1945, and later established branches in Graz, Klagenfurt, and Innsbruck. The Russians worked mainly through 'The Society for the Cultivation of Cultural and Economic Relations between Austria and the Soviet Union', which was started soon after the end of the War. While the Americans, though concentrating entirely on their Information Services at first, finally sent representatives of the Cultural Affairs Branch of the State Department to Austria.

The presence of foreign cultural organizations in their country stimulated the interest of Austrians in a form of diplomacy to which they are well suited by temperament and tradition. As will be seen, the French and British cultural representatives furthered the development of relations between Austria and their own countries in a wide variety of ways. But the Austrians, without any special organization of their own intended for the purpose, undertook a series of major ventures in cultural diplomacy which made a great impression in many European countries and in North America. A series of cultural conventions were also signed by the Austrian Government; with France in 1947, with Italy and Great Britain in the spring and autumn of 1952, and with Belgium early in 1953.

The damage done by the Nazis to the Austrian educational system was a most serious threat to the country's future, because the damage was spiritual as well as material. A systematic attempt had been made to pervert the minds of teachers and pupils. Fortunately its effects were modified considerably by home influence and by the anti-Nazi convictions of many

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

214 648 centres, and thus extended to the whole country the opportunities already given to the capital. The British Information Services also made arrangements to print in Austria special cheap editions of a selected number of English books. As a result of these various efforts Austrians were given access to the Western ideas from which they had been cut off for more than seven years and were able to acquire some of the most modern medical and scientific text-books. The process of restoring normal intellectual contacts was carried one stage farther by gifts from the United States, Britain, and France to Austrian university libraries.

214 As conditions gradually improved, Austria's own book production revived, until in 1952, judged by the number of new works published, she had become one of the world's half-dozen leading book producers. For some years the revival was held back by a ban on the sale of books and periodicals between Austria and Western Germany, which greatly limited the potential market for books written in German, but this obstacle was finally overcome, and in 1952 representatives of the Austrian and West German book trade made arrangements to hold exhibitions in each other's territory.

517 The position of music, the theatre, and the arts in Austria is difficult for anyone to understand who has not lived in a country with a past tradition of lavish royal patronage. For the Austrian Republic has inherited the sense of responsibility towards the arts in the widest sense, which was first shown by the most enlightened and discriminating of the Habsburgs and maintained as part of the Imperial dignity by other members of the family.

545 The origins of the State Opera and the Burgtheater go back to the first half of the seventeenth century, when the earliest music dramas were performed in the Hofburg, and to the year 1776, when the Emperor Joseph II decreed that the theatre next to the Hofburg should become the 'German National Theatre'. During the second half of the nineteenth century the two institutions were given the magnificent new homes on the Ring which are still amongst the most impressive of

793 were also made use of, at first in connection with religious stories; subsequently
536 we find stories taken from history, especially after the beginning of historical studies early in the 18th century. From the rulers of antiquity by way of the ancient German and Lombard kings up to the reigning House of Hapsburg, all with high rank or well-known names which might serve either as an example or a warning to youth were brought into these plays. It is noteworthy that a number of subjects reappeared in the literature of subsequent decades, especially in the period of classicism. In the Jesuit Theatre we find, to mention only a few examples, a forerunner of Schiller's "The Robbers", as well as of the "Iphigenie" of Goethe and Körners' "Zriny". Thus the Jesuit Theatre was of value in preparing the way for the literature of later times, as well as because it was in itself the most comprehensive theatre organisation known to history. Far and wide it cleared the ground for the professional stage by making the cultured classes acquainted with the theatre from their earliest youth. In many towns of the Jesuit "Province" of Austria—for example in Hungary—it was
[517] the immediate forerunner of the professional theatre. The value of this Jesuit Theatre lay not so much in the grandiose stage presentation at some particular place such as Vienna or Graz, nor in the literary value of the works of such a man as Avancinus, but rather in its achievements for the general development of culture. Its mission once fulfilled, it faded away.

793 With Rousseau's "Age of Enlightenment" there began a conflict about
871 the Jesuit schools which for two centuries had supplied the Emperor
815 with his leading statesmen and to which the Counter-Reformation in Austria owed its success. The main argument against them was that they were in themselves reactionary and their methods old-fashioned. Yet it was just the Jesuit schools which in the first half of the 18th century proved themselves to be thoroughly progressive, for it was they who introduced the teaching of history and encouraged study of the natural sciences. In Vienna they founded a "*Museum Mathematicum*", the first institute of its kind in Austria and a precursor of the modern museums, and pursued definite educational aims through its collection of physical and astronomical instruments. The Jesuits were also the first in this part of the world to make serious experiments in physics and chemistry and to demonstrate them in public. The Emperor Franz, Consort of Maria Theresia, even called the Brothers to Schönbrunn Palace to make such demonstrations.

Until the latter half of the 18th century the students in the Jesuit schools of the Austrian Province numbered more than 16,000 and although thereafter their numbers began to decrease slowly, the abolition of the Order put an end to an educational system which was still flourishing.

793 The final performance at the theatre in the Bäckerstrasse was given in the year 1760
873 by the sixth class, that of rhetoric, which acted "Menaeus"—actually the last play
545 produced by the Jesuit Theatre in Vienna. The beauty of the play, the acting of

From the balcony there is a magnificent view over Vienna, embracing the lower garden palace, the green domes of the Karlskirche and the Salesianerkirche and the silhouette of the great city as it loses itself in the clear-cut, rolling lines of the Wienerwald hills. 342

In front of the south façade of the Upper Belvedere Palace, near the main entrance, is a quiet pond. Its clear surface reflects all the lovely outlines of this loveliest of all the Vienna palaces. In the festive halls the great mirrors along the walls gather the light and prolong their length into infinity. Dream and reality mingle where, as in baroque churches, the ceiling frescoes show the heavens opening with their saints and cherubs, and we can hardly distinguish the architectural features painted on the walls from the plastic actuality of marble. That is the spirit of the Baroque—an illusion which delights is better than a depressing truth—the spirit of an age in which western people found a form of cultural expression which has survived to this day. 341 517

People often speak of the wild extravagance and redundance of the baroque style of building. Princes, noblemen and monasteries did indeed squander great sums in those times in order that art should prosper—the art which went to enrich palaces and cathedrals, parks and marble statues as a triumph of the spiritual over the material. But if we pause to reflect how Vienna has been enriched by the glory and beauty of this art, we shall value and praise this extravagance.

With the name of the Belvedere in Vienna is linked—

SCHÖNBRUNN. The Palace and the Park form one harmonious whole. The first design for the grounds of Schönbrunn came from Fischer von Erlach. The great architect had planned to place here a splendid building right in the midst of the then unspoiled beauties of meadows and forests of the Wienerwald. It was to be a glittering fairy palace, with flower-covered terraces, porticos and fountains, commanding the whole countryside. This plan was over-ambitious and for that reason was never carried out. The Emperor died, the available funds were exhausted and the architects of his daughter Maria Theresia, Pacassi and Hohenberg, were only able to lay out a part of the grounds. 344

There is a trace of Italian palace architecture about this palace; the conception of the great central tract and of the statues along the coping was taken directly from the south. The two galeries on the lines of those in Versailles and the combining of palace and grounds in one harmonious whole exemplify the quieter French style of architecture.

The whole building glows with the warmth of that attractive shade of colour which is described as "Maria-Theresia yellow". Its lines emphasize the horizontal and everywhere seek to strike a note of gaiety and happiness in being alive. The main block is made up of three sections which blend together with the two wings into a wonderfully harmonious piece of architecture. The two outer flights of

562 through their appearance, be the keenest rivals of their own daughters, but between grandmother and grandchild there is a bond of womanly friendship, ripe experience giving the best advice to youth.

In Vienna it is not only the rare and striking woman of dazzling appearance who is singled out for attention. Woman as such is privileged irrespective of age or rank, and man profits from it. Fashion is not primarily a method of attracting attention, it is not so much a carefully devised system, the mere servant of woman in a jealous struggle to give pleasure. Fashion is neither a courtesan nor a procuress but is rather added to the union of man and woman as a third, joybringing partner to heighten the intensity of life.

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Thus fashion in Vienna is not the exclusive prerogative of the upper ten. It is like a melody for all to sing. It is like a free improvisation in all keys of natural good taste and native coquetry. Vienna fashion translates and popularises the *dernier cri* of the moment to a refrain which every woman understands and it is therefore not possible to hold it prisoner in the leading fashion houses of the *haute couture*. It steps through the revolving doors out on to the street, moving boldly among work-a-day folk. It is not limited by anyone's occupation or station in life, but touches every daughter of Eve: it is as ubiquitous in the morning as in the evening. Personal taste and individual skill play a big part in the final result. Everyone in Vienna can catch the trend of fashion, and the women and girls look as though they all belonged to the upper ten.

Adaptation to the individual and the occasion so alters the feminine picture in Vienna that it is often not easy to recognise the fashion of the moment at first glance. The general impression is one of smart and well-dressed women, but therein lies the secret. The

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Viennese woman has never been a fashion plate but always a lady of fashion. Dress, hat and accessories are never allowed to extinguish the personal note. The last court of appeal is the general picture reflected by the mirror, not the fashion columns in the newspaper, nor the illustrated fashion periodical—not even what other women are wearing.

If the Viennese woman sees that something dictated by fashion does not suit her, this only fires her ambition. If large hats are absolutely unsuited to her type of face she will oppose them with courage and resource until the small hat which she finally chooses is preferred by everyone, in defiance of the current mode, as unique and charming. And if the fashionable colours are green and purple the Viennese girl who finds that they do not suit her hair or the colour of her skin will never capitulate or surrender with a sigh, but will search until she has found something between turquoise and terra cotta which is exactly the right shade for her.

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The Italian wedge shoe with its stressing of form has found its way quite automatically to the slender-ankled foot, while it is certain that more firmly developed legs will balance their way through the streets on the narrow surface of graceful Parisian high-heeled shoes. Fashion may show a preference for flat heels; they will be boycotted in individual cases where they

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of a dressmaking cooperative. What an astonishing combination of eye and dexterity, of measuring and execution, of thoughtful calculation and improvisation; what painstaking art is involved, for instance, in the work of hand-stitching and embroidering.

No material escapes the influence of fashion, but leather seems to have a special interest for the Viennese. Whether for ornamental or luxury purposes or for practical use when travelling, the number of articles which are made from it are legion. With leather goods, fashion—late, but at last—has thought not only of women but also of men. Masculine fashions, alas, are very conservative—or should men console themselves with the fact that they are not so dependent on external assistance as women?

The saying that festivals should always be celebrated as they come round is well accepted

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in Vienna. Though no time of the year is an exception to this, the great season is that of winter when the old brilliance of the capital lives again in its women. These junkettings in the Hof'burg, the Rathaus and Schönbrunn Palace, in the Concert House and the Musikverein—and, it is to be hoped, soon again in the incomparable Opera building—to them all Vienna society flocks as though invited to a ball by Prince Orlofsky and as though all Vienna were a scene from Johann Strauss' "Fledermaus". Fashion becomes a wild ovation to the charm and good taste of the women of Vienna.

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Rattenberg.

implements. Wood-carving is as native to Ladinian Gröden as to the Allemannian Lechtal. Represented by Michael Pacher of Brunneck (d. 1498), Joseph Koch of Lechtal (1768—1839), the Italian-Tyrolese Giovanni Segantini (1858—1899) the East Tyrolese Franz Defregger (1835—1921) and Egger-Lienz (1868—1926), Tyrol has distinguished herself honorably in plastic art.

536 The Tyrolese folk drama is renowned. The theatre, good and bad, false and true to life, plays a large part in the life of the Province. The old Pradler-Bauern-Theater is a joy to the people of Innsbruck, with its plays of chivalry composed of [796] a blend of moving pathos and course jokes. The passion plays of Erl and Thiersee keep up the Roman Catholic tradition, while the carnivals, among which the Imster Phantom Carnival is fairly well-known, although not so much so as it deserves, [776] have heathen origins. The customs and legends connected with these are similarly rooted in heathen superstitions, such as the magic of the "Rauhnächte" or the "Expulsion of Winter" or the "Ringing in the Grass". They tell of the "Perchter" (benevolent spirits) and the "Saligen Fräuleins" ("Happy Ladies"), the "Alm Dwarf", the "Venediger Gnome" and the "Ice Mannikin". Mountain and forest, water and air, cattle, trees and bushes—all are full of spirits. To compose and to think, to say and to sing, is all one.

534 Music is cultivated chiefly in the lowlands. From there came the violin maker, Jakob Stainer (d. 1621), the father of the German violin. The harp and trombone, like, of course, the zither, are played at home. In this country of mocking ballads, he earns praise who can devise humorous couplets on the 522 spur of the moment. Ribald practical jokes and dry humour are likewise typical of the Tyrolese. The mountain dweller is apt to ponder more over the next 812 world. Sometimes he developes into a rustic philosopher or scholar in remote districts, such as the map-maker Peter Anich and Blasius Huber from Oberperfuss.

361 considered, the most attractive place in the entire Province. What makes of it a
529 health-resort is the fact that of all places in the Province, it has the record
133 for sunshine, and that it has the same wonderful climate as the Swiss health-resort of Davos, only 18 kilometres distant as the crow flies.

That the Montafon, particularly the Inner Frate, has lost its original character
361 of a mountain farming area is immediately evident when one comes to Parthenen,
133 last of the valley settlements. At first glance it is recognised as an industrial township.
377 Montafon's name of the "Valley of White Coal" is here justified, for the district in which Parthenen is situated is devoted to the production of electrical power. Cable-railways, elevators, narrow-gauge railways running at a height of over 5,000 and 6,000 feet, extensive plants and tunnels several kilometres in length show at first glance with what energy technical knowledge is striving to render the forces of nature of service to man. The source of these forces is the glaciers of the main range, the "Blue Silvretta", famous as a ski-resort in spring. It is easy to repeat without giving the matter further thought that the beauty and natural charm of the mountains are destroyed when their useful potentialities are exploited by mechanical means. It is far wiser and more just to go oneself (and how much simpler the many inventions of the much abused mechanical developments have made such a trip), to ascertain with one's own eyes that the two enormous artificial lakes at Vermunt and Obervermunt have lent a touch of beauty to the picture which was lacking in the monotonous valley which they have superseded. For the mountain lover there still remain the combs and peaks of the monarch of the Vorarlberg Alps, the 9892 foot high Piz Buin, which he can approach with untroubled heart and a determination to dare its perils, without any risk that his ideal picture will be found marred by the spirit of a profit-seeking age.

529 THE LOFTY CASTLE OF THE
●526 WHITE ART. It is not so very many years ago that winter was regarded as a visitation of God. More especially was this the attitude of the mountain folk whose means of livelihood were drastically curtailed during the cold months by the many feet of snow. This attitude only underwent a change when human ingenuity succeeded in making use of two strips of wood bound to the feet with one end bent upwards, which brought with them greater freedom of movement even over deep snow. This happened in Austria towards the end of the last century. One of the areas in which this now widespread

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Old Montafon National Costume (Woman).

"White Art" was developed and cultivated is the Arlberg, which takes its name from the pass which was well-known as a connecting-link between Tyrol and Vorarlberg even in mediaeval times.

The name Arlberg is a magic word which arouses echoes in the heart of every skier, of whom there are hundreds of thousands today. There is scarcely another part of Europe which satisfies so many demands of modern ski-ing as this mountain-world on the borders of Tyrol and Vorarlberg. It gave its name to a well-known ski-ing style, and the name of Hannes Schneider is inseparably connected with the conception of ski-ing. You will quickly get an inkling of the Arlberg district's meaning for the sporting side of modern ski-ing if, at the end of winter, you glance down the lists of winners of the great international races; again and again you find Arlberg names at the head of them. The importance of the Arlberg from a ski-ing as well as from a tourist point of view will be understood and never forgotten by anyone who has ever spent a week there at the height of the season.

[496] The line of approach to this eldorado of the "White Art" is the Arlberg railway, which ascends from the Vorarlberg side of Bludenz in daring curves, overcoming the natural barriers of the narrow Klosterta! by many a viaduct and tunnel to reach Langen-on-the-Arlberg, nearly 4000 feet above sea level.

On arriving in Langen one is at once confronted by a scene of activity. Motor-sleighs and innumerable horse-drawn sleighs, vast piles of luggage and a crowd of shouting and excitedly gesticulating people—a gathering of many nations—fill the square in front of the station. Within a few minutes this confusion resolves itself into an orderly line of vehicles which sets out over the Arlbergstrasse and Flexenstrasse with a rattling and tinkling of bells towards Stuben, Zürs and Lech, [491] well-known winter-sport resorts. The drive over the Flexenstrasse, especially in winter, is an unforgettable experience. No one can fail to be impressed by the manner in which this important highroad has been built in defiance of natural obstacles, with a vast expenditure of time and money, but with a due regard for the beauties of nature.

The less attractive the Arlberg scenery around Zürs is in summer, the more appeal the treeless white slopes have in winter when they are softly blanketted

in deep snow sown with glittering crystals. When a blue sky rises in an arch above, it is enough to make every heart beat more quickly. One feels an irresistible urge to set forth on skis, to plough a shadowy blue track in the virgin white, to hear the crackling and whispering of the myriad shining snow crystals, to abandon one's body and spirit to a purity and freedom which is only to be found in the alpine heights in wintertime. And the experience of the whirlwind descent, the snow flying up like clouds of star-dust! Here there is enjoyment for everyone, even though their numbers run into thousands. There is room enough for each one to get away from the others and to make a track of his own. The great hotels are ready to furnish proof that city dwellers who cling to their standard of comfort are also catered for. A first class ski-school provides individual and successful instruction in the White Art, and the ski-lifts enable those setting out on a ski-tour to reach attractive areas without effort. 529 526

Lech-on-the-Arlberg is even more beautiful scenically than Zürs, although it does not lie so high and is less fashionable. Perhaps just for this reason it is more intimate and cosy. Lech attracts many guests in summer as well, although it is chiefly a winter-sport resort, furnished with all the necessary modern equipment.

Before we say good bye to the Arlberg, let us take a glance at one of its wild and romantic beauties—the avalanches. Many readers may be surprised to hear avalanches numbered among the beauties of nature, but their surprise betrays that they have never experienced the grandiose spectacle of this wintery force on the Arlberg. When on fine days towards the end of March and in April the modestly blooming violet begins to oust the snow in the valleys, high up amidst the peaks, still in full winter costume, an ominous rolling and a muttering begin which strike a chill into one's very bones. Lying in the sun in a safe corner, one can watch this drama of nature for hours without wearying. Again and again one looks up as one catches the rumbling sound, and in a few seconds gigantic masses of snow like a great white river throwing up showers of spray cascade down over black rocks into the ravine below. Long 133

529 Ischl. That is the atmosphere and feeling of comfort. There is a healthy optimism in the air of each, a natural and effervescent joy in living which knows no artifice.

SPORT.

526 The idea of sport in a modern sense—Athens in 1896, Coubertin, memories of Olympia—has fallen on fruitful soil in Austria, as her sportsmen have proved in the prizes which they have carried off at various international competitions. There is no need to concern ourselves here with gold and silver medals, nor with records, distances covered, split seconds and points. Let us leave aside champions and their tabulated achievements, the "wonder-teams" of former years, world-famous ski-ers and the "strong men" of Vienna. Here let us consider sport in its natural and most attractive shape, as a means of gaining strength and of recuperation for all, to whom it offers the joy in living which comes from a healthy body.

Expressions frequently heard such as the daily grind, the dull jogtrot of life are not applicable to Austria and its inhabitants in a literal sense. Whoever sets a wandering foot on the ground anywhere between the Bodensee and Neusiedlersee can be sure of a constantly changing view, of a world twisting and turning up hill and down dale in mountain and valley. Anyone wanting to go from one town to another, or even from village to village feels his senses quicken in the freedom of the lovely countryside. The air, fresh with the dew on the grass or heavy with the scent of flowers, so bathes the skin, the lungs, that it seems as though burdens had been cast away.

Living and working in this atmosphere throughout the centuries has given the men broad shoulders and sinewy figures; the women are high-waisted, with narrow hips, graceful necks and shoulders and slender, well-shaped feet. The Austrian has a passion for "wandern"—for hiking—deeply engrained within him. His mouth demands to breathe in the air of the great mountains, his foot the soft carpet of mossy slopes and his eye continual change, now drinking in the green of near-by forests, now reaching out to the distant lines which the silent horizon has etched against the bright sunshine. The driving force behind all sport in Austria is the need to be with and to experience nature, the delight in the light of day, the need to grasp the earth as

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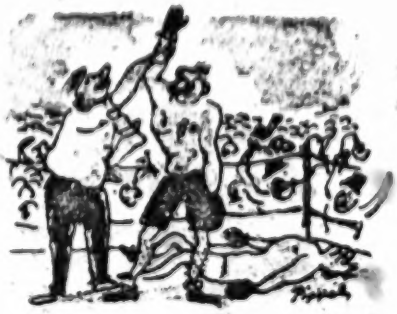
one's own possession. In her intensification of this harmony of man and nature and quickening of his joy of living, Austria cannot easily be excelled. From the highest point of the Tauern range down to the warm, sailcovered lakes of Carinthia, sport is being enjoyed in one form or another and is adding to Austria's sporting reputation as a whole.

There is something to suit everyone, no matter what his age or capability, which will help him to preserve his youth and pleasure in life as long as possible. Four types of sport predominate: Ski-ing, mountaineering, water sports and hunting game.

The Arlberg School of ski-ing is famous even beyond the Continent of Europe and is practised alongside glaciers and on mountains even in midsummer. But in winter more people make the shadowy tracks in the powdery snow according to rules of their own devising than there are ski-ing pupils in the whole country. Slalom on the steep slopes, the jump, skijöring, ski-elevator and overhead railway all crowd together within a small space.

Mountaineering is no less attractive. Climbing at the end of a rope or alone up through a narrow cleft in the side of a mountain, over precipices and crags, mountain trips, ascents along secured or dangerous pathways, the rest at the summit, life in the huts and tours along the mountain saddles. To reach the mountains has been made almost easy, for car roads, elevators and overhead railways do away with the toil of the ascent. But there is still room for both types, for the mountaineer of the old school who carries rucksack, pick and rope up to the heights himself and for the others who are in a hurry and who are saved half the trouble of climbing by making use of modern facilities.

On the lakes sport can be combined with pleasant holidays. There is rowing, swimming, sailing, diving and—the beach. In winter sleighs glide swift as the wind over the grey surface; skates carry one from shore to shore almost without effort, past clean-swept rinks where many an hour is spent in keen competition in the Austrian version of curling.



On the rivers, on the wildly foaming waters, paddlers guide the kajak and the light canoe boldly over dangerous snags and eddies. Golf, tennis, motor-boating, country riding, motoring, free gymnastic exercises with gymnasium apparatus and every kind of indoor sport are all

526 equally cultivated in Austria. Everything arouses enthusiasm which tends to bring man closer to nature.

HUNTING.

224 Everyone passing through Austria who looks at it with the eye of a hunter will immediately get an idea of the country's hunting possibilities from the variations of nature alone. There are ice-covered mountain peaks with rocky gorges and belts of meadows, dark mountain forests, open stretches covered with undergrowth, reed-surrounded lakes and ponds, fields lined by hedges and the unending ploughed fields of the eastern plains.. From a huntsman's point of view this all affords ideal living conditions for furred and feathered game. This widely varying countryside provides plentiful food supplies for the many kinds of wild creatures who stock it.

The chamois, a species of game which is typical for Austria, can be found anywhere in the Alps. Hunting this mountain antelope, either the red summer chamois or the dark rutting chamois, is considered to be one of the most fascinating experiences. In well-stocked preserves made easily accessible by the narrow mountain paths that are to be found in North Tyrol, it often calls for no special exertion or knowledge of climbing to get the chance of a shot under the expert guidance of a gillie. Hunting on the slopes of the higher mountains where there is rough going among the rocks can be an altogether different business. The hunting tracks often follow difficult ascents with alarmingly steep precipices, the shooting hut may be close to a glacier. The exertion is well repaid on such difficult trips by the excitement of the chase.

A scarcely less thrilling experience—at rutting time it affords even more excitement—is deer-stalking in the mountains. Deer can be hunted in summer in the high alps, but the stalking of the rutting stag is the supreme experience for the sportsman. Anyone who has heard the rutting call of the stag amid the pastures and crags of our mountains, has watched the mating of the noble red deer among the lovely shades of autumn forests and has finally given proof of his hunting prowess by shooting a correctly stalked buck will record such hours in Austria in his golden book of the chase.

HEAD OF GAME SHOT IN 1935

Red Deer	*14,390*
Fallow Deer	*457*
Roebuck	*76,416*
Chamois	*7,279*
Black Game	*167*
Hares	*528,768*
Rabbits	*38,811*
Marmots	*1,543*
Foxes	*11,707*
Martens	*1,265*
Weasels	*7,128*
Polecats	*4,235*
Badgers	*1,076*

the austere yet lighter shades of oats and rye. Colour is lent by blue flax, red and white poppies and verdant green fields.

The view is dominated by range upon sweeping range of eternal mountains. White highways curve gracefully up and again down the steep slopes. Everywhere at the highest point stands a dark-green forest of pines. At times the ground stops abruptly, and you can see whence the gigantic stone masses fell—and are falling still today—which formerly towered above field and forest as ancient mountains. A precipice drops steeply away, the debris of fallen stone-masses lying at its foot among the many trees. Past great piles of stones large and small flow the Thaya and the Kamp, sweeping stones with them. They swirl in endless bends around the foot of cliff after cliff. About their sheer walls stand defiant castles and dreamy ruins.

Apricot Gathering in the Wachau District.

Once you were invited to visit the forest district. For a whole day you journeyed through the woods and then you were forced to stop. Before you arose a great baroque tower, below it a forest of gothic pillars reaching towards the heavens, cloisters and a shaded well, the whole complicated gothic blossoming and romanesque fading—the monastery of Zwettl in its lovely situation on the banks of the swift-flowing Kamp amidst mighty forests. Continuing, you came to the frontier, high above. A piece of secular and chivalric history confronted you like a rock—Heidenreichstein, the most beautiful river-castle of the Province.

Usage and custom are rooted in the soil of the woodlands. On the house gables appear May blossoms in many colours. Young men plant green fir-trees, decorated with waving ribbons, for their girls. Mischievous "May paths" are devised with sawdust or water mixed with lime which are suddenly found leading over streets and byways from a certain door to another, thus making public what the parties concerned had kept a closely-guarded secret.

In many places the winter evenings still see the traditional "Rockreise". Women and girls "visit" friends in order to spin thread. Softly the delicate wheels turn, young men come and sing, and the women and girls tell stories of the robber chief Grasl, of the wicked Waldschrat and of God's vengeance on the inquisitive girl. Here and there an old loom is still standing.

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Raab-on-the-Thaya.

of the Pulkau, in the Danube area—and in China.

BEAUTIFUL IS OUR SUMMER! Millions of vines reaching out towards the setting sun, a low, thick-set endless forest of pale green. Before you the fertile valley in its lovely frame. Ahead, hundreds and thousands of fields, ribands of flame through which one can walk for two hours, golden seas of shimmering grain. And in between, green clover and vegetables, caught in the rays of the setting sun.

In the middle of the valley, along the Pulkau, lie the villages. Large and solid roofs, a strong, bulky tower, and round about a circle of trees characterise the isolated vineyard market-towns and villages. They are large and straggling settlements, virile in character. You should pay them a visit and enter one of the houses. A strong and penetrant smell of home-made bread, bubbling pots, flour-bins, eiderdowns bursting with feathers, the breath of man and beast, warmth of straw and stables will greet you with familiar welcome.

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Where the valley sweeps broadly round are again pale green hills, vineyard upon vineyard. Next comes a wooded mountain, its crest gracefully sloping down and leading the eye on to the great beech and oak forests of Ernstbrunn. Hard is the life of the peasants here—never-ending round of toil. On winter nights when the vines are endangered, they tend the fires whose smoke fights the frosts. When at last they have completed the protection of the vineyards against damp, against drought, against insect pests, they turn, weary and worn, to the fields awaiting the reaper. As black clouds gather they fear for both. Through sleepless nights they aid the beasts in the struggle to bear their young. When they go to haul the trunks of great oaks from the forests, it is midnight before the horses are fed. The population has preserved its ancient manner of speech, as lively and as deeply rich as the ocean. The forces of long past centuries and an ancient home-

● 527 land linger on in word and custom. Marriage splendours, the dance of the vintage, "Weizauslösen" (de-husking the grain) and "Federnschleissen" (stripping the feathers of their down) lend colour to days and nights.

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In summer everyone should see a "Kirtag" (church festival). This is more than an annual fair, it is the great festival of the year, two days and two nights of feasting

261 574 to offer unlimited entertainment and hospitality. For these people it is wrong to close one's doors to anyone, no matter whom."

Early Austrian guide books praise Viennese hospitality in the same way. The Viennese, according to many later accounts, were always fond of eating and drinking, especially in public places such as the Prater, Schönbrunn or the Augarten, a fact which earned them among foreigners the reputation of being heavy eaters. It was also their custom always to cook something special for the guest and to feed him lavishly.

261 But to return to the ancients. The Roman way of life had a greater influence on the stomachs of the Viennese than did that of the Teutons. In ancient Rome eating was a science in which delicate tastes were combined with unlimited luxury. Over the city on the Tiber hovered the spirit of culinary art. According to Plutarch, Caesar understood how to plan banquets with as much care and forethought as battles. Horace and Ovid reveal to us great interest in food and drink, refined by poetry. Ovid describes how a young man dipped his fingers in red wine during a feast in order to write a declaration of love on a small table. The feasts of Lucullus are still proverbial today and the gluttonous orgies of the parvenue Trimalchion are known to us through the tales of Petronius. Many a Viennese may have felt a spiritual bond with Cato as he repeated with a sigh his complaint: "How hard a thing it is to try to talk to one's belly, which has no ears to hear."

262 Cabbage, which they like to serve in Vienna as a garniture to the traditional beef, was known to the gods of the Greeks. It originated from the tears which the Thracian Prince Lycurgus shed when Bacchus bound him to a vine-pole for frivolously destroying grapes. The ancient Egyptians could consume quantities of beer and wine without getting drunk because they ate cooked cabbage before beginning their drinking bouts. Cato recommended the same practice to Roman drinkers.

Lettuce was sacred to Aphrodite because she once hid the new-born Adonis among lettuces. To the Greek gods salads came third among their favourite foods, following nectar and ambrosia. Viennese cannot have forgotten this, for in the preparation of this olympic dish they employ qualities required by other favourites of the gods, the poets—imagination, perseverance, instinct and the gift of composition.

● 527 262 The egg, which is supposed to have given birth to many divine, heroic and unwordly beings, was associated by the Teutons with hares, brightly coloured eggs being sacrificed at the feast of Ostara, the Goddess of Spring, whose favourite animal was the hare. Until the early Middle Ages it was the custom for godparents to bring painted eggs as present, to the christening. Searching for Easter eggs is still a pleasing custom in all parts of the Austrian provinces, and there is hardly a table at Easter which is not decorated with coloured eggs.

Industrial Production Index - Comparison of Averages for October (monthly average 1937 = 100) 433

	1951	1950	1949
Total Index of Production	180.3	145.4	122.8
Production Goods	230.7	178.6	151.6
Consumption Goods	138.8	117.3	98.3
Total Index of Productivity	105.7	91.8	82.1

Although agriculture and forestry showed some results production was lagging behind due to many soil-improvement measures which were neglected during the war. It remained behind the prewar level. Further investments are now being made in this field. Considerable increase can be seen in the traffic capacity of the Federal Railways. The extension of electrification, modernization of traffic installations, of rolling stock, and of railway stations are among the projects. [311] [497]

Tourist traffic is of special importance to achieving balance of payments. Tourist traffic was one of the most important foreign currency earners before 1937. In 1948-49, 31.6 per cent of the number of overnight guests for 1937 was reached. This proportion rose to 70.4 per cent in 1949-50 and to 74.3 per cent in the winter season of 1950-51. However, the income from foreign tourist traffic lagged behind that of the prewar period. It amounted to 15.1 million dollars in 1950. With regard to its purchasing power, it reached one-fifth of the 1937 level. In this field also investments for modernization and extension of enterprises are continuing. The aim is to reach a reasonable balance between investments and incomes from foreign currencies. Similarly motivated is the aim of opening areas of the country which might be very important for tourist traffic by building new roads and means of transport, such as cable cars and ski-lifts. In the investment program for 1950-52 net investments of 960 million schillings are provided for this sector alone. 457 [529]

The main vehicle for the balancing of payments is foreign trade.

been made to guard against such an occurrence by the construction of mighty barricades. Whether man will be found to have succeeded in banning such elemental natural violence, the future will show.

Further up the Ill lies Schruns, the chief town of the Montafon, nestling picturesquely in an arm of the valley. Few places in Vorarlberg have been so fitted by climate and surroundings to become a health resort as this pretty market town.

Snakes on the Arlberg.

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It is indisputable that the people of the Montafon are very different from the rest of the population of Vorarlberg, as their customs, temperament and language plainly show. Montafon has withstood germanisation longer than any other part of Vorarlberg, and has thus preserved certain characteristics of its original Romanic population. 563

Opposite Schruns lies Tschagguns, once much visited by pilgrims but nowadays more of a centre for winter-sport. Tschagguns has particularly good ski-ing facilities and is also the starting-point for trips to the Rätikon, the excursion being facilitated by a cable railway to Grabs, 4,800 feet above sea level. In the area accessible from Tschagguns, the exacting mountain climber will find the same satisfaction as the tourist who wants only to discover and meditate on the beauties of nature. The way to the Gauertal, which is widely known for its beautiful scenery, the end of the valley with the Lindau Hut rising from the last scrubby pines in the foreground, backed by the Three Towers in the distance, has been characterised by the most experienced and best-known Alpine climbers as unique and incomparable. 361 529 133

Bregenz Tower.

A few miles beyond Schruns, on the slopes of the mighty Kapelljoch, which is to be made accessible by a cable railway, in a narrow part of the Montafon Valley lies the district of the "Fratte", which divides the valley into Outer and Inner Montafon, or, as the inhabitants say, "Outer and Inner Fratte". The first hamlet of the Inner Fratte is St. Gallenkirch, whence the valley of the Suggadin river stretches away in the south to the mountain health-resort of Gargellen. Surrounded by the most bizarre of mountain scenery, the latter is, perhaps, artistically

361 considered, the most attractive place in the entire Province. What makes of it a
●529 health-resort is the fact that of all places in the Province, it has the record
133 for sunshine, and that it has the same wonderful climate as the Swiss health-resort of Davos, only 18 kilometres distant as the crow flies.

That the Montafon, particularly the Inner Fratte, has lost its original character
361 of a mountain farming area is immediately evident when one comes to Parthenen,
133 last of the valley settlements. At first glance it is recognised as an industrial township.
377 Montafon's name of the "Valley of White Coal" is here justified, for the district in which Parthenen is situated is devoted to the production of electrical power. Cable-railways, elevators, narrow-gauge railways running at a height of over 5,000 and 6,000 feet, extensive plants and tunnels several kilometres in length show at first glance with what energy technical knowledge is striving to render the forces of nature of service to man. The source of these forces is the glaciers of the main range, the "Blue Silvretta", famous as a ski-resort in spring. It is easy to repeat without giving the matter further thought that the beauty and natural charm of the mountains are destroyed when their useful potentialities are exploited by mechanical means. It is far wiser and more just to go oneself (and how much simpler the many inventions of the much abused mechanical developments have made such a trip), to ascertain with one's own eyes that the two enormous artificial lakes at Vermunt and Obervermunt have lent a touch of beauty to the picture which was lacking in the monotonous valley which they have superseded. For the mountain lover there still remain the combs and peaks of the monarch of the Vorarlberg Alps, the 9892 foot high Piz Buin, which he can approach with untroubled heart and a determination to dare its perils, without any risk that his ideal picture will be found marred by the spirit of a profit-seeking age.

529 THE LOFTY CASTLE OF THE
526 WHITE ART. It is not so very many years ago that winter was regarded as a visitation of God. More especially was this the attitude of the mountain folk whose means of livelihood were drastically curtailed during the cold months by the many feet of snow. This attitude only underwent a change when human ingenuity succeeded in making use of two strips of wood bound to the feet with one end bent upwards, which brought with them greater freedom of movement even over deep snow. This happened in Austria towards the end of the last century. One of the areas in which this now widespread

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Old Montafon National Costume (Women).

"White Art" was developed and cultivated is the Arlberg, which takes its name from the pass which was well-known as a connecting-link between Tyrol and Vorarlberg even in mediaeval times.

The name Arlberg is a magic word which arouses echoes in the heart of every skier, of whom there are hundreds of thousands today. There is scarcely another part of Europe which satisfies so many demands of modern ski-ing as this mountain-world on the borders of Tyrol and Vorarlberg. It gave its name to a well-known ski-ing style, and the name of Hannes Schneider is inseparably connected with the conception of ski-ing. You will quickly get an inkling of the Arlberg district's meaning for the sporting side of modern ski-ing if, at the end of winter, you glance down the lists of winners of the great international races; again and again you find Arlberg names at the head of them. The importance of the Arlberg from a ski-ing as well as from a tourist point of view will be understood and never forgotten by anyone who has ever spent a week there at the height of the season.

[496] The line of approach to this eldorado of the "White Art" is the Arlberg railway, which ascends from the Vorarlberg side of Bludenz in daring curves, overcoming the natural barriers of the narrow Klostertal by many a viaduct and tunnel to reach Langen-on-the-Arlberg, nearly 4000 feet above sea level.

On arriving in Langen one is at once confronted by a scene of activity. Motor-sleighs and innumerable horse-drawn sleighs, vast piles of luggage and a crowd of shouting and excitedly gesticulating people—a gathering of many nations—fill the square in front of the station. Within a few minutes this confusion resolves itself into an orderly line of vehicles which sets out over the Arlbergstrasse and Flexenstrasse with a rattling and tinkling of bells towards Stuben, Zürs and Lech, [491] well-known winter-sport resorts. The drive over the Flexenstrasse, especially in winter, is an unforgettable experience. No one can fail to be impressed by the manner in which this important highroad has been built in defiance of natural obstacles, with a vast expenditure of time and money, but with a due regard for the beauties of nature.

The less attractive the Arlberg scenery around Zürs is in summer, the more appeal the treeless white slopes have in winter when they are softly blanketted

in deep snow sown with glittering crystals. When a blue sky rises in an arch above, it is enough to make every heart beat more quickly. One feels an irresistible urge to set forth on skis, to plough a shadowy blue track in the virgin white, to hear the crackling and whispering of the myriad shining snow crystals, to abandon one's body and spirit to a purity and freedom which is only to be found in the alpine heights in wintertime. And the experience of the whirlwind descent, the snow flying up like clouds of star-dust! Here there is enjoyment for everyone, even though their numbers run into thousands. There is room enough for each one to get away from the others and to make a track of his own. The great hotels are ready to furnish proof that city dwellers who cling to their standard of comfort are also catered for. A first class ski-school provides individual and successful instruction in the White Art, and the ski-lifts enable those setting out on a ski-tour to reach attractive areas without effort. 529 526

Lech-on-the-Arlberg is even more beautiful scenically than Zürs, although it does not lie so high and is less fashionable. Perhaps just for this reason it is more intimate and cosy. Lech attracts many guests in summer as well, although it is chiefly a winter-sport resort, furnished with all the necessary modern equipment.

Before we say good bye to the Arlberg, let us take a glance at one of its wild and romantic beauties—the avalanches. Many readers may be surprised to hear avalanches numbered among the beauties of nature, but their surprise betrays that they have never experienced the grandiose spectacle of this wintery force on the Arlberg. When on fine days towards the end of March and in April the modestly blooming violet begins to oust the snow in the valleys, high up amidst the peaks, still in full winter costume, an ominous rolling and a muttering begin which strike a chill into one's very bones. Lying in the sun in a safe corner, one can watch this drama of nature for hours without wearying. Again and again one looks up as one catches the rumbling sound, and in a few seconds gigantic masses of snow like a great white river throwing up showers of spray cascade down over black rocks into the ravine below. Long 133

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after the avalanche has subsided to the view, the accompanying thunderous roar continues, itself gradually subsiding into a silence which leaves the ear keyed up for the next demonstration.

The Walser villages are interesting, in character easily distinguishable from other places in Vorarlberg. Every farm is built at least a stone's throw away from the next, according to Walser custom, and isolated houses are to be found as high up as the last slopes which it is at all possible to reach by vehicle.

The picture of the Great Walser Valley reminds the observer that it is not always man who rules nature, but that sometimes it is nature who forces man to acknowledge her imperious rule. The impression left by a visit to the Small Walser Valley is a much friendlier one. This district, which economically is an enclave not only within Vorarlberg but also within Austria, has an individual note due to the highly developed tourist trade which is everywhere in evidence. The natural traffic routes of the Small Walser Valley connect it with the adjacent Allgäu, but it has no direct connections with Vorarlberg or Tyrol. This valley, which offers many opportunities for winter sport, but is also attractive in summer on account of its beautiful scenery, has built up a remarkable tourist connection. It can boast of a very large number of comfortable inns and hotels. You will find them all along the only road, which links up the market towns of Riezlern, Hirschegg and Mittelberg, and on the slopes above. Obviously such developments have an influence on the way of life of the native population. But it is surprising to learn that in the Lesser Walser Valley even simple peasant's farms are furnished with many of the comforts of civilisation. Most of them have central heating, running hot and cold water, mechanical washers and modern kitchen conveniences run by electricity.

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MODERN NOMADS. The Upper Bregenzerwald, that is, the country above the Bregenzer Ache from the Bezau onwards, is chiefly mountainous in character, declining to hill country in the Lower Bregenzerwald. Populous settlements are scattered through the vales which branch off from the wide valley; solitary, 'sun-

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The Wolfsgraben.

by a mysterious roaring from the depths of the mountain. Soon one finds oneself within this mountain, remote from the sun even though it be at its zenith, trapped in a damp gorge, surrounded by high walls but sure of one's way on the narrow path which has been carved out of the stone. The water foams angrily through narrow passes, tearing at the rocks, wearing away the stones, swirling and growling through the hollows it has worn in the walls, leaping, tossing, screaming, as though a terrible rebellion had broken out in the usually placid element.

133 529 The next lateral valley is watered by the Gastein Ache, the healing and magical waters of which are well-known. The two Gasteins, Hof- and Badgastein, are world famous. The reputation of these health resorts has been connected for centuries with the names of illustrious visitors. These two spas which formerly slept in winter now attract crowds of visitors through their ski-lifts. They seek health in the neighbouring mountains, which vary from giants which climb to 654 glacial heights to more gentle hills. Nearby lies the Sonnblick with a meteorogical station lying at a height of 10,000 feet above sea level. A further lateral valley 133 serpentines in the bold curves of a car road up the gigantic bulk of the Grossglockner, providing enchanting glimpses of rushing mountain streams glittering far below and of white, foaming waterfalls which sway in the wind like the beards of ancients. Over all this, a vast sea of cloud.

This giant world of the alps rules the emotions of man with almost painful majesty, commanding his ear, absorbing his glances, and forcing him to speak almost in whispers. One can imagine this vast mass of rock with its thin covering of arid grasses groaning under the indignity which the splendid road has imposed upon it. One can almost feel the mountain rising and falling as it breathes deeply, seeking to hurl the crawling, twisting car into the depths which make one giddy as one looks down.

In the far distance light and shade change as in a Rembrandt picture. Amidst this stupendous landscape, one experiences a feeling of liberation and lives through a whole gamut of emotions, passing from sheer amazement to a sense of com-

133 *frontiers of the Province proving an insurmountable barrier. In 1918 South Serbia laid claim to Carinthian territory and foreign troops soon invaded a country which had collapsed after four years of war. But the Carinthians stood firm in loyalty to the Motherland, and the Province emerged intact from the defensive battles of the year 1919 and the plebiscite of 1920. The inflexible patriotism of its people had triumphed. History repeated itself after the second World War in which Austria was involved. The old saying "Carinthia free and undivided" will be bequeathed by the present sorely-tried generation to its sons, as an inheritance which is part of the very existence of the Province.*

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WHAT THE PEOPLE ARE LIKE

Anthropologically there are two main races clearly traceable in Carinthia: a blond, tall, long-skulled type and a dark, tall, long-faced but short-skulled type. Both types are about equally prevalent. The eastern type of man, smaller, with a broader skull and darker skin, is less frequently met with. Here and there in many places there are isolated traces of a Mongol race, revealed by the characteristically wrinkled eyelid and the position of the eye. It is typical of Carinthia that none of these traits indicates a national division. They result from centuries of constant racial intermingling, being found quite as frequently among the German-speaking as among the Slovene inhabitants of the Province. It seems that the original Celtic peasant inhabitants gradually mixed with Germanic, Slovenic and other elements which penetrated the Province as the result of colonisation, wars and the expeditions of merchant caravans.

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Living in this area marked out by its natural boundaries, these peoples, aided by the effects of common conditions of life and progressive intermarriage, gradually developed into that Austrian-

lies the picturesque Weissensee, the only alpine lake which can boast of a bridge. The Gailberg offers a way over this mountain range connecting the towns of Kötschach and Oberdrauburg. A second road leads over the Kreuzberg between Hermagor in the Gail Valley and Greifenburg in the Drau Valley. Where the two broad river valleys meet lies Villach, on the extensive mountain plateau of the Dobratsch which has been given the name of "Carinthian Rigi" on account of the wonderful view from it. The acrothermal baths and the valuable metals won from the Bleiberger Erzberge are some compensation for the devastation caused by landslides in the dawn of history on the south side of the Dobratsch. The wierd scenery must be in part the reason why a famous colony of painters has settled in these parts, in the village of Nötsch. Among them are such well-known artists as Franz Wiegele, Arnold Clemenschitsch, Kolig senior and Herbert Boeckl, as well as Anton Mahringer and Raimund Kalcher.

Only south of the Gail Valley and of the lower reaches of the Drau is the wild character of the frontier mountains fully apparent. The wall of the Carinthian-Julian Alps stretches from Tyrol to the Gailitz Gorge through which passes the railway-line to Italy. In the Monte Coglians it attains a height of 9000 feet. It has a single negotiable pass—a military road even in Roman times—at Plöcken. The crests of the ranges tower upwards in pyramids or sheer walls of rock in a bewildering variety of forms, differing according to their height and the type of stone. Dense beech woods alternate with open fields, the meadows of the Gartnerkofel reflect the majestic violet blossoms of the Wulfenia. The Wolayersee reflects an impressive view of the surrounding country.

alpine type which is nowadays implied by the use of the word "Carinthian", creating a feeling of natural common weal, without entirely destroying specific indications of individual differences. An extravagant capacity for enthusiasm, a light-hearted joi de vivre and love of good food, an impulse towards what is great and profound, are ascribed to the Germanic element. Rough and primitive strength, loyalty, a coarse sense of humour and self-confidence are believed to originate in the Celtic admixture. From this last the people are considered to derive a certain uncomprehending tendency to reject all that is new or unusual, the much criticised tendency to leave everything as it has always been. Whether this be true or not, all these qualities do, in fact, mark out the Carinthian generally, with little distinction as to his mother tongue. They equalise out in the souls of the people, stormy contradictions blending in the calm of a purposeful attitude towards life. Light usually triumphs over the darkness of the depths.

NATIONAL CUSTOMS.

The colourful customs of the inhabitants derive from age-old sources. In Central and Lower Carinthia, they date from the Celtic part of the prehistoric migrating hordes and the days before the birth of Christ. Heathen processions around the mountains in spring which led to the heights of former Celtic places of worship, became in Christian times Easter pilgrimages, such as the strange "Vierbergelaufen" in the Zollfeld area. The customs and legends of Upper Carinthia date back to the times of Teutonic invasions. Prayers for good harvest weather and for fertility embodied in the old custom of blessing the fields, the solstice fires and the marriage customs as well as those of the "Rauhnächte" have undergone many a change since they were first

Gail Valley Costumes.

building on the inheritance of the moraines of the ice age. The mountain winds carried seeds from afar. Thus there came into being a mixed landscape of thickly covered, isolated summits, ranges of hills, meadows, ploughed fields and stretches of water. 133

In this enclave lies the largest lake, the Wörthersee, the centre of summer holiday life, a reservoir of warmth covering an area of some 20 square kilometres. On its shores are many country houses, colonies of bathing huts and popular holiday resorts, among which the most important are the spas of Velden and Pörtschach. The Wörthersee is also a first class centre for sport of all kinds. On its beaches are crowds of bathers, swimming and playing games of water-ball; beyond them rowing boats explore the bays and inlets, while further out again, white sails swell in the wind and speed boats flash by, many towing a surf-riding board on which a bronzed figure is precariously balanced. In late winter, the wide surface may become a skating rink of vast dimensions. On the shores of the other lakes, large and small, life is less intense, but more idyllic. The Ossiachersee dreams pensively in the shadow of 133 133 529 133

a soft flour paste with the edges folded over, and filled with "Topfen" (curds), herbs, poppy seeds or dried pears. For festive occasions there are the "Leinöl-krapfen" (a sort of doughnut) and the "Reindling", a cake filled with cinnamon, sultanas or currants. The chief dish is "Sterz", made of buckwheat or maize. Normally meat is only eaten smoked except on feast days. Peasants engaged on exhausting work may eat bacon at tea time or it may be eaten with potatoes, cabbage or pickled turnips at the mid-day meal. For drinks there are cider and Schnaps, home-made spirits from the fruit growing on the farm.

Although the mountainous nature of Carinthia does not afford its inhabitants a very luxurious existence—in comparison to that of the peasants in the plains it may almost be called poverty-stricken—it provides in its variety rich food for the spirit. The special temperament and mentality of the people find joyous expression in the magnificent songs of Carinthia, which have been spread, through Koschat, far beyond the native frontiers. Sung in jolly company by three, four or five voices, women's and men's blend harmoniously with that of the "oversinger" who remains an octave higher. It makes no difference whether the language of the song is German or whether, as in places near the southern frontier, it is sung in the Carinthian-Slovenian dialect. Sometimes, in fact, the two are mingled, with amusing effect. In the field of religious melodies there are many shepherd's songs which express in direct countryman's fashion the story of the finding of the infant Jesus in language which is sometimes moving, sometimes amusing. The most revered song, however, is and always will be, for Carinthians, the "Kärntner Heimatlied", written by J. Ritter von Gallenstein in 1817. Its verses describe the beauty of the Motherland Province in moving terms of deep affection.

Maria Wörth.

a shopping place for the needs of the surrounding countryside. Numerous castles and fortress-ruins are all that remain to remind of its proud past. 361

Villach has always been an excellent centre of communications. Belonging to Bamberg until the middle of the 18th century, it early received valuable privileges which together with a highly developed trade and the rich mineral yield of the mountains made it a very prosperous centre of culture. It likes to be called the "Town of Paracelsus", who lived there with his father for fourteen years. Its particular attraction is provided by the mountain which looks down into the streets and highroads from all sides. People say jokingly that this is the only town in the world where it is possible to hunt the chamois in the streets. This is, of course, not strictly accurate, for the forests of the Dobratsch mountain merely touch its outskirts. As a health resort it would be hard to beat, for mountains and lakes present the most varied attractions, while the warm springs of the medicinal baths offer a cure for many painful illnesses. A faint flavour of life in Italy, whose frontiers are not far [529]

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by J. C. Fischhofer, and the library for its treasures of old manuscripts.

Space must be found for a word about the hill country between the Raab and the Mur, the Land of the Seven Valleys which, separated from one another by forested heights, all guide their dark streams past quiet rural villages and mills hidden behind alder groves, flowing in the same direction towards the Mur. The latter, sweeping eastwards, forms a natural boundary for Styria. In the forests the edible chestnut is common, here and there casting its shade over a tumulus, which bears witness to long-forgotten settlements. Summer warms the air with southern strength, autumn bringing clear skies and the finest views from the footpaths which wind through vineyards and woods to white chapels.

529 The Gleichenberge and the Stradner Kogel are of volcanic origin. The curative properties of their springs are widely known. Bad Gleichenberg enables numerous visitors to combine the healing qualities of forest solitude, with up-to-date medical equipment.

245 The vine, which is cultivated in East Styria with varying results north of Hartberg, steadily improves in quality towards the south, reaching its zenith in the Klöcher Gebirge and around Halbenrain where the fine vintages are stored in the wine-cellars.

361 Mureck is a town of ancient Styrian civic culture, but its crown, the castle of Obermureck, lies on the other side of the Mur in what is today foreign territory, [342] as does Oberradkersburg, the ducal castle which since 1918 has been separated from the most southern town in Austria, the ever-loyal Radkersburg. None of the sufferings of a frontier town has been spared it. The tombstones in the churchyard of the gothic parish church are witness to the origins of its inhabitants. The venerable relics of Styrian civic life of olden times which are preserved in the tower of the Rathaus below the solemn frescoes of Fritz Silberbauer will encourage future generations to emulate the loyalty and watchfulness of their ancestors.

[498] THE STYRIAN ENNSTAL. Where the train leaves the narrow valley of the Palten to enter the broader valley of the Enns, it is greeted by a noisy network of sidings, signals and rails in the big station of Selzthal. The time-table describes it as a junction where many passengers change trains at an important crossing of north-south and west-east routes. Its name is better known in and outside the Province than many another which formerly meant fame and surviving tradition in the Enns Valley. A hundred years ago Selzthal was not much more than the name of a district, of a forest valley in which the charcoal-burners worked for the

133 and raftsmen, leaving Altenmarkt behind it, the Enns, today the favourite torrent for adventurous souls in collapsible boats, flows across the frontier into Upper Austria.

[496] From Selzthal the railway runs upstream along the left bank of the Enns to Radstadt and Bischofshofen in the province of Salzburg. All along its course northwards stands a chain of the characteristic peaks of the Kalkalpen in exciting divergency—Hochmölbing, Totes Gebirge, Hochtausing, Grimming, Stoderzinken and the lower flanks of the massive Dachstein. Different again, less wild, but as unique in their own way, are the forested subalpine hills which run off here to the left. Behind them lies the wilderness of the Niedere Tauern with their many lakes.

361 Liezen at the northern edge of the valley, mention of which occurs in documents [438] of 900 years ago, was the most important transport junction before the railway came into being. Trade and barter brought prosperity from the salt carriers and the traders who arrived by way of the Pyhrnstrasse. The growth of the neighbouring town of Selzthal has brought losses to the former roadside settlement, but the persevering inhabitants have found other means of livelihood and today its flourishing industries have raised Liezen to the status of a town.

[529] Wörschach, a pleasant and peaceful spot at the entrance to a gorge, attracts from afar holiday visitors and health seekers year after year to the healing springs of its radio-active sulphur baths. Mountaineers and ski-ers climb from here into the mountain world of Hochmölbing, Warschenegg and Hochtausing, the climber often finding summer conditions on the verdant heights of the Schneehitzalm and the Bärenfeuchten between the numerous herdsmen's huts. The mere pedestrian crosses the Taschnermoos within view of the towering Grimming and goes on to the Puttererseе by way of Aigen.

[346] From Wörschach the road leads westwards to Niederhofen, whose little gothic church deserves the attention of all lovers of art—and of Styria. This building contains curious tempera paintings from about the year 1500 and three carved altars from the 17th century. According to Ferdinand Tremel, the Styrian historian, we have in it one of the oldest churches of the Enns Valley. In Stainach, to which the junction of the Salzkammergut electric railway and the Bischofshofen—Selzthal line have brought new life and trade, we catch sight of the rocky nest of "in der Pürgg" above. The great gothic church there, noteworthy for its antiquity as well as for its unusually artistic architecture, well earns its local name of "Steyrisches Kripperl" (Styrian Crib). Inns and farmhouses surround it, completely filling the gap in the rocky cliffs.

On the other side of the valley lies Irdning, an impressive market-town whose busy life confers many advantages on the wide mountainous hinterland.

From Liezen onwards one is impressed again and again by a mountain which rises above lower wooded heights like a vast, glittering castle of rock—the Grimming.

quarter above the Wienerwald. Waidhofen-on-the-Ybbs, Lunz, Scheibbs and the stretch from Mariazell to St. Pölten are far-famed for their rustic beauty. Further to the north of the Styrian boundary lie Türnitz and Lilienfeld, Hainfeld and Gutenstein near the contrasting shapes of the Mittelgebirge.

Along the road to Greifenstein, on the Danube, through Neulinghach and Altenmarkt, descending to the Hohe Wand, Schneeberg and the Rax, runs the boundary of the "quarter below the Wienerwald". Encircling Vienna in a mighty arch from Klosterneuburg to Heiligenkreuz and Baden, it descends to the plains along a line of thermal springs. On one side of the Südbahn grows a heavy wine; on the other is a chain of industrial centres—Traiskirchen, Sollenau, Leobersdorf, Bernsdorf, Wiener Neustadt, Neunkirchen, Ternitz and Wimpassing. The factory chimneys do not end until the Semmering district is reached at Gloggnitz and Payerbach. The Pittental leads to the "Buckligs Welt" of Edlitz, Kirchschlag and Aspang, while to the east of Vienna the approaches to Hungary lie in the flat triangle formed by Schwechat, Ebenfurth and Bruck-on-the-Leitha.

ON THE BANKS OF THE RIVER.

Restless flows the Danube through Lower Austrian territory, until it is reluctantly compelled to submit to control and regulation. At Strudengau it still gives birth to leaping rapids and circling eddies, twists itself at Ybbs to a dangerous bend, narrows to the legend-haunted valley of the Wachau and constantly forces the current to move now towards this bank, now towards the other, until it at last subsides into a broad and placid stream below Tulln. With

Baden, where the healing waters flow close to the roadside, proved a great attraction for you. To drink them you only needed to go down a few steps. On all the bridges over the Schwechat, you could smell the sulphur from the springs which were discovered by the Romans. The modern medicinal baths were in their time the temple of a goddess. In the piping times of peace you found there many people who had come from far off countries. The rich glow of the tulip beds in the Kurpark is a sight which you should not miss. 529

Kornhäusel, an architect of late classicistic style, built for Baden a town hall with Greek temple columns and a flat roof adorned by stone statues. His work, specimens of which can be found throughout the town, is of modest but genuine beauty. You keep finding pillars and rows of columns, Doric and Ionic capitals and caryatids, which, although of unequal value, lend a distinctive air to the town through their variety of form and the attempt to reproduce the beauties of antiquity. 341

Mozart's "Ave verum" and Beethoven's "Missa solemnis" are particularly treasured by Baden. Grillparzer, Schubert and further southwards, Raimund have all enriched this countryside with the breath of their art. 533 536

At the foot of the forests are extensive vineyards. Light, stony soil and a favourable situation give the grape a choice quality which has been further improved by careful tending. Gumpoldskirchner wine was taken around the world on one occasion on a Zeppelin flight. It kept its high quality throughout. 245 274

Hainburg, Wienertor.

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Güssing.

Burgenland's volcano—Pauliberg is its name—is of course no longer active. But it provides the Province with indispensable basalt for road building.

The Burgenland volcanoes—there are more than one of them—although non-eruptive, have the hot springs which still flow along the thermal line. That line of healing springs which begins in Vienna and continues through Baden and Vöslau, unites in Burgenland with the sulphur baths of Leithaprodersdorf, northwest of Eisenstadt. It carries on to the unpretencious health centre of Sauerbrunn at the foot of the Rosaliengebirge and feeds the mineral springs of Kobersdorf at the foot of the Pauliberg. Parallel to it runs a second line from the radioactive baths in Edelstal to the mineral springs of Deutschkreutz.

Kobersdorf.

133 Far off in the south of the Burgenland the basalt cone of Güssing is still recognisable as a part of the volcanic chain. The narrow strip of land where three countries meet and where the castle ruins of Neuhaus look down from the mountain, is in its isolation one of the most lovely spots of Austria. Here the Raab

103 traverses the Province. Its name has survived from the days of the Romans, who may have adopted it from the Celts or the Illyrians. The town of the same name situated where the river joins the Danube is called Györ in Hungarian, preserving the memory of the Avars who, when the barbarian flood had subsided, remained as rulers of Pannonia, and thus in the Burgenland. "Györ" means "ring", the Avars designating as "rings" the earthworks behind which they defied a superior force, while their mounted hordes ravaged the countryside.

Bernstein.

In Southern Burgenland there are no surviving traces of the Avars, although the names of many places bear witness to their not always willing followers, Slavonic tribes who, as farmers, were forced to contribute to the support of the Avar nomads. Welten,

133 Austrian alpine foothills, to which it by its character belongs. Sandwiched in between, on the upper Pinka, one finds a living witness to Burgenland history in the Magyar enclave of Oberwart.

175 The Magyars came to Pannonia about 896 A.D. In 907 A.D. they destroyed the Bavarian armies near Pressburg, thus putting an end to the Frankish-Bavarian
563 Pannonian Mark. For half a century hordes of Hungarian horsemen overran Europe, spreading out even to France and Italy. The Battle of Lechfeld in 955 A.D. put an end to this, and the Magyars then tried to secure themselves a permanent home in the Danube Basin. Their "Westwall" was the impenetrable forests of southern Burgenland, and, further northwards, the swamps of Rabnitz. The valleys in the forest belt were defended by barricades and troops.

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Oberwart.

In one of these "Warte" or outposts, which is today the Hungarian-speaking village of Oberwart, the Magyar garrison maintained itself for 1000 years. Here the Magyar origin of the population is still evident in their speech and picturesque dress.

133 There are traces of almost every period of Burgenland history in the district of Oberwart. The most valuable heritage is that left by the extinct volcanoes at
529 Tatzmannsdorf, a healing centre for heart complaints and feminine ailments—an Austrian version of Franzensbad.

Geologists will find much to interest them in these parts. The brown-coal
135 mines of Tauchen, the antimony and sulphur-stone deposits at Schlaining, the iron ore which was mined even in Celtic-Illyrian times at Eisenzicken

"If I always wished to be among my equals, I should be forced to take my walks in the Kapuzinergruft, among the deceased Hapsburgs." 367

The Prater is a vast stretch of untouched open country which lies on the right bank of the Danube. Just as the mountains behind the city reach right up to its suburbs, so does the wooded plain of the Prater with its open fields and pools. One can wander for hours in this natural park, the most extensive recreational area for the Viennese. However many tens of thousands come here, the Prater has room for them all as they spread over the broad expanses of meadows and woods which offer shade, rest and repose after the din of the city.

Right through the middle runs the Hauptallee, with the romantic Lusthaus at one end, beyond which the road leads on to the Freudenau, Vienna's racecourse. At all seasons of the year it attracts visitors. But in May this avenue forms an unbroken ribbon of flowering chestnut trees. When the petals fall from the blossoming candelabra, the grass, the footpaths and the roadway are all covered with white and red snow. Later on, in autumn, children eagerly collect the shiny brown chestnuts lying among the dead leaves.

On one side of the Hauptallee lies the little lake near the Konstantinhügel and further on the Heustadel Water, on both of which are rowing boats for hire. On the other side are the Trabrennplatz (Trotting Race Course), the great Sport Stadium, three historically famous coffee houses and the "Wurstelprater" (Fun City). Here at the foot of the Big Wheel, holiday crowds find a centre of light-hearted happiness, where the cares and sorrows of a harsh everyday world may for a space be forgotten. The "Wurstel" (Punch) still delights children as he did in the days of Adalbert Stifter. Fascinated, they sit before the small stage where their imaginations are ever again successfully led astray into a world of illusion and fantasy with very primitive aids—chiefly adroitness of the fingers and a native gift of wit. Ancient wisdom finds its expression here, a wisdom which recognises failings with a smile. Born of

Viennese Girl, 1948.

317 occupation, thus allowing completely destitute Austria to procure a certain quantity of foodstuffs through compensation deals with foreign countries.

[529] Salt, the white treasure of the mountains, serves humanity in a modified form in another manner. Wherever salt is recovered, there have grown up famous spas such as Bad Ischl, Solbad Hall and Bad Aussee, where the same substance helps to heal various disorders.

One of the few good results of the First World War was that it taught people to appreciate the value of a healthy body. Sport became a popular demand of the masses, which the municipal administration did its best to satisfy. The establishment of the Stadium and many sports grounds and youth playgrounds, of the Amalia Baths and many summer swimming pools, the extension of existing municipal peoples' baths and the construction of 23 children's free open air bathing pools all served to popularise sport among the masses of the people and improved the health of the population of Vienna. 529

The Tenants' Protection Law, born of war-time necessity, put a brake on private building enterprise after the First World War as it does today. As general economic conditions made it unthinkable that this law should be abolished and the old system restored whereby there was no limit put on the rents which landlords could demand, though at the same time the shocking housing conditions in Vienna called imperatively for sweeping and effective measures, the Vienna Municipality saw itself obliged firstly to raise funds to complete the housing schemes which had been dropped during the war. Secondly, it had to adopt a positive building policy of its own. On September 21st, 1923, its housing programme was adopted, the Vienna City Council deciding that it should be financed from municipal funds. Over a period of five years, 25,000 homes were to be built for the public. This programme was not only completed, but was followed by further great building projects, so that by the year 1934, about 65,000 homes had been built by the municipality, either in blocks of flats or in groups of small houses. This gigantic scheme was covered in part by the steeply and progressively scaled house-building tax. 362

The Vienna Municipality considered its building activities as a welfare measure to which it was compelled by existing social and economic conditions. It therefore treated the whole cost of construction as irrecoverable building investment which must be regarded as capital expenditure. Rents were fixed to cover the costs of maintenance and anticipated repairs and replacements, thus keeping them within the range of the Tenants' Protection Law rents.

House planning was developed by the Vienna Municipality in accordance with entirely new principles of hygiene and cultural progress. The building regulations in force in Vienna since the year 1883 permitted actual buildings to cover eighty-five per cent of the available surface, but the Vienna municipality only allowed 30 to

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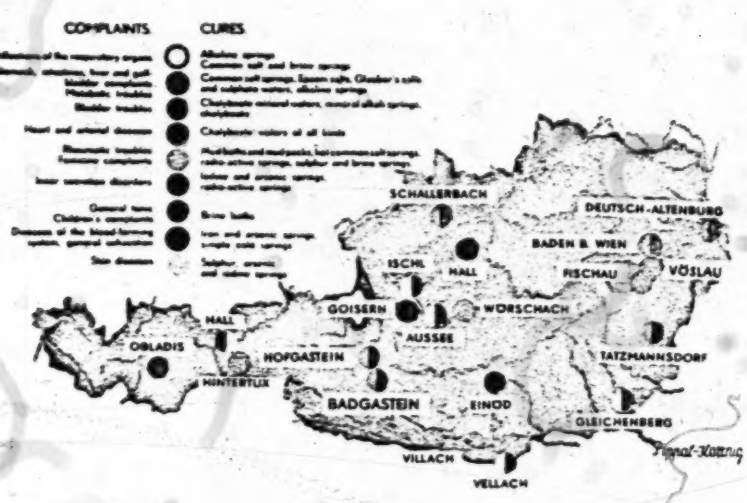

Medicinal Baths in Austria.

HEALTH RESORTS AND SPAS.

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Nature in Austria attracts not only through variety and charm, but also through a healthy climate which is bracing for mind and body. Situated between the oceanic West and the continental East, the graduated heights, the mountain ranges, lakes, rivers and forests provide many variations of climate, capable of satisfying a wide range of demands for a mild or bracing resort, and a variety of choice which enables every individual to select just what he wishes for himself.

There are over 200 health resorts in Austria, 110 of them being medicinal spas. Some of them are world-famous, attracting and retaining an international public. Others are quiet and remote, lying in gently rolling hill country, and others again call one to the invigorating heights of the mountains.

Along the long-known thermal line which skirts the eastern edge of the Alps and runs from the Danube through Lower Austria and the Burgenland down to

●529 Styria, is a long succession of spas. Another group benefits by the mountain riches of salts and volcanic springs. There is a succession of healing health resorts extending from Bad Hall in Upper Austria across the Salzkammergut and the magnificent valley of the Gasteiner Ache to Solbad Hall-in-Tyrol.

[312] Chalybeate waters, radio-active springs, mineral-saline waters, sulphur springs containing iodine or bromide, mineral waters of the most varying kinds are all used in a carefully tested therapy for drinking or bathing cures, inhalations or medicinal packs.

Whatever could be done by man to add to the gifts of generous nature has been done in Austria. The health resorts and baths themselves are as diverse and manifold as the healing springs. Baden-bei-Wien lies in a specially favoured corner of the Wienerwald, with its sulphur springs which were valued by the Romans, amidst very lovely scenery. Nestling among forested hills and extensive vineyards, the town with its well-kept avenues, its park, its promenade, theatre and charmingly built villas is like a great hospitable garden. Baden has been a favourite resort for statesmen, men of science and artists from time immemorial when they have sought peace and recuperation to enable them to face new tasks.

Badgastein, situated amidst the impressive panorama of the Salzburg Tauern, has become Austria's most famous medicinal spa. Mountain sun, absence of fog and the purity of the air all help to increase the effect of the radioactive thermal waters. This place, with its varied profusion of pump rooms, fine houses and modern hotel residences towers above and around the rushing, foaming, cascading Gasteiner Ache like an enormous amphitheatre, a picture of elegance and comfort combined with nature in her most overpowering and impressive mood. The shady and well-kept paths hold memorials to many famous personages, to rulers, statesmen, diplomats and artists. An international public from all over the world gathers here in the hope of postponing old age and recovering youth.

One thing is common to all Austrian spas—to Tatzmannsdorf, Schallerbach, Vöslau, Gleichenberg, Warmbad Villach, Ausser and

529 Ischl. That is the atmosphere and feeling of comfort. There is a healthy optimism in the air of each, a natural and effervescent joy in living which knows no artifice.

SPORT.

526 The idea of sport in a modern sense—Athens in 1896, Coubertin, memories of Olympia—has fallen on fruitful soil in Austria, as her sportsmen have proved in the prizes which they have carried off at various international competitions. There is no need to concern ourselves here with gold and silver medals, nor with records, distances covered, split seconds and points. Let us leave aside champions and their tabulated achievements, the "wonder-teams" of former years, world-famous ski-ers and the "strong men" of Vienna. Here let us consider sport in its natural and most attractive shape, as a means of gaining strength and of recuperation for all, to whom it offers the joy in living which comes from a healthy body.

Expressions frequently heard such as the daily grind, the dull jogtrot of life are not applicable to Austria and its inhabitants in a literal sense. Whoever sets a wandering foot on the ground anywhere between the Bodensee and Neusiedlersee can be sure of a constantly changing view, of a world twisting and turning up hill and down dale in mountain and valley. Anyone wanting to go from one town to another, or even from village to village feels his senses quicken in the freedom of the lovely countryside. The air, fresh with the dew on the grass or heavy with the scent of flowers, so bathes the skin, the lungs, that it seems as though burdens had been cast away.

Living and working in this atmosphere throughout the centuries has given the men broad shoulders and sinewy figures; the women are high-waisted, with narrow hips, graceful necks and shoulders and slender, well-shaped feet. The Austrian has a passion for "wandern"—for hiking—deeply engrained within him. His mouth demands to breathe in the air of the great mountains, his foot the soft carpet of mossy slopes and his eye continual change, now drinking in the green of near-by forests, now reaching out to the distant lines which the silent horizon has etched against the bright sunshine. The driving force behind all sport in Austria is the need to be with and to experience nature, the delight in the light of day, the need to grasp the earth as

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Sample of Peasant Weaving from the XVII Century.

361 of "Garden City". The social problem is solved here in noteworthy fashion,
288 for although more than half the population is dependent on industry, it has no proletariat.

133 In grappling with its problems, the town has, of course, been helped by its favourable geographical position. The winter sport resort of Bödele which is easily reached by a picturesque road brings life to Dornbirn as soon as the white carpet covers the ground. In summer its chief attraction is a beautiful and sinister gorge which is reached by a romantic artificial flight of steps—the Rappenlochschlucht. Closed in by walls of rock which tower vertically to a height of several hundred feet, crossed far above by a bridge, the turbulent mountain waters far below foam and roar through the gorge. The spectacle is well calculated to awaken a wholesome respect for the might of those forces which give shape and form to surrounding nature, and through her to our own lives.

133 From the tree-covered summit the hoary keep of Neu-Ems Castle overlooks
712 the valley of the Rhine. The steep crag commanding the town bears the ruins of Alt-Ems, before its destruction in the Appenzeller War one of the greatest castles of the German Reich, equal in size to the famous Wartburg. The palace built by Count Kaspar still stands today at the foot of the Castle Rock. A number of other buildings and historic names lend to Dornbirn that magic of departed grandeur which always lingers around historic walls and ancient monuments.

133 THE GARDEN OF VORARLBERG. In the midst of the plain through which flows the Rhine rises the Kummenberg, a witness to the activity of the Rhine Valley Glacier in the Ice Age. To the south its tree-covered

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from the canton of le Valais, in Switzerland. At the beginning of the 15th century the number of these peasants who came to settle in Graubünden and Vorarlberg was steadily on the increase. These new arrivals seeking employment were readily welcomed by the land-owners, and the uninhabited upper valleys were allotted them to build new homes. In order to persuade them to settle permanently the gift of land was accompanied by various privileges. In this manner the uncultivated part of the Tannberg, in the Upper Bregenzerwald, and especially the two Walser valleys which have taken their name from it, developed into the home of a sturdy peasant race which has become a permanent factor of the national and economic structure of the Province.

Anyone who wants to form a picture of the strenuous way in which these descendants of the old inhabitants of the Valais who have retained much of the peculiarities of their former country in their speech, dress and customs gain a bare existence from a grudging nature, needs only to observe how they live in the Grosse Walsertal. Generations of bitter struggle for daily bread have produced a sturdy and weather-beaten folk whose existence is deeply rooted in the soil.

The people of Vorarlberg are not uniform in character, but form rather a mosaic of various sturdy elements welded together by historical developments.

slopes rise gradually, but to the north it falls away 133
steeply. It is well worth the trouble of climbing, for looking down from its heights one has a delightful outlook over the entire Vorarlberg part of the Rhine Valley. In the east the picturesque houses of the market town of Götzis combine their greetings with those of the massive ruins of Neu-Montfort. The chief picture to [311]
the north and south is that of innumerable tiny rectangles of grass alternating with arable land, a clue to the agricultural structure of the countryside. An unusual trick of nature affords amusement to visitors to the summit of the Kummenberg: pieces of paper or material which are thrown out over the yawning depths are returned to their owner by the air currents. Even hats which have been tossed over are said to come back of their own accord, but not everyone cares to put this to the test.

To the south of the Kummenberg a vale 361
branches off from the main Rhine valley which is 245
called the "Garden of Vorarlberg". About a dozen pleasant villages cling to the foot of the mountain or have found themselves a sunny place half way up it, and in blossom-time the whole countryside is one fragrant bridal bouquet. On the sunny slopes flourish delicious grapes; Fraxern, hidden in a hollow between the green hills, is famous for its wonderful black cherries, which attract crowds of visitors who arrive with baskets and carts. Viktorsberg, looking

city. The bronze Guards of Honour who, it was planned, should watch over him in the grave, belong to the many great conceptions which are perhaps most impressive in their unfulfilment.

With Maximilian, whose body actually lies buried in his native town of Wiener Neustadt, the star of Tyrol began to wane. Under Ferdinand I the Province became affected by the religious and social unrest of the Reformation, which was embodied in the person of Michel Gaismair; at the same time, however, the Council of Trent met in the south of the Province.

It was this ruler who divided his provinces into three, and for a hundred years Tyrol had its own regents. The very first one, the Archduke Ferdinand, won the heart of the Tyrolese through his love match with Philippine Welser, of Augsburg, as well as through his encouragement of the arts and sciences, which found lasting expression in the collection of Schloss Ambras, near Innsbruck.

Next it was a princess, Claudia of Medici, whose memory was enshrined in Tyrolese hearts, above all through the courageous rule of her Chancellor, Wilhelm Benner, who lived at Büchsenhausen near Innsbruck and who fell a victim to the executioner's sword in the fortress of Rattenberg. It was at this time that the Porta Claudia was set up at Schernitz as a protection against the Swedes. Tyrol indeed escaped the Thirty Years' War, but

borage and rosemary and the coloured glass balls on sticks are the pride of the farmer's wife. 351

On entering the house it is easy to find one's way round. The living room and kitchen are on the ground floor, the sleeping quarters on the first story. The living room is panelled. In a darker corner away from the window stands the cosy, tiled stove, and in the window-nook the large table. A small bench runs the length of the walls, spreading out to form a comfortable chimney corner behind the stove. The cupboards are built into the walls and the tall grandfather-clock is built into the panelling. A font of holy-water is always to be found at the right hand side of the door, and a crucifix, decorated with a red and a yellow ear of maize, gives its blessing to the daily bread from the window corner overlooking 342 352 353

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Weaving Pattern, XVII Century.

543 Grey wooden panelling surrounds the yellowish earth of the rings. Over the
345 massive parterre construction rise the slender columns of the first gallery. Above the cornice of the main building a plain balustrade runs all the way round, while the entrance façade displays an antique and richly ornamented gable.

543 It is in this princely riding school that the *haute école* is ridden, the "school on the ground" first being gone through at the pillars, to be followed by the "school above the ground". After trotting and the "passage", the horse is untied from the posts to perform "circles" and "pirouettes". Then comes the "levade", a movement in which the horse rears its forequarters while keeping its haunches together without shifting from the spot. The horse of the Prince Eugene Monument on the Vienna Heldenplatz is rearing thus. A forward jump in the levade position without the forequarters touching the ground is called "courbetting". "Croupade", "balotade" and the "capriole" form the climax of the display.

To a fanfare of trumpets the imposing figures of the horsemen appear, slowly riding on their wonderful gold-saddled horses. They are equipped with brown or scarlet jackets with white leather breeches, high riding boots, sword and two-cornered hat which in accordance with custom they doff in greeting before the picture of the Emperor. The white horses, their manes and tails plaited with gold, contrast glowingly with the dull grey of the wooden panelling. There is a glint in their great dark eyes, and their pink-edged nostrils quiver. Beneath the gleaming hide the muscles and sinews ripple in incomparable beauty. A picture of perfect discipline, these animals go through their difficult programme. Their performance is a feast for the eye and the senses—the world-famous *haute école*, whose venerable traditions are now practised and kept up only by the accomplished horsemen of the Spanish Riding School.

VIENNA AUGARTEN PORCELAIN.

323 In former times, when Austria saw the triumphant progress of Baroque through
531 town and countryside, when within fortified zones the gothic severity of the Middle Ages was forced to make way for the elaborate façades of the new style, a demand arose for suitable ornaments to decorate the new palaces, for the gala room of the town or country house. It had to be something which would go with the general scheme of interior decoration—artistic ornaments for chimney-piece, shelf and table. It was then, in 1717, that the Dutchman Du Paquier established the Vienna Porcelain Factory, of which the "Porzellangasse" is still a reminder. In the Middle Ages, when the first Chinese porcelain came to Europe, the tables of princes and knights displayed pewter, more rarely silver, but mostly vessels of wood or clay. The manufacture of china, the "White Wonder", a product of the mysterious mingling of the four elements, still remained a secret. Not until the beginning

of the 18th century did Böttger of Meissen succeed in solving the great mystery. Shortly afterwards, Paquier started his factory in the Porzellangasse. A bare fifteen years later Vienna had developed a technique of its own—the delicate shading of the clay, the glazing, and the gilding. Through "flower and figure painting", old Vienna porcelain soon became world-famous. Flower-painting became so popular that the Chinese attempted to copy Vienna motifs, and wares produced to appeal to Viennese tastes were shipped to Europe through the East India Company. But just as "chinoiserie" is never more than an imitation of Chinese painting, so this Chinese attempt to reproduce Vienna patterns did not come near the originals. 323 531

Maria Theresia, who recognised the importance of applied art, took over the porcelain factory and made it a State undertaking. From this time on the manufacturers adopted the historic coat of arms of the Babenbergs as their trade-mark. The popular designation for it was "Beehive". This was the origin of the subsequently famous name for real Vienna china. The undertaking flourished, and was soon employing decorators of skill, painters in blue, rainbow-shades and gold. Orders poured in from abroad; one worthy of note was an order for 120,000 Turkish drinking vessels from Constantinople. [655]

Motifs for decoration were taken from painting, various allegoric figures, shepherdess scenes in the French style, subjects from mythology and later designs according to rococo taste. Landscapes and the so-called mosaic patterns took the place of leaf and ribbon work. Copperplate patterns made a change in subject and technique. About the middle of the 18th century, porcelain vessels as a whole became lighter and more graceful, relief work was added and the baroque handles gradually gave way to more natural styles. Figure painting was executed with a perfection of detail, based on Watteau scenes, mounted combats, shepherds and shepherdesses, rural and hunting scenes and lovers' meetings. Then the influence of Sèvres made itself felt. This period is recalled to mind by dinner-services with rounded gold-network on a dark blue background and coloured figures on a white background.

Towards the end of the 18th century Director Sorgenthal brought new prosperity to the factory. Vienna vases were produced with pictures on the classicistic model, bowls with grotesque ornamentation and Raphaelite paintings. These designs were inspired by the antique wall paintings which at that time were being discovered in Herculanum and Pompeii, as well as the grotesque paintings by Raphael in the loggias of the Vatican, the engravings of which had made them widely known. This period was responsible for a number of charming old Vienna figurines and vessels which are among the masterpieces of ceramic art. At this time the Viennese also invented the famous "relief gold", an unequalled process for dissolving gold in oils and painting it on china.

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When Napoleon's army invaded Europe and Talleyrand appeared in the Vienna factory in 1806 with his generals, Director Niedermeyer dispatched in good time the most valuable specimens to Budapest. At this epoch the now famous Napoleon Service was made for Schönbrunn Palace, a set remarkable for the wonderful forms and colours of the best Empire period. The Vienna factory survived all the losses and dangers of 1809, the ensuing Vienna Congress bringing a host of art-loving visitors who give new impulse to the factory.

The biedermeier period was devoted heart and soul to porcelain. "Middle-class intimacy" and the development of an affectionate family life created a sincere demand and sentimental longing for the products of the factory, which had meantime secured the services of a popular Vienna painter. In the year 1801 Daffinger, who later became famous as a miniature painter, entered the porcelain factory as an eleven year old apprentice. A coffee cup on which the fourteen-year-old boy painted an idyllic group of a mother with three children in perfect harmony of form and colour became a sample of the best composition of the "Old Vienna School". The plate with the Three Graces (after Rubens) is one of Daffinger's finest pieces of porcelain painting.

The tendency to the idyllic, the closeness to life of the biedermeier period made porcelain the fashion during those years. Interior furnishing took advantage of this in an over-elaborate manner, for there was no cupboard without trinket boxes, no wall without ornamental plates and the festive board as well as the everyday table was enlivened by daintily painted services. Monogrammed chocolate cups became birthday and name-day presents. Jugs, pots, pipe-bowls and box lids were wafted from their mundane atmosphere into a gay world through the designs of Daffinger in which a whole company of Greek gods descended on to a white porcelain field.

The discovery of china clay deposits near Karlsbad with coal seams adjacent and cheap labour created a powerful rival to the Vienna porcelain production. Various private circumstances brought the Vienna factory into a difficult situation and led even to its temporary closing down.

The young Austria of 1918 recalled with pride the great history of Vienna porcelain. The name and the site of the Augarten were added to the old trade mark of the firm. Historic drawings were looked up and re-designed. The Augarten Porcelain Factory soon became a centre for post-war Viennese artists, and although the first years after the re-opening of the factory fell within the inflation period, the stabilisation of Austrian currency soon enabled it to regain its former position on the Continent. Vienna Augarten china is an old and at the same time a new proof of Austrian skill. The people of the biedermeier period made no secret of their love of miniatures painted on porcelain. Many such souvenirs of a past age are still to be found in Vienna drawing-rooms, in homes where time has failed to wipe out all trace of byegone days.

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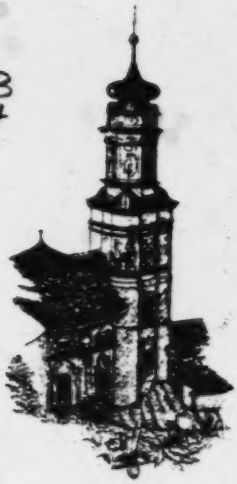

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Valders.

But if one asks what, in view of its many contradictions, Tyrol really is, one is again confronted by something strange and mysterious. It is a fact that, looked at from outside—for instance from Salzburg or from Vorarlberg, Bavaria or Italy—Tyrol presents the picture of a close-knit unit. Is it the mountains which hold together the Province (which in all documents is referred to as the "Land in the Mountains" because it is entirely dominated by mountains and because from north to south the whole territory consists of mountainous country which never descends to the level of the plains)? Is it a gift conferred by the gods for good or ill fortune; is there some idea of sacred mountains behind the song which tells of the "Holy Province" of Tyrol? ...

The peculiarly pious devotion of the mountain dweller to his homeland and his liberty has done as much to create the feeling of unity as has the great history of Tyrol which people keep alive today in many customs and many forms.

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THE ARTS. In Tyrol, art belongs to the soil. The supreme period of its architecture is reflected not only in venerable abbeys, stately mansions, churches and the houses of the nobility, but also in many a farm-house and its outbuildings, in wayside crucifixes, chapels and shrines.

Apart from the imposing buildings and monuments which served the interests of the aristocracy and the well-to-do citizens—the most important example of these is the Tomb of Maximilian beneath the lofty vault of the Hofkirche in Innsbruck—the simpler output of native craftsmen is often impressive and singularly moving as, for instance, that gem of art, the little rococo church in the dreamy hamlet of Gschnitz. Built in the spirit of devotion, its existence threatened on all sides—from avalanches and landslides from the mountain above, from the torrential river below in the valley—it seems amid the forces of nature to do honour to God in the Highest, man upon Earth, and to act as a gracious mediator between the two.

Stams; Cistercian Monastery.

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The artistic sense of the people is most apparent in the national costumes and

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Runenberg.

implements. Wood-carving is as native to Ladinian Gröden as to the Allemanian Lechtal. Represented by Michael Pacher of Bruneck (d. 1498), Joseph Koch of Lechtal (1768—1839), the Italian-Tyrolese Giovanni Segantini (1858—1899) the East Tyrolese Franz Defregger (1835—1921) and Egger-Lienz (1868—1926), Tyrol has distinguished herself honorably in plastic art.

536 The Tyrolese folk drama is renowned. The theatre, good and bad, false and true to life, plays a large part in the life of the Province. The old Pradler-Bauern-Theater is a joy to the people of Innsbruck, with its plays of chivalry composed of [796] a blend of moving pathos and coarse jokes. The passion plays of Erl and Thiersee keep up the Roman Catholic tradition, while the carnivals, among which the Imster Phantom Carnival is fairly well-known, although not so much so as it deserves, [776] have heathen origins. The customs and legends connected with these are similarly rooted in heathen superstitions, such as the magic of the "Rauhnächte" or the "Expulsion of Winter" or the "Ringing in the Grass". They tell of the "Perchte" (benevolent spirits) and the "Saligen Fräuleins" ("Happy Ladies"), the "Alm Dwarf", the "Venediger Gnome" and the "Ice Mannikin". Mountain and forest, water and air, cattle, trees and bushes—all are full of spirits. To compose and to think, to say and to sing, is all one.

534 Music is cultivated chiefly in the lowlands. From there came the violin maker, Jakob Stainer (d. 1621), the father of the German violin. The harp and trombone, like, of course, the zither, are played at home. In this country of mocking ballads, he earns praise who can devise humorous couplets on the 522 spur of the moment. Ribald practical jokes and dry humour are likewise typical of the Tyrolese. The mountain dweller is apt to ponder more over the next 812 world. Sometimes he developes into a rustic philosopher or scholar in remote districts, such as the map-maker Peter Anich and Blasius Huber from Oberperfuss.

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Irrsdorf, Gothic Doors.

133 *frontiers of the Province proving an insurmountable barrier. In 1918 South Serbia laid claim to Carinthian territory and foreign troops soon invaded a country which had collapsed after four years of war. But the Carinthians stood firm in loyalty to the Motherland, and the Province emerged intact from the defensive battles of the year 1919 and the plebiscite of 1920. The indomitable patriotism of its people had triumphed. History repeated itself after the second World War in which Austria was involved. The old saying "Carinthia free and undivided" will be bequeathed by the present newly-born generation to its sons, as an inheritance which is part of the very existence of the Province.*

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WHAT THE PEOPLE ARE LIKE

Anthropologically there are two main races clearly traceable in Carinthia: a blond, tall, long-skulled type and a dark, tall, long-faced but short-skulled type. Both types are about equally prevalent. The eastern type of man, smaller, with a broader skull and darker skin, is less frequently met with. Here and there in many places there are isolated traces of a Mongol race, revealed by the characteristically wrinkled eyelid and the position of the eye. It is typical of Carinthia that none of these traits indicates a national division. They result from centuries of constant racial intermingling, being found quite as frequently among the German-speaking as among the Slovene inhabitants of the Province. It seems that the original Celtic peasant inhabitants gradually mixed with Germanic, Slovenic and other elements which penetrated the Province as the result of colonisation, wars and the expeditions of merchant caravans.

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Living in this area marked out by its natural boundaries, these peoples, aided by the effects of common conditions of life and progressive intermarriage, gradually developed into that Austrian-

lies the picturesque Weissensee, the only alpine lake which can boast of a bridge. The Gailberg offers a way over this mountain range connecting the towns of Kötschach and Oberdrauburg. A second road leads over the Kreuzberg between Hermagor in the Gail Valley and Greifenburg in the Drau Valley. Where the two broad river valleys meet lies Villach, on the extensive mountain plateau of the Dobratsch which has been given the name of "Carinthian Rigi" on account of the wonderful view from it. The acrothermal baths and the valuable metals won from the Bleiberger Erzberge are some compensation for the devastation caused by landslides in the dawn of history on the south side of the Dobratsch. The wierd scenery must be in part the reason why a famous colony of painters has settled in these parts, in the village of Nötsch. Among them are such well-known artists as Franz Wiegele, Arnold Clemenschitsch, Kolig senior and Herbert Boeckl, as well as Anton Mahringer and Raimund Kalcher.

Only south of the Gail Valley and of the lower reaches of the Drau is the wild character of the frontier mountains fully apparent. The wall of the Carinthian-Julian Alps stretches from Tyrol to the Gailitz Gorge through which passes the railway-line to Italy. In the Monte Coglians it attains a height of 9000 feet. It has a single negotiable pass—a military road even in Roman times—at Plöcken. The crests of the ranges tower upwards in pyramids or sheer walls of rock in a bewildering variety of forms, differing according to their height and the type of stone. Dense beech woods alternate with open fields, the meadows of the Gartnerkofel reflect the majestic violet blossoms of the Wulfenia. The Wolayersee reflects an impressive view of the surrounding country.

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to the peasants' determination to resist attacks from the Styrian-Carinthian frontier districts which had often been invaded from the East.

AN ARTISTIC PEOPLE. The plastic arts have been widely influenced by the melody of the landscape and by the individual note which characterises Carinthia. This influence can be seen at work through the centuries. Even the works of foreign artists produced in Carinthia bear the Carinthian stamp.

341 The *Herzogstuhl* ("Duke's Chair") at Zollfeld and the little church of Krainburg, one of the oldest churches existing in Austria, bridge the gap between the Roman remains which have been unearthed, and the romanesque period. On high points which were carefully selected you will find country churches in which services are still held and massively built charnel-houses. In the decorations of the romanesque monastery churches it is possible to trace the course of history; to see how, for example, the provincial romanesque reliefs yield to the Nordic passion for representations of the Stations of the Cross (for instance those of Millstatt), or how the style of great German buildings spreads into Carinthian territory, influencing the building of the monumental abbey at Gurk. Secret beliefs of the people in the supernatural as well as symbolic representations are revealed in the carvings on the doors and in the many-arched porch of the Abbey.

The religious severity of the choir construction is the first sign of Gothic, which blossomed in the 15th century into many pure gothic churches. Wooden statues of the Virgin Mary vie for recognition with richly carved triptych altars.

The renaissance and baroque styles are afforded little scope in secular monuments. But in the churches we find massive early baroque altars, which were succeeded by daintily carved rococo pulpits and by the famous Pieta of Rafael Donner in Gurk Abbey.

532 Carinthia's architectural and sculptural treasures have to yield place both in respect of quality and numbers to her paintings. There are a great number of romanesque wall paintings, noteworthy for their magnificence of conception and delicate colouring. The painting of Bishop Romanus in the Keep of Friesach is supposed to be the oldest fresco in Austria, dating from 1130, while that of the Apostles in the "Winter Church" of Maria Wörth is nearly as old. Again and again the removal of plastering

brings to light new marvels of colouring from long past ages. The smallest and most humble of churches sometimes becomes famous overnight. Even the frescoes revealed show a rough peasant uncouthness; this is always matched with a brilliant talent for painting. The pastel-coloured frescoes of the "Master Heinrich" in the western nave of Gurk Abbey are perfect in form and conception, and have a European reputation. 532

A well-qualified Carinthian expert in the fine arts has written of the development of Carinthian painting in the 13th century: "At the beginning of the romanesque period every scene was allotted a definite place on the wall, the colours being given merely symbolical value and the whole conception governed by severely iskonographical laws which attached little importance to the portrayal of persons, and disregarded entirely the surrounding scenery or superficially indicated it by symbols. But at the end of this period we find scenes where active beings replace the unreal puppet figures of the earlier epoch. Parallel to this change is the addition to lifeless drapery in the painting of figures of broken, serrated lines hinting at movement. Then came a flowing softness of outline which still refused to suggest the reality of the body beneath the drapery. Finally we see the artist overcoming the shapeless softness of outline, the suggestion of a living body beneath the garment and the soft lines slowly merging into lovely Gothic."

The strong urge towards painting in Carinthia has influenced the local Gothic. Elsewhere you will find that it is an aim of Gothic to curtail wall space in favour of windows. But in Carinthia, Gothic is moderated, the buildings more solidly constructed, in order not to lose any possible space for wall paintings. In small buildings with little wall space, you will find that the mural decorations have been frequently over-painted. The many churches of the Province, especially the wonderful Gurk Abbey, the abbeys of Millstatt and St. Paul, the church of Maria Saal and a host of others, some of which are in remote spots, offer striking examples of this trend in art. In order to provide still more space for special occasions there are the so-called "Fastentücher" ("Lenten Cloths")—stretched canvases something like the "Armenbibel" ("Poor Men's Bible") with painted scenes of the Passion, with which the altar is covered during Lent. One of the largest belongs to the Abbey of Gurk, a pious gift of the Countess Hemma who, canonised, has been made the patron saint of the Province. 341 532

Metnitz, Charnel House.

did their grandfathers before them. On holidays they wear the sober Maximilian miner's formal dress as has been the custom for centuries. Work above ground has made the old shafts obsolete, a giant electric crane replaced the old tracks.

These roads once led to Vordernberg, on the other side of the Erzberg. The brown ore brought iron ore, the black ore coal and the white, flour. Up to the time of Emperor Joseph II this once-wealthy mining and industrial town had the trading monopoly for all iron ore smelted there. Since Donawitz has been able to draw coal from Seegraben, the blast furnaces of Vordernberg have fallen on evil days.

Styria is also called "The Green March", because of the woods which cover the spurs of the alps, as vast forests in the heights and as cool coverts between the vineyards of the lowlands. They are peopled by mountain dwellers of ancient and hardy stock such as the Archduke Johann knew and loved. That princely friend of the people rescued the Province from economic and mental decay, making of it a pleasant garden where the concerns founded and encouraged by him exist today. Johann gave proof of his love for Styria by taking one of its daughters for his wife. The people and the forests have grown together to make up what is implied by the term "forest motherland."

IN THE CAPITAL.

The pleasantest way to reach Graz is to cross the Mur. The road descends in ever-sharper curves until after one steep drop one finds oneself facing the fine terraces of the town. At once the eye is caught by the Schlossberg with its corpulent Glock Tower.

A sky of southern blue sets off the grey stones of the main square. Outside the Rathaus the flower and vegetable market is a riot of colour. The character of provincial nobility, originally built for defence and as a refuge for the villagers, which today illustrate modern farming methods or have become seats of responsible national education. Castle Neudau, the old Wasserburg may be named as one example of many. 183 342

Close to the edge of the mountains, at the foot of the Ringkogel, over which the Romans built the Säumerstrasse, lies the town of Hartberg amidst country which has been cultivated since the earliest times. Today it is the seat of various administrative authorities, an outpost of northern East Styria. The fine lines of the baroque tower of the local parish church puts it ahead of many other pleasing pieces of architecture in Hartberg. 361

Pöllau, the market-town between Rabenwald and Massenberg has become famous on account of its old monastery church, a spacious building distinguished by its fine workmanship. The most important interior decoration is the painting by the Master who created the Pöllau frescoes, Matthias von Görz. 361 346 532

The ancient Monastery of the Prebendaries at Vorau stands in solitary grandeur. Founded in the 12th century, razed to the ground by fire and rebuilt, ravaged by wars and consequently fortified like a castle, showing signs of decay yet refurbished in the styles of successive periods with added beauties, it has always been a centre of monastic discipline and learning, and of the religious and educational work carried on by the priests in the mountains and valleys of the district. The church has two German towers. On the walls of its brightly-lit interior the Masters of the early 18th century have put all the joyful triumph of the baroque age into their paintings, colouring and stucco work. The sacristy is known for its "Judgement Day", and "Last Supper", 792 346

by J. C. Hackhofer, and the library for its treasures of old manuscript.

SALT FROM HALLSTATT.

Thousands of years before the birth of Christ, the salt deposits in Hallstatt brought settlers to this remote spot and soon gave them comparative prosperity. Mining was also carried on, bronze cast, coarse wool woven and many a beautiful vessel of clay skilfully formed, although without the help of a potter's wheel. In baskets and sacks the salt was brought along byways to the trading roads and there exchanged against Roman goods. When the overlordship of Rome came to an end, Hallstatt fell into oblivion, the barbarian invasions temporarily obliterating its very name.

In 1292 Duke Albrecht I of Austria ordered the salt works of Gosau to be opened. This led to friction with Archbishop Conrad of Salzburg, as salt was also produced in his territories at Hallein. Possibly this prince saw danger to his revenues in the competition. Possibly the new works at Gosau really lay on Salzburg soil. In any case when the news of Albrecht's death became known in 1295, the soldiers of Conrad of Salzburg, accompanied by a mob from Hallein, overran the Kuchelthal, destroying the salt-pans and the new trading-centre.

Salt mines in Hallstatt were first mentioned in 1311, as a concern run by the State. A new method of producing the salt had been developed; instead of it being simply hacked off in blocks, it was dissolved in water, and the solution pumped above ground into pans. For a time the salt thus recovered was transported just as it had been 1500 years previously; that is, it was brought on sacks to Lambach and there shipped down the Traun.

Hallstatt's production in 1302 was considerable, amounting to about 4800 tons a year. By 1534 it was already 10,000 tons, rising to 25,000 tons in 1571.

The discovery of the Ischl salt mountain in 1562 caused Hallstatt's

out. Circumventing the deep cut valleys, the high roads lead to the hilly uplands. Before long one glimpses the wooded rolling summits with the Alps on their southern horizon. The surrounding hills are covered with dark green forests, against which ploughland, pastures and farms stand out beneath the sunlit clouds. The slender-spired, white-walled churches on the heights might be pilgrims' ships about to set sail towards shores in the heavens. From the depths rises the sound of the rushing waters of the Feldaist, which after flowing placidly through meadow land at Wartberg, has been trapped in a wide and narrow rocky gorge through which it has to storm its way into the open. There its dark sister, the Waldaist, which has its source among deep forests where in remote villages the inhabitants paint religious pictures on glass, flows placidly to join it.

Amid such surroundings lies Kefermarkt, whose gothic church contains a well-known carved altar, a fine example of late mediaeval art. It breathes the spirit of an artist who was at one with the people. St. Wolfgang occupies the central shrine, with St. Peter and St. Christopher on either side. The delicate tracery of the lime-wood carving branches upwards like the tops of trees. Something of the old-world peace that permeates the hill region which the traveller has just left seems to be embodied in the gentle inspired features of the central figure. In the face of the "Holy Ferryman" St. Christopher, one finds traces of the severity of the northern landscape. Any day you can run across people with such impassive faces, with such dour expressions on those inclement uplands of the Upper Mühlviertel, where spring arrives a month later than elsewhere in Austria, and where even in summer the solitary farmhouses are endangered

announced by trumpets from the tower, and hundreds of candles burn in the cemetery.

In the "Raukmacht", before the Feast of Epiphany, you can watch the "Glöckerlaufen" in many parts of the country around Ischl. Young men in groups of up to 30 and more carry transparent head-dresses on their heads in the form of chapels, fish, crosses, ships, etc., which are lighted up from within by candles. They are dressed in white, with dangling bells and run from house to house at a definite steady pace.

In the spring, at Candlemas, the time for changing servants, there is "Apersschnalzen". This is a rhythmic cracking of whips which welcomes the first patch to be clear of snow. Later comes the "Almauftrieb" (the driving of cattle up to the mountain pastures) to be followed in autumn by their being driven back to the valleys. The procession up to the green pastures is a great event. The cattle are decorated with coloured ribbons and garlands of flowers, the leading bull carrying a bell. The calves often bear crowns of real flowers between their tiny horns.

On Palm Sunday the palm bush is constructed. Branches of pine, willow and spring flowers are twined together in bunches to which ribbons and apples are attached, and are then fastened to long poles and carried to the church. Afterwards they are placed in the middle of the fields to make them fruitful, and left until the new grain or high grass has grown up all around.

Corpus Christi Day is a religious holiday throughout the Catholic countryside. Everywhere there are processions. At Hallstatt and in Traunkirchen, where there is too little space between lake and mountains, the Corpus Christi "Procession" is held upon the lake. On the water, verses are read from the four gospels, while guns thunder from the shores or in the mountains.

Braunau-on-the-Inn.

towers and the steep span-roofs of the houses look out over golden fields of wheat and barley, over level plains and gently sloping hills of arable land, over orchards heavy with fruit and extensive forests. Like a constantly recurring *leit-motif*, the chain of the Alps thrusts the many-shaped zigzag of its peaks into the sky wherever one glances southwards. Whether it be in the prosperous market-towns on the Inn, in Schärding or Braunau or the land up-country, in Ried or Haag, in old riverside-shipping towns like Obernberg or in the distant villages, everywhere you sense the Innviertler's *joie de vivre*, his passion for dancing and song, his simple enjoyment of marriage and church festivals. Trace this to its source and you will find that it is love of the soil, of the Province, of home—as you will find it interpreted in the dialect verses of Stelzhamer.

If you are looking at altars and similar church decorations in this area, you will surely come across the name of Schwanthaler. An artist whose imaginative sketches have been exhibited all over Europe lives here in a romantic castle at Wernstein-on-the-Inn—Alfred Kubin.

IN THE HAUSRUCK. Across the Province of Upper Austria runs a forest-covered range of alps, the Hausruck. Its massive height may well have seemed to popular imagination like the body of a giant resting embedded in the surrounding hills, lost in mysterious dreams.

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The world which is revealed at St. Florian is vast and majestic in a different sense. Below the heights of the Ennstal the towers of this magnificent building of the venerable Augustine Prebendaries rise into the sky, a brilliant masterpiece of the Austrian Baroque.

Bad Ischl, Pump Room.

One cannot help being deeply impressed by the beauty of this complex of monastic buildings, especially if the approach is made from the highroad up the steep hill and one passes through the main archway on to the outer courtyard. The effect of the delicate lines of the façade is irresistible. In the middle stands the massive gateway, inviting one to pass through and on to the point where stairways appear on either side and, straight ahead, the spacious inner courtyard.

The names of Carlo Antonio Carlone and Jakob Prandtauer appear here once again. Illustrious visitors have stayed here through all the centuries—emperors, popes, artists and great masters, the last of these being Anton Bruckner. The Monastery is indebted to Albrecht Altdorfer for a number of valuable panel paintings which, in their passion of portrayal, in the splendour of their glowing colours, represent all that is best in the Danube School.

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Bridging the centuries, the rainbow of art reaches Bruckner's symphonies in which the spirit of the baroque period and of rustic scenery are expressed by the blending of ardent themes with clear and simple melodies. Grand stairway, "Emperor's Room", Library, gay ceiling frescoes, the carving on the dark choir seats and jubilant, trumpeting angels—all are born of that spirit which pervades the Province of Upper Austria, rooted in the primitive strength of the soil and religious belief.

St. Florian Monastery.

Without designing it, we are back at our starting-point. Kittsee has still to be mentioned, lying in the extreme north opposite Pressburg, where Josef Joachim, the famous violinist, was born, and Zurndorf, the native town of the Vienna Capucine preacher, writer of Hungarian history and Protestant bishop of Saratow in Russia, Ignaz Aurel Fessler. Nickelsdorf looks over the frontier towards the Nibelungen town of Wieselburg, where Josef Kainz (famous actor of the Vienna Burgtheater) first saw the light of day. 361 533 793 536

There are castles and churches where the art of the Burgenland is represented by the paintings of Dorfmeister, Maulpertsch, Altomonte-Hoherberg, Köpp von Felsenthal and Storno, an art which lives on today in the work of the famous modern sculptor Gustinus Ambrosi. 532

Let us glance again over the wide and sunlit countryside to Eisenstadt, where the festivals in the historic Haydn Hall have revived the music traditions of the Burgenland, to the villages where one hears the tamburizza orchestra, and the airs of old folk songs from which Haydn took the undying melody of his hymn. Once again let us glance at the people, the farm labourers at Friedrichshof or Edmundshof, the workers in the chalk and jute factories, the reed-cutters by the lake and the vine-dressers with their aprons stained green by copper sulphate, the farmers and the labourers, as far as the smallholders in the extreme south who industriously till their four *joch* of ground, keeping records of the weather as their fathers did before them. Don't be surprised if one of them appears round a bend in the forest path, nods approvingly at the fleecy evening clouds and pats you on the shoulder to say—"That's the weather we need here. But you—come back again soon to our Burgenland." 533 000

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361 *Viennese Girls, 1914.*

Opposite, on the façade facing the Inner City, still within the extensive grounds of the Burg, lies the solemn and dignified Josefsplatz. No successor to Max Reinhardt has arisen who could transplant this impressive scenery on to a stage—the classic façades of the National Library, the Royal Riding School and the enchanting proscenium of the Pallavicini Palace. Behind high windows is the famous domed hall of Fischer von Erlach, a dream in marble, gold and sunlight, which is considered the most magnificent library of the world. The streets leading from it narrow suddenly, as if unwilling to let one leave the square.

And now let us wander through the Inner City without any special goal, to the hidden beauties which are so easily discovered. There stand mysterious courtyards with covered stairways, cage-like balconies, noble weather-beaten porches dreaming of baroque fantasies beneath spider's web little old houses and shops of the dealers in antiques—a garland of beauty hidden in the heart of an active, bustling and teeming metropolis, a fascinating juxtaposition of yesterday and today.

211 The Plague Column on the Graben was erected by the Emperor Leopold to commemorate the end of the epidemic in 1679. This stone allegory, this bold mixture of realistic and religious ideas, the work of Fischer von Erlach as well as other sculptors, has been compared to a splendid opera. 346 Only a few steps behind it, cut off from the ● 532 lively Graben by a modest little square, is the venerable Peterskirche, full of colour and rich decorations. Rottmayr's frescoes in the interior radiate a golden brilliance which makes an almost 366 carnal appeal to the senses. A little further, on the Tuchlauben, the clothmakers used to offer their wares in old Vienna, and one-and-a-half centuries earlier the Roman military lines stood here. Every walk through Vienna can be made a game of question and answer with time and history.

Viennese Girl, 1913.

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Josefsplatz ; The National Library.

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The Hohe Markt leads into the Wipplingerstrasse, at the beginning of which the former Bohemian Court Chancellery faces the old Rathaus. In the courtyard of the latter is an artistic creation, the Andromeda Well of Rafael Donner. Donner came to the monastery of Heiligenkreuz as a poor choir-boy and gave shape to his dream pictures by moulding secretly at night the grease which had dripped from the church candles. Another late masterpiece of his art, the Donner Fountain on the Neue Markt, is known and loved by all Viennese. It was created at the end of the baroque period to the order of the burghers of Vienna, who wished to rival the aristocratic and religious patrons of art. It shows two male and two female figures grouped around the principal female figure, "Providentia", with her mirror.

collections in the world. Established in the year 1536, it was moved in 1726 to the baroque building designed by Fischer von Erlach Senior. The central oval of the unique Gala Room contains the private library of Prince Eugene of Savoy. In all, the Institute possesses about one and a half million printed works and over 8000 incunabula. Treasures of untold value are included in the various departments of manuscripts, music, maps, theatre, portrait and papyrus collections and in the picture archives.

In the HAUS-, HOF- UND STAATSARCHIV (Archives of the Imperial House, the Court and the State) are documents and treaties of all kinds going back for twelve centuries, valuable manuscripts with the seal of Pope or Emperor attached, state treaties, declarations of state councils,

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The Trautsohn Palace.

792 346 The buildings of the monastery lie on a rocky plateau, the western part of which appears as a picturesquely gothic tangle of dark stairways and steeply towering supporting walls, while the east of the plateau, crowned by the two mighty cupolas beneath the German Imperial Crown and the Austrian Ducal Coronet, reveals the entire splendour of the mid-baroque period. The best view of the two domes is to be had from the monastery park. To the South the slender, new-gothic church spires are etched against the blue of the sky.

Climbing a long, steep flight of steps, the Pfisterstiege, one reaches the Leopoldihof with its splendid gothic bay window and its fountain with the renaissance figure of the Babenberger Leopold III. The outward sign of the power with which it was invested at the time of its foundation and which it succeeded in asserting for centuries, is the great monastery church.

[532] The most valuable work of art of the monastery is the Verduner Altar which stands in the Leopoldskapelle—a world-famous work dating from the end of the 12th century.

In the building of the monastery we enter the realm of dreams and magic of true Austrian baroque. Its creator was the Milan architect, Donato Felice d'Allio.

The greatest curiosity of the rich monastery museum is a collection of romanic ivory objects, small boxes, portable altars and Italian bronzes. In its very

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Egon Schiele; The Sister-in-Law of the Artist.

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Augarten Porcelain: the Viennese Girl.

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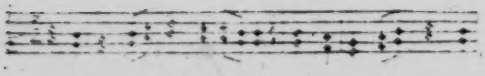
ÖSTERREICHISCHE BUNDESHYMNE



...and der Berge · Land am Strome · Land der Äcker ·
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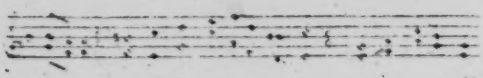

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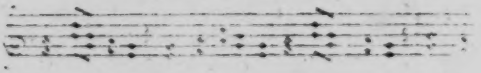

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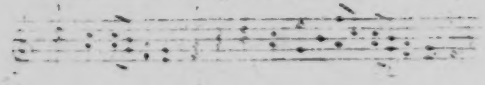

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TEXT VON PAULA PRERADOVIĆ

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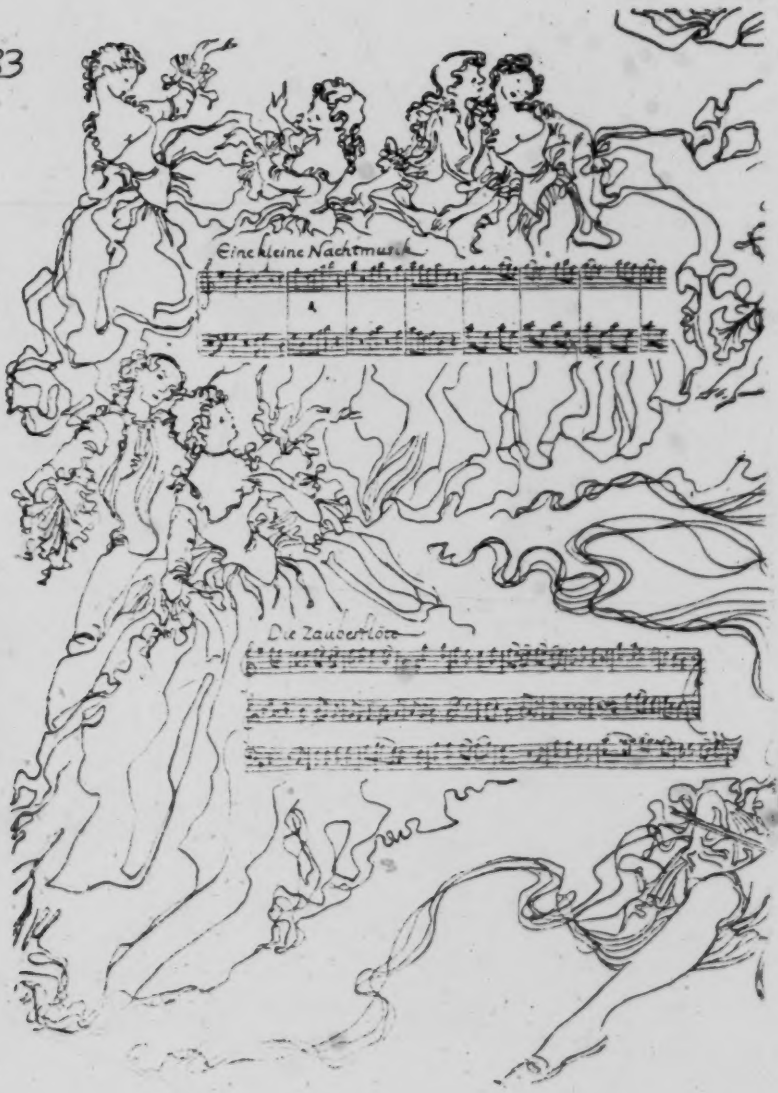

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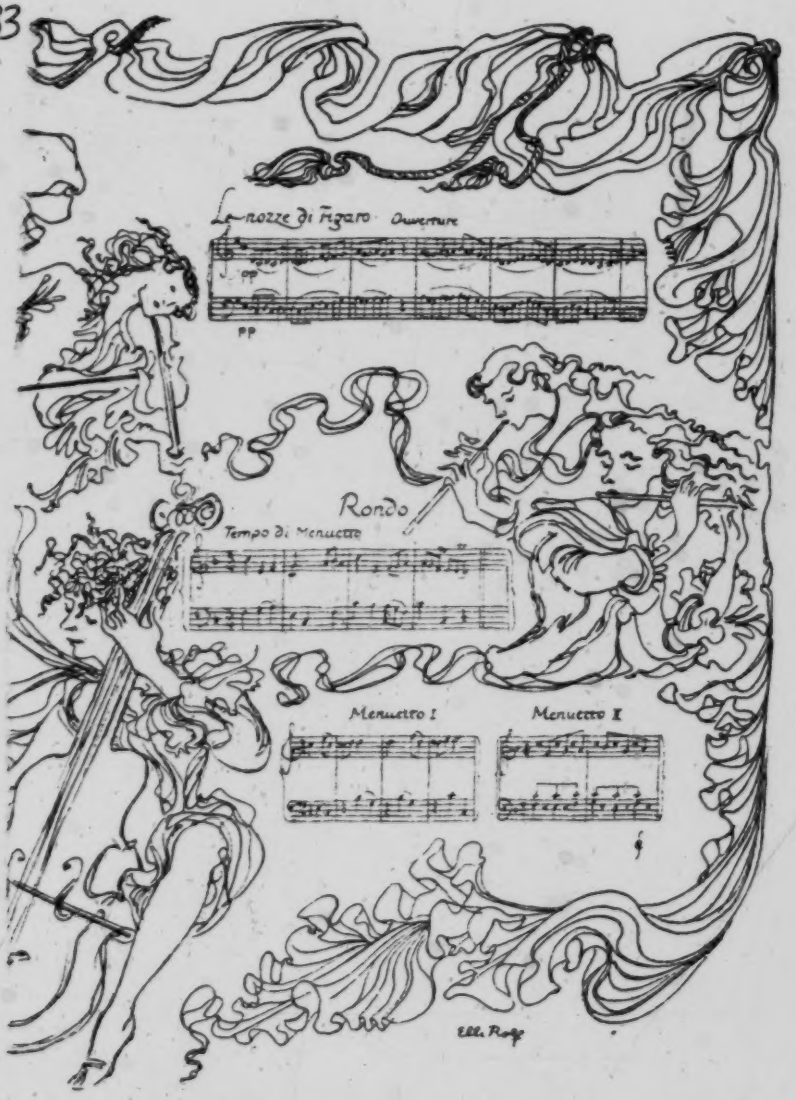

Le nozze di Figaro Ouverture
pp
pp
Rondo
Tempo di Menuetto
Menuetto I
Menuetto II

346

The world which is revealed at St. Florian is vast and majestic in a different sense. Below the heights of the Ennstal the towers of this magnificent building of the venerable Augustine Prebendaries rise into the sky, a brilliant masterpiece of the Austrian Baroque.

Bad Ischl, Pump Room.

One cannot help being deeply impressed by the beauty of this complex of monastic buildings, especially if the approach is made from the highroad up the steep hill and one passes through the main archway on to the outer courtyard. The effect of the delicate lines of the façade is irresistible. In the middle stands the massive gateway, inviting one to pass through and on to the point where stairways appear on either side and, straight ahead, the spacious inner courtyard.

The names of Carlo Antonio Carlone and Jakob Prandtauer appear here once again. Illustrious visitors have stayed here through all the centuries—emperors, popes, artists and great masters, the last of these being Anton Bruckner. The Monastery is indebted to Albrecht Altdorfer for a number of valuable panel paintings which, in their passion of portrayal, in the splendour of their glowing colours, represent all that is best in the Danube School. 532 533

Bridging the centuries, the rainbow of art reaches Bruckner's symphonies in which the spirit of the baroque period and of rustic scenery are expressed by the blending of ardent themes with clear and simple melodies. Grand stairway, "Emperor's Room", Library, gay ceiling frescoes, the carving on the dark choir seats and jubilant, trumpeting angels—all are born of that spirit which pervades the Province of Upper Austria, rooted in the primitive strength of the soil and religious belief.

St. Florian Monastery.

quarter above the Wienerwald. Waidhofen-on-the-Ybbs, Lunz, Schaibbs and the stretch from Mariazell to St. Pölten are far-famed for their rustic beauty. Further to the north of the Styrian boundary lie Türnitz and Lilienfeld, Hainfeld and Gutenstein near the contrasting shapes of the Mittelgebirge.

Along the road to Greifenstein, on the Danube, through Neulengbach and Altenmarkt, descending to the Hohe Wand, Schneeberg and the Rax, runs the boundary of the "quarter below the Wienerwald". Encircling Vienna in a mighty arch from Klosterneuburg to Heiligenkreuz and Baden, it descends to the plains along a line of thermal springs. On one side of the Südbahn grows a heavy wine; on the other is a chain of industrial centres—Traiskirchen, Sollenau, Laaberndorf, Berndorf, Wiener Neustadt, Neunkirchen, Ternitz and Wimpassing. The factory chimneys do not end until the Semmering district is reached at Gloggnitz and Payerbach. The Pittental leads to the "Buckliges Welt" of Edlitz, Kirchschlag and Aspang, while to the east of Vienna the approaches to Hungary lie in the flat triangle formed by Schwechat, Ebenfurth and Bruck-on-the-Leitha.

ON THE BANKS OF THE RIVER.

Restless flows the Danube through Lower Austrian territory, until it is reluctantly compelled to submit to control and regulation. At Struden-gau it still gives birth to leaping rapids and circling eddies, twists itself at Ybbs to a dangerous bend, narrows to the legend-haunted valley of the Wachau and constantly forces the current to move now towards this bank, now towards the other, until it at last subsides into a broad and placid stream below Tulln. With

Baden, where the healing waters flow close to the roadside, proved a great attraction for you. To drink them you only needed to go down a few steps. On all the bridges over the Schwechat, you could smell the sulphur from the springs which were discovered by the Romans. The modern medicinal baths were in their time the temple of a goddess. In the piping times of peace you found there many people who had come from far off countries. The rich glow of the tulip beds in the Kurpark is a sight which you should not miss. 529

Kornhäusel, an architect of late classicistic style, built for Baden a town hall with Greek temple columns and a flat roof adorned by stone statues. His work, specimens of which can be found throughout the town, is of modest but genuine beauty. You keep finding pillars and rows of columns, Doric and Ionic capitals and caryatids, which, although of unequal value, lend a distinctive air to the town through their variety of form and the attempt to reproduce the beauties of antiquity. 341

Mozart's "Ave verum" and Beethoven's "Missa solemnis" are particularly treasured by Baden. Grillparzer, Schubert and further southwards, Raimund have all enriched this countryside with the breath of their art. 533 536

At the foot of the forests are extensive vineyards. Light, stony soil and a favourable situation give the grape a choice quality which has been further improved by careful tending. Gumpoldskirchner wine was taken around the world on one occasion on a Zeppelin flight. It kept its high quality throughout. 245 274

Hainburg, Wienertor.

factories, brick kilns, lignite works. There are factories which turn out linen, hemp and jute, blankets and felt, pencils, artists' chalks, asbestos, jade, sugar and methylated spirit. There are canneries for fruit and vegetables, and workshops producing stucco supports from the reeds of the Neusiedler Lake.

BURGENLAND—THE GARDEN OF VIENNA.

Fruit, vegetables, grapes, the first early cherries, fresh lettuce, cauliflower, asparagus, strawberries, apricots, tender french beans—the first, long awaited harvest, doubly welcome after the winter, rolls in the spring towards the Vienna markets in a chain of high-piled lorries.

OGGAUER WINE.

In Oggau there is a Roman cemetery which dates back to the third or fourth century A. D., in the graves of which clay vessels have been found. Archaeologists say that these vessels contained the wine given to the dead to take with them on their journey to the other world. This calls for reflection. In those days every mortal expected that he would be served with nectar and ambrosia at the table of the gods. But the inhabitants of Oggau preferred to take with them their choicest wines rather than have to be dependent on the drinks of the gods.

Gustinus Ambron, the deaf sculptor, says of his Burgenland:

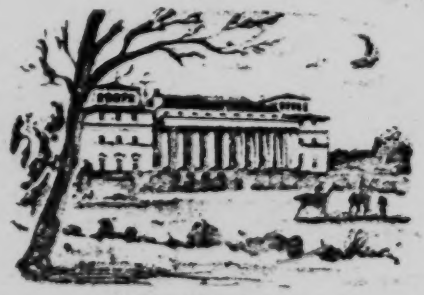
"How fortunate that I have travelled through the whole of Europe and have been able to drink in the splendour and magnificence of its many countries, with their thousand types of scenery, peculiarities and variations. Certainly it is nice to stay at home, but I felt the urge to get away and would have gone to the ends of the earth,

disappear. In former times it seems to have behaved even worse, for old documents mention it sometimes as a lake, once as a swamp, once as a river, then as a stream, while others appear not to have known of its existence. 133

The country lying between Eisenstadt and Ödenburg, Mattersburg and Rust, is the real heart of the Province. The lake parishes of Oggau and Mörbisch and the small "free town" of Rust are far-famed for their wine. On the gabled roofs and the chimney-pots stand pensive storks, in the vaulted cellars lie the massive wine barrels. As far back as the year 1364 the inhabitants received royal permission to mark them with the coat-of-arms of Rust—a trade-mark protected by law nearly 600 years ago! 361 [424]

Leaving the delights of Oggauer and Ruster wines, let us turn to Eisenstadt, the city of Josef Haydn. 361 633

One does not need to be especially sensitive to atmosphere to feel the genius of the great master in this little town which is so closely united with the surrounding countryside. The tiny house where he lived is still standing. How 342



Esterházy Castle, Eisenstadt.

over to exotic climes, in order to learn.

If I add up, I find I have spent nearly half my life so far in eight European countries. And yet of all the impressions, of all the wonderful scenery which I shall never forget, which was the most wonderful? I found it in my little home province of Burgenland, which hardly knows of the existence of the great world outside..."

Softly rolling slopes, hedges, distant hills are blended in a mystic harmony. A wonderful green, almost olive grey tint reflects in still majesty the glowing rays of the sun. The landscape is a series of undulating waves in which the farmers tend their fields. In the distance lie the white rows of village houses. In some of the fields the red poppy grows so thickly in spring that the deep red patches spread over the countryside as if God had underlined in this red ink, the poppies waving in the wind, that this is a happy countryside.

At Güttenbach, in the district of Güssing, a buried relic of the Celts was found—a hoard of silver coins which aroused the enthusiasm of numismatists until one day some cold-blooded investigator established that they were only copper coins with a thin silver-plating. Lest we should think too badly of this Celtic official counterfeiting, let us remember that at the same epoch, in distant Asia, the forging of banknotes had long been a flourishing industry.

BURGENLAND—STORK LAND.

If a girl is born, violets are put into the oven so that the child may not get freckles. The first actions of every newborn babe are of the utmost importance. If he stretches out his hand towards money, he will become a thief, if he tries to grasp a whip, he will make a good farmer.

small a space its walls enclose, and how far has the spirit of the human being who lived within them shone out across land and sea and across the changes of time. In Haydn's day the mail-coach still rumbled heavily over bumpy streets, but the simple Burgenländer Haydn, who made his first journey abroad only in old age, could say with quiet pride: "My language is understood everywhere!" 361 533

Haydn's home has been turned into a museum. Yellowed leaves with jottings from his hand are precious reminders of the creator of unfading beauty. Haydn is not alone in this tiny room. He shares it with Liszt, Burgenland's other great son, and with the daughter of his music copyist, the dancer Fanny Elssler—a glittering three-pointed star in the heavens of music.

Near by stands the palace of the Esterházys, strange, arrogant, yet impressive, built on the foundations of a mediaeval castle and renewed in baroque style by Italian architects at the end of the 17th century. The plain façade has inharmonious ornaments in the shape of terra cotta busts which are clumsy representations of former Esterházys and of Hungarian monarchs. But the garden front, in classic style with a view across a fine natural park on the slopes of the Leithagebirge, is impressive. From the terrace in front there is a no less wonderful view of the almost Tuscan landscape, framed by the Rosaliengebirge and the Ödenburger Mountains. 342

Although Eisenstadt is still so small a place, its new dignity as capital of the Province (since 1924) has meant a considerable increase in the number of modern 361

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First let us visit the basket weavers

Basket-Weaver.

of the beautiful Rabnitz Valley and the potters of Stoob where the ancient craft of pottery is still carried on by hand. Then let us cross to Raiding. Here the small house is still standing where a great man in the world of music first saw the light of day—Franz Liszt. He was triumphant the world over, from Russia to France and England. Everywhere the smiles of lovely women welcomed him but more and more he was affected by that melancholy which is reflected in the verses of Lenau. The latter had connections with the Burgenland through his mother; his lyrics won as many friends for the land of the *Puszta* as did the Hungarian rhapsodies of Liszt.

131 Past Ritzing, where the surface belongs to the Burgenland but the coal below it to Hungary, because the tunnels of Brennberg, near Ödenburg, burrow below the frontier, our way leads us to Sieggraben. This is the home of the Semmelweis family, whose most famous son brought salvation from the scourge of puerperal fever to the child-bearing mothers of all times. From here the road climbs to the summit of the Rosaliengebirge, where a view opens towards the east across the Wulka Plain, taking in Ödenburg and the Neusiedler Lake and westwards, the Bucklige Welt, Wiener Neustadt and the Leitha.

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361
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Village Drummer.

On the Leitha also lies the battlefield of 1246. Friedrich the Quarrelsome, last of the Babenbergs, made the territory which had formerly belonged to the Mark of the Carolingians the subject of his first demands.

The Burgenland was long contested. Not for nothing do the many churches in its pleasant villages stand on commanding heights, surrounded by walls which give them the appearance of fortresses, and not for nothing were the many castles and fortified towers set up.

The days of the Turkish invasions brought poverty and desolation to the land, but at the same time a new population which was fleeing from the Turks and found a new home in the Burgenland—the Croats. From Kroboteck in the district of Jennersdorf through Stinatz, Punkitz, Podgoria and Kroatisch-Minihof there

Without designing it, we are back at our starting-point. Kittsee has still to be mentioned, lying in the extreme north opposite Pressburg, where Josef Joachim, the famous violinist, was born, and Zurndorf, the native town of the Vienna Capucine preacher, writer of Hungarian history and Protestant bishop of Saratow in Russia, Ignaz Aurel Fessler. Nickelsdorf looks over the frontier towards the Nibelungen town of Wieselburg, where Josef Kainz (famous actor of the Vienna Burgtheater) first saw the light of day. 361 533 793 536

There are castles and churches where the art of the Burgenland is represented by the paintings of Dorfmeister, Maulpertsch, Altomonte-Hoherberg, Köpp von Felsenthal and Storno, an art which lives on today in the work of the famous modern sculptor Gustinus Ambrosi. 532

Let us glance again over the wide and sunlit countryside to Eisenstadt, where the festivals in the historic Haydn Hall have revived the music traditions of the Burgenland, to the villages where one hears the tamburizza orchestra, and the airs of old folk songs from which Haydn took the undying melody of his hymn. Once again let us glance at the people, the farm labourers at Friedrichshof or Edmundshof, the workers in the chalk and jute factories, the reed-cutters by the lake and the vine-dressers with their aprons stained green by copper sulphate, the farmers and the labourers, as far as the smallholders in the extreme south who industriously till their four *joch* of ground, keeping records of the weather as their fathers did before them. Don't be surprised if one of them appears round a bend in the forest path, nods approvingly at the fleecy evening clouds and pats you on the shoulder to say—"That's the weather we need here. But you—come back again soon to our Burgenland." 533 000

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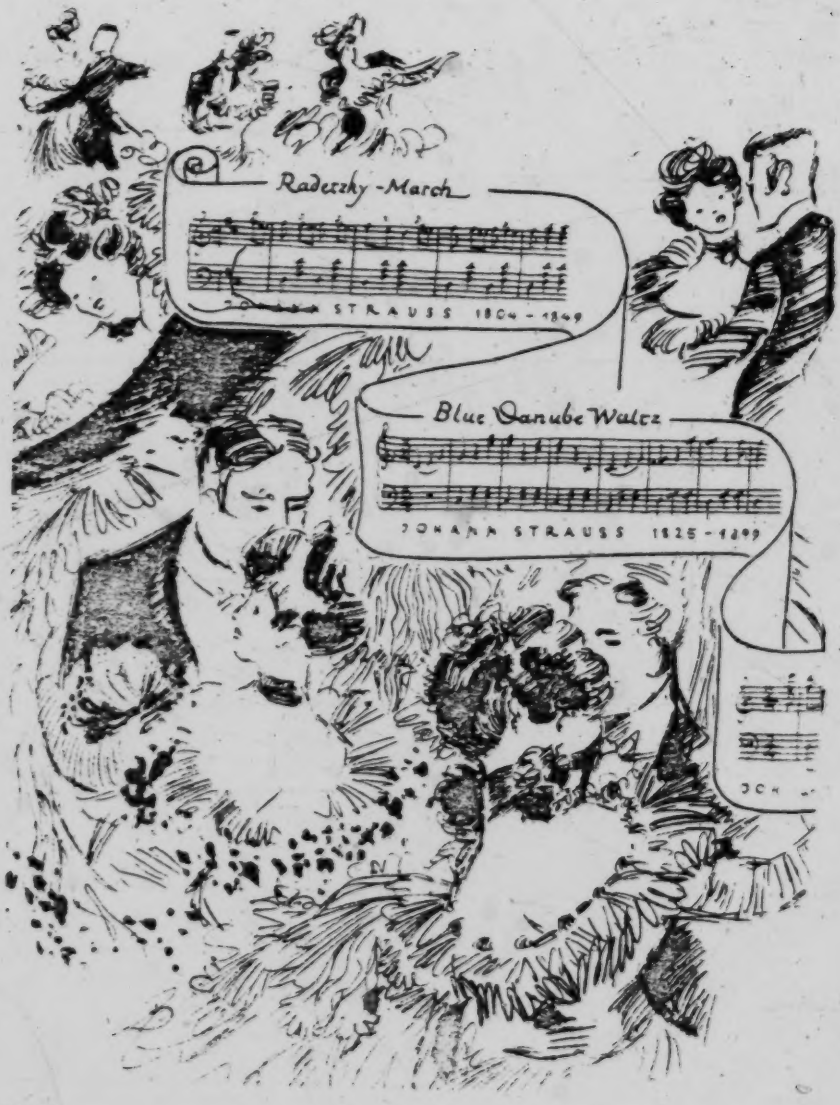

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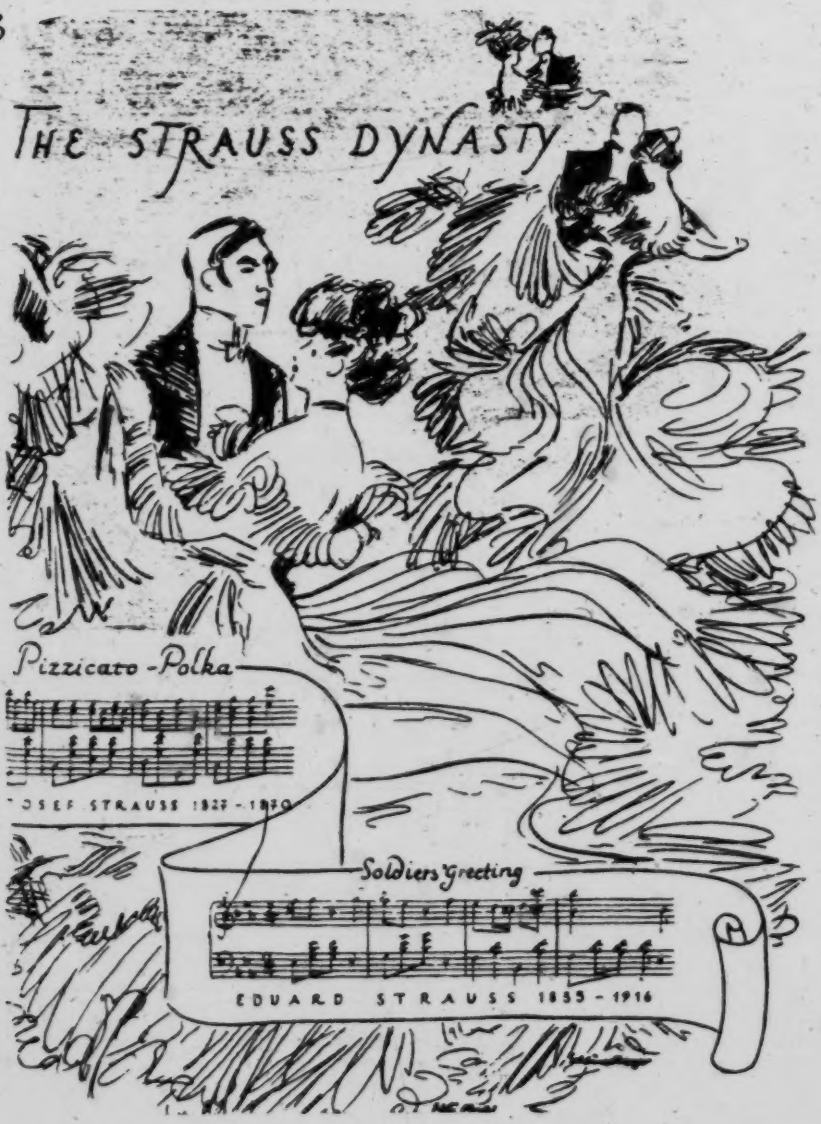

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Vienna, the Augarten Palace

THE WIENER SÄNGERKNABEN (THE VIENNA CHOIR BOYS).

533 When the Hofburg Orchestra and the "Löwenburgsche Kaiserliche Hofsänger knabenkonvikt" in the Piarist Monastery were disbanded after the Revolution of 1918 and most of the boys were sent home, the Rector of the Burg Choir, Josef Schnitt, saved from the collapse what it was possible to rescue and re-assemble. In an obstinate fight crowned with complete success, the untiring Rector transformed the former Hofsängerknabenkonvikt into the Institut der Wiener Sängerknaben.

What a far cry it is from that difficult start after 1919, when the new epoch was started without outside assistance, without money, with only 15 boys, in a few dingy rooms of the Old Hofburg, to the all-embracing triumphal journeys of the Wiener Sängerknaben round the world. It is at the same time a pattern for future Austrian cultural progress. Although subsidies have been discontinued and patronage by the wealthy has ended through the impoverishment of the country, the traditional values of art and civilisation in Austria have the necessary vitality in themselves and in the energy of the new generation to persist and even to expand.

The Sängerknabe who stands before the footlights in his sailor suit and bows in greeting with his arms formally crossed, fresh and unembarassed, has a long

533 line of ancestors! They date back to gothic Vienna when song occupied an important place in the ducal Burg Orchestra under Rudolf the Endower. The Emperor Maximilian I founded in 1498 the Boys' Choir in the Hofburg Orchestra. In 1580 the Hofkapelle had 93 members. The choirmasters who in subsequent times were no longer priests but professional lay musicians were enjoined by strict Court orders to "feed and care for the Choir Boys carefully". They were to be given good food, roast meat three times a week, plentiful fruit and decent clothing.

Many great musicians are intimately connected with the history of the Wiener Sängerknaben. Gluck accompanied the choirs of the Hofkapelle. Mozart was more or less the official composer of the Sängerknaben when he was only 12 years old. His charming early composition "Bastien and Bastienne" is, like Haydn's "Apotheker", still one of the best numbers in the repertoire. Bruckner, who grew up as choir boy in St. Florian, was appointed Hofkapelle Organist in Vienna in 1867. Schubert spent five years as a choir boy in the Vienna Institute.

Now year by year posters in all the great cities of the world herald the concerts of the Wiener Sängerknaben. The programme is taken from olden and modern times, the boys beginning the evening with religious A-cappella music dating from the 16th century onwards. Then there are difficult four, six and eight-voiced movements by Palestrina, Lasso and Gallus, solemn and inspiring compositions in which the choral severity of the juvenile voices have a moving effect.

Choral plays in historic costume follow, music by Mozart, Haydn, Schubert. Fresh and natural Viennese boys are transformed into powdered and dainty ladies and gentlemen of rococo times, pirouetting with graceful charm and presenting their quartettes, arias, quarrel- and love-scenes with such ringing and silvery voices that one has the illusion of listening to an old-fashioned musical box.

The third part of the programme is made up of many-voiced folk-songs. Then come the national anthem of the country visited and at the end—Vienna waltzes.

Of the three choirs which the Institute now has at its disposal, one is always on tour, while the other two take duty on alternate Sundays in the Burgkapelle where the solemn Mass is sung. The Wiener Sängerknaben take part in the Staatsoper productions, in films, and appear on festive occasions. Work at self-perfection and progress is their slogan. Through their tireless energy they have created for themselves a home of their own, and have revived an ancient name, to cover it with honour. These boys of between seven and fifteen years of age are the melodious youth of Austria. This institution of the Vienna Choir Boys in its present shape is a striking example of how outward forms can change to correspond with the march of time, while the essential is preserved unaltered. The structure of the institution resembles that of a college. The boys are received into it, regardless of their social background, at the age of six or seven. The sole

533 criterion is that of their talent and inclination for singing. When they have completed their preliminary training—that is to say at the age of about ten years—the young choristers receive what amounts almost to individual further training in accordance with their own wishes. It is the great endeavour of the institution to secure for the choristers when the time comes for them, to leave an extensive and uniform education. As a result, the boys cherish the memory of their chorister days. Many of them come back later as conductors or teachers, or, as part of the audience, re-live their early days as singers.

Friesland farmer. The Emperor Leopold served him wine in a costly crystal chalice, begging him to accept the latter as a gift.

In the year 1678, when Prince Johann Georg of Anhalt-Dessau appeared at such a Wirtschaft at the Vienna Imperial Court in the guise of a Dutch sailor, Emperor Leopold toasted him with the words: "Since I believe that nobody knows more about the wind than a Dutch sailor, I drink his health with the wish that the wind may be favourable to the Roman Empire, to my House and to yourself, in accordance with whatever you may desire."

All royal personages, male and female enjoyed taking part in these Wirtschaften. A lot of thought went to devising the menu, and amusing ideas were often introduced into it.

265 The oldest eating house of Vienna is supposed to be the Griechenbeisl on the Fleischmarkt, dating back to the year 1500. If one drank more than two glasses of beer one had to keep the reckoning by laying the appropriate number of matches on the table; some had quite a little pile to show before the evening was over. Even [533] the "liebe Augustin", the forerunner of the public singer who was himself born at Vienna in 1643 as the son of a tavern keeper, played the bagpipes there and sang there his famous tragi-comic song:

"O, du lieber Augustin, alles ist hin ..."

It is a far cry from him to the "Schrammelmusik" and beyond to Girardi and his immortal carriage song. The Matschakerhof, which is also mentioned in the 15th century, is about as old as the Griechenbeisl.

During the Vienna Congress the attachés of the various Powers met regularly for lunch at the hotel "Kaiserin von Österreich", which soon received the name of "Diplomatenbörse" (Diplomat's Exchange). The table reserved for them in this hotel was called the "Chronicle of Vienna". Here confidential cabinet questions were discussed during informal conversations and events of the day talked over of which the Press only learned very much later.

"Die drei Hacken", later called the "Römische Kaiser", was adjudged Vienna's most exclusive tavern in Congress times. Unfortunately it no longer exists. On its site stands the building of an insurance company in the Renngasse.

The Hotel Sacher was frequented by members of the Austrian court and aristocracy. In its garden, the old Austrian uniforms struck the dominating note. The hotel's exquisite cuisine was renowned; the owner, Frau Anna Sacher, was a well-known figure in Vienna. Like Danish women, she smoked cigars, not little cigarillos but big, fat cigars. She had the gift of making all her guests feel at home and well understood how to flatter the peculiarities of each one, to satisfy every wish and to remember a guest's favourite dishes. Sachers, because of its distinguished clientèle, became the first hotel in Vienna, and was often the scene of meetings which decided the fate of Europe. The diplomats of the whole world were numbered

533

HE WHO WAS NEVER IN HIS CUPS

He who was never
in his cups is truth
a sorry swain forsooth
very sorry swain. And he
who only 'achtcha' cups were wiser
to abstain indeed were wiser to
abstain. There everything spins
'um und um' in this our
capitolium in this
our capitolium.

ENZEL
MÜLLER
1593

532

Rattenberg.

implements. Wood-carving is as native to Ladinian Gröden as to the Allemannian Lechtal. Represented by Michael Pacher of Bruneck (d. 1498), Joseph Koch of Lechtal (1768—1839), the Italian-Tyrolese Giovanni Segantini (1858—1899) the East Tyrolese Franz Defregger (1835—1921) and Egger-Lienz (1868—1926), Tyrol has distinguished herself honorably in plastic art.

536 The Tyrolese folk drama is renowned. The theatre, good and bad, false and true to life, plays a large part in the life of the Province. The old Pradler-Bauern-Theater is a joy to the people of Innsbruck, with its plays of chivalry composed of [796] a blend of moving pathos and coarse jokes. The passion plays of Erl and Thiersee keep up the Roman Catholic tradition, while the carnivals, among which the Imster Phantom Carnival is fairly well-known, although not so much so as it deserves, [776] have heathen origins. The customs and legends connected with these are similarly rooted in heathen superstitions, such as the magic of the "Rauhnächte" or the "Expulsion of Winter" or the "Ringing in the Grass". They tell of the "Perchte" (benevolent spirits) and the "Saligen Fräuleins" ("Happy Ladies"), the "Alm Dwarf", the "Venediger Gnome" and the "Ice Mannikin". Mountain and forest, water and air, cattle, trees and bushes—all are full of spirits. To compose and to think, to say and to sing, is all one.

● 534 Music is cultivated chiefly in the lowlands. From there came the violin maker, Jakob Stainer (d. 1621), the father of the German violin. The harp and trombone, like, of course, the zither, are played at home. In this country of mocking ballads, he earns praise who can devise humorous couplets on the 522 spur of the moment. Ribald practical jokes and dry humour are likewise typical of the Tyrolese. The mountain dweller is apt to ponder more over the next 812 world. Sometimes he developes into a rustic philosopher or scholar in remote districts, such as the map-maker Peter Anich and Blasius Huber from Oberperfuss.

About the middle of the 18th century, 53 Jesuit colleges and settlements existed in the Jesuit "Province" of Austria, in addition to a number of resident and travelling missions. In almost all these 53 centres there were middle-schools and at almost all of them plays were produced, between two and three in a year, unless school, as was often the case in Hungary, had to be broken up on account of the dreaded plague or of danger from the Turks. These usually scattered the pupils to the four winds. 793 871

The growth of the Jesuit Theatre continued from 1558 to 1773 in two major stages. During the first, which lasted until about 1650, the main objective was the inculcation of the Faith; during the second period, education played the greater role. The Jesuit Theatre took over from the mediaeval theatre the pattern of the ecclesiastical year, culminating in the festivals of Christmas and Easter. It also adopted the traditions of the "school-theatre". The Order of Jesuits was not alone in introducing its pupils to the stage, but no other Order did so on such a scale, with such perseverance and with such remarkable results. 793 536

To appreciate the significance of the Jesuit Theatre, one must remember that with its amateur actors, it was a means to an end and not, like the professional theatre, an end in itself.

The first stage performance in Vienna was given in 1555. The Jesuits had made barely habitable the building of the Carmelite Monastery, which during the recent years when it had been left almost unoccupied had become a ruin, and had just established their schools there. They repeated their performances every year, increasing their number. Scenery and costumes were added. By the second half of the 17th century the productions easily bore comparison with the elaborate set-up of those at the Imperial Court Theatre. The stage-struck Leopold I was the most enthusiastic patron, and at the end of the performance he distributed prizes to those pupils who had most distinguished themselves. 793 545

There were primarily three occasions in the year on which plays were regularly produced. On Good Friday, a play with religious content was put on, corresponding to the mediaeval Good Friday drama in St. Stephen's Cathedral, which was kept up until the 19th century. On the second occasion, that of Corpus Christi, the performance was closely linked with the religious procession from altar to altar which from time immemorial had been carried out with great pomp in Vienna. The play then performed also had mediaeval characteristics. The religious story was divided into acts which were produced in turn before one or other of the street altars at which the Corpus Christi procession halted. In 1579, for example, the "Tragic Story of the Prodigal Son" was produced. Two acts were played before the High Altar, and another act before each of the other three altars at which the procession halted. The third regular date when plays were produced was the occasion of the distribution of prizes at the end of the school year, usually in September, which was turned into an impressive theatrical spectacle, with elaborate scenery. 793 545 796

793 were also made use of, at first in connection with religious stories; subsequently
536 we find stories taken from history, especially after the beginning of historical studies early in the 18th century. From the rulers of antiquity by way of the ancient German and Lombard kings up to the reigning House of Hapsburg, all with high rank or well-known names which might serve either as an example or a warning to youth were brought into these plays. It is noteworthy that a number of subjects reappeared in the literature of subsequent decades, especially in the period of classicism. In the Jesuit Theatre we find, to mention only a few examples, a forerunner of Schiller's "The Robbers", as well as of the "Iphigenie" of Goethe and Körners' "Zriny". Thus the Jesuit Theatre was of value in preparing the way for the literature of later times, as well as because it was in itself the most comprehensive theatre organisation known to history. Far and wide it cleared the ground for the professional stage by making the cultured classes acquainted with the theatre from their earliest youth. In many towns of the Jesuit "Province" of Austria—for example in Hungary—it was
[517] the immediate forerunner of the professional theatre. The value of this Jesuit Theatre lay not so much in the grandiose stage presentation at some particular place such as Vienna or Graz, nor in the literary value of the works of such a man as Avancinus, but rather in its achievements for the general development of culture. Its mission once fulfilled, it faded away.

793 With Rousseau's "Age of Enlightenment" there began a conflict about
871 the Jesuit schools which for two centuries had supplied the Emperor
815 with his leading statesmen and to which the Counter-Reformation in Austria owed its success. The main argument against them was that they were in themselves reactionary and their methods old-fashioned. Yet it was just the Jesuit schools which in the first half of the 18th century proved themselves to be thoroughly progressive, for it was they who introduced the teaching of history and encouraged study of the natural sciences. In Vienna they founded a "*Museum Mathematicum*", the first institute of its kind in Austria and a precursor of the modern museums, and pursued definite educational aims through its collection of physical and astronomical instruments. The Jesuits were also the first in this part of the world to make serious experiments in physics and chemistry and to demonstrate them in public. The Emperor Franz, Consort of Maria Theresia, even called the Brothers to Schönbrunn Palace to make such demonstrations.

Until the latter half of the 18th century the students in the Jesuit schools of the Austrian Province numbered more than 16,000 and although thereafter their numbers began to decrease slowly, the abolition of the Order put an end to an educational system which was still flourishing.

793 The final performance at the theatre in the Bäckerstrasse was given in the year 1760
873 by the sixth class, that of rhetoric, which acted "Menaeus"—actually the last play
545 produced by the Jesuit Theatre in Vienna. The beauty of the play, the acting of

the boys and the fine scenery was much admired, and no one guessed that they were acting for the last time. Soon afterwards an Imperial decree was issued totally forbidding this type of training in the schools, and in the year 1761 "nobody set foot again in the theatre". The stage fell into decay; not until 1766 was the tangle of rafters and the disorder in the hall removed to prepare the auditorium for lectures, but the old glory had departed; seven years later the entire activities of the *Societas Jesu* were forbidden (1773).

The "Age of Enlightenment" had finally reached Vienna. A clear-cut difference of intellectual attitude divided the city, and slowly the Jesuit Theatre had to yield place to the professional theatre with its literary basis.

The Order of Jesuits left the country in obedience to the Emperor's command, its mission fulfilled. Embattled Catholicism in conjunction with Imperial Power had weathered the storm of Turkish invasion. The age of Baroque blossomed forth in glory.

Since the days of the Jesuit schools the word "theatre" has formed an inseparable part of the thoughts and imagination of the Austrian people—the theatre as a stage for free discussion, as a means for acquiring knowledge, as a method for the exchange of ideas among men. For seven generations youth had been taught to link up and to compare the theatre with the surrounding world, seeing the one in the other and through the one understanding the other.

Placed amid that outside world which often put might before right, the theatre became increasingly a home for daring ideas, and the stage developed into an open platform for free speech. Thus in Austria, not only for the professionals, the authors and actors, but also for the public, the idea of the theatre has become one of the most cherished features of life, that great world-theatre where life is a dream, a play by and for every man.

532

Rattenberg.

implements. Wood-carving is as native to Ladinian Gröden as to the Allemanian Lechtal. Represented by Michael Pacher of Bruneck (d. 1498), Joseph Koch of Lechtal (1768—1839), the Italian-Tyrolese Giovanni Segantini (1858—1899) the East Tyrolese Franz Defregger (1835—1921) and Egger-Lienz (1868—1926), Tyrol has distinguished herself honorably in plastic art.

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Klosterneuburg.

The tree-girdled villages with the red church spires were unpretentious and companionable. Around Easter the straight roads bordered with cherry trees became long avenues of fantastically beautiful blossom.

133 Gross-Enzersdorf marks the limits of the extensive island known as the Lobau, an unspoiled wilderness of water, trees and bushes. The river broadens out as the current flows more rapidly.

536 A son of Essling grew up to become a great master: Rafael Donner. Through Dürnkrut and Kroissenbrunn which appear in "King Ottokar, His Rise and Fall", Marchfeld has a link with Grillparzer.

000 IN THE DISTRICT BELOW THE WIENERWALD. Anton Wildgans called one of his books "Fate of Mödling". He lived near St. Othmar in a house above which grew dark umbrella pines between cliffs and sky. Any of you who want to appreciate the beauty of your country should read these books, the original manuscripts of which are preserved in the Wildgans House.

quarter above the Wienerwald. Weidhofen-on-the-Ybbs, Lunz, Scheibbs and the stretch from Mariazell to St. Pölten are far-famed for their rustic beauty. Further to the north of the Styrian boundary lie Türnitz and Lilienfeld, Hainfeld and Gutenstein near the contrasting shapes of the Mittelgebirge.

Along the road to Greifenstein, on the Danube, through Neulengbach and Altenmarkt, descending to the Hohe Wand, Schneeberg and the Rax, runs the boundary of the "quarter below the Wienerwald". Encircling Vienna in a mighty arch from Klosterneuburg to Heiligenkreuz and Baden, it descends to the plains along a line of thermal springs. On one side of the Südbahn grows a heavy wine; on the other is a chain of industrial centres—Traiskirchen, Sollenau, Laaberndorf, Berndorf, Wiener Neustadt, Neunkirchen, Ternitz and Wimpassing. The factory chimneys do not end until the Semmering district is reached at Gloggnitz and Payerbach. The Pittental leads to the "Buckige Welt" of Edlitz, Kirchschlag and Aspang, while to the east of Vienna the approaches to Hungary lie in the flat triangle formed by Schwechat, Ebenfurth and Bruck-on-the-Leitha.

ON THE BANKS OF THE RIVER.

Restless flows the Danube through Lower Austrian territory, until it is reluctantly compelled to submit to control and regulation. At Strudengau it still gives birth to leaping rapids and circling eddies, twists itself at Ybbs to a dangerous bend, narrows to the legend-haunted valley of the Wachau and constantly forces the current to move now towards this bank, now towards the other, until it at last subsides into a broad and placid stream below Tulln. With

Baden, where the healing waters flow close to the roadside, proved a great attraction for you. To drink them you only needed to go down a few steps. On all the bridges over the Schwechat, you could smell the sulphur from the springs which were discovered by the Romans. The modern medicinal baths were in their time the temple of a goddess. In the piping times of peace you found there many people who had come from far off countries. The rich glow of the tulip beds in the Kurpark is a sight which you should not miss. 529

Kornhäusel, an architect of late classicistic style, built for Baden a town hall with Greek temple columns and a flat roof adorned by stone statues. His work, specimens of which can be found throughout the town, is of modest but genuine beauty. You keep finding pillars and rows of columns, Doric and Ionic capitals and caryatids, which, although of unequal value, lend a distinctive air to the town through their variety of form and the attempt to reproduce the beauties of antiquity. 341

Mozart's "Ave verum" and Beethoven's "Missa solemnis" are particularly treasured by Baden. Grillparzer, Schubert and further southwards, Raimund have all enriched this countryside with the breath of their art. 533 536

At the foot of the forests are extensive vineyards. Light, stony soil and a favourable situation give the grape a choice quality which has been further improved by careful tending. Gumpoldskirchner wine was taken around the world on one occasion on a Zeppelin flight. It kept its high quality throughout. 245 274

Hainburg, Wienertor.

Without designing it, we are back at our starting-point. Kittsee has still to be mentioned, lying in the extreme north opposite Pressburg, where Josef Joachim, the famous violinist, was born, and Zurndorf, the native town of the Vienna Capucine preacher, writer of Hungarian history and Protestant bishop of Saratow in Russia, Ignaz Aurel Fessler. Nickelsdorf looks over the frontier towards the Nibelungen town of Wieselburg, where Josef Kainz (famous actor of the Vienna Burgtheater) first saw the light of day. 361 533 793 536

There are castles and churches where the art of the Burgenland is represented by the paintings of Dorfmeister, Maulpertsch, Altomonte-Hoherberg, Köpp von Felsenthal and Storno, an art which lives on today in the work of the famous modern sculptor Gustinus Ambrosi. 532

Let us glance again over the wide and sunlit countryside to Eisenstadt, where the festivals in the historic Haydn Hall have revived the music traditions of the Burgenland, to the villages where one hears the tamburizza orchestra, and the airs of old folk songs from which Haydn took the undying melody of his hymn. Once again let us glance at the people, the farm labourers at Friedrichshof or Edmundshof, the workers in the chalk and jute factories, the reed-cutters by the lake and the vine-dressers with their aprons stained green by copper sulphate, the farmers and the labourers, as far as the smallholders in the extreme south who industriously till their four *joch* of ground, keeping records of the weather as their fathers did before them. Don't be surprised if one of them appears round a bend in the forest path, nods approvingly at the fleecy evening clouds and pats you on the shoulder to say—"That's the weather we need here. But you—come back again soon to our Burgenland." 533 000

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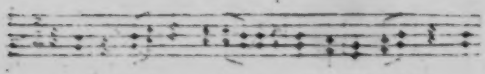
ÖSTERREICHISCHE BUNDESHYMNE



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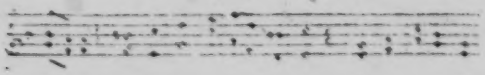

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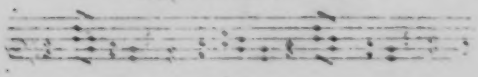

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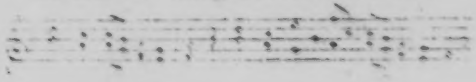

MELODIE VON W·A·MOZART
TEXT VON PAULA PRERADOVIĆ

539

THE AUSTRIAN NATIONAL ANTHEM

Land of mountains, land on river,
Land of ploughed fields, land of churches,
Land of hammer, land of future,
Motherland of mighty sons,
People blessed with beauty's crown,
Austria of proud renown!
Austria of proud renown!

Scene of feuds and bitter strife,
Still you lie amidst this region
Like a heart with courage high
Since your earliest ancestors
You have borne a mission's burden,
Sorely tested Austria,
Sorely tested Austria.

Courageously towards a new age,
Strong in faith, and free we march
Joy in work and hope is ours
Our word as brothers thus united
To thee, oh Fatherland, is plighted,
Much beloved Austria,
Much beloved Austria.

?: Marboe U-3 (no date) 1948 EK1 Austria EK1

539

REED SONG

O the pond, where it reposes
drop the moonbeams softly down,
twining their ethereal roses
in the reeds' encircling crown.

Deer move in yon hilltop, seeming
watchful of the velvet sky.
Now and then the geese stir, dreaming
where in tangled depths they lie.

Tear-filled sinks my glance revealing
through my inmost spirit bars
a sweet thought of you is stealing
like a silent evening prayer.

NIKOLAUS
LENAU

[-351-]

7: Marboe U-3 (no date) 1948 EK1 Austria EK1

waters. Maliciously the latter lift the well-stacked piles of firewood, which they carry off with the same ease or difficulty as they do the rough-hewn logs which have been rolled to the river brink to serve as rafts. Using these as battering rams, the river attacks houses and barns, tears skiff and boat from hook and chain and drives terrified animals into the fatal current.

Then once again the Danube flows peacefully past the watchful water-gauges, to trickle cunningly above the dams on to the fields and meadows. Grassland and forests follow the river's course for long distances. The vegetation grows luxuriantly in the damply-warm climate of the Danube Valley, producing a primaeval, awe-inspiring picture. On the sand-banks of the river lives a polyglot world of birds. Cormorants and grey herons stand watchfully in the

361

In Krems the Middle Ages live on into modern times—the old city gates, the patrician residence with its bow window jutting out above the street, the Parish Church with paintings by the Krems baroque artist Schmidt, the inns with their dark, carved furniture and pewter vessels on the walls. Behind the town the vineyards follow the river, the steep clay slopes threaded by horizontal lines of stone supporting walls.

The Wachau ends with a monastery on the right bank of the river, as it began with Melk above. Göttweig, in an open situation on the mountain side, may be seen from afar. Set back from the Danube harbour and the shipping routes, it stands calm and solitary, remote from the noise of the workaday world. It can boast of Dutch tapestries and delicate chairs in the Imperial Suite, these and the

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The Legend of Habergeiss.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

As regards the organization of temporary exhibitions, the programme proposed by Hofrat Stix in August 1945 was received with scepticism by the American and British Monuments and Fine Arts Officers who came to Vienna as members of the Control Commission. They considered it madness to expect a people suffering from acute material want to attend art exhibitions in unheated galleries. But Stix's energy and optimism were justified. A whole series of exhibitions was arranged by the Albertina Gallery from its permanent collection of prints and drawings, the first of which, 'From Ingres to Cézanne', was opened in October 1945 literally amidst the ruins of the heavily damaged building. A lecture in French held during December in connexion with this exhibition was overcrowded, although the hall was entirely unheated. The exhibition was afterwards sent on tour to the provincial capitals. In November 1945 a large number of the State art treasures were brought back to Vienna with American help, and the following month an exhibition, consisting of eighty-nine of the best of them, was opened in the Hofburg by the United States Commander-in-Chief, General Mark Clark. As regards quality, this was one of the finest groups of paintings ever assembled in any country, representing as it did the choicest works of art from one of the world's greatest collections. It attracted large numbers of people to the bleak but stately rooms of the old Imperial Palace. The following year the outstanding exhibition amongst many consisted of Austrian works of art from the Middle Ages to the present, a foretaste of the new museum to be created in the Belvedere.

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During the immediate post-War years, owing to the enterprise and receptiveness of the Austrian museum authorities, a whole series of foreign art exhibitions was held in Vienna and the provinces, the majority of them coming from France and England, due to the efforts of the *Division des Affaires Culturelles* and the British Council. In 1946 the big decision was made to send a large and representative exhibition of Austrian pictures and other art treasures to Switzerland. The next year it went on to Brussels, Amsterdam, and Copenhagen; and finally,

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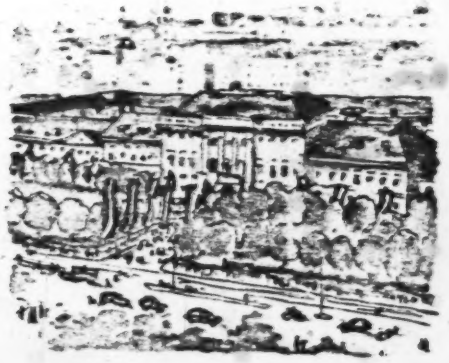
3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

543 after certain changes had been made in its composition, to England, the United States, and Canada. This was probably the greatest collection of works of art that has ever been sent on tour. Though no accurate assessment of its value can be made, it was estimated in the United States at $80 million. In European countries the impression it left was complementary to that made by the visits of the State Opera and the Philharmonic Orchestra, and it extended to North America the field of Austria's most effective achievements in cultural diplomacy. It is arguable that no avoidable risks should be taken with the world's greatest works of art and that those who wish to see them must travel, but it was a most generous gesture on the part of the Austrian Government to share with other countries some of their finest art treasures during a period when they could not be adequately exhibited in Austria.

658 346 The reconstruction of the actual museum buildings was not the responsibility of the museum authorities, but was carried out as part of the Government's programme for the restoration of public monuments and buildings. Remarkable progress was made with this programme within a comparatively few years. By 1952 the main repairs were either complete or far advanced in the case of Schönbrunn, the Belvedere, the Albertina, the Museum of Art History, and St. Stephen's and Salzburg Cathedrals, the work in some cases being finished a good deal earlier. Considerable progress had also been made in rebuilding the State Opera and the Burgtheater, though the opera was given priority and had the additional advantage of some Russian, as well as substantial ERP support.

It might well be considered that too much effort was put into the restoration of public buildings of a monumental character, in view of the acute housing shortage, and that the resources used should have been devoted to the construction of private dwellings. On the other hand, the labour and materials used for the two purposes were quite different. The vital tourist industry was stimulated by the rebuilding of the great public monuments. And the psychological effect on the



543 In the history of Austrian commerce the week from the 11th to the 17th of September, 1921, is heavily underscored with red pencil. The first Vienna Fair was then held in its new form as a sample fair.

The sponsors were taking a risk, and as is often the case with new ventures the confident reassurances of those in charge were at first drowned by pessimistic voices and criticism. What was the good of an exhibition of samples in Austria three years after the defeat? Of what use was this guarantee of spurring on production and trade activity in face of the landslide of inflation?

Despite depression, resignation and desperation and in spite of all the "ifs" and "buts", the Vienna Fair entered the race as an unbacked outsider. The opening day itself forecast the coming success. Before the ticket offices stood long queues and from beyond the frontiers, Vienna's century-old reputation as a market had attracted merchants from all countries. The number of visitors and of those interested increased day by day. The exhibition started a wave of fresh confidence and optimism; the Austria which had recently collapsed was extending to an astonished world a new visiting card.

Since that autumn of 1921 the Vienna Fair—held since then without a break at the beginning of each March and September—has survived the difficult times

after the First World War. It has assisted in the transition from war to peace production, helping to satisfy the first rush for goods after the years of privation and to direct trade into its old, legitimate channels again. The Vienna Fair has gradually modified and finally brought about the end of the foreign exchange controls which shackled industry and the exchange of goods. It has found its way successfully out of the labyrinth of burdensome compensation and clearing agreements and did not even allow the most threatening tariff barriers of other states to hinder its development of free trading competition. Against the political and economic difficulties which confronted international trade Austria set the drawing power of her products. At a time when almost every little town in Europe felt itself called upon to hold an industrial fair, the reputation of the city on the Danube as a natural centre for the transit and exchange of goods was convincingly re-affirmed. 543

The Vienna Fair carries on a tradition which grew up naturally and has continued for centuries in Central Europe and the Balkans. When Rudolf of Hapsburg conferred the rights of a market town on Vienna in the year 1278, this was merely confirmation of a long-existing practice. From Babenberg and Crusading times, the markets of Vienna had born testimony to civic industry and manual skill, as they had to the honest labour of her artisans and her far-reaching trade connections. 543 441

These market rights were confirmed to the Viennese and extended by every ruler in turn. A visitor to one of the two fairs, held at Candlemas and on St. Jacob's

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441

Day, who transported his goods by one of the prescribed highways enjoyed, no matter whence he came, the local governor's protection for his person, his goods and his waggons, a truly enviable privilege in the unsettled times of the closing 13th and the 14th century.

During the Middle Ages it was open to anyone from every country to bring what goods he liked to the two great Vienna markets, with the exception of wine and beer, which were available in abundance on the spot, and of excellent quality. People of every trade and every guild could sell and offer their wares freely.

After the Turkish Wars there was a fresh revival of Vienna market life in the 18th century. But then the discoveries of the weaving loom and the steam-engine began to take effect on production and trade. In the 19th century the railway rendered goods fairs superfluous and the markets began to be transformed into sample exhibitions.

The economic system of the Austro-Hungarian Monarchy was so well-balanced that it had at first no need of any special display of sample products within its frontiers. The exchange of goods between the agrarian and the industrial areas went on smoothly and although samples of all the products of the Empire were occasionally displayed at great exhibitions—Vienna owes the building of the Rotunde to the Great Exhibition of 1873—there was actually no need of special methods to advertise or boost them, for demand and supply were well adjusted, and connections between producers and their customers dated from the times of their fathers and grandfathers.

162
472 After 1918 more than a third of Austria's population was engaged in industry and commerce, nearly a further third being occupied with agriculture and forestry. In both cases the small or medium sized concerns were predominant, a fact which explains the ability of Austrian economy to weather the storms of crises. It had never taken special measures to promote war industries. Never through war, but through the years of peace had the Empire prospered. When in 1866 Austria lost the war against Prussia it was because, despite the better training of her troops, the Austrian rifle was inferior to the Prussian.

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438 It is in concerns in which intensive labour and detail is important that the individual talent of the Austrian can find expression, not in great concerns resorting

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to capitalistic mass production methods. Thus at the Vienna Fair one finds a varied profusion of articles and goods. On the stalls and in the various departments in the halls and pavilions are to be found samples of all the industrial, commercial or agricultural goods produced in Austria, from the simplest tools to complicated precision and tool-making machinery, from building materials to the most modern power plant. Commerce, industry and agriculture unite here to present a complete picture of the Austrian economy.

Agriculture plays a big rôle in the Fair, which not only provides farmers with an opportunity of selecting their requirements in tools and machinery but also a choice of advertising methods to aid them in selling their own products. The latest developments in many fields are displayed with pride—stock-raising, grafting, crossing, products of the soil, qualitative and quantitative record achievements of every kind from field, stable, vineyard and forest. [241]

The Vienna Fair, which is for the Austrian producer the most successful sales market and the most effective propaganda organisation at his disposal, is for the foreign producer not merely a place where he can find just Austrian products and customers. So many foreign firms take part that apart from Austrian goods, eastern and south-eastern European wholesale and retail trades are well represented. In Vienna producers, traders and direct consumers meet from the whole of Europe and from the Near East as well as the Balkans, offering many possibilities of transit deals. Here the agrarian East of Europe and the industrial West exchange their wares. 543 439

The Vienna Fair is international and is open for all commodities and to all firms from all countries. There are at least 19 countries to be found regularly represented

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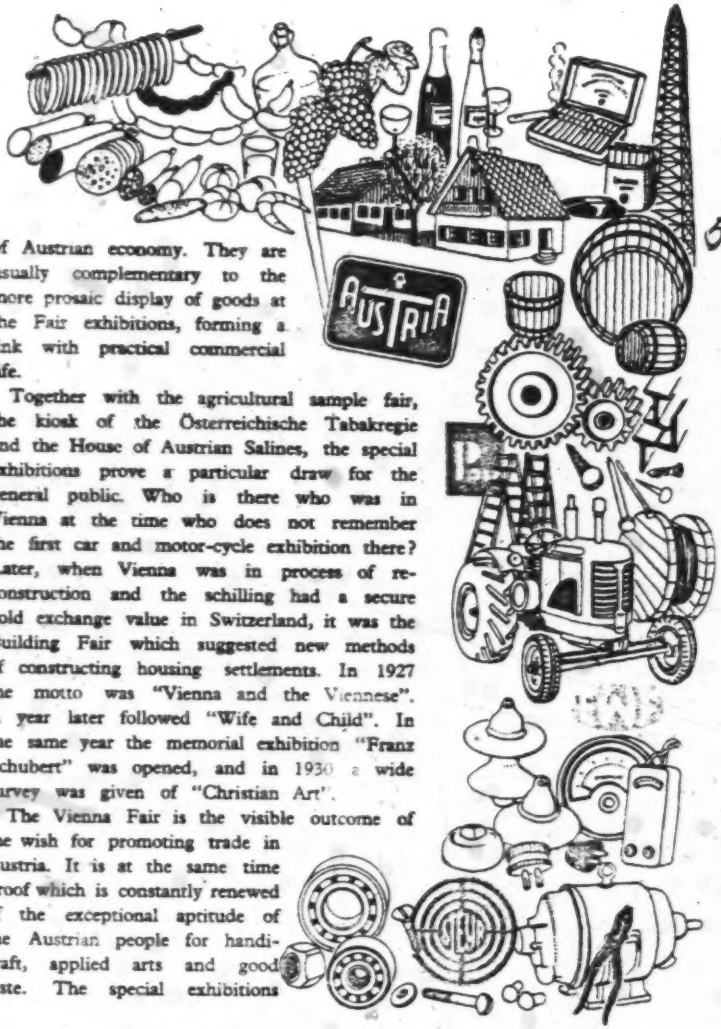
at the Vienna Fair: Belgium, Bulgaria, Denmark, Germany, France, Greece, Great Britain, Italy, Yugoslavia, Holland, Poland, Rumania, Sweden, Switzerland, Spain, Czechoslovakia, Turkey, Russia, Hungary and the USA. To these must be added overseas colonies and dominions which often send goods. The two fair areas of the Messepalast and the Rotundengelände are so arranged that Vienna luxury and ornament goods, textiles, fashions, furs, knitted goods, articles of gold and silver, music instruments, glass and chinaware and leather goods etc. are housed in the Messepalast in the city, while all technical products and articles of common use, all accessories of agriculture, machinery and implements as well as building materials are arranged in the exhibition halls of the Rotundengelände.

Special exhibitions which serve no immediate business purpose but pursue aims of a general commercial or cultural character are always held in conjunction with the sample fairs. These special exhibitions are frequently arranged by the trade organisations. They provide useful information as to internal economic requirements, the high standards of development, methods of work and the trading capacity



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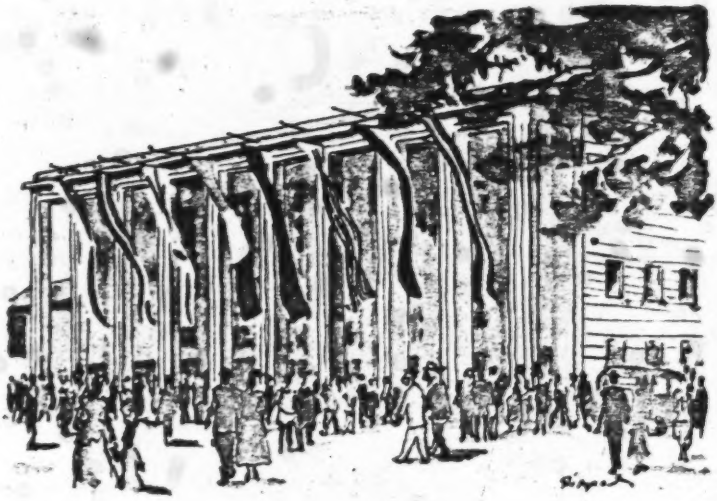
of Austrian economy. They are usually complementary to the more prosaic display of goods at the Fair exhibitions, forming a link with practical commercial life.

Together with the agricultural sample fair, the kiosk of the Österreichische Tabakregie and the House of Austrian Salines, the special exhibitions prove a particular draw for the general public. Who is there who was in Vienna at the time who does not remember the first car and motor-cycle exhibition there? Later, when Vienna was in process of reconstruction and the schilling had a secure gold exchange value in Switzerland, it was the Building Fair which suggested new methods of constructing housing settlements. In 1927 the motto was "Vienna and the Viennese". A year later followed "Wife and Child". In the same year the memorial exhibition "Franz Schubert" was opened, and in 1930 a wide survey was given of "Christian Art".

The Vienna Fair is the visible outcome of the wish for promoting trade in Austria. It is at the same time proof which is constantly renewed of the exceptional aptitude of the Austrian people for handicraft, applied arts and good taste. The special exhibitions

543 pass beyond details to the general atmosphere of everyday life which ever Viennese longs to make as pleasant as possible. For this reason the Vienn Fair has a permanent display which proves a special attraction, to men as well as women. That is the permanent exhibition entitled "Vienna Fashions"

It is a matter of especial pride to the Second Republic, that it has again been possible after 1945 to revive the Vienna Fair in its old glory. Despite the "Zones" and restrictions imposed through the war the Vienna Fair has once again proved what an attraction it is for the world of commerce at home and abroad every spring and autumn. In place of the former landmark of the Vienna Fair, the Rotunde building in the Prater, hall after hall now extends over the wide exhibition grounds. In the heart of the city, however, the Vienna Trade Fair presents a new profile in the "Hofstallungen", a suitable blend of decorative rows of exhibits and individually planned displays. The popular amusement of strolling through the Fair exhibits in all their variety never becomes boring, thanks to the attractive methods of display and the ensuing activity.



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When Austria drew up her balance sheet after the First World War to see how she could survive as a state, she found in the annals of her past three names which had a sound and well-established reputation—the Spanish Riding School, Vienna porcelain and the Wiener Sängerknaben (Vienna Choir Boys). All three institutions had splendid traditions dating back for centuries. The youthful Republic hastened enthusiastically to add new fame to that inherited from the past.

THE SPANISH RIDING SCHOOL.

543 In Fischer von Erlach's magnificently designed edifice in Vienna, the incomparable Lipizza horses can be seen today displaying their unique mastery of the *haute école* exactly as they did three centuries ago. It is a display of pacing and jumping which is the last word in animal grace. It is directed towards a single objective—a demonstration of perfected movement for movements' sake alone. Setting, rider and horse blend to form a single unit.

7: Marboe U-3 (no date) 1948 EK1 Austria EK1

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When the Bishop of Trieste no longer felt secure from Turkish raiders—his country house had been burnt down by robber bands—, he sold his estates near the village of Lipizza to the House of Hapsburg. In the year 1580 a stud was started there on the barren rocks of the Karst mountains in the healthy Adriatic air. There the noble strain of the Lipizzas was bred. The finest stallions were always sent to Vienna to be trained there for the *haute école*. 543 232

In 1785, the baroque passion for building gave birth to the wonderful hall of the Spanish Riding School. The Imperial Court commissioned Fischer von Erlach the Younger to design and construct it. It is so large that it gives the impression of a grandiose and vaulted city square rather than of an enclosed interior. 543 345

543 Grey wooden panelling surrounds the yellowish earth of the rings. Over the
345 massive parterre construction rise the slender columns of the first gallery. Above the cornice of the main building a plain balustrade runs all the way round, while the entrance façade displays an antique and richly ornamented gable.

543 It is in this princely riding school that the *haute école* is ridden, the "school on the ground" first being gone through at the pillars, to be followed by the "school above the ground". After trotting and the "passage", the horse is untied from the posts to perform "circles" and "pirouettes". Then comes the "levade", a movement in which the horse rears its forequarters while keeping its haunches together without shifting from the spot. The horse of the Prince Eugene Monument on the Vienna Heldenplatz is rearing thus. A forward jump in the levade position without the forequarters touching the ground is called "courbetting". "Croupade", "balotade" and the "capriole" form the climax of the display.

To a fanfare of trumpets the imposing figures of the horsemen appear, slowly riding on their wonderful gold-saddled horses. They are equipped with brown or scarlet jackets with white leather breeches, high riding boots, sword and two-cornered hat which in accordance with custom they doff in greeting before the picture of the Emperor. The white horses, their manes and tails plaited with gold, contrast glowingly with the dull grey of the wooden panelling. There is a glint in their great dark eyes, and their pink-edged nostrils quiver. Beneath the gleaming hide the muscles and sinews ripple in incomparable beauty. A picture of perfect discipline, these animals go through their difficult programme. Their performance is a feast for the eye and the senses—the world-famous *haute école*, whose venerable traditions are now practised and kept up only by the accomplished horsemen of the Spanish Riding School.

VIENNA AUGARTEN PORCELAIN.

323 In former times, when Austria saw the triumphant progress of Baroque through
531 town and countryside, when within fortified zones the gothic severity of the Middle Ages was forced to make way for the elaborate façades of the new style, a demand arose for suitable ornaments to decorate the new palaces, for the gala room of the town or country house. It had to be something which would go with the general scheme of interior decoration—artistic ornaments for chimney-piece, shelf and table. It was then, in 1717, that the Dutchman Du Paquier established the Vienna Porcelain Factory, of which the "Porzellangasse" is still a reminder. In the Middle Ages, when the first Chinese porcelain came to Europe, the tables of princes and knights displayed pewter, more rarely silver, but mostly vessels of wood or clay. The manufacture of china, the "White Wonder", a product of the mysterious mingling of the four elements, still remained a secret. Not until the beginning

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214 648 centres, and thus extended to the whole country the opportunities already given to the capital. The British Information Services also made arrangements to print in Austria special cheap editions of a selected number of English books. As a result of these various efforts Austrians were given access to the Western ideas from which they had been cut off for more than seven years and were able to acquire some of the most modern medical and scientific text-books. The process of restoring normal intellectual contacts was carried one stage farther by gifts from the United States, Britain, and France to Austrian university libraries.

214 As conditions gradually improved, Austria's own book production revived, until in 1952, judged by the number of new works published, she had become one of the world's half-dozen leading book producers. For some years the revival was held back by a ban on the sale of books and periodicals between Austria and Western Germany, which greatly limited the potential market for books written in German, but this obstacle was finally overcome, and in 1952 representatives of the Austrian and West German book trade made arrangements to hold exhibitions in each other's territory.

517 The position of music, the theatre, and the arts in Austria is difficult for anyone to understand who has not lived in a country with a past tradition of lavish royal patronage. For the Austrian Republic has inherited the sense of responsibility towards the arts in the widest sense, which was first shown by the most enlightened and discriminating of the Habsburgs and maintained as part of the Imperial dignity by other members of the family.

545 The origins of the State Opera and the Burgtheater go back to the first half of the seventeenth century, when the earliest music dramas were performed in the Hofburg, and to the year 1776, when the Emperor Joseph II decreed that the theatre next to the Hofburg should become the 'German National Theatre'. During the second half of the nineteenth century the two institutions were given the magnificent new homes on the Ring which are still amongst the most impressive of

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1. Austria EK1

545 Viennese buildings, in spite of the damage they have suffered. When the Empire fell, the significance for the Austrian people of the State Opera and the Burgtheater was shown by the fact that they were both taken over by the new State and that the poverty-stricken Austrian Republic provided them with the subsidies for which they had previously depended on Imperial patronage. That their significance has not declined is proved by their remarkable revival under the adverse conditions of the recent post-War years.

During the War performances continued in the State Opera and Burgtheater until the summer of 1944. Then on the 1st of September all theatres were closed owing to 'total war'. Except for those engaged in making films, actors were called up for military service, and actresses for work in factories.

Up till then the two buildings were intact. But the Burgtheater was destroyed by fire, after the Russians had entered Vienna, in circumstances that have been described. The Opera was hit by bombs on the 12th of March 1945, and after a fire lasting for three days was almost completely burnt out. It has been said that an American bomber was ordered to destroy the Vienna South Station and mistook the long roof of the Opera for it, but, if this story is true, it implies a standard of marksmanship rare in the bombing of cities.

True to Austria's strong theatrical and artistic traditions, a meeting took place in the Vienna Town Hall on the 23rd of April 1945, before the War had ended and before the Provisional Government had been formed, to discuss measures that should be taken to get the cultural life of the city going again. As regards the theatre and music it had remarkably quick results. There was still no street-lighting and no public transport. The streets were strewn with rubble, dead bodies, and the putrefying carcasses of horses. Yet actors and musicians, old and young, who lived in and near Vienna, came together at once to start rehearsals. The Burgtheater opened, on the 30th of April, in the borrowed Ronacher Theatre, with a performance of Grillparzer's 'Sappho'. On the 1st of May the State Opera gave Mozart's 'Marriage of Figaro' in the Volk-

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545 soper, conducted by Joseph Krips, who had been banned from performing by the Nazis during the previous seven years. The famous theatre in the Josephstadt opened on the same day, and first performances followed in the German People's Theatre and the Academy Theatre on the 10th and 15th of May.

All this activity took place in face of great technical difficulties. Scenery and costumes often had to be improvised. Between two of the first performances of 'Nathan der Weise' by the Burgtheater the costumes were removed by Russian soldiers who were attracted by the rich colours, and substitutes had to be put together at the shortest notice. Performances began during the late afternoon, so that they would be over before dark. As the theatres were unheated, both audiences and actors were cold as well as underfed. In the case of Paul Hörbiger, who played the lead in Nestroy's 'Mädel aus der Vorstadt' for the Burgtheater soon after being released from prison, it was noticed that, though his humour was up to standard, his hair was still short. Those who attended the early performances by the Burgtheater agree that one of their most vivid memories is of the powerful stench that pervaded the theatre, though opinions differ as to whether it came from the corpses outside on the streets or from the disinfectant for which the theatre had been used as a store.

In spite of these conditions, performances at the opera and the theatre were sold out. Food, clothing, and cigarettes were scarcely obtainable, so the public spent their money on good entertainment. There is something characteristically Austrian about this state of affairs. Amidst political uncertainty, material destruction, and deprivation, actors and musicians gave their best with strong official encouragement, and the people left their cold, damaged homes and empty larders to enjoy the good things that life still had to offer.

As there was no hope of the State Opera and Burgtheater buildings being fit for use for some years, these two great institutions had to work out a method of existence that would see them through a long transitional period.

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The State Opera took over the Volksoper building from the Vienna municipality and the Theater an der Wien. The beautiful Redoutensaal in the Hofburg was also utilized for occasional performances. The Volksoper was used primarily for classical operettas, and the Theater an der Wien for the more serious works. The Theater an der Wien had limited seating capacity and a small foyer, but it had a large stage and was hallowed by great traditions. It was there that Beethoven had conducted the first performance of 'Fidelio' and some of the earliest performances of 'The Magic Flute' had taken place, as well as the first performances of operettas by Johann Strauss and Franz Lehar.

In addition to the destruction of its great home, the State Opera lost all its scenery and nearly all its costumes. To help in improvising for the early post-War productions, an appeal was issued to the public for costumes, irons, and electric-light bulbs. Old military searchlights that had been found lying about on the streets played their part in the stage lighting.

A year after the War ended the repertoire of the Opera was still restricted, but the musical standard was already very high, thanks largely to the devoted work of Joseph Krips, the conductor, and Dr. Egon Hilbert, who after seven years in concentration camps took over the direction of the Federal Theatre Administration at the beginning of 1946. The repertoire was gradually expanded, and the standard steadily improved, as more singers and conductors became available and international travel became easier. Judged by its own greatest days, the Vienna Opera since the War has been weakest on the production side. But its musical level has probably been the highest in the world, and its *ensemble* much superior to that in such great opera-houses as the Metropolitan and Covent Garden.

The Burgtheater has been handicapped by having to perform in the Ronacher Theatre, which was intended for variety shows and is much less suited to straight plays. But the management also had at its disposal the smaller Academy Theatre. The level of performance in both theatres has gradually

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●545 improved, and the Burgtheater since the War has been worthy of its great tradition. The varied achievements of the artistic and discriminating Theatre in the Josephstadt have also maintained a consistently high standard.

Vienna's concert life suffered much less than did the opera and the theatre. The two buildings which house the main concert halls were comparatively little damaged. By great good fortune the famous bodies of musicians known as the Vienna Philharmonic and the Vienna Symphony Orchestras, apart from the loss of a number of instruments, escaped practically unscathed.

The Philharmonic Orchestra's last concert in Vienna before the liberation was given on the 1st and 2nd of April, 1945, under Clemens Krauss. During the performances the audience could hear the sound of artillery in the distance. At such a time very few able-bodied men could obtain exemption from the Nazi *levée en masse*, and in March the members of the orchestra had been called up. Quite apart from the danger of death and disablement, this meant that they might be dispersed and that it might be difficult to bring them together again. In face of this emergency, as one member of the orchestra put it, 'a typically Viennese solution was found'. A certain good-natured major, on whom fell the responsibility of deciding their fate, turned the orchestra as a body into an ambulance company, and allocated them for duty to the Grosser Musikvereinsaal, their artistic home. Fritz Sedlak, one of the leading violinists, was put in command, as he had been an officer in the First World War, and by a great stroke of luck he could speak some Russian.

At no time in its history did the orchestra's corporate spirit reveal itself more strongly. The members decided to hold together at all costs, and about the 5th of April they took up quarters in the Grosser Musikvereinsaal, many of them accompanied by their wives and children, with their instruments and with such bedding and food supplies as they could collect. For ten days they lived in cellars, first under the Grosser Musikvereinsaal and later under the Burgtheater and

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the fire-station in the square known as *Am Hof*. Some of their instruments were damaged or destroyed, when the Burgtheater was burnt, but on the whole members of the orchestra were fortunate to come through the ordeal as well as they did. 545

A day or two after they emerged plans for concerts were already being discussed. The Russian military authorities were anxious that the Philharmonic Orchestra should play as soon as possible. The first concert took place on the 27th of April, again under Clemens Krauss. The orchestra's appearance and performance were greeted with tremendous enthusiasm, partly out of thankfulness for its survival and partly because the restoration of Austria's own cultural life had begun. The programme consisted of Beethoven's Leonora III Overture, Schubert's Unfinished Symphony, and Tschaikowsky's Fifth Symphony. After seven years of Nazi music censorship one of the first comments of a leading Viennese music critic was 'At last, Tschaikowsky again!'

The first concert under Clemens Krauss had to be repeated several times, and during the first few weeks following the liberation the orchestra was called upon to give many performances, in addition to its work with the State Opera. Its concert experiences were similar to those of the opera and the theatres. The tickets were normally sold out, but the conditions were sometimes very difficult. During one concert the electric current failed, as it quite often did in those days, and the hall was left in complete darkness. The orchestra completed what it was playing from memory, and at the end of the piece one of the musicians remarked that he would be interested to know if the conductor had also continued to conduct.

Concerts had to be held in the Konzerthaus at first owing to minor damage to the roof of the Grosser Musikvereinsaal and to the presence of an unexploded shell in the organ gallery, but the most famous of Viennese concert halls had been repaired by October 1945, and in that month the *Gesellschaft der Musikfreunde* was able to give its first post-War concert there. Soon afterwards Vienna's concert life was again in full swing. Regular performances were given by the Philharmonic

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545 and the Symphony Orchestras, and as the months went by the best of the 'implicated' Austrian and German conductors were allowed to perform again, and an increasing number of foreign musicians came to perform in Austria.

Some of the foreign musicians who have visited Austria since the War did so on the spontaneous invitation of the Austrians themselves. In other cases the visits were arranged through the mediation of the cultural organizations of the countries concerned. Amongst the outstanding groups of artists and musicians that have been to Vienna are the Comédie Française, the Paris Opera, the Sadler's Wells Ballet, and the Hallé Orchestra. Many of the finest conductors and soloists from Italy, Switzerland, France, England, the United States, and other countries have also performed in Austria. During the summer of 1945 a group of outstanding Russian dancers and musicians visited Vienna on the invitation of Dr. Renner, and were given a warm and appreciative welcome. Earlier in the year a Russian military band had aroused enthusiasm by playing Strauss waltzes on one of Vienna's main squares, and after a concert given by Russian troops early in May the newspaper *Neues Österreich* had written: 'The Germans could only occupy Vienna. The Russians, who freed Vienna, are beginning to conquer the hearts of the Viennese.' Unfortunately the Russians have since given up this wise method of winning Austrian favour and have resorted to cruder ways of asserting their influence. No doubt the judicious use of cultural methods by the Russians would further the growth of Communism in Austria, but it would be a form of Communism with which the whole Western world could have greater hope of making constructive contacts.

In the other direction the Austrian State Opera, the Vienna Philharmonic Orchestra, and the Vienna Boys' Choir have made a series of foreign tours which have won the gratitude and admiration of music-lovers in the countries they have visited. The opera has visited Italy, Switzerland, France, England, Holland, Belgium, and Western Germany. The Philharmonic Orchestra, in addition to the part it has played

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in the tours of the State Opera, had a touching and triumphant reunion with Bruno Walter at the Edinburgh Festival in 1947, and has also paid visits to London, Paris, Western Germany, and Switzerland. The Vienna Boys' Choir has made a number of tours in Europe, North and South America, and South Africa. The foreign tours of these three bodies have constituted a major effort in cultural diplomacy, and have brought home to many different countries something of the nature and extent of Austria's artistic contribution to the world.

Although Vienna's influence is dominant in the musical and artistic life of Austria, the provinces have shared in the cultural revival that has taken place since the War. In the first place, there has been a noticeable development in their normal musical and theatrical life, especially in the provincial capitals. The original stimulus came from the presence in the provinces of actors and musicians who for one reason or another had left Vienna or one of the larger German cities as a result of the War and post-War conditions. But its effects continued to be felt after most of the artists concerned had left. Secondly, the festival idea has been revived and expanded since the War ended. In Vienna itself, the *Konzerthausgesellschaft*, in 1947, organized an International Music Festival which was devoted mainly to modern music and has been repeated every year since, except in 1950. In Bregenz and Graz new developments of the idea have taken place, though the Graz Festival has not maintained the impetus given to it by the British occupation in 1946. In Eisenstadt and St. Florian—places closely associated with Haydn and Bruckner—special performances of the works of these two composers have been given, and during the summer and autumn of 1946, when post-War shortages were still at their worst, a series of concerts was arranged in St. Florian, Linz, and Vienna, in connexion with the fiftieth anniversary of Bruckner's death, at which all his major works were given fine performances. Most important of all was the restoration of Salzburg during its summer festival to its pre-War position as one of the world's great music centres.

There could scarcely be a more striking example of the

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545 resilience of musical life in Austria than the fact that a festival was held in Salzburg in August 1945, even before the country had been reunited under the Provisional Government. This was primarily the achievement of the Salzburg Festival's venerable President, Heinrich Puthon, to whom has largely been due the restoration of its great tradition since the War. The American Occupation Forces also assisted generously with food, fuel, transport, and accommodation. The 1945 Festival was only a shadow of the festivals that preceded and followed it. But in the circumstances it was astonishing that anything could be organized at all. Most of the artists were collected from Salzburg itself and from the villages of the *Salzkammergut* where they were living in retreat. A production of Mozart's 'Die Entführung' was staged with an excellent cast; a series of concerts was given by the reinforced orchestra of the Mozarteum and by the Vienna Boys' Choir, and the famous serenades in the Riding-School were revived. The 1945 enterprise paved the way for succeeding festivals, which gradually climbed back to the pre-War level, as conditions in general improved.

545 658 The restoration of musical and theatrical life in Austria was only possible with the aid of substantial Government subsidies, which imposed a heavy strain on the financial resources of the Second Republic. The theatre and concert boom that characterized the immediate post-War period was succeeded by a slump in 1948, when the black market and the currency reform had swallowed up savings, and more food and clothing were available. To defray part of the necessary expenditure the Government resorted to two special devices. A small extra charge was added to every cinema ticket purchased, to be devoted to artistic and educational purposes. The greater part of the receipts went to the Provincial Governments, and the remainder to the Federal Ministry of Education. The Ministry imposed a levy for the same purpose on all owners of radio sets amounting to one month's radio licence fee. The fact that the Government imposed these taxes in support of art and education and that the public accepted them as a matter

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of course reveals the attitude of the Austrian people towards cultural matters. There are countries that pride themselves on their standards of civilization and enlightenment in which the authorities completely lack the Austrian Government's sure sense of comparative values in relation to different kinds of entertainment. 545 658

The museums of Fine Arts in Austria had special need of support from public funds, because the buildings themselves had suffered more than their share of damage. Considerable expense was also involved in bringing back the State art treasures from the salt-mines in the *Salzkammergut*, where they had been concealed during the War, carrying out the repairs that were necessary, and rearranging them, first in temporary, and later in their permanent new quarters. 217

By great good fortune, the magnificent State Art Collection, apart from one or two minor losses, survived the War intact. With Allied help the works of art that had been removed to Germany by the Nazis were brought back to Vienna. Those that had been sent to the *Salzkammergut* were saved from destruction at the hands of fanatics by the courage and resource of members of the Resistance movement.

The museum authorities were therefore faced with the problem of what to do with an art collection for which there was no adequate accommodation. Decisions had to be made involving both temporary improvisation and well-thought-out plans for permanent reorganization. In these circumstances the Government decided to appoint a General Director of the State Art Collections to co-ordinate the planning. Its choice fell on Hofrat Dr. Alfred Stix, formerly Director of the Albertina and of the Museum of Art History, who had been forced into retirement by the Nazis as politically unreliable at the time of the *Anschluss*.

It was fortunate that Hofrat Stix had the necessary stature for the task that confronted him. For the decisions that he made, in addition to their immediate results, were likely to determine the main lines along which Austrian museums would develop for many years to come.

About the middle of the 18th century, 53 Jesuit colleges and settlements existed in the Jesuit "Province" of Austria, in addition to a number of resident and travelling missions. In almost all these 53 centres there were middle-schools and at almost all of them plays were produced, between two and three in a year, unless school, as was often the case in Hungary, had to be broken up on account of the dreaded plague or of danger from the Turks. These usually scattered the pupils to the four winds. 793 871

The growth of the Jesuit Theatre continued from 1558 to 1773 in two major stages. During the first, which lasted until about 1650, the main objective was the inculcation of the Faith; during the second period, education played the greater role. The Jesuit Theatre took over from the mediaeval theatre the pattern of the ecclesiastical year, culminating in the festivals of Christmas and Easter. It also adopted the traditions of the "school-theatre". The Order of Jesuits was not alone in introducing its pupils to the stage, but no other Order did so on such a scale, with such perseverance and with such remarkable results. 793 536

To appreciate the significance of the Jesuit Theatre, one must remember that with its amateur actors, it was a means to an end and not, like the professional theatre, an end in itself.

The first stage performance in Vienna was given in 1555. The Jesuits had made barely habitable the building of the Carmelite Monastery, which during the recent years when it had been left almost unoccupied had become a ruin, and had just established their schools there. They repeated their performances every year, increasing their number. Scenery and costumes were added. By the second half of the 17th century the productions easily bore comparison with the elaborate set-up of those at the Imperial Court Theatre. The stage-struck Leopold I was the most enthusiastic patron, and at the end of the performance he distributed prizes to those pupils who had most distinguished themselves. 793 545

There were primarily three occasions in the year on which plays were regularly produced. On Good Friday, a play with religious content was put on, corresponding to the mediaeval Good Friday drama in St. Stephen's Cathedral, which was kept up until the 19th century. On the second occasion, that of Corpus Christi, the performance was closely linked with the religious procession from altar to altar which from time immemorial had been carried out with great pomp in Vienna. The play then performed also had mediaeval characteristics. The religious story was divided into acts which were produced in turn before one or other of the street altars at which the Corpus Christi procession halted. In 1579, for example, the "Tragic Story of the Prodigal Son" was produced. Two acts were played before the High Altar, and another act before each of the other three altars at which the procession halted. The third regular date when plays were produced was the occasion of the distribution of prizes at the end of the school year, usually in September, which was turned into an impressive theatrical spectacle, with elaborate scenery. 793 545 796

793 were also made use of, at first in connection with religious stories; subsequently
536 we find stories taken from history, especially after the beginning of historical studies early in the 18th century. From the rulers of antiquity by way of the ancient German and Lombard kings up to the reigning House of Hapsburg, all with high rank or well-known names which might serve either as an example or a warning to youth were brought into these plays. It is noteworthy that a number of subjects reappeared in the literature of subsequent decades, especially in the period of classicism. In the Jesuit Theatre we find, to mention only a few examples, a forerunner of Schiller's "The Robbers", as well as of the "Iphigenie" of Goethe and Körners' "Zriny". Thus the Jesuit Theatre was of value in preparing the way for the literature of later times, as well as because it was in itself the most comprehensive theatre organisation known to history. Far and wide it cleared the ground for the professional stage by making the cultured classes acquainted with the theatre from their earliest youth. In many towns of the Jesuit "Province" of Austria—for example in Hungary—it was
[517] the immediate forerunner of the professional theatre. The value of this Jesuit Theatre lay not so much in the grandiose stage presentation at some particular place such as Vienna or Graz, nor in the literary value of the works of such a man as Avancinus, but rather in its achievements for the general development of culture. Its mission once fulfilled, it faded away.

793 With Rousseau's "Age of Enlightenment" there began a conflict about
871 the Jesuit schools which for two centuries had supplied the Emperor
815 with his leading statesmen and to which the Counter-Reformation in Austria owed its success. The main argument against them was that they were in themselves reactionary and their methods old-fashioned. Yet it was just the Jesuit schools which in the first half of the 18th century proved themselves to be thoroughly progressive, for it was they who introduced the teaching of history and encouraged study of the natural sciences. In Vienna they founded a "*Musaeum Mathematicum*", the first institute of its kind in Austria and a precursor of the modern museums, and pursued definite educational aims through its collection of physical and astronomical instruments. The Jesuits were also the first in this part of the world to make serious experiments in physics and chemistry and to demonstrate them in public. The Emperor Franz, Consort of Maria Theresia, even called the Brothers to Schönbrunn Palace to make such demonstrations.

Until the latter half of the 18th century the students in the Jesuit schools of the Austrian Province numbered more than 16,000 and although thereafter their numbers began to decrease slowly, the abolition of the Order put an end to an educational system which was still flourishing.

793 The final performance at the theatre in the Bäckerstrasse was given in the year 1760
873 by the sixth class, that of rhetoric, which acted "Menaeus"—actually the last play
545 produced by the Jesuit Theatre in Vienna. The beauty of the play, the acting of

the boys and the fine scenery was much admired, and no one guessed that they were acting for the last time. Soon afterwards an Imperial decree was issued totally forbidding this type of training in the schools, and in the year 1761 "nobody set foot again in the theatre". The stage fell into decay; not until 1766 was the tangle of rafters and the disorder in the hall removed to prepare the auditorium for lectures, but the old glory had departed; seven years later the entire activities of the *Societas Jesu* were forbidden (1773). 793 873 545

The "Age of Enlightenment" had finally reached Vienna. A clear-cut difference of intellectual attitude divided the city, and slowly the Jesuit Theatre had to yield place to the professional theatre with its literary basis.

The Order of Jesuits left the country in obedience to the Emperor's command, its mission fulfilled. Embattled Catholicism in conjunction with Imperial Power had weathered the storm of Turkish invasion. The age of Baroque blossomed forth in glory.

Since the days of the Jesuit schools the word "theatre" has formed an inseparable part of the thoughts and imagination of the Austrian people—the theatre as a stage for free discussion, as a means for acquiring knowledge, as a method for the exchange of ideas among men. For seven generations youth had been taught to link up and to compare the theatre with the surrounding world, seeing the one in the other and through the one understanding the other. 536

Placed amid that outside world which often put might before right, the theatre became increasingly a home for daring ideas, and the stage developed into an open platform for free speech. Thus in Austria, not only for the professionals, the authors and actors, but also for the public, the idea of the theatre has become one of the most cherished features of life, that great world-theatre where life is a dream, a play by and for every man.

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Mariahilferstrasse about 1780.

344 The intoxicating magnificence of the "Million Room", so called because its construction and decoration is supposed to have cost a million gulden, stands out even among the other richly decorated apartments. There is the Napoleon Room with its priceless tapestries in which the Corsican lived in 1805 and again in 1809. Here, too, died his son, the young Duke of Reichstadt. The great Ceremonial Hall with the representative picture of Maria Theresia painted by Meytens, the two Chinese Circular Rooms which again are decorated with extravagant luxury, the Mirror Room, the "Karussel-Room", thus called after a great wall painting of the Meytens School of Art, the living rooms and reception rooms of Emperor Francis Joseph—all these great rooms impress one as a dream vision of some highly coloured and lovely historical panorama. In sober contrast are the simple sleeping quarters of the Emperor Francis Joseph with the iron camp bed on which he died in the year 1916 amidst the horrors of a world war which he had tried in vain to prevent.

344 The little Schönbrunn Palace Theatre strikes a note of intimacy and charm with
545 its red, white and gold colour-scheme. Here young Marie Antoinette, the daughter of Maria Theresia, danced the shepherd-and-shepherdess pastorals of the Poet Laureate, Metastasio; here Mozart conducted his opera "Der Schauspieldirektor"

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and here his "Don Juan" was produced. Nowadays this historic stage is at the disposal of young actors of the Reinhardt Schooll.

Something quite unique for sightseers is the Wagenburg, or carriage park. Its showpiece is the eight-horsed Coronation Coach of the Emperor Karl VI, fashioned in the shape of an enormous gold crown and supposed to be the most beautiful coach in the world. Its interior is decorated with valuable paintings of the Rubens School. This coach was used at sevenHapsburg coronations, the last of them being that of Emperor Karl, crowned in Budapest during the First World War in the year1916.

351 Wide gravel parks and avenues conduct one to the lovely grounds of the Palace, a compromise between two art trends—born of the enthusiasm for nature of Rococo and the joy in antiquity which characterised Baroque. Figures taken from legend and ancient history, the rich statuary of the park, reflect the living spirit of those times, commemorating many historic events. Tall, formal hedges clipped in the French manner flank the wide flowerbeds, running diagonally towards fountains with their surrounding statues.

In the far distance are the Neptune Fountaih, the "Roman Ruins" and the Kaiserbrünni with the "Beautiful Fountain" from which Schönbrunn takes its name. On the other side are the Palm House and the extensive Zoo. Half way to them a zigzag path winds up to the heights of the Gloriette, a light and decorative structure with slender columns and stone roof through the round arches of which the skies look down.

344 From here we get a fine view of the wide-spread city, an attractive

and on the Eisenberg and the pyrite rocks at Redlschlag are instances of the varying types of soil.

Unique in Central Europe, however, is the asbestos of Rechnitz and the Styrian jade from Bernstein. The green, veined stone is really beautiful. It comes to the workers who have inherited their trade from father to son as uninteresting stone splinters. The final products can be seen at the Vienna fair—unbelievably delicate vessels and translucent vases. The finest examples have gone to all parts of the world. The late King Alfonso of Spain even took some of them with him into exile.

The Burgenland is a country of ancient traditions, legends and memories. The story of the good prince Giletus and his wicked wife is supposed to explain the origin of the Neusiedler Lake. Then there is the legend of the "Wasserstoffel", a creature like a human being which lived in the Neusiedler Lake like a fish and, caught and tamed, emptied a whole sack of frogs, snails and water-snakes on to the banqueting table of his adored young mistress at her marriage, because this seemed to him to be a most delicate dish. The wedding gift was anything but well received, and the poor Wasserstoffel, who had meant it well, fled in despair and was never seen again. The Templar knights, who lost the castle of Lockenhaus through treachery, are said still to haunt it. In one of the most beautiful castles there occasionally appears a "White Lady", gentle and gracious.

The son of Wolfers von Gussing and his grandsons were called Henz, and from these proud lords whose family was one of the most powerful in the Burgenland the inhabitants are supposed to have received the name of Heinzen.

Between Guns and the Carolingian Lutzmannsburg lies the monastery of Marienberg. It was founded in 1194 as a branch of the Austrian Cistercians of Heiligenkreuz, who about this time were granted estates on the shores at the Neusiedler Lake, where the name of Mönchhof still recalls their memory.

Frankenau and a number of neighbouring parishes are inhabited by Croats. This race is to be found in many other villages scattered throughout the whole Province. How they got there, we shall see later. First let us visit the basket weavers

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men, all of them, as the inscriptions on the crosses of iron or wood testify, yet as in life grouped according to rank and precedence.

For the living it is a comfort to have the dead among them; for the dead, to continue to play a part in life. The sound of church bells calling to early mass starts the day; only the gostherd's horn has summoned the herds even earlier. At eleven in the morning the bell calls to dinner, and with the vesper bell the day is ended. The tolling of the bell marks out each working week, and marks out the year according to the festivals of the Church.

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Public affairs centre on the church square. There official announcements concerning the parish are posted. Similar information is given out there after the service on Sundays. The cattle drink at the village well, and the men at the village inn. The women take no part in public life.

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Every farm, whether it stands apart amidst its own fields, or whether it keeps good neighbourly company with others in the village, has an orchard and a small garden near the house. The garden grows vegetables and spices. Its many-hued flowers, pinks and lilies, asters and phlox, crown-imperial, mignonette, sweet-smelling herbs,

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Wooden Mould.

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dancing sunshine over the Bruegnel-like masses in the Volksgarten and the crowds streaming along the pavements. The plump lilac bushes flower with unrestrained grace, and the chestnut trees of the avenue in front of the Leopoldian Wing look as though they were forming an escort for the petrified *lenade* on its high stone column. Life is clamant here, life, women and fashion.

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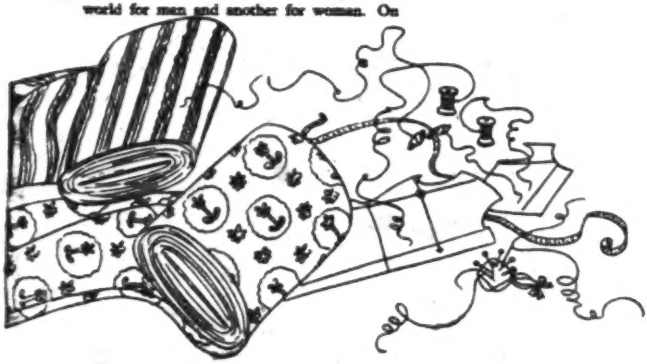
The chapter "Woman" is written in Vienna in a language of its own. Let us open it in the middle: Woman cooks, of course, but many men have a wonderful knowledge of the culinary arts. Man, of course, is the master—but the most famous ruler of Austria was a woman. Naturally man is the head of the family, but the position of woman in house and society is unquestioned. Although man and woman both have their definite spheres of authority, the world of Vienna has never been divided into one world for men and another for woman. On



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the contrary, there is a mutual recognition, a sort of reciprocal politeness between the sexes, and the Strindberg and Ibsen problems are consequently as rarely met with as is any kind of movement for emancipation, for these can only arise where women are misunderstood or neglected by men. In short, they hold in Vienna that man and wife belong together, that one should wed for love and that a chill wind blows over marriages of convenience.

Among the qualities attributed by the world to the women of European capitals—of Paris, Rome or Madrid—those of charm and amiability are ascribed to the daughters of Vienna. The repetition of this throughout the centuries causes it not only to be absorbed into the blood but confers special qualities. One of these is a natural ease of manner, which leads many strangers to suppose the Vienna girl to be more seduc-

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tive than she really is or wishes to be, so that they accuse her of promising more than she ever had any intention of allowing —or keeping.

The protective consideration which is accorded to young girls, "Backfische" ("flappers") everywhere results from another privilege, while a third is the special respect shown to old ladies. These latter form a broad class which extends from the much applauded actresses who play "mother rôles" in the Burgtheater, through all classes of the population to the country villages. All these dear old faces seeming to radiate benevolence in the soft glow of life's evening. Woe to the man who is guilty of offending one of these women!

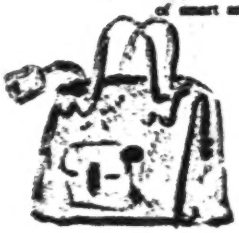
Thus in Vienna two words are robbed of their sharpest sting: "As a woman to grow old" and "To become a grandmother". Theoretically the mothers may still,

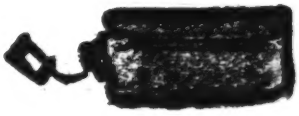
562 through their appearance, be the keenest rivals of their own daughters, but between grandmother and grandchild there is a bond of womanly friendship, ripe experience giving the best advice to youth.

In Vienna it is not only the rare and striking woman of dazzling appearance who is singled out for attention. Woman as such is privileged irrespective of age or rank, and man profits from it. 517 Fashion is not primarily a method of attracting attention, it is not so much a carefully devised system, the mere servant of woman in a jealous struggle to give pleasure. Fashion is neither a courtesan nor a procuress but is rather added to the union of man and woman as a third, joybringing partner to heighten the intensity of life.

Thus fashion in Vienna is not the exclusive prerogative of the upper ten. It is like a melody for all to sing. It is like a free improvisation in all keys of natural good taste and native coquetry. Vienna fashion translates and popularises the *dernier cri* of the moment to a refrain which every woman understands and it is therefore not possible to hold it prisoner in the leading fashion houses of the *haute couture*. It steps through the revolving doors out on to the street, moving boldly among work-a-day folk. It is not limited by anyone's occupation or station in life, but touches every daughter of Eve: it is as ubiquitous in the morning as in the evening. Personal taste and individual skill play a big part in the final result. Everyone in Vienna can catch the trend of fashion, and the women and girls look as though they all belonged to the upper ten.

Adaptation to the individual and the occasion so alters the feminine picture in Vienna that it is often not easy to recognise the fashion of the moment at first glance. The general impression is one of smart and well-dressed women, but therein lies the secret. The





3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

167 in Austria to find new homes abroad or to return to their own countries. More important for Austria's future were those who remained behind. By the end of 1951 citizenship had been granted to over 214,000 of them, of whom the great majority were German-speaking. That still left nearly 360,000 whose fate was undecided, though 60,000 had been granted residence permits, a necessary preliminary to obtaining citizenship.

The main burden of maintaining camps for displaced persons fell on the Austrian Government, in spite of a $7 million grant from the International Refugee Organization. But the expense was offset from the beginning, when labour was short, by the contribution made to the national economy by the many who worked. The balance-sheet for those who became Austrian nationals must include political and cultural, as well as economic factors.

167 The new citizens have, on the whole, played a valuable part in the national life. Their decision to seek naturalization 563 implied, in many cases, a desire to remain in Austria, and it was natural therefore that they should wish to make good in the country of their choice. A large number have found employment on the land and have thus helped to alleviate the serious shortage of agricultural man-power. Others, especially the Sudeten Germans from Czechoslovakia, are industrious and highly skilled workers, and their arrival has enabled Austria to inherit Czechoslovakia's reputation for fine glass-ware, successful glass factories having been established with Sudeten German labour in Salzburg and Upper Austria.

Their political value to Austria is more questionable. The so-called *Volksdeutsche*, or Germans from Central and Eastern Europe, whose cause had, in many cases, been championed by Hitler, undoubtedly include a strong Nazi and ex-Nazi element, as well as exponents of the Greater Germany idea. The *Volksdeutsche* have not only produced disgruntled opponents of the Coalition: they have played a noticeable part in such industrial trouble as has occurred. On the other hand, it would be unfair to generalize. The experiences of some of them have brought final disillusionment both about National

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Socialism and German Imperialism. Most of the *Volksdeutsche* are not only of German stock but come from the Succession States, and therefore have traditional cultural links with Austria. If the Second Austrian Republic provides them with the homes they want and masters the main difficulties with which it is faced, they may yield willingly to its catalytic influence. 167 563

A most serious tendency that has become apparent in Austria since the War has been the steady transference of population from the country to the towns—the so-called flight from the land. Not only did the number of insured agricultural workers drop by over 68,000 between 1937 and 1951. In June 1952 the Minister of Agriculture and Forestry pointed out that during 1950 on an average two farmers, five farmers' children, and sixteen labourers left their farms every day to seek work in the towns or in other branches of the economy. This indicated that the general trend was affecting the farmers and their families, as well as the paid workers. Moreover, the drop in the number of labourers would have been far worse had not over 60,000 refugees and displaced persons sought work on the land. 166

The significance of the tendency can only be appreciated in relation to the economic position of Austria as a whole. Even a highly industrialized State like England, with a record of great success in the past, is being compelled by world conditions to force up its food production. Austria has not the resources necessary to concentrate on industry, and in present circumstances cannot afford to allow any branch of its production to fall below its proved capacity. The loss of man-power can in some measure be counteracted still further by mechanization, but the possibilities in this direction are strictly limited in a country where the farms are small and the countryside mountainous.

Migration to the towns is a world phenomenon, and some of the causes of it are common to the many countries concerned: the glamour of city life, the more regular working hours, and above all the greater social opportunities that a

been made to guard against such an occurrence by the construction of mighty barricades. Whether man will be found to have succeeded in banning such elemental natural violence, the future will show.

Further up the Ill lies Schruns, the chief town of the Montafon, nestling picturesquely in an arm of the valley. Few places in Vorarlberg have been so fitted by climate and surroundings to become a health resort as this pretty market town.

Snakes on the Arlberg.

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It is indisputable that the people of the Montafon are very different from the rest of the population of Vorarlberg, as their customs, temperament and language plainly show. Montafon has withstood germanisation longer than any other part of Vorarlberg, and has thus preserved certain characteristics of its original Romanic population. 563

Opposite Schruns lies Tschagguns, once much visited by pilgrims but nowadays more of a centre for winter-sport. Tschagguns has particularly good ski-ing facilities and is also the starting-point for trips to the Rätikon, the excursion being facilitated by a cable railway to Grabs, 4,800 feet above sea level. In the area accessible from Tschagguns, the exacting mountain climber will find the same satisfaction as the tourist who wants only to discover and meditate on the beauties of nature. The way to the Gauertal, which is widely known for its beautiful scenery, the end of the valley with the Lindau Hut rising from the last scrubby pines in the foreground, backed by the Three Towers in the distance, has been characterised by the most experienced and best-known Alpine climbers as unique and incomparable. 361 529 133

Bregenz Tower.

A few miles beyond Schruns, on the slopes of the mighty Kapelljoch, which is to be made accessible by a cable railway, in a narrow part of the Montafon Valley lies the district of the "Fratte", which divides the valley into Outer and Inner Montafon, or, as the inhabitants say, "Outer and Inner Fratte". The first hamlet of the Inner Fratte is St. Gallenkirch, whence the valley of the Suggadin river stretches away in the south to the mountain health-resort of Gargellen. Surrounded by the most bizarre of mountain scenery, the latter is, perhaps, artistically

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A PAGE OF HISTORY

Meinhart the Second (of Görz) who was Meinhart the First of Tyrol, the man who formed the Province into a political unit in the thirteenth century, gave it the name of his castle near Meran, Schloss Tirol, is little remembered today. His wife, Elizabeth, on the other hand, still lives in the memory of the people. The widow of the Emperor Conrad the Fourth and mother of Conradin, she gave Tyrol the impressive background of the Staufer Empire. She set up a permanent memorial to her unhappy son in the Monastery of Stams. Meinhart, through the marriage of his daughter with the son of the Emperor Rudolf I, established the first connection with the House of Hapsburg.

Popular interest concentrates much more on the stirring story of Meinhart's grandchild Margaretha Maultasch ("Pocket-Mouthed Meg"), who drove out her first husband to marry her own cousin. She was excommunicated by the Church on the grounds that this marriage involved a double sin. It was long years before the ban was lifted. She survived her second husband and only son; in 1363 she made over "the land on the Etsch and the Inn Valley with Schloss Tirol and all else appertaining thereto" to Rudolf the Endowar. Fourteen gentlemen of Tyrol put their seals to the deed in the name of all inhabitants of the Duchy, of the "clergy and laymen, nobles and commoners, neither living in the towns or in the country". With this impressive voluntary deed Tyrol began its life in the federation of Austrian Provinces. It soon found an opportunity to prove its loyalty.

Friedl with the Empty Pocket, popular despite his outlawry and excommunication, confirmed the freedom of the Province at the Diet of Meran in 1423, when for the first time burghers

of the ice world of the Ötztal may enjoy eternal spring the same evening 9000 feet below amid vines and chestnut trees. The modern mountain railways make the contrast even more unbelievable.

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THE TYROLESE. You will find among the people of Tyrol as many contrasts as those which characterise its landscape. To Tyrol the Bavarians came from the north and north-east, from the west and north-west the Allemanians, and from the south, Latin races infiltrated. The remnants of an aboriginal population whose source is obscure sought refuge from the invaders among the crags and crannies of the mountains where their descendants are to be found to this day. Throughout the length and breadth of the country you will come across curious names of village and pasture which recall these various races. Tyrol, which resembles Switzerland in this respect, managed to weld these various tribes—and later the people of German, Italian and Ladinian race—together, to live peacefully in a small area. Today these elements have overcome the limitations of nationalism and feel themselves to be above all Tyrolese. Once again the forces making for unity proved stronger than those tending towards separation, and the passes, as the word implies, have become links, not barriers.

In Tyrol, inhabitants, dialect, costume, methods of building houses and of agriculture

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133 Austrian alpine foothills, to which it by its character belongs. Sandwiched in between, on the upper Pinka, one finds a living witness to Burgenland history in the Magyar enclave of Oberwart.

175 The Magyars came to Pannonia about 896 A.D. In 907 A.D. they destroyed the Bavarian armies near Pressburg, thus putting an end to the Frankish-Bavarian
563 Pannonian Mark. For half a century hordes of Hungarian horsemen overran Europe, spreading out even to France and Italy. The Battle of Lechfeld in 955 A.D. put an end to this, and the Magyars then tried to secure themselves a permanent home in the Danube Basin. Their "Westwall" was the impenetrable forests of southern Burgenland, and, further northwards, the swamps of Rabnitz. The valleys in the forest belt were defended by barricades and troops.

[292]

Oberwart.

In one of these "Warte" or outposts, which is today the Hungarian-speaking village of Oberwart, the Magyar garrison maintained itself for 1000 years. Here the Magyar origin of the population is still evident in their speech and picturesque dress.

133 There are traces of almost every period of Burgenland history in the district of Oberwart. The most valuable heritage is that left by the extinct volcanoes at
529 Tatzmannsdorf, a healing centre for heart complaints and feminine ailments—an Austrian version of Franzensbad.

Geologists will find much to interest them in these parts. The brown-coal
135 mines of Tauchen, the antimony and sulphur-stone deposits at Schlaining, the iron ore which was mined even in Celtic-Illyrian times at Eisenzicken

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IX

Social Change

178 BETWEEN the two World Wars the whole structure of
565 Austrian society was radically transformed. The social pyramid, culminating in the great aristocratic families and the Emperor, began to disintegrate when the Habsburg power collapsed and Austria, from being the centre of a great cosmopolitan Empire, became a poverty-stricken fragment struggling to make ends meet. The process of disintegration was completed by the post-War inflation and the economic crisis of 1930–1. When the Second World War broke out, the most glaring inequalities of the years before 1914, with the glamour and the squalor that accompanied them, had largely disappeared.

745 During the period of transition a new social order was built up in Austria which was one of the most advanced and en-
466 lightened in the world. The origins of Austrian social legislation go back as far as the years 1882–8, when laws were passed regulating labour conditions and introducing compulsory insurance against accident and sickness for certain limited classes of industrial workers. This was followed during the first decade of the present century by measures establishing pensions for salaried employees on a contributory basis. On these foundations, after 1918, a whole series of laws was passed under the influence of Ferdinand Hanusch and Dr. Joseph Resch, the first Austrian Minister of Social Welfare. Subjects covered included unemployment insurance, holidays with pay, the extension of accident and sickness insurance, the eight-hour day, the abolition of night work for women and juveniles and of all work for children, and the introduction of Works
562 Councils and factory inspectors. During the same period Vienna was attracting world attention by its radical improvement of the housing conditions of its workers through the

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3,013 married quarters. During the summer of 1952 further legislation was under consideration dealing with accommodation and technical training for agricultural workers. 362

The Ministry[7] also worked on a number of schemes in conjunction with the provinces and the Ministry of Social Welfare for helping displaced persons to settle on farms, inducing unemployed to work on the land, and persuading town-bred youths to give agriculture a trial. 464

As a result of all these efforts the flight from the land has been checked, though not stopped. Between November 1951 and November 1952 the number employed in agriculture and forestry fell by 6,500 compared with 9,400 the previous year. The fact that during the winter of 1952–3 there was a certain amount of unemployment on the land, due largely to increased mechanization, does not mean that the problem has ceased to be serious. Until agricultural production has at least regained the pre-War level, any further reduction in the number employed must remain a cause of great concern. It is a national problem which, like the drive to increase productivity, requires co-ordinated effort and a programme of public education for its solution. 464 166

A less obvious but no less dangerous trend in Austrian society since the War has been the progressive deterioration of the economic position of certain sections of the community, limited in number, but of value and importance to the nation out of all proportion to their numerical strength. The categories in question are university professors, school teachers, the administrative ranks of the civil service, and certain highly qualified groups in industry and the professions. They differ widely from one another, but there are certain common causes of their depressed condition. 565

The different categories belong, on the whole, to the so-called middle class, with its tradition of thrift and careful conservation of possessions and its deep-seated reluctance to take part in any organized public complaint about its condition. Such private property as they or their families possessed, including personal articles of value, had very largely disappeared

7 [i.e. the ministry of Agriculture and Forestry - Analyst]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

565 during the inflation and devaluation that followed the two Wars. But until quite recently their dislike of any organized protest remained.

During the whole series of Price–Wage Agreements, except the last, these people were discriminated against consistently. In the grave national emergency it was right that the better paid of them should be called on to make great sacrifices, though the process was carried too far, but in the case of the worse paid the discrimination was never just. The wage-earners were catered for adequately in the circumstances. The incomes of landowners and industrialists participated, in varying degrees, in the inflationary process, and their earning powers remained. But the categories in question suffered both from devaluation and State neglect. The situation therefore arose in which a young surgeon or research worker might receive a fraction of the income of a wage-earner of the same age whose hours of work were considerably less.

875 465 The incomes of academic workers were so low by world standards that there was the strongest temptation for them to emigrate, and it was almost impossible to persuade foreign professors to fill Austrian chairs. At the end of 1951 the net salaries of Austrian professors varied between 3,489 schillings ($163.34) a month [1] for the most senior and 1,866 schillings ($87.31) for the lowest paid. The Privatdozent, or lecturer, member of a traditionally neglected class in Austrian and German universities, got no salary, but received lecture dues amounting on an average to 540 schillings ($25.28) a year, which might just cover his tram-fares. The starting salary of school teachers in 1951 was less than three times the 1937 figure and the final salary less than twice the amount, which meant that the teacher's standard of living had fallen by more than 50 per cent since pre-War days.

647 465 As regards administrative civil servants, in March 1951, before the Fifth Price–Wage Agreement, the increase in their net salaries since 1946 varied between 120 and 180 per cent,

[1] Calculated at the commercial rate of 21·36 schillings to the dollar. The foreign visitor to Austria normally obtains 26 schillings to the dollar.

May 29th, 1933. Imposition of the 1000 mark limit for German tourists in Austria.

September 7th to 12th, 1933. Ninth "Catholic Day" in Vienna. Programmatic speech of Dollfuss.

February 5th, 1934. The League of Nations to be asked to intervene in the struggle with Germany.

February 9th, 1934. The parliamentary deputy Kunschak appeals in the Vienna City Council for reconciliation between "Black" (Catholics) and "Red" (Socialists).

February 12th to 15th, 1934. House searches in buildings of the Social-Democratic Party in Linz meet with armed resistance. General strike, violent conflict in Vienna and the countryside. The Vienna City Hall occupied by troops. Dissolution of the Social-Democratic Party. Arrests of leading Social-Democrats.

April 30th, 1934. Parliamentary Session of March 4th, 1933 closed. Enabling Bill passed to authorize the Government to conduct the affairs of state.

May 1st, 1934. Publication of the new Constitution of the Corporate State.

May 20th, 1934. First Nazi bomb outrage.

July 25th, 1934. Murder of Chancellor Dollfuss by illegal S.S.

July 25th to 30th, 1934. Nazi revolt in Carinthia and Styria suppressed.

July 30th, 1934. Schuschnigg becomes Chancellor.

September 27th, 1934. Joint Declaration by England, France and Italy, guarantees the independence of Austria.

January 7th, 1935. Laval in Rome. Consultative pact between Italy and France for defence of Austrian independence.

May 1st, 1935. The "Vaterländische Front" given monopoly rights to hold political meetings.

If there were any need to emphasize or to prove the indestructibility of the conception of Austria, events subsequent to 1918 might be called as witnesses before the bar of history. With quiet determination, the Austrians pulled themselves together and prepared to tread the stony path towards the formation of a new state. Now the call came to the simple citizens, the peasants, the city workers. The privileges of a class who for the last ten years had meant no more to the various peoples of Austria than a loose bond forged by tradition and official position were swept away in the general collapse of 1918. The blackballing of socially ineligible candidates for membership of exclusive clubs and the privilege of having green shutters to the house windows—documented evidence of membership of a privileged class—together with the old uniforms and the titles of nobility became just a part of historic memories.

The Austrian people know by instinct how to determine what is part of a precious heritage from the past and what is merely outworn convention. This instinct has constantly enabled them to adjust themselves to new modes of life during the ups and downs of the centuries. The Austrian has the gift of human comprehension, a readiness to respect opinions diametrically opposed to his own. Averse from the use of force and revolted by unnecessary violence, he cherishes freedom and hates tyranny. The Austrian has no respect for an empty skull, even if it is covered by a top hat or the brass hat of a general. But he is capable of deep reverence for every person and every thing really worthy of it.

Austria's path which led from the First to the Second Republic was a painful and difficult one. She was no more free from errors and mistakes in home policy than from reverses

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181 a human being. In Vienna there is hardly a trace of class-consciousness, for in the same tavern lackeys and cab drivers sit next to artists, rich citizens and merchants,

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side by side with clerks. The Viennese goes on his way untroubled and finds his own pleasures. If he feels hot he takes his coat off, if he has an itch in his legs he dances, if he likes the look of a girl, he courts her; if he feels he wants to drink, he drinks. He is always human, always without embarrassment, a quality which he has saved from the wealth of imperial days and preserved for these days of impoverishment."

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VIENNA SPECIALITIES: Many foreigners have believed that Austrian cooking is the best, the most nourishing and the most piquant. The English are content with roast beef, the French with roast mutton, ragout or a few pies, the Italians with stracchino and spaghetti. Russia has her nourishing herb soups with meat balls, the Hungarian his paprikagulyas, the Dane his buckwheat and cream. But the Viennese is interested in the multiplicity of the dishes. On great occasions he expects to see every bird from blackcock to pigeon, and every fish from trout to tunny on the festive board. In Viennese cooking the condiments are not emphasized and meat is served more à la nature. The Englishman is fond of Worcester Sauce, the Hungarian of red paprika, the Frenchman favours various spices and mayonnaises, but the Viennese prefers the natural taste of the meat. The Viennese cuisine also knows how to combine the favourite dishes of all these nations in its menu, for Vienna has learnt the art of international cooking.

Among the bakers' specialities the first to be mentioned must be the Vienna roll. These have a history, for the Emperor Friedrich IV had the first rolls of the type called "Semmel" baked in 1487 with his portrait stamped on them, and gave one to each of the children who were called together in the city moat. Since then, the rolls have born the name of "Kaisersemmeln". Two hundred years later the "Kipfel" was baked in the crescent form of the Turkish sabres, being at first called "Mond" and later "Gipfel" (peak) after the spire of the Stephansturm which in those days carried a crescent at the top; the soft letter "G" was later changed to the crisp-sounding letter "K". The Vienna Bretzel also made its appearance about this time and was gradually followed by the salt "Stangerl", the "Giraffer", the "Schnecken" and the brioches. 256

Another Vienna speciality is the Vienna "Faschingskrapfen" (a glorified doughnut). This was invented in the year 1615 by a luxurious confectioner named Cäcilie near the Peilertor, where the Naglergasse now runs. In those days it was called "cillikugel" in her honour. Not until thirty years later was it improved through 257

the austere yet lighter shades of oats and rye. Colour is lent by blue flax, red and white poppies and verdant green fields.

The view is dominated by range upon sweeping range of eternal mountains. White highways curve gracefully up and again down the steep slopes. Everywhere at the highest point stands a dark-green forest of pines. At times the ground stops abruptly, and you can see whence the gigantic stone masses fell—and are falling still today—which formerly towered above field and forest as ancient mountains. A precipice drops steeply away, the debris of fallen stone-masses lying at its foot among the many trees. Past great piles of stones large and small flow the Thaya and the Kamp, sweeping stones with them. They swirl in endless bends around the foot of cliff after cliff. About their sheer walls stand defiant castles and dreamy ruins.

Apricot Gathering in the Wachau District.

Once you were invited to visit the forest district. For a whole day you journeyed through the woods and then you were forced to stop. Before you arose a great baroque tower, below it a forest of gothic pillars reaching towards the heavens, cloisters and a shaded well, the whole complicated gothic blossoming and romanesque fading—the monastery of Zwettl in its lovely situation on the banks of the swift-flowing Kamp amidst mighty forests. Continuing, you came to the frontier, high above. A piece of secular and chivalric history confronted you like a rock—Heidenreichstein, the most beautiful river-castle of the Province.

Usage and custom are rooted in the soil of the woodlands. On the house gables appear May blossoms in many colours. Young men plant green fir-trees, decorated with waving ribbons, for their girls. Mischievous "May paths" are devised with sawdust or water mixed with lime which are suddenly found leading over streets and byways from a certain door to another, thus making public what the parties concerned had kept a closely-guarded secret.

In many places the winter evenings still see the traditional "Rockreise". Women and girls "visit" friends in order to spin thread. Softly the delicate wheels turn, young men come and sing, and the women and girls tell stories of the robber chief Grasl, of the wicked Waldschrat and of God's vengeance on the inquisitive girl. Here and there an old loom is still standing.

000 Food is not, as ascetics proclaim, just a means of prolonging a puritan existence. Far from it. Feeding—the exquisite pleasure of absorbing nourishment—is a very intimate part of the most important and the most pleasurable experiences of life. Manners and costumes associated with eating often give a faithful picture of a whole epoch, reflecting the various stages of its development whithout artificial gloss or sham. The standard of cooking and table manners reveals human—or all too human—characteristics, both of individuals and of races.

In Austria—as you will already have noticed—everything dates a long way back, the most modern things originating at the latest in the days of Maria Theresia. Very much dates back to Leopold, the saintly Babenberg, and even to the Romans. Gastronomy, the art of the epicure, goes back to prehistoric times, for in Vienna the fact has never been overlooked that taste is the first sense to awaken and the last to fade. Literature expresses its universal importance with the words: Eating is life intensified.

181 The words "Wiener Lebensart"—the Viennese manner of living—implies first of all a cultivated appreciation of all the pleasures of life—something which the non-Viennese may dismiss as self-gratification. The Viennese know how to interpret gratification, and find in it nothing derogatory. On the contrary, delight in pleasures of the senses, a desire to enjoy the good things of life contribute towards creative achievement. These things are the inexhaustible source of the Austrian people's artistic gifts, the primary urge to stretch out one's hand towards violin or palette and brush. From them arise the vagaries of fashion, the inspired variations of applied art and that style of living and being which the ancestors called "the life of the Phaeaces".

Would Odysseus ever have returned to his Penelope without the help of Nausikaa, the well-disposed daughter of the Phaeaces of the pleasure-loving island of Scheria? The reproach implied in the word "Phäakentum" only arouses a smile here. People are well contented that pleasure-loving Vienna should be an island in the wearisome and baffling journey of life.

But let us approach the important subject of gastronomy with a respectful obeisance to bygone days:

262 A HERITAGE FROM GODS AND ANCESTORS. One can hardly speak of a culinary art prior to the arrival of the Romans and the Germanic tribes in the country, for the Celts were very primitive eaters. Their food consisted of very little bread but plenty of meat, which was boiled in water or roasted on a spit.

261 From the Teutons two principles have been handed down unaltered—that nothing should be begun on an empty stomach, and that the famous Teutonic hospitality
● 574 was a first duty. As Tacitus says in his "Germania": "No other race is so eager

261 to offer unlimited entertainment and hospitality. For these people it is wrong to
574 close one's doors to anyone, no matter whom."

Early Austrian guide books praise Viennese hospitality in the same way. The Viennese, according to many later accounts, were always fond of eating and drinking, especially in public places such as the Prater, Schönbrunn or the Augarten, a fact which earned them among foreigners the reputation of being heavy eaters. It was also their custom always to cook something special for the guest and to feed him lavishly.

261 But to return to the ancients. The Roman way of life had a greater influence on the stomachs of the Viennese than did that of the Teutons. In ancient Rome eating was a science in which delicate tastes were combined with unlimited luxury. Over the city on the Tiber hovered the spirit of culinary art. According to Plutarch, Caesar understood how to plan banquets with as much care and forethought as battles. Horace and Ovid reveal to us great interest in food and drink, refined by poetry. Ovid describes how a young man dipped his fingers in red wine during a feast in order to write a declaration of love on a small table. The feasts of Lucullus are still proverbial today and the gluttonous orgies of the parvenue Trimalchion are known to us through the tales of Petronius. Many a Viennese may have felt a spiritual bond with Cato as he repeated with a sigh his complaint: "How hard a thing it is to try to talk to one's belly, which has no ears to hear."

262 Cabbage, which they like to serve in Vienna as a garniture to the traditional beef, was known to the gods of the Greeks. It originated from the tears which the Thracian Prince Lycurgus shed when Bacchus bound him to a vine-pole for frivolously destroying grapes. The ancient Egyptians could consume quantities of beer and wine without getting drunk because they ate cooked cabbage before beginning their drinking bouts. Cato recommended the same practice to Roman drinkers.

Lettuce was sacred to Aphrodite because she once hid the new-born Adonis among lettuces. To the Greek gods salads came third among their favourite foods, following nectar and ambrosia. Viennese cannot have forgotten this, for in the preparation of this olympic dish they employ qualities required by other favourites of the gods, the poets—imagination, perseverance, instinct and the gift of composition.

527 The egg, which is supposed to have given birth to many divine, heroic and
262 unwordly beings, was associated by the Teutons with hares, brightly coloured eggs being sacrificed at the feast of Ostara, the Goddess of Spring, whose favourite animal was the hare. Until the early Middle Ages it was the custom for godparents to bring painted eggs as present, to the christening. Searching for Easter eggs is still a pleasing custom in all parts of the Austrian provinces, and there is hardly a table at Easter which is not decorated with coloured eggs.

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In the Burgenland cabbage strudel is very popular. The "Schöberl" has always been a great favourite. This is a mixture of flour, milk and eggs, poured into an earthenware bowl, which is gradually filled with hot lard in ten or twelve layers each one finger deep poured in at short intervals. 252

The "Baumknchen" or "Prügelkrapfen" of Lower Austria, the "Schnürkrapfen" and the "Schmerstrudel" are indispensable at such festivals as weddings, dedication of church bells, church festivals generally and christenings.

Upper Austria has won fame in the Austrian cuisine with its "Mützertorte" as well as with its Linz pastry and the "Traunkirchnertorte". The Reinanken", a fish netted in the Salzkammergut lakes, is well-known. The "Schwarzreiterl", a special type of lake char from the Gosau Lakes were once reserved for the Imperial family and were therefore supposed to be a particular delicacy.

Salzburg was formerly famous for its "Salzburger Zungen". Nowadays every visitor tastes the delicious soufflé called "Salzburger Nockerln" before his departure. "Mozartkugeln" are a special kind of sweet which is attractively packed in Salzburg and makes a charming present.

"Green Styria" excels in the preparation of "Sterz" (rather like the Italian polenta) and of various dishes made from maize. Foreigners prefer Styrian chicken and mutton, which are a speciality in Austria.

In addition to the Tyrolese "Grösti", which is an everyday dish, there are a number of sweets in Tyrol which are popular delicacies—the "Hupfauf", a fine pudding, the "Schutzauf", a dish of curds, and the "versoffene Kapuziner", made of rolls, wine, almonds and currants.

The "Kärntner Reindling" replaces the "Guglhupf" in Carinthia.

If someone puts aside a rich menu and calls instead for "Kässpätzle" or "Bodenseefelchen" it is sure to be a frugal Vorarlberger.

VIENNA RESTAURANTS. During the Thirty Years' War, manners deteriorated, the inn parlour re-echoed to the jargon of the streets or the brawling of mercenaries. The end of the 17th century saw an attempt made to curb rough manners. France was the first country to establish stiff forms of etiquette, which gradually spread over the frontiers. Inns slowly developed something like comfort, although visitors still whistled for the serving boy through their fingers instead of ringing a bell. 485 576

In the era of pastoral romance, the inns became really popular. Princes used them to give informal costume feasts in the gallant manner; "Wirtschaften" were held where even emperors and empresses appeared as host and hostess, while the rest of the court either acted as servants of the inn, or played the rôle of visitors. Incidentally this obviated disputes about precedence, which made everything more comfortable. In 1698, Peter the Great stayed incognito at the Vienna Court, taking part in a "Wirtschaft" which was arranged in his honour, disguised as a

2: MacDonald S-4 (no date) 1946 EK1 Austria EK1

in the party). And the fighting in Vienna in 1927, which, partly owing to the drastic measures taken to repress the rioters by Seipel's Government, resulted in thousands of people leaving the Church, and deflected episcopal policy decidedly to the right. Seipel, for his part, turned to the anti-working-class big industrialists for support against what he conceived to be the danger *par excellence*. The hostile attitude of the Church towards the Schober Block at the November elections of 1930 occasioned much scandal.[1]

It would, however, probably be a mistake to regard the Church as the villain of the piece even after 1927. It continued to evince great interest in social problems.[2] And although the higher clergy, and perhaps the majority of the lower clergy, regarded the *Heimwehr* movement with favour, as being a useful weapon for curbing socialist influence, they could not be very enthusiastic about a movement so deeply tinged with Nazi anti-clericalism.[3]

Although it is true that in the two main groups, the Social Democrats and the Christian Socialists, the balance of power tended to pass to the extreme wings, other important groups existed who were much more moderate in their outlook, and who stood unequivocally for democratic government. The *Landbund*, for instance, an organization supported chiefly by the more wealthy peasants led by Herr Winkler, inveighed constantly against the fascist proclivities of the Christian Socialists and the *Heimwehr*. Even in 1929, when it supported a reorganization of the state on a corporative basis, hoping thereby to secure a better representation of agricultural interests, its members emphasized the fact that the movement

[1] *Stellungnahme zu den österreichischen Nationalratswahlen*, 9 November 1930, 26 October 1930. (See Knoll, op. cit., pp. 167–77.)

[2] Lent Pastoral Letter, 1928, inveighing against low wages of women and bad housing. *Fasten Hirtenbrief der Erzbischöfe u. Bischöfe Österreichs*, 1928. (Knoll, op. cit., pp. 150–3.)

[3] In January 1930 a declaration was issued declaring that the Church could not consecrate the flags of political parties—'Politischen Vereinen ist mit Rücksicht auf die überparteiliche Stellung der Kirche die Weihe der Fahnen nicht zu bewilligen'.

See also the Lent Pastoral Letter, February 1932, issued by all the Bishops, warning the people against the Nazis.

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the contrary, there is a mutual recognition, a sort of reciprocal politeness between the sexes, and the Strindberg and Ibsen problems are consequently as rarely met with as is any kind of movement for emancipation, for these can only arise where women are misunderstood or neglected by men. In short, they hold in Vienna that man and wife belong together, that one should wed for love and that a chill wind blows over marriages of convenience.

Among the qualities attributed by the world to the women of European capitals—of Paris, Rome or Madrid—those of charm and amiability are ascribed to the daughters of Vienna. The repetition of this throughout the centuries causes it not only to be absorbed into the blood but confers special qualities. One of these is a natural ease of manner, which leads many strangers to suppose the Vienna girl to be more seduc-

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Egger-Lienz: Dance of Death.

differ from valley to valley and often from village to village. Strong, blond giants are to be found side by side with dark-haired, slender, agile men. In a few disproportionately-built men and women lives on the race of the giants of legend.

As the peasant, so his cattle. In the valley of the Lower Inn the cattle are heavily built and piebald; in the Upper Inn Valley there is a lightly built, grey type, rich in milk, growing in grace and agility as the pasturage becomes more scanty and difficult of access. In the mountain villages and remote enclaves there still survive many individual specimens of breeds which are otherwise becoming extinct.

342 The inhabitant of the valley of the Upper Inn builds his house of stone, he of Lower of wood. The one keeps house and farm undivided, the other divides up
●592 the farm and even the house, so that not only may several families live under one
184 roof, but in the four corners of a large kitchen there are sometimes four ranges, each belonging to a different person who is expected to keep within the imaginary lines which mark out his own share of the floor. The Lower Inn rings with laughter and song and no one is ashamed of an illegitimate child. The inhabitant of the Upper Inn is reserved and sparing of speech; with him, the smouldering of no less violent passions is not easily to be detected.

197 There are many varieties of dialect. The people of the Ötztal call "Ferner"
184 what those of the Zillertal name "Kees" and which are called "Gletscher" —glaciers—only by the town-dwellers. The drawling and slurred vowel sounds, the clipped nasal consonants of the mountain dwellers, recall the speech of Latin races. The accent of the lowlander, in contrast, is graceful and often almost affected. In the broad valleys branching off from the main Inn Valley the inhabitants of the inner and outer valleys have little in common. In the Gschnitztal, for instance, Trins is a Romanish settlement, whereas Gschnitz at the foot of the valley is of German
609 origin. One consequence of all this is that anyone who moves from his own parish, even if only to a neighbouring one, is regarded all his lifetime as an "immigrant".

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Egger-Lienz: Dance of Death.

differ from valley to valley and often from village to village. Strong, blond giants are to be found side by side with dark-haired, slender, agile men. In a few disproportionately-built men and women lives on the race of the giants of legend.

As the peasant, so his cattle. In the valley of the Lower Inn the cattle are heavily built and piebald; in the Upper Inn Valley there is a lightly built, grey type, rich in milk, growing in grace and agility as the pasturage becomes more scanty and difficult of access. In the mountain villages and remote enclaves there still survive many individual specimens of breeds which are otherwise becoming extinct.

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The inhabitant of the valley of the Upper Inn builds his house of stone, he of Lower of wood. The one keeps house and farm undivided, the other divides up the farm and even the house, so that not only may several families live under one roof, but in the four corners of a large kitchen there are sometimes four ranges, each belonging to a different person who is expected to keep within the imaginary lines which mark out his own share of the floor. The Lower Inn rings with laughter and song and no one is ashamed of an illegitimate child. The inhabitant of the Upper Inn is reserved and sparing of speech; with him, the smouldering of no less violent passions is not easily to be detected.

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There are many varieties of dialect. The people of the Ötztal call "Ferner" what those of the Zillertal name "Kees" and which are called "Gletscher" —glaciers—only by the town-dwellers. The drawling and slurred vowel sounds, the clipped nasal consonants of the mountain dwellers, recall the speech of Latin races. The accent of the lowlander, in contrast, is graceful and often almost affected. In the broad valleys branching off from the main Inn Valley the inhabitants of the inner and outer valleys have little in common. In the Gschnitztal, for instance, Trins is a Romanish settlement, whereas Gschnitz at the foot of the valley is of German origin. One consequence of all this is that anyone who moves from his own parish, even if only to a neighbouring one, is regarded all his lifetime as an "immigrant".

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sented by eighteen members, while thirty-six members should represent the professions and industries.[1] However, as Schober pointed out, a reform of such magnitude could not be hurried through in a few days—particularly as it would mean a further increase in the number of officials.[2] It was anticipated, however, that another constitutional law would be passed dealing with this matter. In the meantime the composition of the Federal Council remained unchanged.[3]

A further step towards centralization was taken by extending the control of the Court of Audit not only over provincial finances but over districts which comprised more than twenty thousand inhabitants.[4] Hitherto the control of the Court of Audit had only been exercised in those Provinces which had not independent control organs of their own.[5] This change brought the finances of the city of Vienna under the control of the Court of Audit, and in consequence was bitterly opposed by the Social Democrats.

The right of appeal in matters dealing with provincial administration was somewhat extended.

The powers of the State police were considerably extended at the expense of those of the Provinces.[6] As a result of this legislation, the special municipal police force instituted in Vienna after the 1927 riots had to be disbanded. All State police were to be given an autonomous ordinance right, in virtue of which they could, under special circumstances, issue ordinances, which would have temporary validity, provided

[1] *The Times*, 15 October 1929. [2] *Reichspost*, 20 October 1929.

[3] But although no new legislation was introduced, a later paragraph referred to members of the Upper House as enjoying immunity in their capacity as members of Provincial Councils (Article 58, (1)). But the old Federal Council members, although they had to be eligible for election, could not themselves be members of local assemblies (Article 35, (2), 1920).

[4] Smaller districts could be included if the Provincial Government concerned so requested (Article 127).

[5] B. G. Bl. Nr. 268, 30 July 1925, Article 127, (1).

[6] Kelsen, *Jahrbuch des öffentlichen Rechts*, vol. xviii, p. 132. 'So gut wie die gesamte Sicherheitspolizei ist der Zuständigkeit der Länder entzogen, und dem Bunde übertragen. Diese Monopolisierung fast des gesamten Polizeiwesens beim Bund bedeutet, wenn man beachtet, dass auch das ganze Militärwesen u. die ganze Gerichtsbarkeit von allem Anfang an beim Bund lagen—einen Grad von Zentralisation, der mit dem Typus des Bundesstaates kaum mehr vereinbar ist.'

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642 that they did not contravene existing laws.[1] Schober gave an
625 assurance that this legislation was only intended to endow the police with such additional facilities for keeping order as no law-abiding man could take exception to.

[871] The State Minister for Education was now given control over all matters concerning education[2]—a concession on the part of the Social Democrats.

642 The future position of Vienna was the subject of much bitter
635 controversy. The Christian Socialists, seeing in its independence the key to many of the evils of post-war Austria, wished to deprive it of its provincial status, and reduce it to the position of a federal city under the direct control of the Federal Government. They maintained that it was not that Vienna was of lesser importance than the other Provinces, but that she was essentially different from them.[3] Her independent position as a Province could not, in their opinion, be reconciled with her special obligations as the capital city of the whole of Austria.[4] This, however, seemed to the Social Democrats like an attempt to have things both ways—federalism and the abolition of Viennese autonomy. But the Christian Socialists pointed out, with some truth, that the position of the Mayor of Vienna was very much stronger than that of an ordinary provincial Governor.[5] The Social Democrats argued, however, that it was ludicrous that the mayor of a city comprising two million persons should be reduced to the status of a mere *Bezirkshauptmann*, while a tiny province like Vorarlberg, comprising only 140,000 persons, should be in a position of

[1] Kelsen comments as follows on these provisions: 'Mit der Vorschrift, dass die von den Polizeibehörden zu erlassenden Verordnungen, nicht gegen bestehende Gesetze verstossen dürfen, stellt sich die Verfassung auf den Standpunkt der mehr als fragwürdigen Lehre, die zwischen Verordnungen secundum Legem, praeter Legem u. contra Legem unterscheidet.' (Op. cit., p. 143.)

[2] Article 120, (1); *Frankfurter Zeitung*, 5 December 1929.

[3] *Reichspost*, 12 October 1929.

[4] 'Der geschichtlich gewordene, legitime Länderföderalismus ist ein Wesen für sich, u. kann nicht verwechselt werden mit der Stellung der Bundeshauptstadt, die als solche besondere Verflichtungen gegenüber dem ganzen Bund, als Sitz aller zentralen Institute hat.' (*Reichspost*, 19 October 1929.)

[5] *Reichspost*, 19 October 1929.

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731 hardly have been worse. The fighting in Lower Austria had coincided with sowing time; horses and tractors had been carried off; men of military age were still away, and the forced foreign labour brought in by the Nazis had disappeared. Women dared not go out on to the fields, and their menfolk were unwilling to leave them alone at home, with Russian troops in the neighbourhood. In these circumstances the well-intended exhortations of the *Bauernbund* and the efforts of the Lower Austrian Government could have little effect. The only hope was Allied help, and this was fortunately forthcoming. In May the Russian Army began to release food from its own stocks, and in September all four occupying Powers joined in alleviating Vienna's supply problem.

• 625 648 The disintegration of the Austrian police that accompanied the liberation left the country without a force for the maintenance of law and order at a time when it was most needed. Joint Russian and Austrian improvisation, however, produced a reasonably satisfactory solution of this problem, though an increase of crime was inevitable under the exceptional conditions of the time.

The Russians first established groups of auxiliary police largely under Communist leadership in the Vienna districts and parts of Lower Austria. The Austrian partisan battalion from Yugoslavia, which arrived in Vienna on the 12th of May, was also installed as a kind of Communist party-guard in the Hofburg, the old Imperial Palace, which had become the Russian headquarters. But from the beginning loyal Austrian police officials were also working energetically for the re-organization of the police. They operated at first from the Auersperg Palace, the headquarters of the Resistance, and, as early as the 13th of April, contrived to get a poster printed calling on former members of the police who had not been Nazis before 1938 to present themselves at a rendezvous in the Kandlgasse. It was very fortunate that Oskar Helmer, the Socialist Under-Secretary in the Ministry of the Interior, was one of the strongest personalities in his party. He worked consistently to prevent the re-organized force from coming under

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Communist control and to emphasize the importance of professional training and experience. At his suggestion, on the 23rd of May, Dr. Pamer, a former Police President, replaced a Communist as Police President of Vienna. Finally, on the 13th of June, the whole force was formally taken over by the Police Directorate, a purely Austrian authority. 625 648

By July the Vienna police were nearly 7,500 strong, though only some 1,000 of them had had previous police experience and many still owed their position to their political opinions. In September, at British instigation, the first meeting of the Allied Public Safety Committee was called. From then on the Austrian police were under Quadripartite supervision, and the three Western Powers were able to counterbalance Russian influence.

Dr. Renner's main concern, after his first few months in office, was to ensure the real unity of Austria. The Provisional Government had announced the restoration of the Austrian Republic and declared itself to be the Government for all Austria. Yet *de facto* its authority still only extended to those parts of the country that were occupied by the Russians; that is to say, Vienna, Burgenland, Lower Austria, and parts of Upper Austria and Styria. The Chancellor's two aims were to obtain the recognition of the Four Powers for his Government and reintegrate the country under its control. The continued division carried with it real dangers. Economically, the position was absurd. In so small a country, each part was dependent on the others for its survival. But the iron of Styria was cut off from the engineering industries of the Russian zone. The salt and meat of Salzburg and the Tyrol could not be brought to Vienna, and the oil, grain, and potatoes of Lower Austria were not available to the West. It had always been difficult to feed Vienna. Yet the task had become impossible in a house, as Dr. Renner put it, 'where the larder was walled off from the kitchen by zonal frontiers'. 642 438

Since 1918 the mutual suspicion between Vienna and the provinces had been a menace to the country as a whole. The interests of the city and the rural areas were utterly different, 369 631

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advisedly came up from the basement to the switchboard to complain that he could not hear a certain international call that was in progress. During the same year the Russians ordered the disconnection of three transit telephone circuits between adjoining countries which pass through Austrian territory without connecting into the Austrian system. They also arbitrarily disconnected the Yugoslav Government's teleprinting station in Vienna. 727 206 205

In December 1951 the Austrian Government's impatience with these proceedings caused the Chancellor to send a note to the Allied Council announcing the Government's intention to substitute the name 'Allied Censorship Agency', for 'Austrian Censorship Agency'. 'Censorship in Austria', he wrote, 'is exclusively performed according to the instructions of the occupying Powers. In no way does it serve Austrian interests. On the contrary, it runs counter to them.' The Government also announced its decision to dismiss all the 863 employees under contract with the Censorship Agency. Yet, in spite of this protest, the censorship continues. The Austrian Government defrays three-quarters of the cost. The work is still carried out by Austrians, who are mostly Communists chosen for the purpose by the Russians in 1945. And the cumbersome and wasteful procedure gives no satisfaction to anyone except the Soviet authorities and those for whom it provides employment.

In the months immediately following the liberation it was the clear intention of the Russian military leaders to establish control over the Austrian police. As many Communists as possible were introduced both into the ranks of the active police force and into the most responsible administrative positions. The effects of these efforts were still noticeable six years later. But Russian influence was checked when the Western Powers arrived in Vienna, and it ceased to be preponderant after the 1945 elections. From then on the object of Soviet policy was to limit both the numbers and efficiency of the police. 727 625

The Austrian Government repeatedly asked the Allied

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Council for permission to arm the police on an adequate and uniform scale. Its requests were supported by the Western Allies and turned down regularly by the Soviet Element. Appeals for modern radio equipment met with a similar response. The results were particularly serious owing to the high incidence of violent crime after the War and the fact that the criminals were aware of the deficiencies in police equipment. In the autumn of 1948 the Soviet authorities closed down four training-schools for *gendarmerie* in the Russian zone and refused to allow the transfer of students to other schools. When the matter was referred to the Allied Council, the Soviet High Commissioner refused to discuss it and justified his position on the ground that the Council had failed to limit the size of the police. His attitude was echoed by the Communists in the Austrian Parliament, who shortly afterwards opposed budgetary provisions for strengthening the police.

Supported by the Western Allies, the Austrians went quietly ahead with reorganization and re-equipment. As the Allied Council could not agree, the work was carried out on a zonal basis, and the police in Austria as a whole soon reached a high level of efficiency. In fact, the negative Russian behaviour eliminated central restrictions as well as central aid. But there has been no more revealing evidence of the Soviet Government's attitude towards the Second Austrian Republic than the changing policy of its representatives towards the police.

The Russian attacks on the Austrian Government, which were made at convenient stages in the treaty negotiations, were also useful to justify the Russian policy of obstruction carried out within Austria. The Austrian denazification programme was violently criticized, and as late as 1950 the Soviet representative in the Allied Council demanded that the Austrian Government should establish concentration camps for the imprisonment of implicated Nazis. In April 1950 the Soviet High Commissioner alleged that the Austrian *gendarmerie* in the Western zones was being organized, armed and equipped, in violation of existing Allied Council agreements,

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to provide a basis for a future Austrian army. In September of the following year this charge was repeated and expanded, when the High Commissioner stated that Austria's war industries were being re-established in the Western zones and that aeroplane plants and rocket factories were being built to serve Western re-armament. During his refutation of these charges the United States High Commissioner invited General Swiridow, his Soviet colleague, to come and see the imaginary installations for himself. The invitation was not accepted. 727 625

All the forms of obstruction that have so far been mentioned related to the Allied Control Commission and affected the Austrian Federal Government. But Soviet political interference attracted most attention in the Russian zone and the Russian districts of Vienna.

It would be misleading and unfair to assume that the numerous and serious cases of interference that occurred were typical of day-to-day administration in the Russian zone. The whole atmosphere in Eastern Austria is different from that in the Western zones: more buildings are requisitioned, there are more troops, and there is an underlying feeling of uncertainty and insecurity. But Austrian and Allied officials, who have been in close touch with the Russian authorities, agree that on the whole they have adhered to their written agreements regarding the political administration of occupied Austria. Their relations with the police have normally been co-operative and correct. It is possible for an Austrian to live in the Russian zone, and for a foreigner to move about in it, and yet scarcely be aware of anything unusual in the situation. The local government is Austrian, and the laws enforced are the enactments of the Austrian Federal Government. The gloomy pictures of political conditions in the Russian zone that are often painted in foreign countries and the rest of Austria are due mainly to the Soviet Government's attitude towards Austrian independence, its record in Eastern Europe, and the excesses of Russian troops immediately after the War. The conditions are unpleasant compared with those in the free countries of the West and in Western Austria, but they 727

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selves conducting investigations into a recent series of kidnappings. The Austrian Government protested vigorously, and the matter was taken up a number of times by the Allied Council, but it was not until over three years later that the Soviet Foreign Ministry revealed that Marek was serving a twenty-five years' sentence in the Soviet Union for 'organizing espionage against Soviet occupation troops'. In 1948 Frau Dr. Ottillinger, an important official in the Ministry of Economic Planning, was actually arrested on the frontier between the Russian and American zones, while in the company of her Minister, Dr. Krauland. 727

Although Russian relations with the local police have generally been reasonable, there have been isolated exceptions to the rule. 727 625

The Soviet authorities could scarcely interfere with the measures taken by the Minister of the Interior to ensure the loyalty of the police as a whole, and early in September 1947 Dr. Duermayer, the Moscow-trained Communist chief of the Vienna State Police, was transferred to a similar office in Salzburg, where, in the heart of the American zone, he would be comparatively innocuous. Within six weeks the Police Chiefs of St. Pölten, Baden, and Wiener Neustadt, three of the most important towns in the Russian zone, were dismissed by the Soviet authorities on what the Austrian Government considered to be unsubstantiated grounds.

The worst cases of interference with the police occurred during and after the Communist attempt to organize a general strike in the autumn of 1950. The Soviet authorities forbade certain movements of police in Vienna and the Russian zone, and so hindered the re-establishment of law and order at a critical time. After the disturbances were over a number of police officials were dismissed or retired by the Austrian authorities for their behaviour during the crisis. The Russians ordered their reinstatement, and the tragi-comedy that ensued had not ended at the beginning of 1953. The police chiefs in two districts of Vienna were held in office by Russian orders and were at the same time treated as pensioners by the Austrian

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727 Police Headquarters which communicated with the District
625 Offices concerned through the Assistant Chiefs. There could be no better example of the curious division of authority in occupied Austria nor of the persistence of the Austrian Government in maintaining points of principle.

The systematic confiscation, during the Christmas holiday 1952, of the rubber truncheons belonging to the police in the Russian zone was a measure that might well have been prevented by the Soviet propaganda department. The justifiable annoyance that it caused was somewhat modified by the Austrian sense of humour.

727 As regards the political administration in the Russian zone, there was little open interference by the Soviet authorities except in minor matters. Cases in which local officials were arrested were not unknown, and town and village burgomasters were subject to the expressed or implied threats of Russian military commanders in the areas where they were stationed. But, on the two occasions when the Soviet authorities appeared to be contemplating interference on issues of major importance, they either thought better of it or received countermanding orders from above.

In the spring of 1950 the Russians expressed their disapproval of the provincial laws which provided for the holding of local elections in Lower Austria and Burgenland. Under the terms of the Control Agreement there was no reason why their disapproval should have any effect, and the Austrians proceeded to hold the elections. The voting took place without incident, and in the parishes, municipalities, and sectional chambers the Communists were crushingly defeated. In the parish and municipal elections in Lower Austria the Communists got less than 6 per cent of the votes, and all the Communist mayors that had been put in by the Russians in 1945 were replaced.

During the autumn of 1952, when the election campaign was beginning, the Minister of the Interior informed Parliament that Soviet officers had given orders to two different Austrian authorities banning the Union of Independents in the Russian zone. He added characteristically that he saw him-

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But, while Social Democrat ideas regarding the establishment of a strong unitary State in which power would be as far as possible concentrated in a single democratically elected Chamber, came to prevail in the capital, the situation in the Provinces was developing along quite different lines. New Provincial Assemblies, which had been set up in place of the old *Landtags*, had come to regard themselves as quasi-independent legislative bodies. And the central Government, still uncertain of itself, pursued a somewhat vacillating policy with regard to them.[1] For instance, although no provision was made for the participation of the Provinces as such in legislation in the Provisional Constitution of 30 October 1918,[2] and although on 14 November the State formally took over control in the Provinces,[3] the Executive Committee had, on 29 October, sent a mandate to all the Provincial Assemblies,[4] asking them to draw up provisional constitutions containing declarations of accession to the Republic. This mandate was really, as Kelsen remarked, the *reductio ad absurdum* of the extreme federalist view.[5] Some of the Provinces took no notice of it.[6] Others merely made declarations of accession.[7] None the less, a decree of 12 November took notice of the "solemn declarations of accession of the Provinces and districts of the State territory".[8]

[1] Kelsen, 'Die Verfassung Deutschösterreichs', *Jahrbuch des öffentlichen Rechts*, vol. ix. p. 25: 'In den Ländern glaubte man vielfach, ein von der Zentralregierung gänzlich unabhängiges Gesetzgebungsrecht zu haben, u. auch der Staatsrat schien kein eigentliches Sanktionsrecht den Landesgesetzebeschlüssen gegenüber in Anspruch nehmen zu wollen.'

[2] Staats Gesetz Blatt. Nr. 1, Article 2. 'Die gesetzgebende Gewalt wird von der provisorischen Nationalversammlung selbst ausgeübt.'

[3] St. G. Bl. Nr. 124.

[4] The position of these Assemblies was a somewhat anomalous one, for they were not, strictly speaking, democratic bodies, as they had been elected on the old Curia system. (See Austria-Hungary Handbooks prepared under the direction of the Historical Section at the Foreign Office, No. 1, pp. 9 and 11.)

[5] 'Die Länder sollten durch diese Erklärung einem Staate erst beitreten . . . obgleich er schor vor dieser Beitrittserklärung bereits als constituiert angesehen werden musste. Vom Standpunkt des Verfassungsbeschlusses vom 30 October, u. des Landesgesetzes vom 14 November waren diese Beitrittserklärungen nicht bloss verfassungswidrig sondern geradezu sinnlos.' *Jahrbuch des öffentlichen Rechts*, vol. ix, p. 259.

[6] Lower Austria, Tyrol.

[7] Upper Austria, Vorarlberg.

[8] St. G. Bl. Nr. 23.

642 And on 14 November a law was passed providing for the elec-
631 tion by local assemblies of a *Landeshauptmann* or Governor and subordinates, who were to take over all the business formerly transacted by the State officials and the Statthalter, appointed by the Emperor.[1] This meant, in effect, the abolition of the dual system, and a large measure of decentralization in administrative matters.[2]

The position as regards the relationship between the State and the Provinces throughout the first two years of the Republic was, therefore, somewhat obscure; and this state of affairs not unnaturally resulted in the strengthening of separatist feeling. Traces of this may be seen in the provisions drawn up regarding provincial legislation on 14 March 1919.[3] It was then laid down that laws passed by Provincial Assemblies required counter-signature by a Secretary of State or the Chancellor. But even if assent was refused the Provincial Assembly could, if it wished, then reintroduce and pass the bill. If, however, provincial legislation required the co-operation of the State for its implementation, the Government, acting as a whole, could refuse assent. The Government thus had a suspensive, but not an absolute veto over provincial legislation.

631 The different ~~opinions~~ which, as has been pointed out,
665 prevailed in Vienna, where the Social Democrats were in power, and the Provinces, which were for the most part Christian Socialist strongholds, came to the fore strongly at the various conferences held regarding the form of the final constitution.[4]

The main demand of the Christian Socialist party, after the withdrawal of the Emperor, was that German Austria must be a federal State, in which the member States would have relatively far-reaching rights of self-government.[5] The reasons adduced by the party in support of its federalist programme

[1] St. G. Bl. Nr. 24.

[2] Eisenmann, *La Constitution Fédérale de la Republique d'Autriche* (Paris, 1924), pp. 37–8.

[3] St. G. Bl. Nr. 179.

[4] See Appendix A.

[5] The views of the more extreme federalists, such as Dr. Ender, amounted in fact to a claim that Austria should become a federation of independent States.

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were various. Many of them were characterized by an appeal to the medieval past, when, it was asserted, each Province had had a virtually autonomous status.[1] The only link between them had been superimposed in course of time by the Habsburgs. When the Habsburg superstructure disappeared they reverted to their former position of independence.[2]

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It was obvious, however, that the federalist policy of the Christian Socialists was inspired for the most part by more practical reasons. The party as a whole was animated by intense dislike of 'Red' Vienna, and feared that a disproportionate amount of power would fall to her, as the capital city, if a unitary State were established.

This antagonism, already in existence before the war, was sharpened by the events following on the Armistice. It was felt, for instance, that the Social Democrats, who were then in control of the Government, had made no attempt to protect the Provinces against the attacks of marauding bands of soldiers, although Vienna had had both the arms and the men necessary.[3] The secrecy of Viennese foreign policy was also mistrusted, for it was widely believed that everything was being sacrificed to the policy of *Anschluss*, a policy which the Christian Socialists regarded with increasing misgiving after the Spartacist rising of 1918 in Germany, and the subsequent Communist disturbances.[4] The economic policy of Vienna was also much disliked, and the socialization projects were strenuously resisted. Opposition in the Provinces to the requisitioning system, which had to be continued even after the Armistice, amounted at times to economic blockade.

[1] Speech by Dr. Ender at the Salzburg Provincial Conference, February 1920, *Stenographische Verhandlungschrift*, p. 28, 'Bevor Österreich-Ungarn bestanden hat, hat Tyrol bestanden, u. wird weiter bestehen'. Also, Seipel, 'Die Absonderung der Länder', *Politische Gesellschaft*, 14 May 1919, and Seipel, *Der Kampf um die österreichische Verfassung* (Wien, 1930), pp. 74–6.

[2] It was pointed out that the Provisional National Assembly had virtually recognized this fact by inviting the Provinces, on 29 October 1918, to announce their accession to the new State of German Austria. (Speech by Ehrer at the Salzburg Provincial Conference, op. cit., p. 20.)

[3] Seipel, 'Die Absonderung der Länder', *Politische Gesellschaft*, 14 May 1919, pp. 74–6.

[4] In the Draft Constitution of 12 November 1918, which was passed as a temporary measure by the National Assembly, it was stated that "German Austria is a part of the German Republic". (St. G. Bl. Nr. 5, Article 2.)

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631 665 There were, however, men in the Christian Socialist party, as, for instance, the Prälat Hauser, who saw clearly the danger of allowing particularism in the Provinces to assume too great proportions, and who realized that the future well-being of the Austrian Republic must depend upon the breaking-down of existing barriers between the peasants and the workers. But, although the federalist policy of the Christian Socialists was probably to a large extent dictated by opportunist reasons, there was a certain positive substratum beneath these. As Herr Steidle remarked at the Salzburg Provincial Conference, federalism was a form of government particularly well adapted to the German mentality, with its love for complex organizations.[1]

The Christian Socialist party devoted much attention to the composition of the Upper or Federal Chamber. The more extreme federalists were of the opinion that each member State should have equal representation, on the Swiss model, irrespective of the size of its territory or the numbers of its population, on the ground that all the Provinces were equal and independent member States of the Federation. More moderate federalists were, however, prepared to envisage some kind of differential representation, which would take such differences into account.[2] In this case also, the views of the Christian Socialists were coloured by the knowledge that their position in the small Provinces like Tyrol and Vorarlberg was

[1] 'Die deutsche Nationaleigentümlichkeit war immer auf den Foderalismus aufgebaut. Das war seit undenklichen Zeiten so, das liegt den Deutchen im Blut.' (Steidle, Salzburg Provincial Conference, op. cit., p. 48.) Cf. Seipel, *Nation u. Staat* (Wien, 1916), and Mayr, '100 Sitzung der konstituierenden National Versammlung der Republik Österreich', *Stenographisches Protokoll*, p. 3383.

[2] The populations of the nine Provinces were as follows:

Province	Area (sq. miles)	Population
Vienna	107	1,863,783
Lower Austria	7,462	1,478,697
Upper Austria	4,628	873,702
Salzburg	2,763	222,731
Styria	6,327	977,350
Carinthia	3,684	370,432
Tyrol	4,790	313,699
Vorarlberg	1,005	139,968
Burgenland	1,586	286,299

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a very strong one, whereas it was very much less strong in the large, semi-industrial Provinces, as Upper and Lower Austria. 631 665

As regards the position of the future President of the Republic, the Christian Socialists were of the opinion that he should be directly elected. This, they hoped, would enable him to adopt a more independent position *vis-à-vis* a possible Social Democrat majority in the Lower House. This proposal was, however, strongly contested by the Social Democrats, who feared that it would be the thin end of the wedge of authoritarian government.

The Christian Socialists wished provision to be made for the direct participation of the people in the business of government, through the Referendum and the Initiative.[1]

But, if it can be said of the Christian Socialists that their views on the new constitution were occasioned for the most part by the political exigencies of the moment rather than by abstract views on the best form of government, the same can certainly be said of the Social Democrats. Their opposition to federalism, for instance, was undoubtedly largely occasioned by fear of reactionary tendencies in the Provinces. They maintained that Christian Socialist contentions regarding the historic individuality of the Provinces were illusory. Most of the Provinces, they argued, had simply grown out of the inheritances of the great feudal families, and were often quite unsuitable as economic units.[2] In any case, many of them had had their boundaries so altered in the course of the war as to make ridiculous any attempt to identify them with pre-war units. The districts which remained were often so situated as to make them quite unsuitable for maintenance even as units of common administration.[3] In any case most of the so-called rights of self-government enjoyed by the Provinces had only

[1] It is interesting to find that Seipel was a particularly strong supporter of these devices. He specially approved, for instance, of the provision that minorities in three different Provinces should be enabled to join together, if by so doing they could amass the requisite 300,000 votes for an Initiative. ('Verfassungsreform u. Wirtschaftsleben', *Reichspost*, 15 February 1920. Also, Seipel, *Der Kampf um die österreichische Verfassung*, pp. 77–9.)

[2] Resel, Salzburg Provincial Conference, op. cit., p. 22.

[3] Speech by Gruener, Salzburg Provincial Conference, op. cit., p. 16; cf. Grogger, op. cit., p. 27.

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631 665 been acquired in the course of the last few months. There was now no reason for encouraging federalist sentiment since the nationality problem no longer existed and the duplication of administrative machinery would entail expenditure on a scale which the new Republic could ill afford.[1] Moreover, the National Assembly was itself only a *Landtag* of the German Reich.[2]

The Social Democrats were, however, sufficiently realist in their politics to admit that the federal principle would have to be to some extent incorporated in the new State organization. They therefore concentrated upon the mitigation of what they considered its most obvious dangers.[3]

They were strongly in favour of the introduction of the unicameral system for the legislature. In their view, if the Upper House had no power as against the Lower House, it was merely a piece of unnecessary machinery. If the Upper House had such power, and was indirectly elected, the democratic body would be made responsible to an only indirectly democratic body. If, on the other hand, the Upper House were directly elected, it would in all probability be merely a replica of the Lower House.[4] However, the party as a whole realized that the introduction of the unicameral system was not practical politics. They therefore concentrated on an attempt to eliminate, as far as possible, the federal character of the Upper House. It must be elected, they maintained, on a population basis, as it would obviously be

[1] Dolser, Salzburg Provincial Conference, op. cit., p. 50; cf. Preussler, 4th Sitzung, 14 March 1919.

[2] The Social Democrats feared that the development of a federal system would make the conclusion of an *Anschluss* with Germany more difficult, since Germany would not be prepared to recognize this arrangement.

[3] Herr Danneberg, for instance, in the debate on the final proposals laid before the Constituent National Assembly, urged that, since a federal constitution was to be adopted, the existing boundaries of the Provinces should not be considered as in any way sacrosanct, and that, in order to safeguard the democratic principle, it should be provided that, if a part of a Province having a population equal to or greater than that of Vorarlberg, wished to join another Province, or form an independent Province, they should, as provided in the new German Constitution, be permitted to do so. (100 Sitzung, Constituent National Assembly, p. 3386.)

[4] Speech by Grüber, Salzburg Provincial Conference, op. cit., p. 65.

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undemocratic to give equal representation to Provinces whose population figures were so unequal. The party also aimed at curtailing its power as far as possible.

The Social Democrats disliked the Christian Socialist project of a President directly elected by the people. They thought it better that the functions of a President should be discharged by the President of the National Council. Direct election of a President would, they feared, inevitably introduce an autocratic element into the Government.[1]

They were somewhat lukewarm in their support of direct legislation by the people through the Initiative and the Referendum, as these devices would tend, they thought, to undermine the omnipotence of the National Assembly. A dangerous element of procrastination would be introduced into the business of government and misunderstandings would inevitably occur as it was almost always impossible to answer 'yes' or 'no' to complicated legislative projects. It would be much better to let the people exercise their control by shortening the legislative period.[2]

The Social Democrats were emphatically of the opinion that the democratization of government and administration in the Provinces was the *sine qua non* of democratic progress, particularly if a federal system was to be introduced.[3]

The views of the German Nationalists need not be considered in detail, for they did not materially influence the drafting of the constitution. It may be noted, however, that they, like the Christian Socialists, showed a tendency to distrust the autocracy of the Lower House. For this reason, they were anxious to secure direct election for the President.[4] And they were prepared to envisage an even wider use of the Initiative and

[1] Speech by Danneberg, Stenographische Verhandlungschrift über die Länderkonferenz in Linz, 1920, pp. 22–3; and 100 Sitzung, Constituent National Assembly, p. 3390. It is interesting to note that Kelsen, one of the authors of the 1920 Constitution, was also strongly of the opinion that the direct election of the President would mean, in reality, a weakening rather than a strengthening of the democratic principle. (*Jahrbuch des öffentlichen Rechts*, 1920, vol. ix, op. cit., p. 281.)

[2] Danneberg, 100 Sitzung, Constituent National Assembly, p. 3396.

[3] Grüber, Linz Provincial Conference, op. cit., p. 9.

[4] 100 Sitzung, Constituent National Assembly, p. 3400.

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the Referendum than were most of the Christian Socialists.[1] Some of the Social Democrats were anxious for the establishment of an Economic Chamber which would have at least large advisory powers, side by side with the National Council and the Federal Council. In this Chamber, employers and employees should be equally represented.[2] The Social Democrats, however, wanted above all things, union with Germany.

[1] Langoth, *Stenographische Verhandlungschrift über die Länderkonferenz* in Linz Provincial Conference, April 1920, p. 11.
[2] Ibid., p. 12.

(ii) *The Federal Principle*

631 642 The same criticism may be applied to Article 2 ("Austria is a Federal State") as was applied to Article 1—namely, that it is a judgement rather than a law. Whether or not Austria was a federal State necessarily depended upon subsequent provisions in the constitution. Moreover, as Adamovich points out, the term 'federal State' is susceptible of a variety of interpretations. Kelsen, however, considered that the constitution of October 1920 could be accepted as a *bona fide* federal constitution since it provided for an organ whereby the Provinces could take part in the legislative and administrative work of the State. It differed, he thought, in this respect, from prewar constitutions, although these had contained, in many cases, provisions of a federal nature.

But it is clear that Austria was not a federal State in the sense that there was any question of sovereignty being divided between the State and the Provinces. It was not laid down in so many words that State law takes precedence over provincial law. But the absence of this statement—probably out of deference to the prevalent federalist views—did not mean so much an accretion of strength to the Provinces as an accumulation of work for the Constitutional Court.

647 642 In considering how far the federal principle was incorporated in the 1920 constitution it may be convenient to deal first with the extent to which the Provinces participated in federal legislation, since this participation constitutes, as Kelsen points out, the essence of a federal system.

By the 1920 constitution a federal organ, the Federal Council, was set up. The Federal Council was composed of members elected by the Provincial Councils.[1] The Provincial Councils did not, however, return an equal number of members.[2] Again, the provision that the representatives

[1] Article 35.

[2] Article 34. In this respect a compromise was reached between the more extreme of the Christian Socialists who considered that the Provinces, which varied greatly in size, should none the less, as equal sovereign bodies, return an equal number of representatives, and the Social Democrats who wished representation to be on a basis strictly proportional to the population.

3: Hiscocks G4, 5 (1946-1949) 1953 EK1 Austria EK1

a bad political counsellor', and during the remainder of his life 643
he acted in accordance with this precept. In a speech delivered
a few days before his death he spoke of the usefulness of 663
political differences, but emphasized that from the clash of opinions the right course should emerge and common action follow: party, the part, must not usurp the role of the general welfare, which is the whole.

Common suffering at the hands of the Nazis made a great 663
difference also. Political rivals came out of prison as close personal friends addressing one another by the familiar '*du*'. As Leopold Figl said, in the concentration camp a man did not ask his fellow-prisoner what party he belonged to, but whether he was an Austrian. Brave men endured hardship and torture in order not to betray other members of the Resistance, even if they did belong to another party. Adolf Schärf has described how by chance Felix Hurdes, once in a neighbouring cell to his own, was cross-examined about their contacts with each other. However strong party rivalry might subsequently become, such incidents as these could never be forgotten by those who had experienced them.

Another individual who contributed greatly to the success of 663
the Provisional Government by his action and his example was
Leopold Figl. In 1945 he was only forty-three, and he had 675
none of Dr. Renner's experience of Parliament and national politics. But he had great integrity and boundless energy. As a member of the Political Cabinet Council, President of the *Bauernbund*, and Governor of Lower Austria, he was rapidly becoming the most significant figure in the People's Party. His loyal and consistent collaboration with Dr. Renner was therefore of great importance. It meant that the leaders of the two main parties, whose rivalry had been so disastrous in the past, were now working together for the good of Austria.

Besides the strong central government that Dr. Renner and 631
his colleagues provided, the country needed a new administration. After the *Anschluss*, Vienna's functions as the administrative centre of Austria were transferred to Berlin. The city ceased to be a capital and became a province and, so far as the

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

631 federal civil service was concerned, was left with neither offices nor officials. After 1918 Vienna had been compared to a heart from which the arteries had been severed: after 1945 Dr. Renner described it with good reason as no longer a breathing heart but a mere bundle of torn blood-vessels. Most of the local and provincial government offices survived, but had been largely filled with Nazis, many of German origin. They had either fled before the Allied armies, often burning the records before they left, or were suspended by the Allies after their arrival. The whole administrative machinery of the State, therefore, from the smallest village to the Supreme Court, had to be created anew.

663 The work of reconstruction was carried out in a spirit of devotion and enthusiasm under the supervision of Sektionschef Heiterer-Schaller, who was commissioned by Dr. Renner to re-organize the administration. In the early weeks it was largely a matter of improvisation and individual initiative. Personnel had to be re-assembled, premises found, and the most rudimentary equipment collected, like paper and typewriters. While the fighting was still going on, a few civil servants collected at the Chancellery in the Ballhausplatz and began clearing away the rubbish with their own hands. Then very gradually the work became more systematic. When the occupying Powers appointed committees to investigate the situation in September, it was found that a fairly adequate civil service was being built up, recruited mainly from those who had suffered under the Nazi régime and who had had previous administrative experience before the *Anschluss*.

The circumstances in which the task was undertaken could hardly have been worse. Apart from the famine and destruction, and the breakdown of all public services, the condition of the State finances was such that all officials, from the Chancellor to the office charwoman, received a salary of only 150 marks a month until the autumn of 1945. This would not have been enough to pay for the bare necessities of life, had they been available. Yet the spirit in which the task was carried out was excellent. It was a real labour of love performed from a sense

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Communist control and to emphasize the importance of professional training and experience. At his suggestion, on the 23rd of May, Dr. Pamer, a former Police President, replaced a Communist as Police President of Vienna. Finally, on the 13th of June, the whole force was formally taken over by the Police Directorate, a purely Austrian authority. 625 648

By July the Vienna police were nearly 7,500 strong, though only some 1,000 of them had had previous police experience and many still owed their position to their political opinions. In September, at British instigation, the first meeting of the Allied Public Safety Committee was called. From then on the Austrian police were under Quadripartite supervision, and the three Western Powers were able to counterbalance Russian influence.

Dr. Renner's main concern, after his first few months in office, was to ensure the real unity of Austria. The Provisional Government had announced the restoration of the Austrian Republic and declared itself to be the Government for all Austria. Yet *de facto* its authority still only extended to those parts of the country that were occupied by the Russians; that is to say, Vienna, Burgenland, Lower Austria, and parts of Upper Austria and Styria. The Chancellor's two aims were to obtain the recognition of the Four Powers for his Government and reintegrate the country under its control. The continued division carried with it real dangers. Economically, the position was absurd. In so small a country, each part was dependent on the others for its survival. But the iron of Styria was cut off from the engineering industries of the Russian zone. The salt and meat of Salzburg and the Tyrol could not be brought to Vienna, and the oil, grain, and potatoes of Lower Austria were not available to the West. It had always been difficult to feed Vienna. Yet the task had become impossible in a house, as Dr. Renner put it, 'where the larder was walled off from the kitchen by zonal frontiers'. 642 438

Since 1918 the mutual suspicion between Vienna and the provinces had been a menace to the country as a whole. The interests of the city and the rural areas were utterly different, 369 631

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

369 631 and the contrast was accentuated by the fact that the capital was Socialist and the provinces largely Conservative. The isolation of Vienna from most of the provinces would therefore tend to revive an unhealthy animosity that years of common subjection to Berlin had done much to overcome. The Chancellor had every reason to fear such a development, because a movement for the formation of an Austrian government in the provinces occupied by the Western Allies had followed the liberation. This fortunately had failed. Had it succeeded, Austria might have shared the fate of Germany. Yet the attempt justified Dr. Renner's misgivings. Salzburg was the only province, outside Russian territory, that endeavoured to recognize the Provisional Government, and its overture to Vienna on the 24th of May led to a rebuke from the American Military Governor.

489 Conditions made it difficult to counteract separatist tendencies. The country was divided, and there were still no normal transport services between the different zones. It was easier to travel from Russian-occupied Austria to Czechoslovakia than to the Austrian western provinces; and easier to move between the cities of Salzburg and Munich, which were both occupied by the Americans, than between Salzburg and the Austrian capital. A messenger sent by Dr. Renner from Vienna to the Tyrol in May took seventeen days to make the journey and had to swim the River Enns, when he crossed the Russian frontier. An experienced member of the Resistance, well accustomed to travelling under difficulties, took a week to cover the same distance by car during the summer.

727 The Western Allies at first decided not to recognize the Provisional Government. They were suspicious of it as a Russian creation in which Communist influence was unduly strong. Fortunately events so developed that this decision was reversed.

On the 4th of July the Governments of the four occupying Powers reached an agreement in London setting up a Control Commission for Austria. It was to consist of an Allied Council, comprising the four Allied High Commissioners, an Executive Committee, and departmental staffs. Vienna was to be con-

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

they were worthy of directing the destiny of their country and 646
their people themselves. He was followed by Dr. Renner, who gave a vivid description of the frustration and impotence that resulted from the division of the country. Certain differences revealed themselves in the course of the discussions. Dr. Renner himself had shown centralizing tendencies as head of the Provisional Government, and Dr. Gruber, as Governor of the Tyrol, had been inclined to take an independent line. There were problems, therefore, that had to be thrashed out. But the conference, on the whole, was a great demonstration of unity. Dr. Heinrich Gleissner, the past and future Governor of Upper Austria, set the tone that prevailed and expressed the feelings of the provincial representatives in a statesman-like speech, when he spoke of the sense of home-coming they had all experienced as they climbed the steps leading into the Vienna Town Hall.

There were four immediate results. The Government was 646
broadened to include representatives of the provinces, the most
significant appointment being that of Dr. Gruber, as Under- 631
Secretary in charge of External Affairs. A legal commission of the Provincial Conference was appointed to consider the suitability of the Provisional Government's laws for the provinces. The outlines of an economic programme were drawn up; and a recommendation was made that general elections should be held in November.

Two more Provincial Conferences were held during October, at which the provincial delegates made further important decisions. The laws and ordinances passed by the Provisional Government were accepted. It was agreed that the legislative powers of the provincial chambers under the 1929 constitution should be restored. Recommendations were made regarding procedure at the coming elections, and the exclusion of former National Socialists was proposed. The Government's economic plans were endorsed, including an appeal for help to UNRRA. Most important of all was the moral support these further meetings gave the Chancellor in his vital negotiations with the Allied Council.

those of Austria as of July 20, 1945. This was followed by the "Beamtenüberleitungs- und Staatsbürgerschaftsüberleitungsgesetz" (i.e., a law re-establishing the Austrian status of employees and citizens), the reorganization of municipal law as well as the "Nationalsozialistengesetz," known as NS, the law prohibiting national-socialism (Verbotsgesetz 1945 and the Wirtschaftssäuberungsgesetz). 642 727

Following the arrangement agreed upon by the powers, Austria was divided into four occupation zones and their divisioning settled during August, 1945. The supreme occupation and control authority is the Allied Commission for Austria in Vienna which retained a number of sovereign rights, but which little by little after 1946 transferred substantial shares of authority to the Austrian Federal Government. 727 631 642

At the Potsdam Conference (protocol of August 2, 1945) the powers, examining the question of extending the executive power of the provisional government (Dr. Renner) which up to then covered only the Russian occupation zone, recommended the extension of this power to cover all Austria. 728

In the federal provinces, meanwhile, provisional provincial governments were established and the federal provinces constituted, permitting the functioning of a provincial legislature within the jurisdiction of the constitution of 1929. At the same time the reestablishement of the Verfassungs- und Verwaltungsgerichtshof (i.e., a constitutional court) was prepared. On October 20, 1945, the Allied Commission for Austria finally authorized the provisional federal government, to enact laws for all of Austria (which, however, first had to be submitted to the Allied Commission for approval).

The elections of November 25, 1945, which had been arranged by the election proclamation of the provisional government, brought about the legalization of the endeavors of the provisional government, which resigned on November 28, 1945. 666 642

1945 Election: Tally of Votes and Seats

ÖVP (Austrian Peoples Party)	1,588,444 votes	85 seats	666
SPÖ (Socialist Party)	1,428,441 votes	76 seats	646
KPÖ (Communist Party)	174,387 votes	4 seats	
	3,191,272 votes	165 seats	

439 tariffs had increased to 296 per cent of the 1913 level in Bulgaria, to 144 per cent in Yugoslavia, to 140 per cent in Roumania, and to 137 per cent in Czechoslovakia, the Austrian tariffs had actually fallen to 77 per cent of their pre-war level, a fall which, in continental Europe, was surpassed only in Sweden. But it was obvious that this policy could not be permanently maintained in face of high tariffs elsewhere. After the Geneva Conference in 1927 had failed to achieve tangible results with regard to the reduction of trade barriers, Austria too turned towards protectionism to reduce her dependence on a highly unstable world trade. The world preferred to learn the hard way.

361 What of the position of Vienna? When the new Austria, with its 6½ million people, had to take over the economic
631 and administrative centre of a 50-million empire, containing almost 30 per cent of the population of the new Republic, many people thought that this "huge head far too big for a small body" would prove an insoluble economic problem. Actually it soon turned out that the general process of readjustment, described above, also helped to solve this problem. First, it should be noted that while the percentage of the population living in the *capital* was unusually high, the percentage of the *urban* population was quite normal for an industrial country. It was smaller than, for instance, in Great Britain or Switzerland. The establishment of new commercial and govern-
[464] ment centres did, it is true, hit Vienna badly. The reduction in the number of civil servants, banking and commercial employees and the unemployment among lawyers, solicitors, etc., created a burden which was mainly concentrated on the capital.

366 But apart from this particular problem which was
368 slowly—all too slowly—mended, it soon became clear that

1 [CA. CATEGORY 116, p. 50 --ANALYST]

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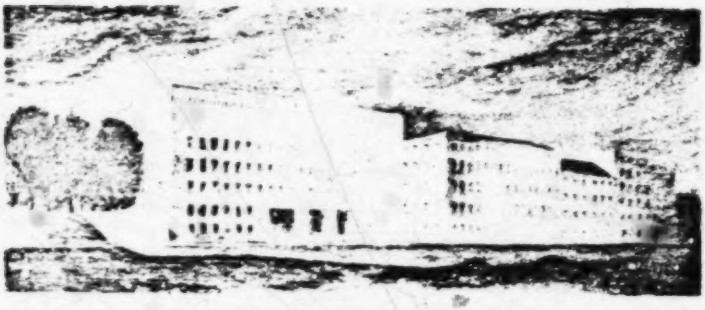

Clemens Holzmeister: Austrian Broadcasting House.

727 The end of the First World War and the fall of the Austro-Hungarian Monarchy had similar paralysing results for Vienna as did the end of the Second World War, when there was not only a collapse of the existing regime, but in addition extensive war damage to be faced. The general reorganisation of the State which took place after 1918 proved less difficult, not only because there had been no actual war damage in Vienna itself, but also because the forces released by the conclusion of the war were not hindered in their development by the pressure of an occupation. Nevertheless, it was years before the Austrian economy and the capital city had so far recovered that it was possible to go beyond efforts to satisfy the daily needs of the population and start constructive municipal schemes.

641 The political revolution of November 1918 secured the full triumph of democratic principles. Universal, equal and direct suffrage, with a secret ballot, was extended to women and, for the first time, applied to the election of members of a Vienna city council. As a result the influence of the masses of citizens which had until ●633 then been artifically suppressed now took full effect on the composition of the [665] Council Chamber. Power in the municipal assembly consequently went to the Party of the workers, the Social-Democrats. By securing the majority in the City Council the latter found themselves in a position to put their principles into practice in various fields of municipal activity. During the 15 years after the First World War that the Social-Democrats were able to run the municipal affairs of Vienna, entirely new principles were applied to the administration of public welfare, housing, the conduct of public utility services, the educational system and to questions of personnel. As the basis and support of all these innovations a new financial policy was devised and put into practice. The successful achievements of this exceptionally fruitful period of Vienna municipal administration—it must be remembered that they were not carried out during a period of general prosperity and easy-living,

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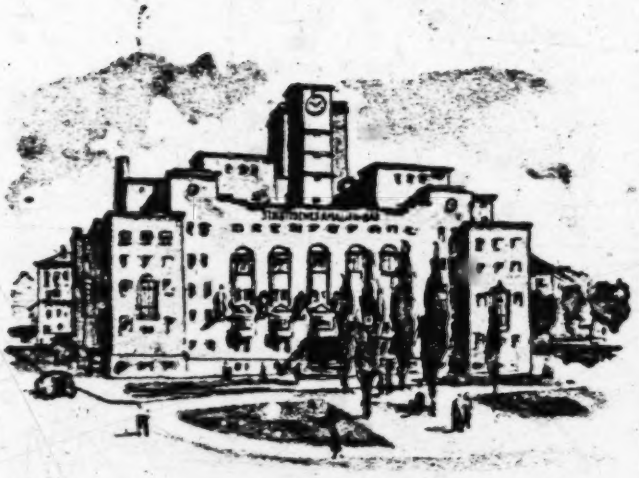

Amalia Baths.

633 but were born of the destitution of the people and more than once endangered by political and economic pressure—have been admired and emulated, not only in Austria but throughout the world as a glorious example to others, and have been adopted as a model in many countries.

Under the Burgomasters Jakob Reumann and Karl Seitz, assisted by active and vigorous city councillors, Vienna, contrary to the dismal prophecies of those who would have preferred to see Austria vanish from the map, obstinately refused to die, but blossomed out as a reborn and flourishing city. Based on the indestructible determination of the Viennese to survive which these leaders directed and inspired, gigantic housing schemes were quickly put into practice after the collapse of 1918 and caused astonishment and admiration far beyond the frontiers of Austria.

746 The eminent physician and advocate of social reforms, Dr. Julius Tandler, based his activities on the principle that care for social welfare was a duty incumbent on all and that those in need had a right to be helped by the community. On the basis of these principles, Tandler brought into being a social welfare organisation which not only brings aid to all those who call for it, but going beyond daily necessities, seeks appropriate means to overcome helplessness itself, and to enable the needy of today to become again active and creative members of the social system. This is applied to welfare work for the youth of the city as well as

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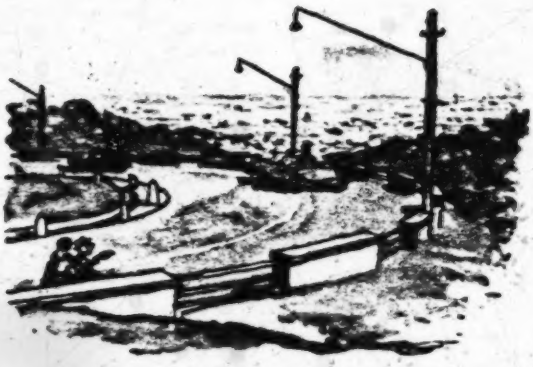

Kahlenberg: The Höhenstrasse.

legally embodied in the new building regulations of 1930. These put an end to the traditional construction for profit of tenement barracks with kitchens opening only on to an interior corridor, so-called "light-shafts" and back blocks. Since then, Vienna's housing principles have been adopted by many countries. They served as a model for the great building programme of the British Government, and have even influenced projects for the building of millions of flats in the United States. 362

A radical change has also taken place in the administration of the public utility services of the Municipality. The principle that costs only should be covered was introduced—i. e. the monopoly undertakings have to be self-supporting without trying to earn a profit for the municipal exchequer. In this way every improvement, every reduction of costs is a direct gain to the consumer—the Vienna public as a whole. At the same time extensive modernisations of all these undertakings were carried out. The Vienna gasworks were transformed into a great chemical factory which was enabled through its by-products to play an important rôle in the country's economy. The municipal electricity works were provided with new machinery and water-power plants were constructed. Gas and electric light became so cheap in this way that it was possible to introduce them to almost every Vienna household. 365

With these great innovations in the service of the masses (which made heavy demands on municipal finances), the position of municipal employees was put on an entirely fresh basis. Not only were working conditions improved for all 633

633 categories, but wages were increased. Since then no worker or employee in municipal employment has been dependent on tips.

The basis of all the great achievements of the Vienna Municipality after the First World War was a stern financial policy which gathered in money where it was to be found—in the hands of the property-owning classes and of those who chose to live luxuriously.

491 Between the years 1934 and 1938 many large-scale road constructional schemes were carried out. First the Höhenstrasse was built through the belt of forests and meadows on the western outskirts of the city, then the Kobenzlstrasse and the Kahlenbergstrasse were constructed, the whole providing a wonderful motor highway. Another road important for modern traffic is the Wientalstrasse, which greets the motorist from the west far outside the city boundaries near Purkersdorf, and conducts him through Hütteldorf, past Schönbrunn Palace deep into the heart of Vienna.

633 Thus the activities of Vienna Municipality in the period following the First World War may be put on record as having been constructive in the best sense of the word, serving the welfare of the people at large and the progress of mankind.

READJUSTMENT AND CONSOLIDATION

Vienna still had an important economic contribution to make to the country and to the world. Its unique geographic position at Europe's crossroads again attracted a large and growing volume of transit trade which helped to keep the commercial life of the city at a high level. Again, the long-standing knowledge which the Viennese financial institutions had acquired of the Balkan markets gave rise to economic activities and payments from foreign countries which helped to improve the balance of payments. Of still greater importance was the increased activity in the consumer goods and export industries to which Vienna, the main centre of the lighter industries, was particularly well suited. The introduction of a biennial fair made Vienna the main centre of the country's export trade and an important factor in Central and east European trade. 366 368

Last, but not least, the economic activities of the Viennese City Council helped considerably to re-establish and stimulate the economic life of the capital.[1] A skilful financial policy had enabled the municipality to avoid a deficit even during the difficult post-war and inflationary years. Now that the position had become easier they embarked on a progressive programme of expenditure on social welfare, educational reform, and—most important from the economic point of view—on an extensive building programme. Building activity had practically come to a standstill during and after the war and the housing shortage was acute. Private building was discouraged by a strict Rent Restriction Act which protected the population from the wild profiteering in rents that would have otherwise occurred. In 1923 the municipality, which had already built 7,259 dwellings between 1919 and 1923, announced that they would build 25,000 new dwellings during the next five years. This was the 633 331 633 362

[1] [CA CATEGORY 116, P.50. -- ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

331 beginning of a great housing programme which replaced
362 slums by beautiful modern houses and attracted the atten-
633 tion of experts from all over the world, and which revived the building trades and with it, a great number of related industries in Vienna and the rest of the country.

CONSOLIDATION

433 Once the currency was stabilized and more normal conditions established, the upward trend in industrial and agricultural production became more marked as well as more general. It now seemed as if the earlier economic problems of Austria would soon find their solution and that a sound basis for a new national economy would be formed. And this would have doubtless been true if the process of consolidation of that period had not come to an abrupt end in the world economic depression.

For progress was quite considerable. Industrial production increased quickly and at a rate which compares not unfavourably with development in other countries during the same period.

INDICES OF INDUSTRIAL PRODUCTION

(Average 1925–9 = 100)

	Austria	Germany	Czechoslovakia	United Kingdom
1925	89	87	88	99
1926	89	87	86	76
1927	100	109	100	109
1928	110	108	111	104
1929	113	109	115	112

Two points should, however, be noted in this connection. Firstly, the increase in output was achieved not so much

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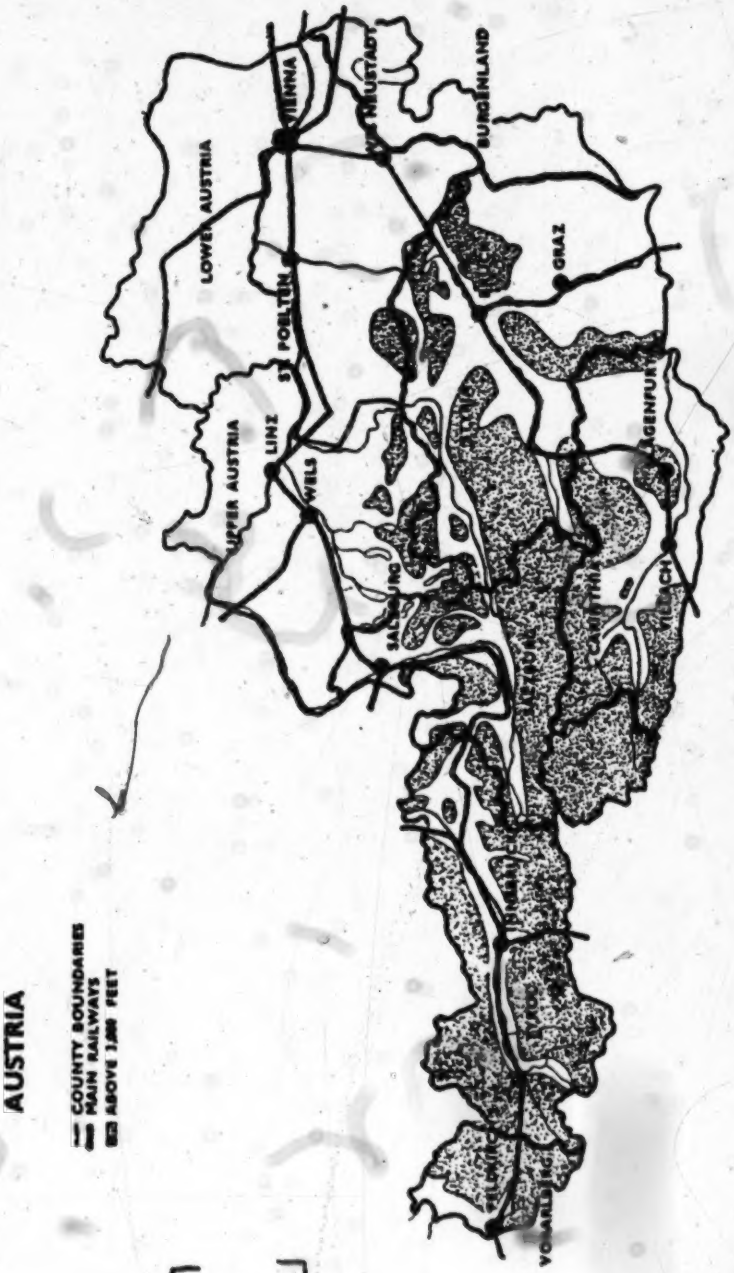

[p. 110]

2: MacDonald S-4 (no date) 1946 EK1 Austria EK1

elected need not be members of the Provincial Councils, 647 although they should be eligible for such membership, suggests 642 that it was not intended that the Federal Council members should be directly representative of the Provincial Councils.[1] Further, proportional representation was introduced in order to secure representation for the largest of the minority parties in all the Provinces.[2]

The Provinces could not therefore be represented in the Federal Council, as they were in the American Upper House, by corporate bodies of voters. Indeed, the provisions of Article 56, by which it was decreed that members should not be bound by instructions from any outside body, were expressly made to apply also to members of the Federal Council.[3] And these Articles, apart from the fact that they made impossible a strict representation of provincial interests, also constituted a very considerable interference by the State on what might well have been regarded as purely provincial matters.

The influence of the Federal Council on federal legislation was a limited one. It could submit bills to the National Council through the Federal Government,[4] and with certain important exceptions, as, for instance, measures dealing with financial matters, it had a right of suspensive veto. Bills thus vetoed could, however, be repassed by the National Council by a special majority.

It may be said, therefore, that the Federal Council was not organized on a strictly federal basis, and that its powers, as compared with those of the National Council, were extremely limited.

Those legislative powers not specifically enumerated as 642 belonging to the State, were left to the Provinces.[5] Actually 635

[1] Article 35, (2).

[2] Article 35, (1), inserted at the instigation of the Social Democrats.

[3] Kelsen comments on this: 'Dass die Mitglieder des Bundesrates nicht an die Aufträge des Landtags gebunden sind, der sie entsendet, ist jedoch darum besonders bemerkenswert, weil es sich beim Bundesrat doch offenbar um eine Vertretung der Länderinteressen handelt. . . . Die Mitglieder des Bundesrates sind daher ebensowenig Vertreter des Landtages oder eines Landes, wie die Mitglieder des Nationalrates Vertreter des Bundesvolkes oder einzelner Wählergruppen sind.' (Op. cit., vol. v, p. 145.)

[4] Article 41, (1).

[5] Article 15, (1).

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642 however, the enumeration of powers belonging to the State
635 covered a very wide range of subjects.

By Article 12 the Provinces had the right to provide supplementary legislation to general laws laid down by the State. If, however, the Provinces did not enact the necessary supplementary legislation within a given period of time, the State could pass the necessary legislation itself.[1] All provincial legislation required the sanction of the Government. Sanction could be refused on the grounds that the law in question endangered federal interests, and the provincial law could only be re-enacted with a special majority.[2] Even then, the case could be brought before the Constitutional Court by the Federal Government, on the grounds that the law in question was unconstitutional.[3] The consent of the State was necessary for any legislation requiring its co-operation.[4]

The legislative rights of the Provinces were therefore not extensive.

They were, however, far more richly endowed with administrative rights.[5] These were of two kinds: (*a*) direct administrative rights—i.e. in connection with administration dealing with exclusively provincial matters; (*b*) indirect administrative

[1] Article 15, (2). [2] Article 98, (2).

[3] But the Provinces could also challenge State laws on the ground of their unconstitutionality. Article 140, (1).

[4] Article 97, (2).

[5] The fourth section of the constitution, Articles 95–120, dealing with legislative and executive administration in the Provinces, required, however, to be implemented by three more laws before it could come into effect. The first of these, governing the financial relationship between the State and the Provinces, was passed on 3 March 1922 (B. G. Bl. Nr. 124). The second and third, dealing with administrative reform in the Provinces and with education, were never passed. Administrative power was divided between the State and the Provinces on the lines laid down by the Law of February 1861; legislative power was divided in accordance with the Law of 1867 (Articles 11 and 12); and educational facilities were provided in accordance with the Law of 1868. This delay was unfortunate in that it served to increase the already existing friction between the State and the Provinces by perpetuating uncertainty in their relationships; and legislation passed in the eighteen-sixties, the heyday of *laissez-faire* liberalism, could not meet adequately the needs of the new Austria. For instance, section 11 of the Law of 1867, enumerating matters to be dealt with by the State legislation, omits all reference to economic and social matters. Moreover, inadequate legislation could not, as it had been in the pre-war period, be implemented by Imperial ordinances.

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rights, i.e. administration in connection with federal legislation. It may be noted, however, that, even in connection with direct administrative rights, the State had a certain right to intervene. A Federal Minister could, for instance, challenge a provincial administrative act before the Administrative Court, on the grounds that the interests of the State had been injured thereby.[1] And any person could challenge any administrative act by bringing it before the Administrative Court, on the ground that it was *ultra vires*.

As regards provincial administration which supplemented federal legislation, the control of the State was considerable. And although it was intended to abolish as far as possible the old system of dual administration in the Provinces by using provincial officials for federal administration, it was expressly provided that, if the Provinces failed to implement federal legislation within a given length of time, the State might delegate the necessary administrative powers to its own officials. If supplementary administrative regulations were necessary in more than one Province, and the Provinces concerned could not reach an agreement, federal officials could be put in. Moreover, the Governor, the chief administrative official in the Provinces, although elected by the various Provincial Councils, was sworn in by the President.[2] And when local officials acted for the Federal Government they became, *ipso facto*, federal officials. Thus, the right of appeal against

[1] This was a new provision. In the old Austrian constitution only private persons could appeal against a decision before the Administrative Court. And this provision was the more important in view of the wide powers with which the Administrative Court was endowed. By Article 133, (3), for instance, it was empowered to decide cases on their merits, apart from legal considerations. This was a new departure, although Article 133, (1) and (2), had been taken over from the Laws of 1875. Kelsen comments as follows upon this Article: 'Die Möglichkeit einer Reformation von Verwaltungsakten durch den zentralen Verwaltungsgerichtshof ist um so bedeutungsvoller, wenn man berücksichtigt, dass es sich dabei auch um Verwaltungsakte handelt, die im selbständigen Wirkungsbereich des Landes gesetzt werden, u. dass deren Reformation durch ein Bundesgericht erfolgt.' (Kelsen, *Jahrbuch des öffentlichen Rechts*, vol. xi, p. 263.) On the other hand, the Provinces had indirect control over the appointment of half the members of the Administrative Court (Article 135).

[2] Article 101, (4).

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642 their actions lay through the central authorities and not
635 through the Provincial Assemblies.

It may, therefore, be said that, although the Provinces were endowed with comparatively far-reaching administrative rights and duties, the State had extensive supervisory rights.

642 As regards judicial rights, Article 82 enunciates the principle
635 that "The whole judicial system lies within the competence of
692 the State".[1] It may, however, be noted that, although the Provinces had no influence over the election of the judges of the ordinary Courts, who were appointed on the advice of the Senates by the Federal Ministry and the President,[2] they had some control over appointments to the Administrative and Constitutional Courts. For instance, by Article 135, the nominations of the Federal Government for the posts of Vice-president, and half the members of the Administrative Court, required the assent of the Federal Council. Article 147 laid down somewhat similar provisions for appointments to the Constitutional Court.[3] But this case differed from the former in that the Federal Council had no influence over the appointment of the Vice-president.

It is clear, however, that the share of the Provinces in the working of the judiciary was even smaller than their share in legislation and administration.

642 But, while there can be no doubt that the substance of power
635 lay with the State, lip-service was certainly freely paid to the federal idea. The outstanding example of this is Article 2, (1),[4] to which reference has already been made. Another example may be taken from Article 2, (2), where reference is made to the 'independence' of the Provinces. But, as Kelsen points out, this word has no exact legal meaning.[5] Article 15, (1), refers to cases not expressly made over to the State, as remaining within

[1] Kelsen comments on this: 'Dass die gesamte Gerichtsbarkeit dem Bund vorbehalten ist, bedeutet einen, für einen Bundesstaat ungewöhnlichen Grad von Zentralisation.' (Op. cit., vol. v, p. 176.)

[2] Article 86, (1).

[3] In this case, however, the Federal Council was responsible for the actual appointments. It did not merely give its assent to proposals of the Government.

[4] 'Österreich ist ein Bundesstaat.'

[5] Op. cit., vol. v, pp. 66–7.

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the sphere of provincial autonomy.[1] But, as the Federal State had in fact evolved from a unitary State, the word 'remain' is meaningless. 642 635

By Article 26, (2), it was laid down that the country should be divided up into constituencies within the various Provinces. Apart, however, from the fact that this constituted a recognition of the federal ideal, it is difficult to see that the Provinces derived any particular benefit from this arrangement. Article 36, providing for strict rotation among the Provinces in the office of President of the Federal Council, is of a similar character. 642 635 646

Article 24 announces that legislation shall be by the National Council, together with the Federal Council elected by the Provincial Councils. But in fact, as has been pointed out, the legislative power of the Federal Council was very slight indeed. The Federal Council had, for instance, no share in the appointing of the Government;[2] and it could not even set up special committees of investigation.[3]

Again, by the terms of Article 52, the Federal Council could, as the National Council, inquire into the conduct of the Government. It might be supposed that the corollary of this Article would be that, if the conduct of the Government was found to be unsatisfactory, the Federal Council could take some steps towards its removal. This, however, was not the case.[4]

There were, it is true, certain things which could not be done without the consent of the Federal Council. By Article 3, (2), for instance, it was decreed that no alterations could be made in the boundaries of the Provinces (except as provided by the Peace Treaties), except by agreement of all the Provinces concerned.[5] By Article 35, (4), it was decreed that no alteration

[1] 'Verbleibt sie im selbständigen Wirkungsbereich der Länder.' This terminology may be compared with that of the previous draft of this article, 'Die Länder . . . übertragen dem Bund', etc. The implication of these phrases is that the Provinces were originally sovereign bodies. This was certainly not the case. (Kelsen, op. cit., vol. v, p. 80.)

[2] Article 70. [3] Article 53, (1). [4] Article 74, (1).

[5] Cf. Weimar Constitution, Article 18, which empowers the State, in certain circumstances, to alter boundaries without the consent of the Provinces concerned.

642 should be made in the constitution of the Federal Council
635 without its assent. And assent required a majority vote in
646 favour from the representatives of at least four Provinces. A minority of the Provinces could thus prevent an amendment.[1]

[692] Finally, by Article 132, if a Province were involved in a dispute before the Administrative Court, the case had, as a rule, to be tried by a Senate having among its members a judge who formerly belonged to the judicial or administrative service of that Province.[2]

642 But although certain actions could not be carried through
635 without the consent of the Provinces, effective precautions were taken to ensure that the Provinces should never become overpowerful.

Articles 95–120, for instance, gave the State control over the political and social structure of the Provinces. The provisions ensuring democratic government, safeguarding minority rights, and guaranteeing to the State extensive supervisory rights, guarded against the possibility of the growth of a strong, united opposition to the central Government from reactionary parties in the Provinces. The extent to which State control over the Provinces went may be seen by Article 100, which provided that a Provincial Council could be dissolved by the Government, if the consent of the Federal Council was obtained.[3] The Article provides an example of the spirit of compromise which pervades the Austrian constitution, for, while the federal principle is undermined by the provision that a Provincial Assembly can be dissolved by a State organ, it is safeguarded by the provision that the assent of the highest federal organ shall be necessary for such a dissolution.

642 The Administrative and the Constitutional Courts were
635 clearly intended as State organs (although, as has been pointed
692

[1] The provisions of this article should have been applied also to Article 34 (dealing with representation of the Provinces in the *Bundresat*). Originally Articles 34 and 35 were one. When they were separated the constitutional committee omitted to make Article 35, (4), apply to both of them, though it was clearly far more important that it should apply to Article 34.

[2] Cf. with provisions for trying cases before the Permanent Court of International Justice (Statute of the Court, Article 31).

[3] The consenting vote, however, required a quorum of one-half of the members, and a two-thirds majority.

out, the Provinces exercised a certain indirect control over the 642
appointment of their personnel). For instance, if a federal 635
minister considered that the interests of the State had been 692
injured by an erroneous decree of a provincial authority, he could bring the matter before the Administrative Court. No such provision, however, was made for appeals by provincial ministers against State decrees.[1]

Finally, the following provisions may be noted, which though 642
not themselves of great importance, none the less indicate the 635
general tendency to ignore the federal principle. By Article 41, (2), for instance, voters in three different Provinces could join in submitting an Initiative, provided that in each Province half of the qualified voters agreed to it. This was to be an alternative to an Initiative signed by two hundred thousand of the qualified voters in one Province, and was intended to safeguard the rights of minorities in the smaller Provinces. It was clearly, however, an infringement of the federal principle.[2]

Finally, the formula used in the publication of laws is "The 671
National Council has decided . . .", etc. (If the law is passed 642
635

[1] Article 129, (2). This may be compared with Article 140, (1), regulating appeals to the Constitutional Court. In this case the right of appeal is guaranteed both to the State and to the Provinces.

It may be noted that in the important sphere of finance, the control of the State was to be even further extended, by the Finance Constitutional Law of 3 March 1922 (B. G. Bl. Nr. 124). If a proposed provincial law dealing with financial matters was vetoed by the Federal Government, its re-passage by the Province concerned, with a special majority, did not settle the matter. 'In diesem Falle kann nämlich die Bundesregierung den Einspruch trotz des Wiederholungsbeschlusses aufrechterhalten. Der dadurch entstandene Konflikt zwischen Bundesregierung u. Landesgesetzgebung wird durch einen ständigen gemeinsamen Ausschuss des Nationalrates u. des Bundesrates entschieden. Dieser hat nämlich zu beschliessen, ob der Einspruch aufrecht zu bleiben hat, oder nicht. Entscheidet sich der Ausschuss für den Einspruch der Bundesregierung, erhält deren Veto einen absoluten Charakter.' (Kelsen, *Jahrbuch des öffentlichen Rechts*, vol. xi, p. 258.)

[2] This article may be compared with Article 15, (3). In this case, the Provinces must co-operate in the passage of supplementary legislation under Articles 11 and 12. If they fail to do so, the right to pass such legislation is transferred to the federal minister. These two articles might seem to conflict with Article 107. But Article 107 is probably intended to prevent a combination of Provinces hostile to the central Government (cf. with Imperial Decree of 1860). Co-operation between the Provinces was not, on the whole, encouraged. By Article 107, for instance, Provincial Councils were forbidden to communicate with one another, except in matters falling within their autonomous sphere of action.

642 as the result of a Referendum this is noted.) No mention is
635 made of the co-operation of the Federal Council. Laws are
671 dated in the Federal Law Book from the day of their third reading by the National Council.

(iii) *The National Council*

642 The Austrian State was reorganized by the constitution of
646 1920 as a democratic, federal, and parliamentary republic. The pivot of the whole political structure was the National Council.

The sovereignty of the National Council was ensured by the almost complete absence of provisions for its control either by the people who elected it, the Federal Council, the Government, or the President.

From the first of these possible controlling bodies the National Council was virtually divorced after it had been elected. It was specifically laid down in Article 56 that members should not be bound by instructions. The people could, it is true, introduce legislation directly, by the device of the Initiative. They were not, however, encouraged to do so; the numbers of supporters required for an Initiative motion was, as has been pointed out, comparatively high; nor was the National Council bound to pass such bills. Similarly, proposals involving a complete revision of the federal constitution had to be submitted to a Referendum. But no attempt was made to define what was meant by a 'complete revision'; and again, it was not stated that the National Council was bound by the result of such a Referendum. Other measures only had to be submitted to a Referendum if the National Council so decided.[1] The National Council could only be dissolved before the end of its four-year term of office by its own decree. If it was so dissolved, it had to be reassembled by its President, if a quarter of its members so requested.[2]

But, if the National Council was not controlled by its electors, still less was it controlled by the Federal Council. The Federal Council had, as has been pointed out, in a few

[1] Article 43. [2] Article 28.

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financial relationship of the State and the Provinces was passed on 3 March 1922,[1] it was found to be impossible to reach agreement on the other two proposed measures. The effects of the delay became increasingly serious, for the law of 1867, which was still in force as a temporary measure, restricted the legislative activity of the State to a minimum. This measure had been introduced in an era of economic liberalism, and it had already, by the end of the nineteenth century, been found necessary to disregard the limits set by it to State activity. Had these limits been rigidly adhered to, it would have been impossible, for instance, for the State to introduce any social legislation at all. But whereas before the war it had been possible to disregard the 1867 measure with comparative impunity, this was no longer the case in the post-war period, for, with the additional power given by the 1920 constitution to the Constitutional Court, it was always possible that one of the Provincial Governments would challenge even existing legislation as unconstitutional. And the overriding authority of the Emperor was no longer available for forcing through necessary measures. It was therefore considered advisable in 1925 to introduce the new provisions contained in Articles 10–15 of the 1920 constitution without further delay.[2]

Certain reforms were made in the existing system of provincial administration, which were intended to facilitate the working of the new administrative provisions and to prepare the way for a more comprehensive reform in the future. For instance, an attempt was made to end the dual administrative system. Since the war, both the provincial and the state officials (*Bezirkshauptmannschaften*) were indirectly under the control of the Provincial Governments,[3] the only difference being that in the latter case there existed a right of appeal to the Federal Government. Some doubt had, however, existed

[1] B. G. Bl. Nr. 124

[2] Certain minor changes of a centralist character were introduced at the same time, e.g. more control was accorded to the State in matters regarding water and electricity (B. G. Bl. 268, Article 10, x).

[3] For the Provincial Governments assumed, since the war, responsibility for the appointment of the Provincial Governors to whom the State officials were responsible.

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642 regarding the status of those officials whose work was concerned
635 with both indirect and State administration, and with provincial administration. Now they were all declared provincial officials, and a new official, the *Landesamtsdirektor*, appointed by the Provincial Government, with the approval of the Federal Government, was placed at the head of all the officials in each Province.[1] Traces of the old dual system remained, however, for the erstwhile State officials, although now responsible solely to provincial authorities, continued to enjoy their old status as State officials, and attempts to alter this somewhat anomalous state of affairs came to nothing, owing to opposition from two of the three parties of the Government coalition.

Certain minor reforms were introduced at the same time which were designed to strengthen the three control organs of the constitution.

The most important of these reforms was that by which some control over provincial finances was accorded to the Court of Audit.[2] The measure was disapproved of by the federalists, and was only passed under pressure from the League Commissioner. At the same time, the previous position, by which the Court of Audit had acted as a control on the Government, was in some measure reversed. This was also a result of pressure from the League Commissioner, who was anxious both to strengthen the position of the Government, since this body was as a rule ready to co-operate with him, and to induce the Court of Audit to co-operate in carrying through League reforms.

Another important provision passed at that time was that by which the State was accorded the right of absolute veto on provincial taxation for the period from 13 August 1925 to 31 December 1930. Again, the influence of the League Commissioner is clearly perceptible.

[1] B. G. Bl. 268, Article 106.

[2] B. G. Bl. 268, Article 127. Such control has been optional according to the terms of the 1920 constitution (Article 127), and only Burgenland had made use of it. The result had been that the Provincial Governments had been able to nullify the economies imposed by the League on the Federal Government. The Provinces were, however, induced to see reason at the *Länderkonferenz* of 1925.

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sented by eighteen members, while thirty-six members should represent the professions and industries.[1] However, as Schober pointed out, a reform of such magnitude could not be hurried through in a few days—particularly as it would mean a further increase in the number of officials.[2] It was anticipated, however, that another constitutional law would be passed dealing with this matter. In the meantime the composition of the Federal Council remained unchanged.[3]

A further step towards centralization was taken by extending the control of the Court of Audit not only over provincial finances but over districts which comprised more than twenty thousand inhabitants.[4] Hitherto the control of the Court of Audit had only been exercised in those Provinces which had not independent control organs of their own.[5] This change brought the finances of the city of Vienna under the control of the Court of Audit, and in consequence was bitterly opposed by the Social Democrats.

The right of appeal in matters dealing with provincial administration was somewhat extended.

The powers of the State police were considerably extended at the expense of those of the Provinces.[6] As a result of this legislation, the special municipal police force instituted in Vienna after the 1927 riots had to be disbanded. All State police were to be given an autonomous ordinance right, in virtue of which they could, under special circumstances, issue ordinances, which would have temporary validity, provided

[1] *The Times*, 15 October 1929. [2] *Reichspost*, 20 October 1929.

[3] But although no new legislation was introduced, a later paragraph referred to members of the Upper House as enjoying immunity in their capacity as members of Provincial Councils (Article 58, (1)). But the old Federal Council members, although they had to be eligible for election, could not themselves be members of local assemblies (Article 35, (2), 1920).

[4] Smaller districts could be included if the Provincial Government concerned so requested (Article 127).

[5] B. G. Bl. Nr. 268, 30 July 1925, Article 127, (1).

[6] Kelsen, *Jahrbuch des öffentlichen Rechts*, vol. xviii, p. 132. 'So gut wie die gesamte Sicherheitspolizei ist der Zuständigkeit der Länder entzogen, und dem Bunde übertragen. Diese Monopolisierung fast des gesamten Polizeiwesens beim Bund bedeutet, wenn man beachtet, dass auch das ganze Militärwesen u. die ganze Gerichtsbarkeit von allem Anfang an beim Bund lagen—einen Grad von Zentralisation, der mit dem Typus des Bundesstaates kaum mehr vereinbar ist.'

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642 that they did not contravene existing laws.[1] Schober gave an
625 assurance that this legislation was only intended to endow the police with such additional facilities for keeping order as no law-abiding man could take exception to.

[871] The State Minister for Education was now given control over all matters concerning education[2]—a concession on the part of the Social Democrats.

642 The future position of Vienna was the subject of much bitter
635 controversy. The Christian Socialists, seeing in its independence the key to many of the evils of post-war Austria, wished to deprive it of its provincial status, and reduce it to the position of a federal city under the direct control of the Federal Government. They maintained that it was not that Vienna was of lesser importance than the other Provinces, but that she was essentially different from them.[3] Her independent position as a Province could not, in their opinion, be reconciled with her special obligations as the capital city of the whole of Austria.[4] This, however, seemed to the Social Democrats like an attempt to have things both ways—federalism and the abolition of Viennese autonomy. But the Christian Socialists pointed out, with some truth, that the position of the Mayor of Vienna was very much stronger than that of an ordinary provincial Governor.[5] The Social Democrats argued, however, that it was ludicrous that the mayor of a city comprising two million persons should be reduced to the status of a mere *Bezirkshauptmann*, while a tiny province like Vorarlberg, comprising only 140,000 persons, should be in a position of

[1] Kelsen comments as follows on these provisions: 'Mit der Vorschrift, dass die von den Polizeibehörden zu erlassenden Verordnungen, nicht gegen bestehende Gesetze verstossen dürfen, stellt sich die Verfassung auf den Standpunkt der mehr als fragwürdigen Lehre, die zwischen Verordnungen secundum Legem, praeter Legem u. contra Legem unterscheidet.' (Op. cit., p. 143.)

[2] Article 120, (1); *Frankfurter Zeitung*, 5 December 1929.

[3] *Reichspost*, 12 October 1929.

[4] 'Der geschichtlich gewordene, legitime Länderföderalismus ist ein Wesen für sich, u. kann nicht verwechselt werden mit der Stellung der Bundeshauptstadt, die als solche besondere Verflichtungen gegenüber dem ganzen Bund, als Sitz aller zentralen Institute hat.' (*Reichspost*, 19 October 1929.)

[5] *Reichspost*, 19 October 1929.

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comparative independence.[1] According to the original proposals put forward by Schober in the form of three Bills, on 18 October, Vienna was deprived of its provincial status, and made directly dependent on the Federal Government. The powers of the Mayor were transferred to a Cabinet Minister, and the City Council reduced to twelve members.[2] These proposals could not, however, be carried, as the status of Vienna was an issue over which the Social Democrats were prepared to fight. And, in the end, Vienna retained its status as a Province. But a part of its revenue was in the future to be handed over to Lower Austria,[3] and a certain measure of control was accorded to the Federal Government regarding police, finance, and educational matters. And it was now possible to appeal to the Federal Government against decisions of the Mayor.

It may be noted that no provision was made by the new reforms for the existence of a 'State of Emergency', although this contingency had been provided for in the Weimar Constitution.[4] Kelsen draws attention, however, to the new provision of Article 102.[5] The intention of this passage is, Kelsen thinks, obscure. It may merely mean that measures normally within the competence of the local authority may be temporarily taken over by federal officials. It is not, however, expressly stated that the federal officials can only undertake matters which would be within the competence of the local authorities. Kelsen thinks it may be interpreted to mean that federal officials can, in such circumstances, take any measures which they may consider necessary to restore order. In this case, the provisions of the article do not seem to differ

[1] *Vorarlberger Volksblatt*, 19 October 1929.

[2] *Daily Telegraph*, 19 October 1929

[3] The German Nationalists had wanted the amalgamation of Vienna with Lower Austria. (*Frankfurter Zeitung*, 24 October 1929.)

[4] Article 48. Kelsen comments on this fact: 'Durch die Notverordnungen gemäss Art. 18 kann jedenfalls kein verfassungsmässig gewährleistetes Recht aufgehoben werden.' (*Jahrbuch des öffentlichen Rechts*, vol. xviii, p. 144.)

[5] 'Ergibt sich in einzelnen Gemeinden die Notwendigkeit, wegen Gefährdung der öffentlichen Ruhe u. Ordnung, besondere Massnahmen zu treffen, so kann der zuständige Bundesminister mit diesen Massnahmen für die Dauer der Gefährdung eigene Bundesorgane betrauen.'

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of local feudal lords, special privileges which ensured it unusual opportunities for development.

The picture of a mediaeval townlet which Feldkirch presents today is furnished mainly by the streets of the ~~inner town~~, consisting of solid and impressive buildings in which merchants have carried on their affairs for many generations. Such evidence as survives of former defensive constructions like the Churer Tor, the Katzenturm and Schattenburg Castle, which towers over the town, conjure up visions of scenes long past to attract a stranger's attention.

361 871 Feldkirch was called "Studierstädtlein" in bygone days when it was of great importance—one might almost say of unparalleled importance—in educational affairs. It had a grammar school, a college for teachers which attracted students from all over the country, and the famous Jesuit college "Stella Matutina", well-known throughout Europe.

361 635 It could with almost equal justice have been called the "Township of Bureaucrats", although it was never a centre of government. But the majority of the other administrative bodies of the province are established in Feldkirch. The cosmopolitan character of the bureaucracy of the Austro-Hungarian Monarchy has affected the racial composition of the local population.

361 498 Feldkirch, as a junction on the only direct East-West route, is of importance to the Austrian traffic system. It is the main railway station on the frontiers of Austria with Switzerland and Liechtenstein, and thus a connecting-link in the West European transport organization.

133 DO YOU KNOW THE LEGEND OF THE THREE SISTERS? No? Then wander from Feldkirch through the Ill Ravine, the "Felsenau", that deep channel which the river has for centuries been cutting through the imprisoning rocks and which is still so narrow that there is only just room for the railway leading to the Walgau to run beside it. A feat of engineering was called for to carry the road over river and railway on a precarious bridge. Once one emerges from this narrow gorge, the character of the countryside is seen to have completely changed. Even the air is cooler, and the natives say that east of the Felsenau (i. e. in Walgau) it is "a jacket cooler" than in the Rhine Valley. You walk all

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III

THE CONSTITUTION OF 1920

THE constitution, which was finally promulgated on 5 October 1920, represented in the main a compromise between the views of the Christian Socialists and the Social Democrats.

(i) *The Democratic Principle*

All parties were agreed that the new constitution must be a democratic one. It was therefore laid down in the first Article that "Austria is a democratic Republic. Her laws are made by the people."[1] A great effort was made to secure effectively, by careful legislation, the democratization of the whole machinery of government. It is only necessary, for instance, to refer to the detailed provisions made by Articles 95 and 115–20 to ensure the democratization of the machinery of government in the Provinces. In the case of these Articles, zeal for the triumph of the democratic principle overcame objections to provisions which constituted a striking encroachment on provincial rights.

Again, the importance attached by the framers of the constitution to the firm establishment of the democratic principle is shown by the provisions dealing with the organization of the

[1] Dr. Kelsen points out that this statement is without much legal significance. 'Ob Österreich eine demokratische Republik sei oder nicht, das zu beurteilen ist auschliesslich u. allein Sache der Rechtserkenntnis, nicht des Rechtes; dessen Sache ist es eine demokratische Republik zu sein oder nicht zu sein.' And the second part of the article is misleading in so far as it implies that direct government by the people is the normal method of legislative procedure. Actually, direct government can only be used under exceptional circumstances (vide Articles 41–6 of the Constitution). (*Jahrbuch des öffentlichen Rechts*, 1922, vol. xi, p. 238.) These statements may be compared with, for instance, the first clause of Article 87, 'Die Richter sind in Ausübung ihres richterlichen Amtes unabhängig', and with the first clause of Article 91, 'Das Volk hat an der Rechtsprechung mitzuwirken', neither of which statements has in itself any legal significance.

641 suffrage. In 1907 the suffrage had been extended for State
642 elections so that all males over twenty-four years of age had an active vote, and all males over twenty-nine had a passive one. These age limits were now reduced to twenty and twenty-four years respectively; and the right to vote was extended to women.

Whereas in pre-war days no attempt had been made to regulate the suffrage in those Provinces where the old curial system, abolished for Reichstag elections in 1907, had persisted up to the war, it was now expressly laid down that the right to vote in provincial elections might never be more restricted than it was for elections to the National Council.[1] This provision is another example of a striking incursion on provincial rights in the interests of democracy.

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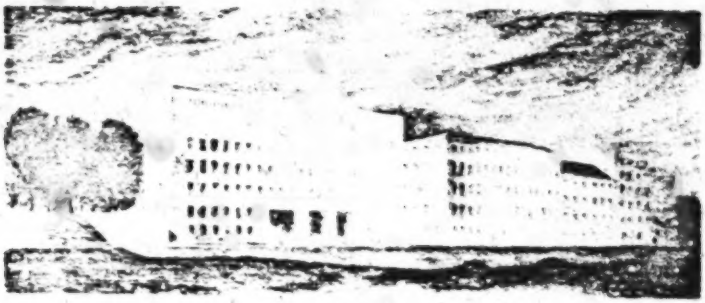
3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

should be incorporated in the German Republic, in the event of the peace treaty permitting such a development. The Provincial Assemblies of Salzburg and the Tyrol decided to hold plebiscites on the subject, both of which resulted in overwhelming majorities in favour of union with Germany. In the Tyrol 144,342 votes were cast for the *Anschluss* and 1,794 against. In Salzburg the figures were 103,000 for and 800 against. 648

In spite of these clear indications of popular opinion, the victorious Powers opposed any increase in German territory. The Treaty of St. Germain, in September 1919, established Austria as an independent State and forebade any modification of its independence without the consent of the League of Nations. In 1931, when the economic crisis led the Austrian and German Governments to plan a Customs Union between the two countries, the project was forbidden as contrary to the treaty terms. C. A. Macartney's laconic statement that French fear of the Germans on the Rhine was 'an insufficient reason for condemning Austria to be alive' summed up the feelings of many Austrians.

In addition to its fundamental weaknesses, the Austrian Republic lacked the required conditions for successful democratic government. 641 665

A prerequisite of sound democracy is a sense of common purpose. Party rivalry is essential to the democratic system, but it must take place within the framework of loyalty to the State. On the whole, in the First Austrian Republic party sentiment was stronger than patriotism. Of the two main political parties, the Social Democrats were convinced, though moderate, disciples of Marx, believing in the international character of Socialism and not uninfluenced by Marx's theory of class dictatorship. The Christian Socialists, though made up of peasants and industrialists as well as clericals, were predominantly Catholic and traditionalist in sympathy, many of them with monarchist leanings. Both sides tended to attach more importance to realizing their political ideals than to establishing effective government in the new State.



Clemens Holzmeister: Austrian Broadcasting House.

727 The end of the First World War and the fall of the Austro-Hungarian Monarchy had similar paralysing results for Vienna as did the end of the Second World War, when there was not only a collapse of the existing regime, but in addition extensive war damage to be faced. The general reorganisation of the State which took place after 1918 proved less difficult, not only because there had been no actual war damage in Vienna itself, but also because the forces released by the conclusion of the war were not hindered in their development by the pressure of an occupation. Nevertheless, it was years before the Austrian economy and the capital city had so far recovered that it was possible to go beyond efforts to satisfy the daily needs of the population and start constructive municipal schemes.

•641 The political revolution of November 1918 secured the full triumph of democratic principles. Universal, equal and direct suffrage, with a secret ballot, was extended to women and, for the first time, applied to the election of members of a Vienna city council. As a result the influence of the masses of citizens which had until 633 then been artifically suppressed now took full effect on the composition of the [665] Council Chamber. Power in the municipal assembly consequently went to the Party of the workers, the Social-Democrats. By securing the majority in the City Council the latter found themselves in a position to put their principles into practice in various fields of municipal activity. During the 15 years after the First World War that the Social-Democrats were able to run the municipal affairs of Vienna, entirely new principles were applied to the administration of public welfare, housing, the conduct of public utility services, the educational system and to questions of personnel. As the basis and support of all these innovations a new financial policy was devised and put into practice. The successful achievements of this exceptionally fruitful period of Vienna municipal administration—it must be remembered that they were not carried out during a period of general prosperity and easy-living,

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INTRODUCTION

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IN the autumn of 1918 the Empire of the Habsburgs collapsed; and when the Czechs, the Poles, the Southern Slavs, and the Hungarians had broken away and formed independent States, the German Provinces of the old Reich, containing some seven million out of the fifty million of the Habsburg peoples, were left alone to face an uncertain future.

The Christian Socialists of the Provinces[1] and the Social Democrats of Vienna and the industrial districts, differing in almost every other respect, were united at that time in their desire to join the German Reich, and in their intention of instituting some form of democratic government.

Frustrated by the Allies in their first objective they proceeded, with the blessing of the civilized world, to draw up with meticulous care a pronouncedly democratic constitution, which should ensure for all time government of the people, for the people, by the people. From the Cardinal Archbishop to the editor of the *Arbeiter Zeitung* there was scarcely a dissentient voice. All were agreed that from henceforward the people themselves must be the arbiters of their own fate.

The friends and enemies of Austria were equally unanimous in their approval of parliamentary democracy as a form of government. The Czechs, the Yugoslavs, and the Hungarians, in so far as they had time for consideration of Austrian affairs at all, were profoundly thankful to see the disappearance of the last remains of the old authoritarian structure of the State, for, with this destroyed, the dreaded return of the Habsburg must remain a remote contingency.

The Allies, and especially President Wilson, viewed with gratified approval the ideological change of heart evinced by their late foes. The war had been fought and won in the name of democracy, and it was consoling to see that even the ex-enemy States had come to appreciate the ideals for which so many millions of lives had been sacrificed.

[1] Throughout this study the term 'Land' will be translated as 'Province'. In fact, however, the Austrian *Ländern* were rather more important units than the term 'province' would indicate.

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642 178 Finally, the Germans of the Reich, the closest friends, if not blood-brothers, of the Austrians, were themselves no less determined that they too would henceforward live under a democratic form of government.

Yet in spite of this apparently auspicious beginning, Austrian politics since 1927, and perhaps even before this, moved steadily in an anti-democratic direction. By 1929 the tide had finally turned, and at last, in February 1934, democracy in Austria was overthrown.

It is not easy to assign its just significance to each of the contributory causes of this *volte-face*, for they were many and various. The following study can only be regarded as a preliminary attempt to consider some of the most important. It can make no pretence to being an exhaustive treatment of what is a very large and complex question.

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II

PRELIMINARY DISCUSSIONS ON THE FORM OF THE NEW CONSTITUTION

THE break-up of the Empire necessitated a radical alteration of the pre-war Austrian constitution, the pivot of which had been the Imperial House. The chief object of Habsburg policy had been to manipulate the rival national and social forces within the State in order to ensure the predominance of Imperial influence. Therefore, with the collapse of the Monarchy and the falling away of the non-German elements, German Austria was confronted with the task of building up a new national State, which was necessarily different, in both its forms and its aims, from that which had preceded it. 642

Because of the general feeling that the reintroduction of any form of autocratic government, however convenient this might be in a period of emergency, must be avoided at all costs, the governmental devices made use of by the German Austrians from October 1918 to the promulgation of the constitution of October 1920[1] were marked by a desire to safeguard the position of the National Assembly as the supreme legislative organ.[2] All parties were agreed, though their fervour varied, that the new State must be a democratic one. 642 646

The stress on the importance of the Lower House was also partly a consequence of the political philosophy of the Social Democrats, whose views were then in the ascendant. This party laid great emphasis on the necessity for concentrating power in one democratically elected Chamber, and viewed with suspicion attempts on the part of that Chamber to delegate any considerable part of its authority to bodies not directly

[1] For an analysis of the Constitutions of 30 October and 19 December 1918 and 14 March 1919, see Kelsen, '*Die Verfassung Deutschösterreichs*', *Jahrbuch des öffentlichen Rechts* (Tübingen), vol. ix, pp. 245–91.

[2] Kelsen, *Die Verfassungsgesetze der Republik Österreich* (Wien, 1919).

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642 646 elected by the people.[1] The party therefore regarded with disfavour any of the customary devices designed to check the Chamber, such as a strong Government, a strong President, or a second Chamber. Social Democrats were equally anxious to vindicate the independence of the Chamber as against the people. Hence, they regarded such devices as the Referendum and the Initiative with suspicion. For this reason, also, they were in favour of the introduction of proportional representation with the closed list system, as they believed that these would free the members of the Chamber from any kind of dependence on their constituents. This, they hoped, would avert both the corruption of local politics and the predominance of the provincial outlook in the National Assembly, which they feared would result if this became the catspaw of local groups.[2]

These views can be clearly traced in the constitutional experiments of the first two years of the Republic. For instance, the Council of State was chosen by the National Assembly on the basis of proportional representation. The Government was thus recruited not from the ranks of one party, but from the whole body of representatives.[3] This body was, however, intended to be in all respects subordinate to the National Assembly. The three Presidents of the Council, who had equal powers, were chosen by each of the three big parties, the Christian Socialists, the Social Democrats, and the German Nationalists.[4] The elections to the Constituent Assembly in February 1919 were based on proportional representation, instead of the old majority voting arrangement.

[1] For instance, the Executive Committee, or Council of State elected by the National Assembly and entrusted by it, on 30 October, with the task of carrying on the government of the country, was deliberately made subordinate to the National Assembly, of which it was constituted the executive committee. The Council of State was, however, later given a right of suspensive veto on proposals put forward by the National Assembly. Law of 19 December 1918. St. G. Bl. Nr. 139, Article 4. Law of 14 March 1919, St. G. Bl. Nr. 179, Article 5.

[2] Renner, speech to Provincial National Assembly, 18 December 1918.

[3] 30 October 1918, St. G. Bl. Nr. 1, Article 4.

[4] Hauser, Seitz, and Dinghofer were elected by the Christian Socialists, the Social Democrats, and the German Nationalists respectively on 21 October 1918. Each held in rotating weeks the offices of President of the National Assembly, the Council of State, and what may be termed the Cabinet.

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But, while Social Democrat ideas regarding the establishment of a strong unitary State in which power would be as far as possible concentrated in a single democratically elected Chamber, came to prevail in the capital, the situation in the Provinces was developing along quite different lines. New Provincial Assemblies, which had been set up in place of the old *Landtags*, had come to regard themselves as quasi-independent legislative bodies. And the central Government, still uncertain of itself, pursued a somewhat vacillating policy with regard to them.[1] For instance, although no provision was made for the participation of the Provinces as such in legislation in the Provisional Constitution of 30 October 1918,[2] and although on 14 November the State formally took over control in the Provinces,[3] the Executive Committee had, on 29 October, sent a mandate to all the Provincial Assemblies,[4] asking them to draw up provisional constitutions containing declarations of accession to the Republic. This mandate was really, as Kelsen remarked, the *reductio ad absurdum* of the extreme federalist view.[5] Some of the Provinces took no notice of it.[6] Others merely made declarations of accession.[7] None the less, a decree of 12 November took notice of the "solemn declarations of accession of the Provinces and districts of the State territory".[8]

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[1] Kelsen, 'Die Verfassung Deutschösterreichs', *Jahrbuch des öffentlichen Rechts*, vol. ix. p. 25: 'In den Ländern glaubte man vielfach, ein von der Zentralregierung gänzlich unabhängiges Gesetzgebungsrecht zu haben, u. auch der Staatsrat schien kein eigentliches Sanktionsrecht den Landesgesetzebeschlüssen gegenüber in Anspruch nehmen zu wollen.'

[2] Staats Gesetz Blatt. Nr. 1, Article 2. 'Die gesetzgebende Gewalt wird von der provisorischen Nationalversammlung selbst ausgeübt.'

[3] St. G. Bl. Nr. 124.

[4] The position of these Assemblies was a somewhat anomalous one, for they were not, strictly speaking, democratic bodies, as they had been elected on the old Curia system. (See Austria-Hungary Handbooks prepared under the direction of the Historical Section at the Foreign Office, No. 1, pp. 9 and 11.)

[5] 'Die Länder sollten durch diese Erklärung einem Staate erst beitreten . . . obgleich er schor vor dieser Beitrittserklärung bereits als constituiert angesehen werden musste. Vom Standpunkt des Verfassungsbeschlusses vom 30 October, u. des Landesgesetzes vom 14 November waren diese Beitrittserklärungen nicht bloss verfassungswidrig sondern geradezu sinnlos.' *Jahrbuch des öffentlichen Rechts*, vol. ix, p. 259.

[6] Lower Austria, Tyrol. [7] Upper Austria, Vorarlberg.

[8] St. G. Bl. Nr. 23.

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642 And on 14 November a law was passed providing for the elec-
631 tion by local assemblies of a *Landeshauptmann* or Governor and subordinates, who were to take over all the business formerly transacted by the State officials and the Statthalter, appointed by the Emperor.[1] This meant, in effect, the abolition of the dual system, and a large measure of decentralization in administrative matters.[2]

The position as regards the relationship between the State and the Provinces throughout the first two years of the Republic was, therefore, somewhat obscure; and this state of affairs not unnaturally resulted in the strengthening of separatist feeling. Traces of this may be seen in the provisions drawn up regarding provincial legislation on 14 March 1919.[3] It was then laid down that laws passed by Provincial Assemblies required counter-signature by a Secretary of State or the Chancellor. But even if assent was refused the Provincial Assembly could, if it wished, then reintroduce and pass the bill. If, however, provincial legislation required the co-operation of the State for its implementation, the Government, acting as a whole, could refuse assent. The Government thus had a suspensive, but not an absolute veto over provincial legislation.

631 The different ~~opinions~~ which, ~~as~~ has been pointed out,
665 prevailed in Vienna, where the Social Democrats were in power, and the Provinces, which were for the most part Christian Socialist strongholds, came to the fore strongly at the various conferences held regarding the form of the final constitution.[4]

The main demand of the Christian Socialist party, after the withdrawal of the Emperor, was that German Austria must be a federal State, in which the member States would have relatively far-reaching rights of self-government.[5] The reasons adduced by the party in support of its federalist programme

[1] St. G. Bl. Nr. 24.

[2] Eisenmann, *La Constitution Fédérale de la Republique d'Autriche* (Paris, 1924), pp. 37–8.

[3] St. G. Bl. Nr. 179. [4] See Appendix A.

[5] The views of the more extreme federalists, such as Dr. Ender, amounted in fact to a claim that Austria should become a federation of independent States.

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III

THE CONSTITUTION OF 1920

THE constitution, which was finally promulgated on 5 October 1920, represented in the main a compromise between the views of the Christian Socialists and the Social Democrats.

(i) *The Democratic Principle*

All parties were agreed that the new constitution must be a democratic one. It was therefore laid down in the first Article that "Austria is a democratic Republic. Her laws are made by the people."[1] A great effort was made to secure effectively, by careful legislation, the democratization of the whole machinery of government. It is only necessary, for instance, to refer to the detailed provisions made by Articles 95 and 115–20 to ensure the democratization of the machinery of government in the Provinces. In the case of these Articles, zeal for the triumph of the democratic principle overcame objections to provisions which constituted a striking encroachment on provincial rights.

Again, the importance attached by the framers of the constitution to the firm establishment of the democratic principle is shown by the provisions dealing with the organization of the

[1] Dr. Kelsen points out that this statement is without much legal significance. 'Ob Österreich eine demokratische Republik sei oder nicht, das zu beurteilen ist auschliesslich u. allein Sache der Rechtserkenntnis, nicht des Rechtes; dessen Sache ist es eine demokratische Republik zu sein oder nicht zu sein.' And the second part of the article is misleading in so far as it implies that direct government by the people is the normal method of legislative procedure. Actually, direct government can only be used under exceptional circumstances (vide Articles 41–6 of the Constitution). (*Jahrbuch des öffentlichen Rechts*, 1922, vol. xi, p. 238.) These statements may be compared with, for instance, the first clause of Article 87, 'Die Richter sind in Ausübung ihres richterlichen Amtes unabhängig', and with the first clause of Article 91, 'Das Volk hat an der Rechtsprechung mitzuwirken', neither of which statements has in itself any legal significance.

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tuted a far-reaching system of proportional representation which, by its provision for combinations of minorities in the various constituencies, meant that a given proportion of members of the National Council was not responsible to particular territorial groups. It was hoped that by this means the advantages of the constituency system could be maintained without what was felt to be its disadvantage—unrepresented minorities in all the constituencies.

The Austrian constitution of 1920 was riddled with provisions for the representation of minorities. No man should, it was felt, be faced with the alternative of voting for parties with whose policy he was not in complete agreement or of wasting his vote. But in fact this attempt to obviate the necessity for compromise, which is the kernel of the theory of proportional representation, cannot solve the problem, as was shown only too clearly by the later course of events in Austria. The need for compromise in a positive State composed of divergent elements cannot be evaded. The advocates of proportional representation merely shift the responsibility for the compromise from the elector to his representative. For, in a Parliament or any other body fully representative of public opinion (which will be, as a rule, a body composed of small groups), bargaining among the parties must always be necessary before a governmental majority can be formed at all. It may well be argued that the majority system, which leaves the business of compromising to the elector himself, is the more democratic of the two methods.

However, the principle of proportional representation came to be regarded at that time by almost all Austrians as the safeguard *par excellence* for democratic government.[1] Thus,

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terial declaration incorporated a scheme to give the voter more control over the nomination of candidates. The idea was again discussed at the time of the 1929 reforms, and was brought up whenever the question of a possible reform of Parliament arose.

[1] Speech by Renner in the Provisional National Assembly, on 18 December 1918 (Kelsen, op. cit., vol. ii, p. 45). The Austrian system may be compared with the automatic quota system of the German constitution. The German method has the advantage of simplicity. It also provides a stimulus to vote, since for every additional 60,000 votes a further mandate is allotted.

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666 642 although in the Electoral Law of 18 December 1918 no provisions were made for the combination of minorities in the various constituencies—provision having been made, on the contrary, for amalgamations of parties[1]—the Law of July 1920 provided that fifteen mandates should be apportioned to those parties which had unused votes in the various constituencies. No party could, however, obtain more mandates on the second count than it had already obtained on the first.[2]

The principle of proportional representation was, however, by no means restricted in its application to the apportionment of mandates and elections to the National Council. A modified system of proportional representation was, for instance, laid down for elections to the Federal Council.[3] And by Article 55 it was decreed that elections to the Chief Committee, the most important organ of the National Council, were to be on a proportional representation basis. Article 95 decreed that members of the Provincial Councils should be elected on a proportional representation basis. Article 119, (2), decreed that proportional representation should be used for elections to municipal councils. Article 119, (4), went so far as to arrange

[1] St. G. Bl. Nr. 115, Article 33. But Kelsen points out that 'Diese Einrichtung hatte schon bei der Beratung der Wahlordnung zur konstituierenden Nationalversammlung viele entschiedene Gegner gefunden u. haben nunmehr alle grossen Parteien dagegen Stellung genommen'. (Kelsen, op. cit, vol. iv, p. 134.)

[2] This restriction was largely abrogated by the Electoral Law of 11 July 1923, in which it was laid down that a party might obtain any number of seats on the second count provided that it had obtained at least one on the first. This Law, however, established four big constituencies for the second count—another instance of the tendency of Austrian constitutionalists to give with one hand while taking away with the other.

That the objections raised to the 1920 arrangement were not merely theoretical is shown by the election results of 1923 and 1930. On both these occasions the German Nationalists gained more seats by the second count than they had already obtained on the first. In 1923 they gained three by the first and seven by the second; in 1930 two by the first and five by the second. (Zurcher, A. J., *The Experiment with Democracy in Central Europe*, Oxford University Press, 1933, p. 82. He quotes figures taken from the *Statistisches Handbuch für die Republik Österreich*, 1923 and 1930.)

[3] The modifications introduced by Article 34, (3), and Article 35, (1), were occasioned in the one case in deference to Christian Socialist federalist views, and in the other by the fear of the Social Democrats that they would remained unrepresented in the more predominantly conservative of the Provinces. Cf. with Weimar Constitution, Article 61.

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that if municipal councils chose to elect special administrative committees, such committees must be elected on a proportional representation basis.[1]

Direct government by the people was provided for in the Austrian constitution.[2] It was not, however, intended that frequent use should be made of these provisions. Article 24, for instance, enumerating the various legislative organs of the State, makes no mention of direct legislation by the Initiative and the Referendum. Article 41, (2), provides that every proposal signed by two hundred thousand qualified voters, or by half of the qualified voters in each of three Provinces, must be submitted by the Federal Government to the National Council. It may be observed, however, that the quorum of petitioners is, relatively speaking, a very high one.[3] And it was unlikely that the second of the two conditions would ever be fulfilled, in view of the fact that co-operation between the various Provinces was, as in pre-war days, discouraged.[4]

The Referendum could only be set in motion by the National Council itself.[5]

Only in the case foreseen in Article 44, (2) (a complete revision of the constitution), was a Referendum compulsory; and even in this case the effect of the article seems problematical, since no definition of "complete revision" is provided.

Of the Provinces, only Salzburg, Tyrol, and Vorarlberg included provisions for direct democracy in their constitutions.

[1] Verdier, op. cit., p. 189. It may be noted also that when, in accordance with the Geneva Protocol of 4 October 1922, it became necessary to set up a Council of State endowed with special powers, the third protocol, dealing with this, set up a body composed of the Government and twenty-six councillors who were to be elected on a proportional representation basis.

[2] The provisions were, however, somewhat half-hearted. Most of the Social Democrats did not approve of proportional representation, fearing that it might undermine the supremacy of Parliament. The Christian Socialists, who had at first supported it warmly because of their control over the Provinces, became doubtful in proportion as the question of the proposed administrative reform, which they felt would weaken their hold on the Provinces, became actual.

[3] In Switzerland, for instance, only thirty thousand votes are needed. Swiss Constitution, Article 89.

[4] Cf. Law of 1860 with Article 107, 1920.

[5] Article 43.

(ii) *The Federal Principle*

631 642 The same criticism may be applied to Article 2 ("Austria is a Federal State") as was applied to Article 1—namely, that it is a judgement rather than a law. Whether or not Austria was a federal State necessarily depended upon subsequent provisions in the constitution. Moreover, as Adamovich points out, the term 'federal State' is susceptible of a variety of interpretations. Kelsen, however, considered that the constitution of October 1920 could be accepted as a *bona fide* federal constitution since it provided for an organ whereby the Provinces could take part in the legislative and administrative work of the State. It differed, he thought, in this respect, from prewar constitutions, although these had contained, in many cases, provisions of a federal nature.

But it is clear that Austria was not a federal State in the sense that there was any question of sovereignty being divided between the State and the Provinces. It was not laid down in so many words that State law takes precedence over provincial law. But the absence of this statement—probably out of deference to the prevalent federalist views—did not mean so much an accretion of strength to the Provinces as an accumulation of work for the Constitutional Court.

647 642 In considering how far the federal principle was incorporated in the 1920 constitution it may be convenient to deal first with the extent to which the Provinces participated in federal legislation, since this participation constitutes, as Kelsen points out, the essence of a federal system.

By the 1920 constitution a federal organ, the Federal Council, was set up. The Federal Council was composed of members elected by the Provincial Councils.[1] The Provincial Councils did not, however, return an equal number of members.[2] Again, the provision that the representatives

[1] Article 35.

[2] Article 34. In this respect a compromise was reached between the more extreme of the Christian Socialists who considered that the Provinces, which varied greatly in size, should none the less, as equal sovereign bodies, return an equal number of representatives, and the Social Democrats who wished representation to be on a basis strictly proportional to the population.

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elected need not be members of the Provincial Councils, 647 although they should be eligible for such membership, suggests 642 that it was not intended that the Federal Council members should be directly representative of the Provincial Councils.[1] Further, proportional representation was introduced in order to secure representation for the largest of the minority parties in all the Provinces.[2]

The Provinces could not therefore be represented in the Federal Council, as they were in the American Upper House, by corporate bodies of voters. Indeed, the provisions of Article 56, by which it was decreed that members should not be bound by instructions from any outside body, were expressly made to apply also to members of the Federal Council.[3] And these Articles, apart from the fact that they made impossible a strict representation of provincial interests, also constituted a very considerable interference by the State on what might well have been regarded as purely provincial matters.

The influence of the Federal Council on federal legislation was a limited one. It could submit bills to the National Council through the Federal Government,[4] and with certain important exceptions, as, for instance, measures dealing with financial matters, it had a right of suspensive veto. Bills thus vetoed could, however, be repassed by the National Council by a special majority.

It may be said, therefore, that the Federal Council was not organized on a strictly federal basis, and that its powers, as compared with those of the National Council, were extremely limited.

Those legislative powers not specifically enumerated as 642 belonging to the State, were left to the Provinces.[5] Actually 635

[1] Article 35, (2).

[2] Article 35, (1), inserted at the instigation of the Social Democrats.

[3] Kelsen comments on this: 'Dass die Mitglieder des Bundesrates nicht an die Aufträge des Landtags gebunden sind, der sie entsendet, ist jedoch darum besonders bemerkenswert, weil es sich beim Bundesrat doch offenbar um eine Vertretung der Länderinteressen handelt. . . . Die Mitglieder des Bundesrates sind daher ebensowenig Vertreter des Landtages oder eines Landes, wie die Mitglieder des Nationalrates Vertreter des Bundesvolkes oder einzelner Wählergruppen sind.' (Op. cit., vol. v, p. 145.)

[4] Article 41, (1).

[5] Article 15, (1).

642 however, the enumeration of powers belonging to the State 635 covered a very wide range of subjects.

By Article 12 the Provinces had the right to provide supplementary legislation to general laws laid down by the State. If, however, the Provinces did not enact the necessary supplementary legislation within a given period of time, the State could pass the necessary legislation itself.[1] All provincial legislation required the sanction of the Government. Sanction could be refused on the grounds that the law in question endangered federal interests, and the provincial law could only be re-enacted with a special majority.[2] Even then, the case could be brought before the Constitutional Court by the Federal Government, on the grounds that the law in question was unconstitutional.[3] The consent of the State was necessary for any legislation requiring its co-operation.[4]

The legislative rights of the Provinces were therefore not extensive.

They were, however, far more richly endowed with administrative rights.[5] These were of two kinds: (*a*) direct administrative rights—i.e. in connection with administration dealing with exclusively provincial matters; (*b*) indirect administrative

[1] Article 15, (2). [2] Article 98, (2).

[3] But the Provinces could also challenge State laws on the ground of their unconstitutionality. Article 140, (1).

[4] Article 97, (2).

[5] The fourth section of the constitution, Articles 95–120, dealing with legislative and executive administration in the Provinces, required, however, to be implemented by three more laws before it could come into effect. The first of these, governing the financial relationship between the State and the Provinces, was passed on 3 March 1922 (B. G. Bl. Nr. 124). The second and third, dealing with administrative reform in the Provinces and with education, were never passed. Administrative power was divided between the State and the Provinces on the lines laid down by the Law of February 1861; legislative power was divided in accordance with the Law of 1867 (Articles 11 and 12); and educational facilities were provided in accordance with the Law of 1868. This delay was unfortunate in that it served to increase the already existing friction between the State and the Provinces by perpetuating uncertainty in their relationships; and legislation passed in the eighteen-sixties, the heyday of *laissez-faire* liberalism, could not meet adequately the needs of the new Austria. For instance, section 11 of the Law of 1867, enumerating matters to be dealt with by the State legislation, omits all reference to economic and social matters. Moreover, inadequate legislation could not, as it had been in the pre-war period, be implemented by Imperial ordinances.

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rights, i.e. administration in connection with federal legislation. It may be noted, however, that, even in connection with direct administrative rights, the State had a certain right to intervene. A Federal Minister could, for instance, challenge a provincial administrative act before the Administrative Court, on the grounds that the interests of the State had been injured thereby.[1] And any person could challenge any administrative act by bringing it before the Administrative Court, on the ground that it was *ultra vires*.

As regards provincial administration which supplemented federal legislation, the control of the State was considerable. And although it was intended to abolish as far as possible the old system of dual administration in the Provinces by using provincial officials for federal administration, it was expressly provided that, if the Provinces failed to implement federal legislation within a given length of time, the State might delegate the necessary administrative powers to its own officials. If supplementary administrative regulations were necessary in more than one Province, and the Provinces concerned could not reach an agreement, federal officials could be put in. Moreover, the Governor, the chief administrative official in the Provinces, although elected by the various Provincial Councils, was sworn in by the President.[2] And when local officials acted for the Federal Government they became, *ipso facto*, federal officials. Thus, the right of appeal against

[1] This was a new provision. In the old Austrian constitution only private persons could appeal against a decision before the Administrative Court. And this provision was the more important in view of the wide powers with which the Administrative Court was endowed. By Article 133, (3), for instance, it was empowered to decide cases on their merits, apart from legal considerations. This was a new departure, although Article 133, (1) and (2), had been taken over from the Laws of 1875. Kelsen comments as follows upon this Article: 'Die Möglichkeit einer Reformation von Verwaltungsakten durch den zentralen Verwaltungsgerichtshof ist um so bedeutungsvoller, wenn man berücksichtigt, dass es sich dabei auch um Verwaltungsakte handelt, die im selbständigen Wirkungsbereich des Landes gesetzt werden, u. dass deren Reformation durch ein Bundesgericht erfolgt.' (Kelsen, *Jahrbuch des öffentlichen Rechts*, vol. xi, p. 263.) On the other hand, the Provinces had indirect control over the appointment of half the members of the Administrative Court (Article 135).

[2] Article 101, (4).

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642 their actions lay through the central authorities and not
635 through the Provincial Assemblies.

It may, therefore, be said that, although the Provinces were endowed with comparatively far-reaching administrative rights and duties, the State had extensive supervisory rights.

642 As regards judicial rights, Article 82 enunciates the principle
635 that "The whole judicial system lies within the competence of
692 the State".[1] It may, however, be noted that, although the Provinces had no influence over the election of the judges of the ordinary Courts, who were appointed on the advice of the Senates by the Federal Ministry and the President,[2] they had some control over appointments to the Administrative and Constitutional Courts. For instance, by Article 135, the nominations of the Federal Government for the posts of Vice-president, and half the members of the Administrative Court, required the assent of the Federal Council. Article 147 laid down somewhat similar provisions for appointments to the Constitutional Court.[3] But this case differed from the former in that the Federal Council had no influence over the appointment of the Vice-president.

It is clear, however, that the share of the Provinces in the working of the judiciary was even smaller than their share in legislation and administration.

642 But, while there can be no doubt that the substance of power
635 lay with the State, lip-service was certainly freely paid to the federal idea. The outstanding example of this is Article 2, (1),[4] to which reference has already been made. Another example may be taken from Article 2, (2), where reference is made to the 'independence' of the Provinces. But, as Kelsen points out, this word has no exact legal meaning.[5] Article 15, (1), refers to cases not expressly made over to the State, as remaining within

[1] Kelsen comments on this: 'Dass die gesamte Gerichtsbarkeit dem Bund vorbehalten ist, bedeutet einen, für einen Bundesstaat ungewöhnlichen Grad von Zentralisation.' (Op. cit., vol. v, p. 176.)

[2] Article 86, (1).

[3] In this case, however, the Federal Council was responsible for the actual appointments. It did not merely give its assent to proposals of the Government.

[4] 'Österreich ist ein Bundesstaat.'

[5] Op. cit., vol. v, pp. 66–7.

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the sphere of provincial autonomy.[1] But, as the Federal State had in fact evolved from a unitary State, the word 'remain' is meaningless. 642 635

By Article 26, (2), it was laid down that the country should be divided up into constituencies within the various Provinces. Apart, however, from the fact that this constituted a recognition of the federal ideal, it is difficult to see that the Provinces derived any particular benefit from this arrangement. Article 36, providing for strict rotation among the Provinces in the office of President of the Federal Council, is of a similar character. 642 635 646

Article 24 announces that legislation shall be by the National Council, together with the Federal Council elected by the Provincial Councils. But in fact, as has been pointed out, the legislative power of the Federal Council was very slight indeed. The Federal Council had, for instance, no share in the appointing of the Government;[2] and it could not even set up special committees of investigation.[3]

Again, by the terms of Article 52, the Federal Council could, as the National Council, inquire into the conduct of the Government. It might be supposed that the corollary of this Article would be that, if the conduct of the Government was found to be unsatisfactory, the Federal Council could take some steps towards its removal. This, however, was not the case.[4]

There were, it is true, certain things which could not be done without the consent of the Federal Council. By Article 3, (2), for instance, it was decreed that no alterations could be made in the boundaries of the Provinces (except as provided by the Peace Treaties), except by agreement of all the Provinces concerned.[5] By Article 35, (4), it was decreed that no alteration

[1] 'Verbleibt sie im selbständigen Wirkungsbereich der Länder.' This terminology may be compared with that of the previous draft of this article, 'Die Länder . . . übertragen dem Bund', etc. The implication of these phrases is that the Provinces were originally sovereign bodies. This was certainly not the case. (Kelsen, op. cit., vol. v, p. 80.)

[2] Article 70. [3] Article 53, (1). [4] Article 74, (1).

[5] Cf. Weimar Constitution, Article 18, which empowers the State, in certain circumstances, to alter boundaries without the consent of the Provinces concerned.

642 should be made in the constitution of the Federal Council
635 without its assent. And assent required a majority vote in
646 favour from the representatives of at least four Provinces. A minority of the Provinces could thus prevent an amendment.[1]

[692] Finally, by Article 132, if a Province were involved in a dispute before the Administrative Court, the case had, as a rule, to be tried by a Senate having among its members a judge who formerly belonged to the judicial or administrative service of that Province.[2]

642 But although certain actions could not be carried through
635 without the consent of the Provinces, effective precautions were taken to ensure that the Provinces should never become overpowerful.

Articles 95–120, for instance, gave the State control over the political and social structure of the Provinces. The provisions ensuring democratic government, safeguarding minority rights, and guaranteeing to the State extensive supervisory rights, guarded against the possibility of the growth of a strong, united opposition to the central Government from reactionary parties in the Provinces. The extent to which State control over the Provinces went may be seen by Article 100, which provided that a Provincial Council could be dissolved by the Government, if the consent of the Federal Council was obtained.[3] The Article provides an example of the spirit of compromise which pervades the Austrian constitution, for, while the federal principle is undermined by the provision that a Provincial Assembly can be dissolved by a State organ, it is safeguarded by the provision that the assent of the highest federal organ shall be necessary for such a dissolution.

642 The Administrative and the Constitutional Courts were
635 clearly intended as State organs (although, as has been pointed
692

[1] The provisions of this article should have been applied also to Article 34 (dealing with representation of the Provinces in the *Bundresat*). Originally Articles 34 and 35 were one. When they were separated the constitutional committee omitted to make Article 35, (4), apply to both of them, though it was clearly far more important that it should apply to Article 34.

[2] Cf. with provisions for trying cases before the Permanent Court of International Justice (Statute of the Court, Article 31).

[3] The consenting vote, however, required a quorum of one-half of the members, and a two-thirds majority.

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out, the Provinces exercised a certain indirect control over the appointment of their personnel). For instance, if a federal minister considered that the interests of the State had been injured by an erroneous decree of a provincial authority, he could bring the matter before the Administrative Court. No such provision, however, was made for appeals by provincial ministers against State decrees.[1]

Finally, the following provisions may be noted, which though not themselves of great importance, none the less indicate the general tendency to ignore the federal principle. By Article 41, (2), for instance, voters in three different Provinces could join in submitting an Initiative, provided that in each Province half of the qualified voters agreed to it. This was to be an alternative to an Initiative signed by two hundred thousand of the qualified voters in one Province, and was intended to safeguard the rights of minorities in the smaller Provinces. It was clearly, however, an infringement of the federal principle.[2]

Finally, the formula used in the publication of laws is "The National Council has decided . . .", etc. (If the law is passed

[1] Article 129, (2). This may be compared with Article 140, (1), regulating appeals to the Constitutional Court. In this case the right of appeal is guaranteed both to the State and to the Provinces.

It may be noted that in the important sphere of finance, the control of the State was to be even further extended, by the Finance Constitutional Law of 3 March 1922 (B. G. Bl. Nr. 124). If a proposed provincial law dealing with financial matters was vetoed by the Federal Government, its re-passage by the Province concerned, with a special majority, did not settle the matter. 'In diesem Falle kann nämlich die Bundesregierung den Einspruch trotz des Wiederholungsbeschlusses aufrechterhalten. Der dadurch entstandene Konflikt zwischen Bundesregierung u. Landesgesetzgebung wird durch einen ständigen gemeinsamen Ausschuss des Nationalrates u. des Bundesrates entschieden. Dieser hat nämlich zu beschliessen, ob der Einspruch aufrecht zu bleiben hat, oder nicht. Entscheidet sich der Ausschuss für den Einspruch der Bundesregierung, erhält deren Veto einen absoluten Charakter.' (Kelsen, *Jahrbuch des öffentlichen Rechts*, vol. xi, p. 258.)

[2] This article may be compared with Article 15, (3). In this case, the Provinces must co-operate in the passage of supplementary legislation under Articles 11 and 12. If they fail to do so, the right to pass such legislation is transferred to the federal minister. These two articles might seem to conflict with Article 107. But Article 107 is probably intended to prevent a combination of Provinces hostile to the central Government (cf. with Imperial Decree of 1860). Co-operation between the Provinces was not, on the whole, encouraged. By Article 107, for instance, Provincial Councils were forbidden to communicate with one another, except in matters falling within their autonomous sphere of action.

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642 as the result of a Referendum this is noted.) No mention is
635 made of the co-operation of the Federal Council. Laws are
671 dated in the Federal Law Book from the day of their third reading by the National Council.

(iii) *The National Council*

642 The Austrian State was reorganized by the constitution of
646 1920 as a democratic, federal, and parliamentary republic. The pivot of the whole political structure was the National Council.

The sovereignty of the National Council was ensured by the almost complete absence of provisions for its control either by the people who elected it, the Federal Council, the Government, or the President.

From the first of these possible controlling bodies the National Council was virtually divorced after it had been elected. It was specifically laid down in Article 56 that members should not be bound by instructions. The people could, it is true, introduce legislation directly, by the device of the Initiative. They were not, however, encouraged to do so; the numbers of supporters required for an Initiative motion was, as has been pointed out, comparatively high; nor was the National Council bound to pass such bills. Similarly, proposals involving a complete revision of the federal constitution had to be submitted to a Referendum. But no attempt was made to define what was meant by a 'complete revision'; and again, it was not stated that the National Council was bound by the result of such a Referendum. Other measures only had to be submitted to a Referendum if the National Council so decided.[1] The National Council could only be dissolved before the end of its four-year term of office by its own decree. If it was so dissolved, it had to be reassembled by its President, if a quarter of its members so requested.[2]

But, if the National Council was not controlled by its electors, still less was it controlled by the Federal Council. The Federal Council had, as has been pointed out, in a few

[1] Article 43. [2] Article 28.

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isolated and comparatively unimportant instances an absolute 642
veto; in the majority of cases it had a suspensive veto,[1] and in 646
a small number of extremely important cases, concerned with financial matters, it had no veto at all.[2] It had little control over the Government. It could, as the National Council, inquire into the Government's conduct of business.[3] But it could not, by a withdrawal of confidence, cause the dismissal of the Government.[4] In any case, it was possible for the National Council to exercise an indirect control over its composition, because, owing to a mistake in drafting, the Federal Council did not possess an absolute veto right in regard to alterations to Article 34, dealing with representation of the Provinces in the Federal Council. Provided that the requisite majority could be obtained in the Federal Council, the Government, which was the tool of the National Council, could dissolve a Provincial Council and thereby remove its representatives from the Upper House.

The President, whose functions were not intended to be 642
other than decorative, was elected by the Federal Assembly;[5] 643
the National Council could take the initiative in calling the 646
Federal Assembly together to impeach him.[6] He was the servant of the National Council, not its master.

But the sovereignty of the National Council comes to the fore 642
most clearly in the provisions made to ensure its control over 646
the Government. Article 70, (1), decrees that the Government shall be chosen by the National Council, voting upon the proposal laid before it by the Chief Committee.[7]

[1] Article 42, (4). [2] Article 42, (5). [3] Article 52
[4] Article 74, (1). [5] Article 60. [6] Article 63, (2).

[7] 'Die Bundesregierung wird vom Nationalrat in namentlicher Abstimmung auf einen vom Hauptausschuss zu erstattenden Gesamtvorschlag gewählt.' This article might, however, suggest that the National Council had a more absolute control over the personnel of the Government than was actually the case. By Article 72, (2), for instance, it was stipulated that the list of ministers should be countersigned by the new Chancellor. Therefore, in fact, this meant that the Chancellor chose his own colleagues although his choice was subject to the approval of the National Council. Kelsen remarks: 'Die. . . . Bestimmung, dass der neugewählte Bundeskanzler die Bestellungsurkunden aller Mitglieder der Regierung gegenzuzeichnen hat, hat praktisch die grosse Bedeutung, dass kein Mitglied des neuen Kabinettes gegen oder ohne den Willen des präsumtiven Bundeskanzlers berufen werden kann.' (*Die Verfassungsgesetze der Republik Österreich*, vol. v, p. 168.)

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642 646 Article 70, (3), provided for the eventuality of a Government resigning while the National Council was not in session. In this case, a new Government had to be chosen provisionally by the Chief Committee. As soon as the National Council reassembled, the election of the Government had to take place as usual.[1]

Members of the Federal Government were responsible to the National Council while in office,[2] and impeachment proceedings could be brought against them.[3] The Government could be questioned on all matters relating to the execution of the laws by members of both Houses. Both Houses could express their wishes in regard to the exercise of the executive power, by resolution.[4] And it was even laid down by Article 55 that in addition laws could be introduced providing that particular ordinances of the Government should require the assent of the Chief Committee. The presence of the Government could be demanded by either House, and by the committees.[5]

Another means of control by the National Council over the Government was the Independent Court of Audit. This court was responsible for drafting the balance-sheet of the Budget and presenting it to the National Council. It could examine the expenditure of every agency of the Federal State. It could be entrusted with the right to examine the expenditure of any enterprise in which the Federal State was financially interested.[6] And by Article 122, (1), it was expressly laid down that the Independent Court of Audit was directly responsible to the National Council.[7]

642 646 687 Finally, by Article 74, (1), it was decreed that if the National Council, by express resolution, withdrew its confidence from

[1] This provision, safeguarding the power of the National Council, had not been included in the constitution of 14 March 1919.

[2] Article 76. [3] Article 142, (2), b. [4] Article 52.

[5] Article 75. On the other hand, members of the Government could take part in debates in the National Council, the Federal Council, and the committees (except debates in the Chief Committee, to which they had to be specially invited). They had always to be heard if they wished to speak.

[6] Article 121.

[7] The president of this court was elected by the National Council on proposal of the Chief Committee, Article 122, (3). He could be dismissed by resolution of the National Council, Article 123, (2).

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the federal Government, or from individual members of the Government, they would be thereby removed from office.[1] It was not, however, intended that this weapon should be lightly employed against a Government, for it was stipulated that such a resolution would require a quorum of half the members of the National Council. And, if one-fifth of the members so demanded, the vote could be postponed for two days.[2] The Government, apart from this somewhat meagre stipulation, had no means of protecting itself against an adverse vote by a chance coalition in the National Council, since it could not confront the National Council with the choice between continued support and a dissolution.

As has been pointed out, the National Council had practically complete control over all legislation. It had also considerable executive functions. By Article 50, political and certain other treaties required for their validity the consent of the National Council. By Article 53, it was empowered to set up by resolution Committees of Inquiry,[3] before which all public authorities were obliged to give evidence if required. By Article 54 certain executive duties were specifically made over to the National Council, such as the fixing of the prices of such federal services as railways; the fixing of the prices of monopoly goods; and the fixing of the salaries of persons employed by the State. Apart from these specified cases, it was laid down in Article 55 that the National Council should share in the executive power of the State through its Chief Committee, to which reference has already been made. Kelsen has described this body as the most important political organ of the National Council.[4] Provision had been made for its election in the constitution of 14 March 1919. Its membership had then been fixed at eleven, whereas by the constitution of 1920

[1] It may be noted that, since it was anticipated that the dismissal of an individual minister by a vote of no confidence should not necessarily involve the resignation of the whole ministry, the cabinet system was not adopted.

[2] Kelsen comments on this: 'Dass die Wirkung des Misstrauensvotums verfassungsgesetzlich ausdrücklich normiert wird, ist eine Besonderheit unserer Verfassung' (op. cit., vol. v, p. 169).

[3] Cf. with Article 34 of the German Constitution, according to which such a committee had to be set up if one-fifth of members so demanded.

[4] *Jahrbuch des öffentlichen Rechts*, vol. xi, p. 246.

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642 the number of members was not specified. And the President
646 of the National Council was no longer *ex officio* a member and
647 Chairman of the Committee. The Chairman was now elected by the Committee itself. The Chief Committee was elected by the National Council from among its own members, on a basis of proportional representation of all parties.[1]

642 Finally, the control exercised by the National Council over
646 the judiciary was considerable. By Article 86, (1), it was decreed
693 that the judges should be appointed upon nomination by the Federal Government.[2] The control exercised by the National Council over the Federal Government has just been pointed out. That exercised by it over the Independent Court of Audit has also been referred to. The President and half the members of the Administrative Court were appointed by the Federal Government upon nomination by the Chief Committee.[3] The President, Vice-president, and half of the members and deputy members of the Constitutional Court were elected by the National Council.[4]

It may be said, therefore, that by the constitution of October 1920, Austria was reconstructed as a democratic, federal, and parliamentary State, the pivot of which was intended to be the National Council.

(iv) *Conclusions*

642 The chief criticism that can be levelled at the 1920 constitution is the weak position in which its provisions placed the Government, the proper authority of which was deliberately undermined, mainly because of the fear of a return to the old, too powerful rule of the executive. The fact that the right to demand a dissolution was withheld from the Government, together with the fact that, owing to the introduction of pro-

[1] It may be noted that, although the National Council exercised no direct control over the Provinces, it did exercise very considerable indirect control, through its control of the Government.

[2] With regard to this article, it may be noted that although the senates were required to produce proposals for such appointments, these proposals were not, as they were in the project of 22 November 1918, made binding on the Government.

[3] Article 135. [4] Article 147, (2).

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portional representation, it would probably not often be possible for a Government to rely upon a safe majority, meant that its position was unlikely to be a strong one. And it was clearly improbable that such a Government would be in a position to pursue a coherent policy. It would be bound to consider the probable reaction of each part of its programme upon the various parties on whose support it was dependent, and even if it had not made definite promises to exclude certain policies and include others, such considerations would probably necessitate the pursuit of largely negative and often inconsistent policies.

The evils which ensued could have been foreseen, for it was clear from the beginning that the future well-being of Austria would depend upon the capacity of her rulers to pursue a firm policy of reconstruction over a period of years. unhampered by the exigencies of party politics. Moreover, the danger to be feared from an unduly powerful Government could have been obviated had it been made clear that, as in England, the Government was simply the executive committee of the Lower House. But the Austrian constitution provided that although members of the Government must be eligible for election to the Lower House, they need not actually be members of it.[1] The evils which inevitably ensued from this deliberately manufactured weakness of the executive gradually operated to bring the whole theory of democratic government into disrepute in Austria.

The second criticism which may be levelled at the 1920 constitution was the ill-advised introduction of proportional representation. Although, as has been pointed out, one consequence of this was certainly to make possible a tighter control by the National Council over the Government than had been intended, it had also the effect of weakening the National Council itself, for this became as a house divided against itself, a battleground for rival groups. And the battle was not only fierce, but also futile, for the closed list system,

[1] Article 70, (2). Having separated the two bodies, a characteristic attempt was made to link them up again, through the Chief Committee of the Lower House.

642 which had been introduced as the concomitant of proportional representation, meant that members to a large extent ceased to be free agents, and tended to act under the dictates of their respective party caucuses. The activity of the National Council was the more arid in that there was no possibility of its being either suspended or dissolved before the expiration of its term of office, except by its own volition. Thus in fact sovereignty lay not in the Lower House, but in an indeterminate body of persons, frequently unknown to and certainly not elected by the people, in whose hands lay the control of the party machinery.

As far as central Government went, Austria was thus provided by the 1920 constitution with a weak Government, an irresponsible Lower House, and a powerless electorate. This weakness at the centre naturally made itself felt throughout the whole organization of the State. A central authority so constituted could not have hoped to exert control over the dissatisfied and recalcitrant Provinces—nor could it ever have given the country as a whole the lead that was so urgently needed.

A third defect in the 1920 constitution, the removal of which might have obviated to some extent the first two, lay in the lack of power accorded to the Upper House. This omission was the more unnecessary in that the constitution laid down carefully the conditions regulating election to the Upper House; and they were such that there would have been little danger that the Upper House would have constituted a stronghold of particularist tendencies, in permanent opposition to the central Government. In fact, it appeared likely that the Upper House would, on the whole, share the political views of the Lower House. Had it been made permissible for the Upper House in certain circumstances to force a dissolution, as was the case in England before the passage of the Parliament Act, some safeguard would have existed against the danger of a Lower House continuing in office, and exerting its sway over Governments who were its puppets, after it had lost the confidence of the electorate.

The implication of certain articles is not clear. Article 9, for instance, enunciates the principle that 'the generally recog-

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nized rules of International Law form part of the law of the State'. This may mean, as Kelsen points out,[1] rules which are everywhere accepted—in which case the provision seems superfluous—or it may mean rules recognized by the majority of nations.[2] The meaning of Article 83, (3), also appears to be uncertain. Kelsen suggests that it may mean that extraordinary courts may not be set up to deal with individual cases, but only with classes of cases.

There are many cases of inaccuracy in drafting. Thus, for instance, Article 19, (1), mentions the President, the ministers, and the members of the provincial Governments as being elected commissioners of the people, who may be held responsible before the Constitutional Court. But the list of officials mentioned is not exhaustive;[3] and the Secretaries of State who are included in it could not in fact be held responsible, for they were answerable solely to their individual ministers.

The enumeration in Article 38 of the functions of the Federal Assembly was incomplete.[4] But Kelsen suggests that the omission is explained by the fact that it was not thought desirable to lay too much stress on its right to inquire into the work of, and, if necessary, prosecute, the President, and that the enumeration of this function was therefore deliberately omitted.[5]

In conclusion, it may be said that the failure of parliamentary democracy in Austria was implicit in the constitution of 1920, for this embodied devices such as proportional representation and the closed list, which almost always militate against the successful working of a democratic constitution, especially in politically backward states. And, apart from this, the constitution was probably too elaborate to be worked satisfactorily by a people inexperienced in self-government. It was also extremely expensive, in the number of officials required to work it, for so small a state as Austria.

[1] Op. cit., vol. v, p. 76.

[2] Cf. Article 4 of German Constitution. In the case of Austria it may be observed that whereas by a generally accepted rule of International Law, treaties are valid if they are ratified by the head of a State, according to Article 50, such treaties require the consent of the National Council.

[3] See Article 142, (2), c and d. [4] Cf. Articles 63, (1), and 68.

[5] *Die Verfassungsgesetze der Republik Österreich*, vol. v, p. 108.

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IV

THE REFORM OF THE CONSTITUTION

(i) *The* 1925 *Reforms*

•642 BY 1925, when it was found necessary to introduce various alterations into the constitution of 1920, most of the defects to which attention has been drawn had become apparent. But the reforms of 1925 were, generally speaking, occasioned by administrative exigencies. No radical changes were introduced.

The division of legislative and administrative functions between the State and the Provinces as envisaged by Articles 10–15 of the 1920 constitution had not been at once effected, as it was felt that it would be more satisfactory to wait until three further measures had been passed, dealing respectively with the financial relationship between the State and the Provinces;[1] their respective functions regarding education, and a measure introducing a general reform of provincial administration.

The existing framework of local government was not well adapted to bear the strain of the 1920 constitution for, whereas in the pre-war period the greater part of provincial administration had been within the sphere of the State officials, while the provincial officials had been mainly concerned with legislative matters, this position was reversed by the Articles 10–15 of the 1920 constitution. The smaller and less well-organized group of provincial officials would thus have had to bear the strain of enormously increased duties, while the work of the Governor and the State officials would have been considerably curtailed. It was also hoped that the costly dual administrative system could be abolished before the new arrangements set out in Articles 10–15 came into force.

It was anticipated that these three measures would be passed within a few months. But although a bill regulating the

[1] This measure was passed on 3 March 1922. B. G. Bl. Nr. 124.

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financial relationship of the State and the Provinces was passed on 3 March 1922,[1] it was found to be impossible to reach agreement on the other two proposed measures. The effects of the delay became increasingly serious, for the law of 1867, which was still in force as a temporary measure, restricted the legislative activity of the State to a minimum. This measure had been introduced in an era of economic liberalism, and it had already, by the end of the nineteenth century, been found necessary to disregard the limits set by it to State activity. Had these limits been rigidly adhered to, it would have been impossible, for instance, for the State to introduce any social legislation at all. But whereas before the war it had been possible to disregard the 1867 measure with comparative impunity, this was no longer the case in the post-war period, for, with the additional power given by the 1920 constitution to the Constitutional Court, it was always possible that one of the Provincial Governments would challenge even existing legislation as unconstitutional. And the overriding authority of the Emperor was no longer available for forcing through necessary measures. It was therefore considered advisable in 1925 to introduce the new provisions contained in Articles 10–15 of the 1920 constitution without further delay.[2]

Certain reforms were made in the existing system of provincial administration, which were intended to facilitate the working of the new administrative provisions and to prepare the way for a more comprehensive reform in the future. For instance, an attempt was made to end the dual administrative system. Since the war, both the provincial and the state officials (*Bezirkshauptmannschaften*) were indirectly under the control of the Provincial Governments,[3] the only difference being that in the latter case there existed a right of appeal to the Federal Government. Some doubt had, however, existed

[1] B. G. Bl. Nr. 124

[2] Certain minor changes of a centralist character were introduced at the same time, e.g. more control was accorded to the State in matters regarding water and electricity (B. G. Bl. 268, Article 10, x).

[3] For the Provincial Governments assumed, since the war, responsibility for the appointment of the Provincial Governors to whom the State officials were responsible.

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642 regarding the status of those officials whose work was concerned
635 with both indirect and State administration, and with provincial administration. Now they were all declared provincial officials, and a new official, the *Landesamtsdirektor*, appointed by the Provincial Government, with the approval of the Federal Government, was placed at the head of all the officials in each Province.[1] Traces of the old dual system remained, however, for the erstwhile State officials, although now responsible solely to provincial authorities, continued to enjoy their old status as State officials, and attempts to alter this somewhat anomalous state of affairs came to nothing, owing to opposition from two of the three parties of the Government coalition.

Certain minor reforms were introduced at the same time which were designed to strengthen the three control organs of the constitution.

The most important of these reforms was that by which some control over provincial finances was accorded to the Court of Audit.[2] The measure was disapproved of by the federalists, and was only passed under pressure from the League Commissioner. At the same time, the previous position, by which the Court of Audit had acted as a control on the Government, was in some measure reversed. This was also a result of pressure from the League Commissioner, who was anxious both to strengthen the position of the Government, since this body was as a rule ready to co-operate with him, and to induce the Court of Audit to co-operate in carrying through League reforms.

Another important provision passed at that time was that by which the State was accorded the right of absolute veto on provincial taxation for the period from 13 August 1925 to 31 December 1930. Again, the influence of the League Commissioner is clearly perceptible.

[1] B. G. Bl. 268, Article 106.

[2] B. G. Bl. 268, Article 127. Such control has been optional according to the terms of the 1920 constitution (Article 127), and only Burgenland had made use of it. The result had been that the Provincial Governments had been able to nullify the economies imposed by the League on the Federal Government. The Provinces were, however, induced to see reason at the *Länderkonferenz* of 1925.

(ii) *The* 1929 *Reforms*

The period between the 1925 reforms and the very much more radical alterations introduced into the constitution in 1929, was characterized by a steady deterioration of the internal political situation. 642 668

By 1929 dissatisfaction with the existing régime had reached a climax. It had already been found necessary to introduce six minor reforms,[1] and, as the 1920 constitution was still not working satisfactorily, desire for a more radical change began to be voiced.

The demand was put forward with the greatest insistence by members of the *Heimwehr*, who openly proclaimed their intention to be the supersession of the existing system of parliamentary democracy by a dictatorship on the general lines of the Italian model.[2]

The desire for reform was not, however, confined to members of the *Heimwehr* movement. It was, for instance, energetically sponsored by the *Landbund*.[3] The movement was also warmly supported by the vast majority of the Christian Socialists, although opinion within the party differed considerably as to what precise measures should be taken. Certain sections in the Provinces, for instance, disapproved strongly of the centralist part of Schober's programme.[4] And peasant opinion feared

[1] *Jahrbuch des öffentlichen Rechts*, vol. xviii, 1930, p. 130.

[2] 'Die Heimwehren forderten, u. fordern noch jetzt, der Ersetzung der parlamentarischen Demokratie durch eine berufsständische Organisation in Verbindung mit einer Art Führerdiktatus, ohne jedoch, diese Forderung im einzelnen zu konkretisieren.' (Kelsen, op. cit., vol. xviii, p. 1930.)

[3] The *Landbund*, however, repudiated strenuously the Social Democrats' accusation that it was working for the installation of a fascist régime. See article in the *Landbund* organ, *Die Stunde*, 20 September 1929: 'Er deckt sich in keiner Weise mit jener rein fascistischen Verfassung, die im Schosse der extremen Kreise der Selbstschutzverbände ausgearbeitet wurde, u. die mit einer vollständigen Beseitigung der demokratischen Verfassung der Republik Osterreich gleichbedeutend wäre. Der Landbund will keineswegs eine fascistische Regierungsform in Österreich installieren, er will nur in manchen, freilich sehr wichtigen Punkten, die gegenwärtige österreichische Verfassung im Sinne einer Stärkung der Staatsautorität abändern.' It seems doubtful, however, whether much reliance should be placed on this statement. The policy of the *Landbund* was a somewhat uncertain one. (See *Manchester Guardian*, 15 October 1929.)

[4] *The Times*, 19 October 1930.

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642 668 that concentration on constitutional reform might deflect attention from the need for energetic economic measures.[1] There was also a sharp division of opinion between the more moderate members of the party, led by Kunschak, who would probably have liked to see a *rapprochemeut* with the Social Democrats and the right-wing leaders led by Seipel.

The German Nationalists had been advocating reform for many years, as they hoped thereby to bring the Austrian constitution more into line with that of the Reich.

Most of the Social Democrats were probably not opposed to a moderate measure of reform,[2] although in their opinion disarmament was a far more pressing need.[3]

The great difficulty was, however, to reconcile the aims of the moderates of both parties with those of the extremists, who wanted rather to destroy than to reform.

642 There can be little doubt that a great deal of the disorder in the public life of Austria did lie, as Schober and his followers maintained, in the weakness of the executive. This weakness was in part the inevitable result of the particular circumstances in which the country was placed in the post-war years; economic distress, foreign control, party quarrels, certainly played their part. But all these difficulties might have been overcome, or at least would not have been felt so acutely, had it not been for inherent defects in the constitution of October 1920.

The reasons which prompted the Austrians to mistrust the power of the Government at that time have already been discussed. But, just as they did not foresee in 1920 the difficulties in which this arrangement would involve them, so in 1929 they did not fully realize to what ultimate cause those difficul-

[1] *Frankfurter Zeitung*, 14 September 1929. The Lower Austrian *Bauernbund* —one of the strongest groups within the party—was especially insistent upon this danger. The Social Democrats agreed, see *Frankfurter Zeitung*, 23 October 1929, report of a speech of Renner. 'Wir glauben nicht, aber, dass der Wirtschaft am meisten gedient wird, wenn durch einen rechtzeitigen u. raschen reformierischen Umbau unseres Staates u. unseres politischen Lebens der Keim der Unruhe u. der Spannungen entfernt wird.'

[2] *Manchester Guardian*, 9 September 1929.

[3] Renner, speech on first reading of the bill, reported in *Frankfurter Zeitung*, 23 October 1929.

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ties were due. The reformers of 1929 mistook effects for causes. 642

It was, for instance, widely felt that one of the great evils in the post-war Austrian state had been the politicizing of every department of public life.[1] This was certainly true. But it was not realized that the cause of this lay to a great extent in the constitution itself. The Government had been deliberately placed under the control of the National Council; and instead of being regarded as the executive committee of that body, it had come to be considered as a weak, but potentially dangerous, rival, whose powers must be curtailed at all costs.

The National Council possessed all the necessary constitutional means to enforce its authority. But it was itself controlled by the party leaders as, owing to the system of proportional representation and the closed list, these had almost absolute control over its members. Thus the proper organs of control—the electorate, the National Council, and the Government—had been in the hands of an irresponsible group of men, many of whom were possibly not even known to the Austrian public.[2] For twelve years the party system had thus run riot in Austria, and in consequence many people had come to believe that it was a system inherently vicious, and to advocate its supersession, and the substitution of some non-party form of organization in its stead. But in fact, different parties are simply the organized expression of differences of opinion among the electorate, and as such they are a necessary concomitant of any democratic government. Their abolition may temporarily hide such differences, but can hardly eradicate them. And, if differences cannot be voiced constitutionally, they may 642 646 665

[1] 'Tatsächlich ergab sich auf Grund dieser Verfassung im Verlauf der vergangenen zehn Jahre eine Ueberpolitisierung unseres gesamten Lebens, eine Diktatur des Parteiwesens, dessen Einfluss weit über den politischen Bereich hinaus greift u. so ziemlich alle Gebiete des wirtschaftlichen wie des geistigen Lebens erfasst hat. (*Neues Wiener Tageblatt*, 22 September 1929.)

[2] The disadvantages of the closed-list system were, however, beginning to be understood, and the need for a closer connection between electors and elected urged. 'Tatsächlich würden die Volksvertreter in ihrer Überzahl nichtmehr vom Volke gewählt, sondern von den Parteiführer, den Parteisekretariaten nominiert.' (*Neues Wiener Tageblatt*, 21 September 1929.) For the same reason large electoral districts were now deprecated. In the end, however, the electoral system remained unchanged.

well find a more dangerous outlet. The parties were not the villains of the piece—but the constitution, by which they were accorded a disproportionate amount of power.

Distrust of the National Council was manifested on all sides. The parties of the right hoped to undermine its power by strengthening the office of President; the Social Democrats, by a more frequent use of the Referendum.[1] In fact, it transpired in the course of the 1929 debates on constitutional reform, that the Social Democrats had revised their views on constitutional questions almost as much as their rivals, the Christian Socialists. Renner, for instance, in the debate on the first reading, remarked that the great weakness of the 1920 constitution had been the concentration of power in the Lower House, to the exclusion of all other bodies.[2] For this reason he announced his approval of the proposals made for strengthening the position of the Government and the President.[3] It is true that Renner was very much more conservative in his views than the majority of the Social Democrats. But the party leaders as a whole were well aware that they were on the defensive, and they did not therefore show themselves averse from reasonable compromise.

One result of the over-politicizing of public life, to which attention had frequently been drawn in the past by Dr. Zimmermann, had been a tendency to multiply officials, and thus to increase the cost of government.[4] Attempts to check

[1] Their proposal was that every bill taken up by Parliament should be submitted to a Referendum if one-third of the National Council advised it, or if 300,000 electors demanded it. (See *Pester Lloyd*, 10 October 1930.)

[2] 'Das ist die erste grosse u. tragische Schwäche unserer geltenden Verfassung, dass sie nicht ein Gleichgewicht hergestellt hat unter den mehreren Trägern der staatlichen Autorität, sondern dass sie alles auf eine Karte gesetzt hat, dass sie den Staat u. seine Ordnung, seine Sicherheit u. Freiheit auf die eine Säule des allmächtigen Parlaments aufbauen wollte. . . . Die Verfassungsnovelle ist vor allem charakterisiert durch das Bemühen, das alte demokratische Ideal der Gewalttrennung durchzuführen.' (*Stenographisches Protokoll*, 102 Sitzung, 22 October 1929.)

[3] 'Es soll vor allem die Bundesregierung in ihrer Position gestärkt werden. Das geschieht schon dadurch, dass der Bundespräsident sie ernennt. Der vorliegende Entwurf hält die Mitte zwischen der Präsidenten-Republik u. der Parlamentarischen-Republik; ich glaube eine gesunde u. richtige Mitte' (op. cit.).

[4] *Neues Wiener Abendblatt*, 18 September 1929. Schober pointed out that Austria, a country of seven million persons, had seven hundred members of legislative bodies, (*Reichspost*, 20 October 1929.)

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the growth of federalism, and so simplify the structure of government, had actually contributed further to this end.[1] The number of officials was to some extent curtailed by the 1929 reforms. The National Council was reduced from one hundred and sixty-five to one hundred and twenty members,[2] and the Provincial Councils were limited in proportion to the number of citizens in the Province.[3] The cost of administration in general was cut down. But Schober announced after the passage of the Bill that he was still far from satisfied in this respect. The fact that the constitution of 1920 was, in any case, too expensive and too complicated to be worked satisfactorily by a people inexperienced in the art of self-government was not, however, generally grasped,[4] and the constitution emerged after the reforms if anything more complicated than it had been before.

One of the chief aims of the reforms was to strengthen the executive. The power of the President, hitherto little more than a figurehead, was therefore greatly extended, chiefly at the expense of the National Council.[5] Schober made use of the suggestions put forward by the Pan-Germans at Salzburg in 1920, by the Christian Socialists since the beginning of 1928, and by the *Landbund* in a memorandum addressed to Steeruwitz on 31 August 1929.[6] In the main the new proposals followed the German model. The President's term of office was extended from four to six years; and direct election was substituted for indirect. The Christian Socialists maintained firmly that this was the more democratic method.[7] The device

[1] Thirteen different kinds of jurisdiction were now recognized, instead of the four envisaged by the constitution of 1920. Kelsen remarks that 'die Folge davon . . . ist, dass die Verteilung der Kompetenzen zwischen Bund u. Ländern ein überaus kompliziertes Bild der verschiedensten Rechtsfiguren zeigt'. (*Jahrbuch des öffentlichen Rechts*, vol. xviii, pp. 133–4.)

[2] A result of the restriction of the franchise to those over twenty-one years of age.

[3] B. G. Bl. Nr. 393, Article 95, (4).

[4] The Social Democrats, for instance, proposed a wider use of the Referendum, by which every bill should be submitted to the people, if one-third of the National Council so desired, or if 300,000 electors so requested. (*Pester Lloyd*, 10 October 1929.)

[5] Articles 60–7. The idea of a strong government was still suspect.

[6] Malbone W. Graham, 'Constitutional Crisis in Austria', *American Political Science Review*, vol. 24, 1930.

[7] *Reichspost*, 22 October 1929. Seipel, ibid., 19 October 1929.

642 643 adopted was, however, not unexceptionable. Election was compulsory and, if no candidate succeeded in gaining an absolute majority in the first count, only the two parties having the largest number of votes in the first count could nominate candidates for the second. Since these could then nominate new candidates there was nothing to prevent parties that had gained a large number of votes, by putting up moderate candidates, from confronting the people with extremists in the second count.[1]

642 643 644 The power of the President over the Government and the National Council was considerable. The President, and not the Chief Committee, now appointed the former, although the confidence of the National Council was still necessary.[2] The President could dissolve the National Council, with the assent of the Government. But he could only do this once for the same reason; and fresh elections had to be held within ninety days.[3] During this period, however, the Government could carry on in virtue of its right to issue ordinances.[4]

In general, the principle of parliamentary rule was much weakened by the fact that it was now assumed that Parliament was not a permanent body. The President had to assemble it in the spring and the autumn. It was laid down that the spring sitting should last for at least two months, but that it could not continue after 15 June. The autumn session had to be for at least four months, but it could not begin until after 15 October.[5] It was envisaged as a possibility, therefore, that the National Council would not be in session for more than six months of the year. Committees could, however, be entrusted with carrying on the work when it was not in session.[6] And it was provided that it should be reassembled should a third of the Upper or Lower House so demand. In this case, it had to be summoned within two weeks for an extraordinary session.[7]

The power of the National Council over the budget also

[1] The original proposal had been that the President should be directly elected, but that the verdict might be revised by the two legislative chambers. (*The Times*, 15 October 1929.)

[2] Articles 70, (2), and 74, (1). [3] Article 29.

[4] Article 18, (3). [5] Article 28, (1). [6] Article 28, (4).

[7] Article 28, (2).

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declined. The original proposal had been that, if the budget were not voted at the right time, the provisions of the previous year should hold good. Eventually, however, this period was limited to eight weeks.[1]

The corollary of these limitations placed upon the power of the hitherto omnipotent National Council was the legislative power now entrusted to the President. Kelsen remarks, for instance, on the importance of the new ordinance right.[2] This innovation was regarded with the deepest suspicion by the Social Democrats, who saw in it an attempt to resuscitate the famous Paragraph 14 of Imperial days. Schober, however, solemnly asserted that nothing of this kind was intended. He pointed out that it had been found necessary to entrust the executive with the right to issue ordinances in certain circumstances in most other democratic countries, as France, England, Ireland, Czechoslovakia, etc. The Social Democrats, however, wanted this power to be made over to the Chief Committee and liberal opinion disapproved strongly of the whole arrangement.[3] Eventually, a compromise was reached by which all ordinances issued by the President required the immediate assent of a sub-committee of the Chief Committee, and the assent, within a month, of the National Council, which had to be summoned to consider them within eight days.[4] Ordinances could not change constitutional laws, impose permanent financial burdens, or alienate State property. It was further provided that ordinances should only be issued in

[1] Article 51, (3).

[2] Kelsen, *Jahrbuch des öffentlichen Rechts*, vol. xviii, p. 141: 'Im innigsten Zusammenhang mit der Einschränkung der Parlamentsfunktion steht die sehr einschneidende Reform, die das Verordnungsrecht einführt.'

[3] *Frankfurter Zeitung*, 10 October 1929: 'Die Minorität würde so stets unter Druck gesetzt werden können, dass Gesetzentwürfe, die sie nicht schnell annehmen lässt, durch Notverordnung erlassen werden.'

[4] Article 18, (3) and (4). Kelsen considers, however, that this last provision would not apply to ordinances passed during the period of ninety days during which it was legal for the President and Government to rule without Parliament. He admits, however, that 'die Verpflichtung der Regierung, eine von ihr erlassene Notverordnung dem Parlament unverzüglich vorzulegen, bedeutet eine wichtige Einschränkung dieses ausserparlamentarischen Gesetzgebungsrechtes'. (*Jahrbuch des öffentlichen Rechts*, vol. xviii, p. 142.)

642 cases of necessity and for purposes of defence.[1] But, as Kelsen
643 points out, this safeguard was worthless from a legal point of
646 view.[2]

The President was also made head of the army.[3] But this
642 was rather a change of emphasis than an actual increase in
643 presidential power. It may be noted, however, that the re-
701 forms gave more power to the army. Hitherto it had only been empowered to restore order if so requested by the civil powers. It was now permitted to step in, in case of emergency, without being so requested.[4]

642 Another marked tendency in the 1929 reforms was towards centralization. But although it was coming to be realized with increasing clearness in responsible circles that Austria could not afford the luxury of provincialism—either from a moral or from an economic standpoint—yet as Kelsen had pointed out two years earlier, this tendency was, if anything, gaining ground,[5] in spite of the increased centralization introduced by the 1925 reforms, and in spite of the general realization that provincialism must make the possibility of an *Anschluss* ever more remote.

642 It was also intended to introduce changes as regards the
646 organization of the Upper House, which, it was generally admitted, had not worked satisfactorily.[6] The *Heimwehr*, the *Landbund*,[7] and certain other right-wing sections of Christian Socialist opinion were anxious to introduce the corporative principle, either wholly or in part. And a proposal was for a time considered by which the nine Provinces were to be repre-

[1] Article 18, (3).

[2] 'Da das Vorhandensein dieser Umstände zu beurteilen, dem Ermessen der verordnenden Instanz selbst überlassen bleibt, und dieses Ermessen auch von dem seiner Überprüfung zuständigen Gericht—dem Verfassungsgerichtshof—nicht wirksam überprüft werden kann.' (Op. cit., p. 141.)

[3] Article 80, (1). [4] Article 79, (2).

[5] 'Durch die politische u. staatsrechtliche Entwickelung seit dem Umsturz hat sich die Stellung der Länder so gekräftigt, haben sich die durch die Landesregierungen repräsentierten politischen Machtcentren in den ehemaligen österreichischen Krönlandern so sehr verwurzelt, dass an eine Umwandlung Österreichs in einen Einheitsstaat ernstlich nicht mehr zu denken ist.' (*Frankfurter Zeitung*, 4 April 1927.)

[6] Seipel, article in *Reichspost*, 19 October 1929.

[7] *Die Stunde*, 21 September 1929.

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sented by eighteen members, while thirty-six members should represent the professions and industries.[1] However, as Schober pointed out, a reform of such magnitude could not be hurried through in a few days—particularly as it would mean a further increase in the number of officials.[2] It was anticipated, however, that another constitutional law would be passed dealing with this matter. In the meantime the composition of the Federal Council remained unchanged.[3]

A further step towards centralization was taken by extending the control of the Court of Audit not only over provincial finances but over districts which comprised more than twenty thousand inhabitants.[4] Hitherto the control of the Court of Audit had only been exercised in those Provinces which had not independent control organs of their own.[5] This change brought the finances of the city of Vienna under the control of the Court of Audit, and in consequence was bitterly opposed by the Social Democrats.

The right of appeal in matters dealing with provincial administration was somewhat extended.

The powers of the State police were considerably extended at the expense of those of the Provinces.[6] As a result of this legislation, the special municipal police force instituted in Vienna after the 1927 riots had to be disbanded. All State police were to be given an autonomous ordinance right, in virtue of which they could, under special circumstances, issue ordinances, which would have temporary validity, provided

[1] *The Times*, 15 October 1929. [2] *Reichspost*, 20 October 1929.

[3] But although no new legislation was introduced, a later paragraph referred to members of the Upper House as enjoying immunity in their capacity as members of Provincial Councils (Article 58, (1)). But the old Federal Council members, although they had to be eligible for election, could not themselves be members of local assemblies (Article 35, (2), 1920).

[4] Smaller districts could be included if the Provincial Government concerned so requested (Article 127).

[5] B. G. Bl. Nr. 268, 30 July 1925, Article 127, (1).

[6] Kelsen, *Jahrbuch des öffentlichen Rechts*, vol. xviii, p. 132. 'So gut wie die gesamte Sicherheitspolizei ist der Zuständigkeit der Länder entzogen, und dem Bunde übertragen. Diese Monopolisierung fast des gesamten Polizeiwesens beim Bund bedeutet, wenn man beachtet, dass auch das ganze Militärwesen u. die ganze Gerichtsbarkeit von allem Anfang an beim Bund lagen—einen Grad von Zentralisation, der mit dem Typus des Bundesstaates kaum mehr vereinbar ist.'

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642 625 that they did not contravene existing laws.[1] Schober gave an assurance that this legislation was only intended to endow the police with such additional facilities for keeping order as no law-abiding man could take exception to.

[871] The State Minister for Education was now given control over all matters concerning education[2]—a concession on the part of the Social Democrats.

642 635 The future position of Vienna was the subject of much bitter controversy. The Christian Socialists, seeing in its independence the key to many of the evils of post-war Austria, wished to deprive it of its provincial status, and reduce it to the position of a federal city under the direct control of the Federal Government. They maintained that it was not that Vienna was of lesser importance than the other Provinces, but that she was essentially different from them.[3] Her independent position as a Province could not, in their opinion, be reconciled with her special obligations as the capital city of the whole of Austria.[4] This, however, seemed to the Social Democrats like an attempt to have things both ways—federalism and the abolition of Viennese autonomy. But the Christian Socialists pointed out, with some truth, that the position of the Mayor of Vienna was very much stronger than that of an ordinary provincial Governor.[5] The Social Democrats argued, however, that it was ludicrous that the mayor of a city comprising two million persons should be reduced to the status of a mere *Bezirkshauptmann*, while a tiny province like Vorarlberg, comprising only 140,000 persons, should be in a position of

[1] Kelsen comments as follows on these provisions: 'Mit der Vorschrift, dass die von den Polizeibehörden zu erlassenden Verordnungen, nicht gegen bestehende Gesetze verstossen dürfen, stellt sich die Verfassung auf den Standpunkt der mehr als fragwürdigen Lehre, die zwischen Verordnungen secundum Legem, praeter Legem u. contra Legem unterscheidet.' (Op. cit., p. 143.)

[2] Article 120, (1); *Frankfurter Zeitung*, 5 December 1929.

[3] *Reichspost*, 12 October 1929.

[4] 'Der geschichtlich gewordene, legitime Länderföderalismus ist ein Wesen für sich, u. kann nicht verwechselt werden mit der Stellung der Bundeshauptstadt, die als solche besondere Verflichtungen gegenüber dem ganzen Bund, als Sitz aller zentralen Institute hat.' (*Reichspost*, 19 October 1929.)

[5] *Reichspost*, 19 October 1929.

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comparative independence.[1] According to the original proposals put forward by Schober in the form of three Bills, on 18 October, Vienna was deprived of its provincial status, and made directly dependent on the Federal Government. The powers of the Mayor were transferred to a Cabinet Minister, and the City Council reduced to twelve members.[2] These proposals could not, however, be carried, as the status of Vienna was an issue over which the Social Democrats were prepared to fight. And, in the end, Vienna retained its status as a Province. But a part of its revenue was in the future to be handed over to Lower Austria,[3] and a certain measure of control was accorded to the Federal Government regarding police, finance, and educational matters. And it was now possible to appeal to the Federal Government against decisions of the Mayor.

It may be noted that no provision was made by the new reforms for the existence of a 'State of Emergency', although this contingency had been provided for in the Weimar Constitution.[4] Kelsen draws attention, however, to the new provision of Article 102.[5] The intention of this passage is, Kelsen thinks, obscure. It may merely mean that measures normally within the competence of the local authority may be temporarily taken over by federal officials. It is not, however, expressly stated that the federal officials can only undertake matters which would be within the competence of the local authorities. Kelsen thinks it may be interpreted to mean that federal officials can, in such circumstances, take any measures which they may consider necessary to restore order. In this case, the provisions of the article do not seem to differ

[1] *Vorarlberger Volksblatt*, 19 October 1929.

[2] *Daily Telegraph*, 19 October 1929

[3] The German Nationalists had wanted the amalgamation of Vienna with Lower Austria. (*Frankfurter Zeitung*, 24 October 1929.)

[4] Article 48. Kelsen comments on this fact: 'Durch die Notverordnungen gemäss Art. 18 kann jedenfalls kein verfassungsmässig gewährleistetes Recht aufgehoben werden.' (*Jahrbuch des öffentlichen Rechts*, vol. xviii, p. 144.)

[5] 'Ergibt sich in einzelnen Gemeinden die Notwendigkeit, wegen Gefährdung der öffentlichen Ruhe u. Ordnung, besondere Massnahmen zu treffen, so kann der zuständige Bundesminister mit diesen Massnahmen für die Dauer der Gefährdung eigene Bundesorgane betrauen.'

642 essentially from those of Article 48 of the Weimar Constitution.

In general, however, the reform when passed[1] did not institute any very revolutionary changes, nor was the passage of the Bill marked by any grave disturbances. The Social Democrats, who had at first opposed reform, in the end agreed to it, chiefly because they feared that resistance might result in a *Heimwehr Putsch*. They were, however, only prepared to agree to moderate measures, and made it clear that any attempt to push through an extremist programme without their consent (which was constitutionally necessary, as a two-thirds majority was required for passing measures affecting the constitution) would meet with unflinching resistance.[2] Their attitude was no doubt stiffened by promises of help from Germany.[3] But in the main, in spite of much provocation from the *Heimwehr*,[4] the party remained surprisingly calm. This was, no doubt, partly due to Schober's tactfulness, although in his negotiations with Herr Danneberg, the representative of the Social Demo-

[1] 18 October: Three bills presented to National Council. 23 October: After debate on first reading they were turned over to the Constitutional Committee. 28 October to 8 November: The Constitutional Committee delegated detailed discussion to a sub-committee of eight, of all parties. Negotiations between Schober and Danneberg completed on 13 November. 7 December: The bills voted by the National Council.

[2] Cf. Bauer's speech at the Congress of the League of Republican Defence: 'The time may come, and perhaps sooner than one thinks, when laws will be attacked, and we will defend them. The working class should be resolute in employing all its forces—life and death.' (*Le Temps*, 21 October 1929.)

Deutsch: 'We warn them that if an illegal situation arises in Austria, there will be civil war in the country, that is to say, the death of thousands of men, the destruction of property, the ruin of the national economy, and the loss of the Austrian people.'

[3] Cf. speech of Herr Hoeltermann, delegate of the *Reichsbanner*, at the Congress of the League of Republican Defence: 'There are hundreds of thousands of workmen in Germany prepared to defend democracy in Austria. If you need our support we stand ready to help you.' (*The Times*, 22 October 1930.)

[4] e.g. a pamphlet issued by Steidle and Pfrimer on 18 October: 'The once proud Socialists, driven into a corner, must bow their heads though boiling with fury. Herr Schober has got all that it is possible to get out of democracy and parliamentarism, and we accept it as the first payment on account for the *Heimwehr* idea, but that does not end our [illegible]. It merely consolidates our ground before advancing.' (*Daily Telegraph*, 19 October 1929.)

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crats, he was considerably hampered by the attitude of the right wing of his own party.[1]

However, most of the more controversial measures were, in the end, abandoned. The position of Vienna remained substantially unchanged. The right of the executive to issue ordinances without authority from the legislature was restricted. The proposal to make constitutional a future change of the constitution by a simple majority was withdrawn.[2] Trial by jury, which it had been proposed to abolish in certain cases, was maintained. It may be said that the essentials of democratic government were maintained.[3] But it was clear that the emphasis on the new reforms was no longer, as before, on the safeguarding of the democratic principle.[4] The voting age was raised from twenty to twenty-one. The age of eligibility for election was raised from twenty-

[1] *Daily Telegraph*, loc. cit.: 'The *Heimwehr* will see to it that the wretched compromising weaklings in the bourgeois camp are swept away in a storm of popular fury if they attempt to realize their cherished desire of reaching an agreement with the Socialists.'

[2] This had occasioned great excitement in opposition circles; see comment of *Frankfurter Zeitung*, 19 October 1929: 'Die einfache Mehrheit könnte also z. B. die Einführung der Monarchie beschliessen. Hier zeigt sich der Charakter dieser Novelle als Vorstufe zu weiteren Änderungen.'

In view of later events, it is interesting to note a suggestion which appeared in an article in the *Reichspost* on 8 October: 'Ist zur Verfassungsänderung die Zustimmung des Nationalrates erforderlich? "Nein" sagt der Verfassungsgerichtshof.' The article went on to explain that in virtue of a law passed on 24 July 1917 (B. G. Bl. Nr. 307) the Government was empowered to take special measures, in case of a state of affairs brought about by the war, to safeguard the economic interests of the State. The present condition of affairs had been brought about by the war; and an alteration of the constitution was necessary in the economic interests of the State. A revision of the constitution could, therefore, be effected by the Government without consulting Parliament. It was noted in the *Reichspost* of 27 November that the Social Democrats were now agitating for the repeal of this war-time measure. The idea was ridiculed, but three and a half years later Dollfuss succeeded in dissolving Parliament for the last time, in virtue of its authority.

[3] This was partly a consequence of the fact that by 11 November the partial results of the municipal elections had not turned out favourably for the *Heimwehr*, who therefore feared that if they forced a general election the results might not be favourable to them. (*Daily Telegraph*, 11 November 1929.)

[4] For instance, the phrase 'vom ganzen Bundesvolk gewählt' was no longer a part of Article 1.

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642 four to twenty-nine. Immunity rights were restricted.[1] Voting was made compulsory.[2]

These were merely signs, showing which way the wind was blowing. But the *Heimwehr* and the right-wing Christian Socialists openly asserted that the reforms could only be regarded as preliminary to greater changes.[3] And *The Times* of 9 December 1929 quoted a *Heimwehr* manifesto as follows: "It is not possible to regard the results obtained as the final realization of our aims, but simply as the first step of our movement towards the final end."[4]

[1] *Germania*, 21 October 1929. [2] Article 19.

[3] The *Frankfurter Zeitung* of 7 December quotes the *Reichspost* as remarking: 'Durch den hartnäckigen Widerstand der Sozialdemokraten sei nämlich die bessere ursprüngliche Verfassungsvorlage vereitelt worden, u. die neue Vorlage bedeute keinen Abschluss sondern nur eine Etappe auf dem Wege zur vollen Reform, den weiter zu gehen, die Staatsinteressen erforderten.'

[4] For text and general discussion of the significance of the 1929 reforms, see *Jahrbuch des öffentlichen Rechts*, vol. xviii; Kelsen, *Die Verfassung Österreichs*, pp. 130–60.

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VI

THE INFLUENCE OF FOREIGN POLICY ON THE EVOLUTION OF DEMOCRATIC GOVERNMENT

648 THE difficulties experienced by Austria in the conduct of her foreign relations contributed, indirectly, to the general disillusionment with parliamentary democracy which came to be felt throughout the country. For it was all too obvious that the democratic theory of a policy inspired and controlled by the wishes of the people bore little or no resemblance to the facts of the case. Austria was, in fact, controlled by her creditors, who had over her, literally, the powers of life and death. And, since her foreign relations were matters of great moment to them, they did not hesitate to impose their own views on her Governments. These views were not shared by the great majority of Austrians. Thus it came about that successive cabinets, from 1919 till 1934, were obliged to pursue a foreign policy of which the electorate disapproved. This was the more unfortunate because foreign policy was a question of very great importance for post-war Austria, and the gradual realization that it was a matter over which public opinion could exercise no control did not enhance the value of democracy in the eyes of the Austrians.

The disillusionment began almost immediately after the war, when Austria was frustrated by France and the Allies in her plan for union with Germany.

642 The possibility of an independent existence for Austria had 648 never been seriously envisaged by any section of Austrian opinion after the break-up of the Empire, although certain elements in the Christian Socialist party had viewed the prospect of an *Anschluss* with some misgiving. Almost the first official pronouncement of the new republican Government had been to the effect that German Austria was a part of the German Reich.[1] Representatives from German Austria

[1] Article 2 of the Declaration of 12 November 1918 (B. G. Bl. Nr. 5). It was arranged, however, that Austria should continue, for the time being, to be organized as a separate state.

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attended the deliberations at Weimar on this assumption.[1] 642 648 Fauer has stated that "our most important aim in the peace negotiations had to be the assertion of our right to unite with Germany'.

It seems probable that the Social Democrats were right in maintaining that the chief hope of survival for the young and somewhat frail plant of Austrian republicanism lay in the close connection of German Austria with the Reich. The Allies were, however, strongly opposed to any extension of German influence in the Danube basin, and Article 188 of the Treaty of St. Germain forbade an *Anschluss*, either immediately or in the future, without the consent of the League Council.[2] This article was, not unnaturally, felt to be extremely unjust, and strong protests were made against it, both in Germany and Austria.[3]

On the other hand, although it is almost certainly true that Austria and Germany would have joined up in the autumn of 1918 had they not been forcibly prevented by the Allies from doing so, it is equally true that public opinion, never unani-

[1] On 6 February 1919, a message of congratulation was sent from the Provisional National Assembly, to the Assembly at Weimar, in which it was stated that the Austrian body '. . . spricht die Hoffnung u. die Überzeugung aus dass . . . es der deutschösterreichischen Volksvertretung gelingen wird, das Band, das Gewalt im Jahre 1866 zerrissen hat, wieder zu knüpfen, die Einheit u. Freiheit des deutschen Volkes zu verwirklichen u. Deutschösterreich mit dem deutschen Mutterlande für alle Zeiten zu vereinigen.'

Provision was made in due course by Article 61 of the Weimar Constitution for the early inclusion of Austria in the Reich.

[2] M. Beneš has since stated that he and Masaryk had envisaged until as late as 1917 the incorporation of Austria in Germany. They thought that this solution would constrain the remaining small states of Central Europe to form a close political and economic bloc. These ideas were only abandoned when it was found that they met with opposition from Italy, France, England, and Russia—especially the two former. 'Being completely loyal to our friends in the war . . . we accepted their standpoint in this matter, and have remained faithful to it up to now.' (Speech of 21 March 1934, *Czechoslovak Sources and Documents*, p. 29.)

[3] 'Die Nationalversammlung erhebt vor aller Welt feierlich ihren Protest dagegen, dass der Friedensvertrag von S. Germain unter dem Vorwande, die Unabhängigkeit Deutschösterreichs zu schützen, dem deutschösterreichischen Volke sein Selbstbestimmungsrecht nimmt, ihm die Erfüllung seines Herzenswunsches, seine wirtschaftliche, kulturelle, u. politische Lebensnotwendigkeit, die Vereinigung mit dem deutschen Mutterlande, verweigert.'

642 mous in this matter, became less fervent in its support as the
648 months passed. The monarchists and the big Austrian industrialists had never been in favour of an *Anschluss*; and, after the publication of the German Peace Terms on 7 May, the Austrian bourgeoisie shrank from identifying themselves with Germany, especially as France succeeded in creating the impression that Austria would get more favourable peace terms if she abandoned the *Anschluss* policy. It was also felt that if France were presented with a *fait accompli*, she might well incite the Yugoslavs and Czechs to occupy Austrian territory. Germany, for her part, feared the loss of further territory to France and Poland.[1] As time went on, however, these misgivings were forgotten, and only the injustice of the Allies' veto was remembered.

648 Austria's position in the immediate post-war period was not a happy one, for, frustrated in what she now believed to have been her unanimous desire to join Germany, there was no Power, democratic or otherwise, to whom she could turn for assistance. Hungary, denuded of two-thirds of her pre-war territory, was, if anything, in a rather more unsettled condition than Austria. And the two states, never on particularly friendly terms, were now divided by the incipient dispute over the Burgenland.[2]

There could be no question of the establishment of close relations with Czechoslovakia. It is true that in both countries democratic Governments were in power, and that the relationship between them was ostensibly friendly. But Czechoslovakia was a victor state, who, having recouped herself lavishly at the expense of Austria, was not unnaturally anxious to sever all connections with her late rulers, even though these showed signs of an ideological change of heart. Moreover, disputes over the frontier had not yet died down.

If Austria's relationship with Czechoslovakia was distant, her relationship with Italy was, at this time, one of positive hostility, because of the question of the South Tyrol. In this

[1] Otto Bauer, *The Austrian Revolution*, Parsons (1925), p. 115.

[2] C. A. Macartney, *Hungary and Her Successors*, Oxford University Press (London, 1937), pp. 41 *et seq.*

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case, as in the case of the veto on the *Anschluss* with Germany, the Austrians asserted bitterly that the principle of self-determination was only applied when the application was likely to work out in favour of the Allies.

Thus, in 1919, since there appeared to be no other alternative, German Austria had to subscribe to the policy of the Allies, and pose as an independent state. The maintenance of Austrian independence has been the official foreign policy of the country from the moment when Renner succeeded Bauer, the great protagonist of the *Anschluss*, on 28 July 1919.

Desirable though this policy may have been, from the point of view of Europe as a whole, it was an essentially artificial policy. And the fact that it had, for the most part, very little backing from public opinion, weakened considerably the standing in the country of the successive Governments who had to attempt to carry it out.

Opposition to official foreign policy amounted at times to a declaration of war on the Federal Government, and this at a time when national unity was a matter of prime importance.[1] These 'unofficial' agitations caused such grave disquiet in Allied, and particularly in French circles, that on 14 April 1920, M. Lefèvre Pontalis handed a Note to the Chancellor, on behalf of his Government, stating that, if the Austrian Government were not in a position to suppress the *Anschluss*

[1] In December 1919, Tyrol and Salzburg respectively petitioned to be allowed to join the Reich. On 31 March 1920 the Tyrol *Landtag* requested the Renner Government to present a petition to the Ambassadors' Conference for the union of Tyrol with Germany, on economic grounds. Renner replied that although he could not refuse to present such a petition, he deplored it. It would not be granted, and it would only have the effect of discrediting Austrian representatives in the eyes of the Allies and thus making negotiations for economic assistance more difficult. Tyrol, however, persisted: and Salzburg followed suit.

The difficulties of Renner's position were increased by the fact that he was not supported by his own party. On 5–7 November 1919, for instance, at the Social Democratic Party Conference, the party announced its continued adherence to a policy of *Anschluss*.

The same difficulties confronted the Christian Socialist Mayr cabinet, which came into office on 3 November 1919. On 3 February, for instance, a deputation from the Provinces demanded the organization of a plebiscite to decide whether or not an *Anschluss* petition should be presented to the League. Arrangements for such a plebiscite were made in Salzburg, on 11 March 1920 for 24 April; and in Steiermark on 7 April for 30 May.

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agitations, the French Government would withdraw its support from schemes to help Austria. On hearing of this Note, the British and Italian Governments intimated to the Austrian Government that such an action on the part of France would mean the complete collapse of schemes to assist Austria. Thus the French Note really amounted to a command to the democratically elected Government of Austria to override and suppress the wishes of its electorate.[1]

In this way, the Austrian people were alienated in sympathy from their elected representatives, at the very time when it was most essential that the new state should be welded into a coherent whole, by leadership from a strong popular Government.

The goal of Austrian 'independence' was, moreover, receding rapidly into the distance. The conditions which it was felt necessary to attach to the granting of the League Loan in 1922 were such as to be scarcely compatible with the existence of Austria as an independent sovereign state at all.[2] League control was withdrawn in 1926. But it became all too obvious in 1931 that the narrow margin which had till then separated Austria from economic collapse would not suffice to enable her to stand up to the economic blizzard which descended upon Europe and America. And, in 1932, when the Lausanne Loan was granted, even more stringent League control was imposed.

It is true that by 1932 the situation had somewhat changed, for, with the rise of the Nazi movement in Germany, more moderate Austrian opinion came to regard a policy of indepen-

[1] The Note occasioned a stormy scene in the National Council in the course of which Mayr pointed out bluntly that Austria was not in a position to refuse the demands of the Allies: 'Wir werden ohne auswärtige Hilfe vielleicht schon in zwei Monaten nichts mehr zu essen haben.' (*Stenographische Protokolle*, 15 April 1920.)

Finally, the Mayr cabinet resigned on 1 June, on the grounds that the *Anschluss* agitations had made its position impossible.

[2] She had to agree to submit her finances, and the general economic policy of her Government, to control by a committee of the guarantors of the loan, which was to be represented in Vienna by a Commissioner-General. She had also to agree not to 'endanger' her independence by the granting of a 'special régime' to any one state. (League of Nations, *The Restoration of Austria*, Agreements arranged by the League of Nations and signed at Geneva on 4 October 1922, with the Relevant Documents and Public Statements. C. 716, M. 428, 1922, x, Geneva, 1922.)

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dence with less disfavour. But the fact remains that for fourteen years, successive Austrian Governments were compelled to attempt to carry out a foreign policy which was directly contrary to the wishes of the great majority of the people by whom they had been elected. In fact, of course, the various Governments had no option in the matter; but an electorate frustrated in its dearest wish does not pause to consider the good reasons which may exist for this frustration, especially when its temper is sharpened by acute economic distress.

There can be little doubt that what the vast majority of the Austrian electorate wanted during these years was an *Anschluss* with Germany, although this desire was not always felt with equal intensity by the different sections of the population.[1]

The chief supporters of the *Anschluss* policy of 1919–22 had been the separatist peasantry of the Alpine province, who were influenced to a large extent by temporary economic considerations. After 1925 the movement derived its strength mainly from the Civil Service, the professional classes, and the industrialists. If less spontaneous, this later movement was very much better organized and, unlike its earlier counterpart, it received positive support from high places in Germany. It was the beginnings of the renascence of German nationalism.[2]

[1] In 1923 and 1924, for instance, agitations for an *Anschluss* died down, partly owing to the comparative success of the Reconstruction Scheme in Austria, partly because of the bad conditions then prevailing in Germany. After 1924, however, the agitations increased again, because, with the introduction of the Dawes Plan, conditions improved in Germany, at a time when they were deteriorating steadily in Austria, as a result of the collapse caused by the over-speculation which took place in the summer of 1924.

[2] *Le Temps*, 17 and 27 May 1925, and the *Deutsche Allgemeine Zeitung*, 26 May 1932.

The new German Nationalist movement may be said to have taken its inception from an unofficial visit paid by Dr. Dinghofer and Dr. Frank, the German Nationalist leaders, to Berlin, towards the end of January 1925. It was then decided to reorganize, on a wider basis, Professor Wettstein's committee, which had been formed in 1919, to work for the removal of the technical difficulties in the way of the *Anschluss*. The new organization, which met for the first time in Vienna on 26 February, designated itself the Austro-German Union, as the Social Democrats' Popular League had become merged in the new organization. Its members were from all parties. Various sub-committees were set up to consider such matters as the unification of teaching in the secondary schools of both countries (higher education

642 And large *Anschluss* demonstrations, attended by prominent
668 officials, became increasingly frequent in both countries.[1] Yet, at the same time, Ramek and his Foreign Minister, Mataja, continued throughout the year to pursue a League policy, although his Government depended on the support of the very German Nationalists who were most opposed to this, and who were among the staunchest of the supporters of the Austro-German Union organization.

The one more or less constant desire of this feckless people could thus find no outlet through ordinary political channels. And, since the desire was too strong to be suppressed altogether, expression was given to it in extra-constitutional ways. The movement thus gained that momentum which so often comes to forces which are suppressed. And the methods used accustomed the Austrian people to reliance upon extra-constitutional means for attaining their ends. Thus, as the *Anschluss* movement gained in strength, so respect for ordinary parliamentary government decreased.

642 This curious and unsatisfactory situation occasioned much
668 anxiety in France, Italy, and the countries of the Little Entente. But the sharp reactions of the interested Powers towards movements of opinion in Austria and Germany were bitterly resented in both countries. Dr. Mataja protested in May to a representative of *Le Matin* that the Powers appeared to have forgotten that they had themselves guaranteed Austrian 'independence'. It was, he pointed out, a grave psychological mistake to treat Austria as a pawn in the political game, to be bartered about to suit the convenience of Italy, France, and the Little Entente.[2]

As the work of *Ausgleichung* continued, however, it was found that the process of assimilation was not so easy as had been at

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had already been unified), criminal law, agrarian reform on the German model, etc. It was hoped by these means to achieve a union *de facto* between the two countries, which would in time come to be recognized as a union *de jure*.

[1] See *Le Temps*, 6 May 1925, for an account of the Rhineland celebrations held in Vienna on 3 May.

[2] 'Ein Staat, der weder das Gefühl, noch den Stolz seiner Unabhängigkeit besitzt, kann sich nicht lange behaupten.' (Speech reported in the *Deutsche Allgemeine Zeitung*, 26 May 1925.)

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first anticipated. It was, for instance, difficult to envisage any satisfactory solution for the problem of Austrian provincialism, were Austria to become incorporated in the Reich.[1] And it was found, on closer examination, that Austrian legislation did differ from German in many important respects.[2] Austrian industrialists were now not slow in pointing out that the structure of German industry was essentially different from that of Austrian.[3] Finally, the Social Democrats, once the most convinced of all the protagonists of the *Anschluss*, became ever more doubtful of the advisability of this policy, as the strength of the Nazi movement in Germany increased.[4]

The announcement of the Customs Union project by Curtius and Schober in March 1931 came therefore as something like a bombshell. But its reception by the great Powers indirectly knocked the last nail in the coffin of Austrian democracy, for, once the Customs Union had been forbidden, everybody became convinced that this was what they had

[1] Kelsen wrote in 1927: 'Durch die politische u. staatsrechtliche Entwicklung seit dem Umsturz hat sich die Stellung der Länder so gekräftigt, haben sich die durch die Länder-Regierungen repräsentierten politischen Machtzentren in den ehemaligen österreichischen Kronländern so sehr verwurzelt, dass an eine Umwandlung Österreichs in einen Einheitsstaat ernstlich nicht mehr zu denken ist. Ja, man darf sich sogar—so traurig es ist—nicht verhehlen, dass wenn die Umwandlung Österreichs in einen Einheitsstaat . . . die Aufhebung der Länder also, eine conditio sine qua non für den Anschluss diese Bedingung nicht erfüllt werden könnte.' (*Frankfurter Zeitung*, 4 April 1927.)

[2] The German criminal code, for instance, was very much more severe than the Austrian. And German marriage laws were not easily reconcilable with Roman Catholic opinion in Austria.

[3] See *Le Temps*, 16 August 1928, for account of the proceedings at the Conference of Jurists, held at Salzburg in September 1928, to discuss the measures to be taken to unify the laws in both countries, regarding industrial and commercial cartels, etc.

[4] Article by Bauer, *Der Kampf*, July 1927: 'Es wird nicht das Reich Hindenburgs u. des Bürgerblocks sein, in das wir kommen werden.'

On the other hand, right-wing opinion in Austria was coming to view an *Anschluss* with less misgiving. Dr. Seipel, in particular, made speeches about this time which suggested that he had to some extent changed his views. These occasioned considerable misgiving in France, where he had always been regarded as the great supporter of Austrian independence. In September 1928 France issued a sharp warning: 'Un esprit aussi averti ne peut ignorer qu'en tout état de cause, le rattachement de l'Autriche à l'Allemagne, de quelque manière qu'on veuille poser le problème, ce serait la guerre pour toutes les puissances interessées au maintien du statu quo en Europe.' (*Le Temps*, 21 September 1928.)

642 648 really wanted. And opinion was finally disillusioned as to the efficacy of a democracy which was unable to give effect to what was felt to be the unmistakable wishes of the electorate, even when these were legally attainable, as most Austrians believed them to be. The fact that France and Czechoslovakia clearly meant to oppose the scheme, whether it was found to be legal or not; whether Austria and Germany desired it or not; and without any consideration for the possible economic advantages which might accrue to Austria, who was known to be in desperate need, was hardly calculated to strengthen the Austrians' not very fervent belief in the wisdom of constitutional government, of which Czechoslovakia and France were supposed to be among the chief exponents. After the failure of the Curtius-Schober project, subsequent efforts to bring about the *Anschluss* were diverted into extra-constitutional channels.

648 It had been hoped in certain Allied circles after the war that it might prove possible to find a solution to the Austrian problem in the formation of a democratic federation of Danubian states. Such an arrangement, it was felt, would not only help Austria but would provide an effective barricade against possible German aggression in south-eastern Europe in the future.[1] And the economic advantages of maintaining the old free-trade area of the Empire as far as possible intact were felt to be considerable.[2]

It was, however, never found possible to realize such a

[1] *War Memoirs of David Lloyd George*, Nicholson and Watson (London, 1936), vol. v, pp. 2463 *et seq.*:

'The downfall of Russia had created fresh anxiety for the political future of Europe, and it was feared in many influential quarters that unless some counterweight was established on the Continent to Germany in place of Russia, the future peace of Europe might continue to be precarious. . . . If Austria were prepared to play that role and break with Germany, she would have not only our sympathy, but our active support . . . our object now was to assist Austria to give the greatest freedom and autonomy to her subject nationalities.' Mr. Lloyd George envisaged the development of a federation of free peoples in Central Europe, and hoped that in the future other peoples, not at that time a part of the Austro-Hungarian Empire, might be attracted into the orbit of the confederation.

[2] Article 222 of the Treaty of Versailles had provided for tariff agreements between Austria, Hungary, and Czechoslovakia. But when an attempt was made to realize these in 1921, it came to nothing, because of the opposition of Italy.

CONCLUSION

IN conclusion, an attempt may be made to sum up very briefly some of the main causes for the breakdown of democratic government in Austria. 642

The constitution of 1920 undoubtedly played its part, for the omnipotence of parliament which it set out to effect became in fact the omnipotence of the party organizations. Every issue was treated as a party issue, and every aspect of life came to be tinged with political disputes. Parliament, which should have operated to draw the rival groups together, accentuated the differences between them.

It is not suggested that all or even most of the disasters which befell the Austrian Republic can be attributed to defects of the constitution. Constitutions can help or hinder the success of democracy; they do not generally in themselves decide the fate of democratic government. In Austria the unwise provisions of the 1920 constitution probably only served to accentuate difficulties which might well have proved to be insuperable in any case.

The unsatisfactory economic condition of the country, for instance, fostered, as it always must, the growth of extremism on both sides.[1] It prevented the people from developing any feeling of pride in the new Austria, which came to be associated for them with economic misery such as they had never known before.

Again, their experiences in the sphere of foreign policy did nothing to generate an Austrian patriotism in the people. These rather served to indicate to them their helplessness in the face of a hostile world, and the futility of maintaining the façade of self-government when in fact the country was tied hand and foot by its creditors. Self-government was but another name for the administration of the country by the Allies.

Finally, it may be said that so long as democratic govern-

[1] The more perspicacious of the Social Democrats understood the danger well. (See speech of Seitz at the 1930 Party Conference.)

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ment lasted in Germany, Austrian democrats had little to fear. But the combination of the collapse of parliamentary democracy in the Reich with the necessity of turning to Fascist Italy for support against the Nazi terror, led inevitably to the collapse of parliamentary democracy in Austria.

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I

The Austrian Problem

THE popular conception of a Europe divided by the Iron Curtain makes no allowance for the position of Austria. On one side of the curtain are East Germany and the Soviet satellite States, with Berlin heroically maintaining its insularity and faith in the future. On the other side are the West European countries, including Yugoslavia, with Albania as a queer but harmless anomaly left isolated on the Adriatic by Tito's quarrel with Russia. Austria under Four-Power occupation, yet with a Federal Government of its own, does not fit into this over-simplified pattern. The Russian zone of Austria is not behind the Iron Curtain in the same sense as East Germany, but it cannot be included in Western Europe. 648

This aspect of the Austrian question is bound up with the conflict between Russia and the West. It is a post-War development and will become clear as the story of post-War Austria is told. The main problem presented by Austria in 1945 is more fundamental and can be understood only in the light of the country's history between the two World Wars.

When the Habsburg Empire disintegrated in the autumn of 1918, the bulk of its territory and population was taken over by the so-called Succession States. All that were left to form the new Austrian Republic were about seven million German-speaking Austrians and a group of provinces extending from Hungary to Switzerland without national or administrative cohesion. For some months it was doubtful if an Austria would survive at all. From the economic and political points of view there were strong reasons why it should not. 728 642

Economically the new State was an irrational fragment which would have the greatest difficulty in paying its way. In area it was little more than an eighth the size of the old Empire, 433

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642 The Republican Constitution approved in October 1922 was itself a handicap. It was drawn up by a coalition government, in which the different views and mutual suspicions of the two parties did not make for clarity or simplicity of structure. Neither side could be described as experts in democratic practice, and the Social Democrats had an exaggerated fear of a strong executive. So the formidable political and economic problems facing the young State had to be tackled by a succession of weak governments which had no power to dissolve Parliament. As the system of proportional representation made for an even balance between the parties, a state of chronic instability prevailed. No real improvement was made in the Constitution until 1929, and even then reforms were limited to those on which the two main parties could agree, owing to the rule that any constitutional change required approval by a two-thirds majority.

665 The situation in the new Republic called for a concentration of political forces. But party feeling was such that the coalition lasted for only two years, and in the autumn of 1920 a long period of bitter and uncompromising conflict began. Attempts made on both sides to renew collaboration all ended in failure, and Dr. Renner, a consistent exponent of co-operation and compromise, had comparatively little influence.

665 668 Although universal suffrage had been introduced in the Habsburg Empire in 1907, the democratic immaturity of the Republic was revealed by the prevalent political methods. The Social Democrats first tried to establish control of the official army. When this attempt had failed, both parties organized private armies of their own, and thus showed that in the last resort they were prepared to use force as well as argument. The bad habit developed of using mass demonstrations for political purposes, an undemocratic technique, because it appeals to emotions and mass suggestion rather than to reason. Its full dangers became clear under the Nazis, but before then it had done great harm to Austrian political life. A mass demonstration in 1927 led to riots and savage repression and accentuated party antagonism. By 1934 Parliament had

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727 the War with only a small amount of damage. They lit a fire on the stage, which they failed to extinguish. The building caught alight and, in the absence of any fire service, was soon completely burnt out. Thus a great cultural centre was destroyed owing to the negligence of a few undisciplined soldiers.

These conditions led inevitably to famine. The normal system of food distribution had been interrupted by the fighting and lack of transport. The refugees had imposed a strain on existing supplies. Fire, destruction, and looting depleted the stores, while the uncertainty encouraged hoarding of what remained.

Finally the administration and public services broke down completely. The Nazi officials in charge of the city government fled with the retreating armies. The greater part of the police and gendarmerie, being Nazis, went with them, and the remainder dispersed to their homes. For some weeks there was neither gas, nor water, nor electricity; no communications and no public transport. Thousands of human corpses were left for days unburied, and the carcasses of horses lay putrefying on the streets. The fire brigade had been ordered to withdraw to the west, and abandoned fire-engines were found lying in the fields between Vienna and Linz, when the need for them in the city was greatest. In April 1945 Vienna experienced what anarchy means in practice.

642 In this crisis it was fortunate that the right men were available and willing to take the initiative in forming some kind of provisional administration. Since the banning of their party in 1934, a number of leading Viennese Social Democrats had been living in retirement, sometimes broken by spells in prison or concentration camps. Among them were General Körner and Dr. Adolf Schärf. On the 6th of April a group of Christian Socialist leaders were suddenly released from prison after spending weeks under the daily threat of death. They included Leopold Figl and Dr. Felix Hurdes. The only official organization that was functioning on the Austrian side was the Resistance Movement which had established its headquarters in

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the Auersperg Palace. The rapid co-operation of these three elements saved the situation in Vienna. Their efforts to set up a temporary municipal government received the full support and encouragement of the Russian military authorities. 642

The strength and bitterness of political feeling had rendered any effective collaboration between parties impossible in face of the Nazi threat before 1938. But seven years of German occupation had made a difference. In particular the contact that had been established between Schärf and Hurdes during the War proved of great value at this time.

Vienna had been a Social Democratic stronghold under the First Republic. On the 11th of April, therefore, the leaders of the Resistance Movement offered the post of burgomaster to a Social Democrat. On the 17th, after several days of negotiation between the Auersperg Palace and representatives of the party, the choice fell on General Körner, and was approved by the Russian Commandant. Körner was a widely respected figure; a convinced and selfless Socialist, who had been a Chief of Staff in the old Imperial Army and last President of the Republican Federal Council. His deputies were to be a Communist, Karl Steinhardt, and the Christian Socialist, Leopold Kunschak, former Federal Chairman of his party, who had distinguished himself by his staunch democratic loyalty and his consistent opposition to Fascism. Under this satisfactory leadership energetic steps were taken to re-organize the administration of the city. The municipal offices were divided, half going to the Socialists and a quarter each to the Communists and the Austrian People's Party, the newly named party of the Right.

In the meantime, valuable work was being done by Leopold Figl, former Federal Director of the *Bauernbund* or Farmer's Union. Since 1938 Figl had spent altogether sixty-eight months in prison and concentration camps, where he had already revealed the qualities of toughness and courage that later distinguished him as Chancellor. Within a day or two of his final release he began work with a few friends and former associates to re-organize the *Bauernbund* and the provincial

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government of Lower Austria, shortly afterwards becoming President of the Austrian *Bauernbund* and Governor of Lower Austria. At the same time he improvised measures for the relief of famine in Vienna. The Russian military authorities were persuaded to put two or three dozen lorries at his disposal. The drivers reported to him every morning, and, accompanied by volunteer civilian guides, were sent out into the countryside to collect supplies. In the evening they returned, and the food was handed over to the municipality for distribution. Figl was specially qualified to perform this service, because he had the confidence of the peasants.

While these developments were taking place in Vienna, a series of events had occurred in the country south-west of Vienna which were to have a decisive influence on Austrian history.

In the village of Gloggnitz, at the foot of the beautiful Semmering Pass, Dr. Karl Renner, senior and most respected member of the Austrian Socialist Party, had been living since his enforced retirement from active politics in 1934. In April 1945 he was seventy-four years old, but still strong and active in body and mind. Gloggnitz was not far from Köszeg, the point on the Hungarian border where the Russian troops first entered Austria. It was therefore one of the first villages to be occupied. Dr. Renner, having advised his fellow villagers to stay where they were and not run away from the advancing army, was disappointed at the rough house-searchings to which all of them were subjected. On Easter Tuesday, therefore, two days after the arrival of the Russians, he took his stick and, without bothering to put on a coat, walked down the street in search of the local command post, in the hope of convincing the officer in charge of the villagers' peaceful intentions and preventing further mistreatment. He was directed to the next village, a mile and a half away, and there by a fortunate chance found some officers who knew his name and past record. He was sent by lorry to higher headquarters at Hochwolkersdorf, where he was received with great respect and spent the evening in discussion with senior staff officers.

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government in the critical spring of 1945. He was sufficiently far to the Left in his opinions to be acceptable to the Russians and yet sufficiently moderate to be respected by all parties. He had been first Chancellor of the First Republic, and therefore had unrivalled knowledge and experience of post-War problems. He had also been President of the Austrian Peace Delegation at St. Germain. Furthermore, he combined strong political convictions with flexibility of method and willingness to compromise, a mixture of qualities which were to prove invaluable during the coming years.

When he arrived in Vienna, Dr. Renner found, to his pleased surprise, that the political parties had already combined in many municipalities, including the capital, to set up provisional administrations. In Vienna General Körner and his deputies were established at the Town Hall. Representatives of the three parties had joined together to found a new newspaper, *Neues Österreich*, the first number of which appeared on the 23rd of April, after the city had been without a newspaper for three weeks. A first meeting of trade unionists had also taken place, which led to the foundation on the 27th of April of an Austrian Federation of Trade Unions on an all-party basis. Dr. Renner altered his plans to suit the unexpectedly favourable conditions. Calls to action were not required so much as leadership, organization, and the definition of objectives.

The Russians installed Renner in a house in the suburb, Hietzing, that was large enough to accommodate his family and small staff and allow conferences to be held on the main floor. The day after his arrival, the Russian colonel who was acting as liaison officer arranged for leading personalities from the different political parties to come and visit him. The first to arrive was Leopold Kunschak, to whose attitude Renner attached great importance. He was followed by General Körner and Adolf Schärf; the Communists, Ernst Fischer and Johann Koplenig, and others. Negotiations progressed so rapidly that within two or three days agreement had been reached on the membership and constitution of the Provisional

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Government. On the 27th of April, Dr. Renner as Chancellor designate and his proposed colleagues were received by Marshal Tolbuchin, who in the name of the Red Army gave the Government *de facto* recognition and promised it support. 643 648 642

The same day a proclamation was issued in the name of Renner and representatives of the three political parties, which contained a formal Declaration of Independence. It announced the restoration of the Austrian Republic, the nullification of the *Anschluss*, and the proposed establishment of an all-party provisional government with full legislative and executive authority, subject to the rights of the occupying Powers. On Sunday the 29th of April members of the new Government assembled in the council chamber of the Vienna Town Hall, and, after an exchange of speeches between Burgomaster Körner and Dr. Renner, proceeded, accompanied by the City Senate, to take formal possession of the half-destroyed parliament building nearby. There they were greeted by the Russian Commandant of the city; and Dr. Renner, among the ruins and the rubbish that there had been no time to clear away, reaffirmed his faith in the future of free Austria and the democratic resolve of his colleagues and himself. The ceremony concluded with the reading of a declaration to the people of Austria announcing the establishment of the Provisional Government and exhorting all citizens to play their part worthily in the restoration of the country. 642

The authority of the new Government extended in fact only to Vienna and those areas of Lower Austria, Burgenland, and Styria that the Russians had already freed. Provisional governments were established in the rest of Austria, as the liberation proceeded, and political authority was exercised either by the military governments of the occupying Forces or by Austrian Provincial Governments set up or approved by them. In Carinthia an all-party Government had been formed on Socialist initiative before the British arrived. In the Tyrol, the Resistance Movement, which had already achieved so much, established an Austrian Provisional Government Committee in the face of Nazi opposition: the American forces, whom the 642 648

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642 648 Resistance leaders had invited to cross the frontier from Bavaria, were given a formal and enthusiastic welcome when they entered Innsbruck on the evening of the 3rd of May.

648 Within a year or two of the end of the War a bitter joke was current in Vienna. Austria, it was said, might possibly survive a third World War, but it would certainly not survive a second liberation. Austrian disappointment was understandable. Dr. Renner pointed out in April 1946 that after the First World War Austria had waited six months for the invitation to St. Germain, and that the peace treaty had followed four months later: that was the treatment given to a defeated country, and it was indefensible that a liberated country should be treated worse. Yet, in spite of everything, the overthrow of the Nazi régime in the spring of 1945 was a liberation. Since then Austria has had a large measure of freedom in which to develop its own way of life. Though the continued restrictions on its liberty cannot be defended, against them can be set the considerable amount of material and moral help the country has received from some of the occupying Powers.

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III

Provisional Government

DR. RENNER'S task was to form an interim government 'broadly representative of all democratic elements in the population'. Those were the terms of the Yalta programme for the liberated peoples of Europe, and it was in that task that the Russians had promised to help him. His first problem was how to make the Government representative under existing conditions. Elections for some months were out of the question. When he arrived in Vienna, fighting was still going on, and, when opposition ceased, Austria was divided into four separate zones under the different armies of occupation. The country was almost entirely without means of communication, and the great majority of able-bodied men of military age were prisoners of war. 643 642

During his first conversations with the Russians Dr. Renner had proposed that, as President of the last National Assembly dissolved by Dollfuss in 1934, he should call together its surviving members or their official substitutes, replacing the Fascist representatives by Communists. But he finally decided against this plan. It would be a complicated, somewhat arbitrary procedure and would take time, when the circumstances demanded that a provisional government should be established immediately. As the main political parties were already re-forming under recognized leaders in Vienna, it would be more satisfactory if the party leaders themselves and their nominees combined to make up a government. Under the Austrian system parliamentary candidates were normally nominated by the party machines, so that the deviation in this case from the ordinary practice would be formal rather than real.

To ensure that the government chosen by this method should really have the confidence of the people great care was 642

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642 taken in its composition. No government was ever set up that more closely deserved to be called a coalition. There were representatives of all parties at each level of the administration. Of the thirteen main posts, four went to Social Democrats, four to the Austrian People's Party, three to Communists, and two to non-party men. In addition, in all Ministries, except the Ministry of Finance, two Under-Secretaries were appointed from the parties to which the Minister did not [645] belong. Dr. Renner himself, as Chancellor, was assisted by three Secretaries without portfolio, who with him constituted the Political Cabinet Council. This body, in addition to acting as an inner Cabinet, temporarily formed the supreme executive authority and carried out the duties previously performed by the President of the Republic. Its members, apart from the Chancellor, were Leopold Figl, Adolf Schärf, and Johann Koplenig.

The whole Government, including the Under-Secretaries, formed the Cabinet in the broader sense. From the point of view of taking executive decisions, this body was inconveniently large. But, on the whole, its size was an advantage. As there was no Parliament, it was executive and legislature rolled into one, and had to perform the functions of a Cabinet and of both parliamentary Chambers. It was therefore a good thing that it should be as representative as possible. Confidence in it as a legislative body was further increased by the principle of unanimity that governed its decisions.

643 In view of the severity of the party conflict in Austria between the Wars, it may well cause surprise that the three 663 parties should have collaborated so closely and successfully during the seven months' life of the Provisional Government. It was due partly to the personality of Dr. Renner. By sheer force of character and political experience he exercised considerable influence over his colleagues in the Government. He was one of the few Austrian statesmen since 1918 who were able to combine lifelong adherence to a political creed with magnanimity and the ability to look beyond party to the needs of the country as a whole. In 1922 he wrote, 'Passion is

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the Austrian State. Certain Communist utterances at the time had a considerable appeal to Austrian sentiment. To the first number of *Neues Österreich* Ernst Fischer, who was the editor, contributed an article entitled 'With United Strength'. It ended as follows:— 665

> And something more is necessary: that we Austrians awake to true national self-consciousness, that we have confidence in our own strength, as we have not always had in the past. . . .
>
> Hard work lies ahead of us, but it is work for ourselves. After long years of servitude, we can work for ourselves again, for the happiness of our children, for the welfare of our people, for a free independent Austria. With united strength we will overcome all the accumulated difficulties and make of our homeland what it deserves to be: a land of peace, freedom and creative human endeavour. And when the drab needs of everyday life get a hold on us, our ardent faith in Austria will rouse us again to action.
>
> Our great composer, Schubert, has bequeathed us his ever beautiful unfinished symphony. Everything around us now is unfinished: fragments, ruins, the sadness of destruction. Nevertheless we hear more clearly than ever before the urgent, admonishing notes of the unfinished symphony—Austria. We shall finish it.

It was an inspiring call. But there are no signs now that the symphony will be finished in the way Ernst Fischer had in mind.

The legal situation that faced the Provisional Government when it took office was very complex. The most urgent need was to define the constitutional position of the Government. This was done with the help of two constitutional laws that were approved on the 13th of May and made effective from the 1st of May 1945. The first of these declared that the Austrian constitution of 1929, as it stood on the 5th of March 1933, was again in force, and the second modified the first by stating that until the formation of a government based on free elections the Provisional Government was to exercise the supreme executive power in the State and the legislative authority previously held by the Federal Parliament and the provincial assemblies. It was of immediate importance also to settle the question of the legislation and decrees issued by the 642

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642 German Government since the *Anschluss*. They could not be repealed *en masse* without causing great confusion. A further constitutional law was therefore passed, that was also to be effective from the 1st of May, stating that all laws and decrees incompatible with a free and independent Austrian State and with a genuine democracy were annulled. The Government would, after investigation, give notice of those that were invalid. The remainder would for the time being have the force of Austrian law.

With these constitutional acts as a basis, the Provisional Government proceeded with astonishing speed to issue the wide range of laws and decrees necessary for the reconstruction of the Austrian State. When the Government was recognized by the four occupying Powers on the 20th October, over 200 had been promulgated.

643 This remarkable legislative achievement was due very largely to the energy, ingenuity, and legal capacity of Dr. Renner himself. The unanimity rule made the legislative process more difficult. But the Chancellor declared on a number of occasions that he would assume a resolution had been approved, unless its opponents within the Cabinet were prepared to back their opinions by resignation. Being accustomed to night-work himself, Dr. Renner would often call Cabinet meetings for nine o'clock in the evening. The less controversial measures would be taken first, and by about midnight, when most members were suffering from hunger and exhaustion, the more difficult matters would come up for discussion. In those days lack of food was a serious consideration in the lives of all Viennese, and it was customary for wine and sandwiches to be served at the end of Cabinet meetings. Critical faculties were damped, therefore, and the democratic process was considerably eased by Dr. Renner's arrangement. The Chancellor would then sit up far into the night drafting the legislation based on the Cabinet's decisions.

663 The administrative tasks that confronted the Provisional Government were endless. It would take many months before anything like normal civic life could be restored.

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Communist control and to emphasize the importance of professional training and experience. At his suggestion, on the 23rd of May, Dr. Pamer, a former Police President, replaced a Communist as Police President of Vienna. Finally, on the 13th of June, the whole force was formally taken over by the Police Directorate, a purely Austrian authority. 625 648

By July the Vienna police were nearly 7,500 strong, though only some 1,000 of them had had previous police experience and many still owed their position to their political opinions. In September, at British instigation, the first meeting of the Allied Public Safety Committee was called. From then on the Austrian police were under Quadripartite supervision, and the three Western Powers were able to counterbalance Russian influence.

Dr. Renner's main concern, after his first few months in office, was to ensure the real unity of Austria. The Provisional Government had announced the restoration of the Austrian Republic and declared itself to be the Government for all Austria. Yet *de facto* its authority still only extended to those parts of the country that were occupied by the Russians; that is to say, Vienna, Burgenland, Lower Austria, and parts of Upper Austria and Styria. The Chancellor's two aims were to obtain the recognition of the Four Powers for his Government and reintegrate the country under its control. The continued division carried with it real dangers. Economically, the position was absurd. In so small a country, each part was dependent on the others for its survival. But the iron of Styria was cut off from the engineering industries of the Russian zone. The salt and meat of Salzburg and the Tyrol could not be brought to Vienna, and the oil, grain, and potatoes of Lower Austria were not available to the West. It had always been difficult to feed Vienna. Yet the task had become impossible in a house, as Dr. Renner put it, 'where the larder was walled off from the kitchen by zonal frontiers'. 642 438

Since 1918 the mutual suspicion between Vienna and the provinces had been a menace to the country as a whole. The interests of the city and the rural areas were utterly different, 369 631

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When the Western Commanders-in-Chief first arrived in Vienna, the Provisional Government was not recognized by them, and they did not at first enter into official communications with it. Before long, however, the British and American Commanders interviewed Dr. Renner and apparently satisfied themselves that he was a suitable Chancellor and no mere puppet of the Russians. They were further reassured by the results of the first Provincial Conference.

Two of the conditions necessary for recognition of the Renner Government had therefore been achieved, and the Allied Council proceeded to consider what the relationship should be between the Control Commission and an Austrian Government. At its meeting on the 1st of October it decided to recommend to the Governments of the four occupying Powers that the Provisional Government's authority should be extended to the whole of Austria and recognized, subject to certain conditions. The most important condition was that some functions of government should be reserved to the Allied Council, and this was a point on which the Four Powers could not agree.

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On the 13th of September Dr. Renner had sent a note to the Allied Council requesting the unification of Austria, the recognition of his Government, and the holding of free elections. The Allies now decided on recognition without waiting for agreement on the question of reserved functions. During its meeting on the 20th of October Dr. Renner was summoned and informed of this decision. The main conditions of recognition were that the Provisional Government should exercise its functions subject to the guidance and control of the Allied Council as the supreme authority in Austria; that certain functions of government should be reserved to the Allied Council; that one of the main duties of the Provisional Government should be to hold free elections as early as possible, and not later than the end of the year; that the Provisional Government should be empowered to enact laws applying to the whole of Austria, provided that they were first submitted for approval to the Allied Council, and that nothing in the condi-

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727 tions should affect the validity of any Military Government
648 legislation then in force or afterwards enacted. The Allied
642 Commission also proceeded with the task of examining, and where possible approving, the laws and decrees issued by the Provisional Government since the 1st of May.

The formation of the Provisional Government in April had been Dr. Renner's first great service to Austria since his return to active politics. The Allied recognition of his Government marked the second stage of his achievement and was of incalculable importance to the future of the country. Without it the danger still remained that Austria might suffer lasting division and the fate of Germany. It is not surprising, therefore, that the British officer who went to fetch the Chancellor to the Allied Council meeting on the 1st of October noticed an unaccustomed nervousness on the part of this experienced, sophisticated, but deeply patriotic statesman.

666 The main task that faced the Provisional Government, after it had been recognized, was the organization of elections. An electoral law, after amendment by the second Provisional Conference, had been passed by the Government on the 19th of October and approved by the Allied Council on the 30th. It was based on the electoral law of the First Republic, modified to disfranchise Nazis and candidates for the Nazi Party, unless they could prove they had suffered political persecution under the Nazi régime. On the 27th of October the Government, in the name of all three political parties, issued an appeal to the Austrian people, calling on them in the traditional manner, as befitted a civilized and freedom-loving people, to cast their votes for one of the three democratic parties.

On the 25th of November the elections were held. They passed off in a most orderly manner, 93 per cent of the electors casting valid votes. It was generally agreed that the Austrian people were able to vote freely in accordance with their political opinions. By the end of the month no charges of fraud nor complaints from either parties or individuals had been lodged regarding the election. In view of the nature of some of the elections that took place in Central and Eastern

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to the Russians, and he had shown the Russians to Central Europe. The first error could be rectified by ensuring that the occupying troops did not stay long enough in Central Europe to feel at home. But the results of the second mistake will take many years to eradicate.

In Austria, in the spring of 1945, the Russians had the game in their hands, and from then on they played it very badly. A great opportunity was missed, as in the rest of the world, where a moderate and enlightened Communist policy, following Russia's heroic struggle against Germany, would have been irresistibly attractive to millions.

The results of the election became known on the 24th of November. Two days later the Provisional Government resigned. The Political Cabinet Council accepted its resignation, entrusted it with the temporary administration of public business, and at the same time called on the Austrian People's Party to nominate someone to form a government. The choice fell on Leopold Figl, who had for some months been Chairman of the party and, like Dr. Dollfuss, owed his influence in the party and the country to his work for the *Bauernbund*. During the election campaign all three parties had declared that they were in favour of further collaboration after the election. A Coalition Government was therefore formed in which there were eight representatives of the People's Party, six Socialists, and one Communist. The approval of the Allied Council was given on the 18th of December.

On the following day the new National Assembly met for the first time, and Dr. Renner presented a report on the work of the Provisional Government. At the same time, the Second Chamber, known as the Federal Assembly, which had been elected by the Provincial Chambers according to the constitution, held its first sitting. On the 20th of December the two Houses met in joint session and elected Dr. Renner Federal President by 204 votes out of 205, one member abstaining. The new President's first duty was to swear in the members of the new Government.

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IV

Coalition and Quadripartite Control

645 LEOPOLD FIGL, the new Chancellor, was very different from his predecessor. He was considerably younger, and he lacked Dr. Renner's intellectual distinction and breadth of background. Yet the two men had certain qualities in common that are of importance in a prime minister: they both possessed the tact and magnanimity that enabled them to manage their colleagues and rise to the level of great responsibilities at a critical time. Figl was suited by nature to follow Renner's example of tolerance and co-operation. This was revealed in the skill with which he formed the Coalition and in his success in remaining head of it for more than seven years.

The offices in the new Government were distributed wisely, so that the two main political parties were satisfied with the result. Dr. Schärf, the Socialist leader, became Vice-Chancellor. The economic appointments were divided. The People's Party provided the Foreign Minister in Dr. Gruber and the Minister of Education in Dr. Hurdes, while the Socialists, Helmer and Maisel, took the Ministries of the Interior and Social Welfare, the latter being a post to which their party attached special importance.

The results of the election did not entitle the Communists to a seat in the Cabinet, but they were given one in order to propitiate the Russians and rally forces in the emergency. A Communist, Dr. Karl Altmann, was therefore made Minister of Energy and Electrification, an appointment especially created for his and his party's benefit.

642 From the constitutional point of view, the Provisional Government had been only a temporary expedient to tide over the transitional period until free elections could be held. After the elections, in order to legalize the position, legislative acts of the previous seven months had to be confirmed. One of the

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first decisions of the new Parliament, therefore, when it met on the 19th of December, was to adopt the constitution of 1929. Dr. Renner, in his New Year's Eve broadcast to the Austrian people, emphasized that the laws issued by his Government had been dictated by the force of circumstance and must now be verified by the people's representatives. 642

There were compelling reasons for having a coalition. In times of great emergency it is a healthy democratic instinct that brings political parties together to work in the common cause. Britain resorted to coalitions in both World Wars, and the First Austrian Republic had done so in the first two years of its life. The problems facing the country in 1945 were as difficult, if not so fundamental, as those that presented themselves in 1919. There was still an acute shortage of food and fuel. Although the country had gained a measure of unity since the recognition of the Central Government by the occupying Powers, the zonal frontiers remained, and each Power had special rights in its own zone. Moreover, seven years as part of the German Reich had left Austria no contacts of her own with the outside world. While his Government was still in process of formation, Leopold Figl summed up its main tasks as ensuring the necessities of life for the people, creating a unified Austria, and restoring her relations with foreign countries, especially with her neighbours. As gradual progress was made in the solution of these problems, a fourth objective of increasing urgency emerged which held the two main parties together in joint endeavour: the signature of a State treaty that would bring an end to the occupation and re-establish Austria as a sovereign State. [185]

Though these exacting tasks were sufficient to justify the existence of a coalition, there were other reasons for it which arose out of the nature and previous record of Austrian democracy.

The elections had shown that the two main political parties were closely matched in strength. The probable alternative to an alliance between them, therefore, would be tense political strife, which, in the circumstances of national emergency, 665

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665 would be suicidal. In 1950, after nearly five years' experience of the Coalition, Oskar Pollak, the Socialist editor of the *Arbeiter-Zeitung*, a man of the strongest party convictions, wrote:—

> When a democratic country owing to the class division of its people . . . is split into two great camps, two parties of approximately equal strength, this country cannot be governed by democratic methods against the will of one of the two parties. . . . History has shown that every attempt to rule such a country through one half of the population against the wishes of the other must lead to the jeopardizing and even to the annihilation of democracy.

Pollak, of course, had in mind the history of his own country between the Wars.

665 Memories of the bitter political conflict and division between 1920 and 1938 had a powerful influence on the course of post-
•642 War politics. After the First World War the coalition experiment had lasted for only two years, and it was clear in retrospect that this had been a mistake and that the statesmen who had worked to renew collaboration had been on the right lines. A particularly sinister aspect of Austrian party cleavage was the geographical aspect that has already been mentioned, Vienna since 1918 having been predominantly Socialist and the provinces mostly Right Wing in sympathy. Giving free rein to political rivalry, therefore, would have involved accentuating the division between the provinces and the capital that was already a serious danger.

Finally, the Coalition solved, as far as was possible, the problem of maintaining good relations with Russia and the other occupying Powers. Russian disappointment with the election results went deep, but it was some compensation that the Communists were given not only a seat in the Cabinet but membership of the parliamentary Main Committee as well. Figl described his new Government diplomatically as a 'government of concentration', and this point was seized on as something of a forlorn hope by Ernst Fischer, who in an article in *Neues Österreich* on the 18th of December 1945 emphasized the difference between a mere parliamentary

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'coalition' and a 'concentration of democratic forces' that applied to every level and category in the life of the State. 665

As the Austrian Coalition has survived for so long, it is important to understand its nature. It differs considerably from coalitions to which other democratic countries are accustomed, and the difference results from the special characteristics of the Austrian party system and the Austrian form of democracy. 642

In France the numerous political parties are distinguished from one another in some cases by almost imperceptible shades of political opinion. In the United States the two great political parties could simultaneously hope to win Eisenhower as their leader; while in Britain moderate leaders from opposite sides, like Baldwin and MacDonald, Eden and Bevin, can follow each other with little noticeable break in continuity. But the record of the Austrian Republic has, on the whole, been very different, though the contrast is in process of modification. On the one side are the Socialists, with their radical idealism, their materialism, and their admiration for the Marxian analysis; on the other side, the Right Wing, with its Catholicism, its respect for tradition, and its varying forms of nostalgia for the past. They differ from each other not only in temperament and in their views on the speed and method of political advance but, in many cases, in their whole attitude towards life and its purpose and towards the nature of society and the State. This fundamental contrast in *Weltanschauung*, or philosophy of life, has been one of the main reasons for the stability of party loyalties in Austria through the years. People are much less likely to change their allegiance if religious conviction and deep-rooted social attitude are involved, than if the alteration merely concerns the method of approach to a broadly similar ideal. 665

The contrast is sustained, and tends to be increased, by the dominance and rigidity of the party organizations in Austrian politics. Voting is according to the system of proportional representation and the party list, the whole country being divided into no more than twenty-five electoral districts or 665 666

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out of political life by the ruthless working of the party machines. With a measure of justice Christian Socialists accused Social Democrats of putting party before country; of obstructing legislation during their long period in opposition, and of seeking to establish something like a dictatorship of the proletariat. With as much justice the Socialists accused the Right-Wing parties of the arrogant assertion of power; of undermining the democratic system, and finally of dispensing with Parliament and establishing a form of government on the Fascist model. 665

Such a party system and such a background of party strife mean that a coalition government in Austria is a very different thing from a war-time coalition in Britain or a working group of political parties in France. The Austrians learned much from the pre-War tragedy and much from the Nazi ordeal. But political memories are retentive and party differences deep-rooted, and the recollection of the between-War period, though salutary as a warning, still hangs like a curse over Austrian political life. There are very few Austrians who can speak or write of the time with anything approaching objectivity. It is therefore hardly surprising that the Coalition has had its ups and downs. There have been occasions in its existence when it has seemed on the verge of collapse. Yet its very precariousness has increased its value to the country. If politicians have a tendency to fly at one another's throats, it is all the more important, in a time of national emergency, that they should be held together to serve the common cause. 642 665

The inherent tension in Austrian political life has affected the nature of the Coalition in one particular way. There has been a common acceptance of the principle of what is called *Proporz*; that is, the principle that the proportionate strength of the parties in Parliament should be reflected not only in the allocation of Cabinet seats but in the distribution of public offices in general. Each party claims a right to a share of representation in the policy-making governmental committees, the boards of directors of nationalized industries, and even in administrative and industrial appointments at a lower level. The system has

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642 665 its advantages in a coalition where party rivalry runs high. Occasions for friction are reduced to a minimum, because every party has its due share of influence. Ministers can surround themselves with officials of their own way of thinking in the knowledge that their colleagues belonging to other parties will do the same. On the other hand, in the long run the system has serious disadvantages as well. It is the mathematical *reductio ad absurdum* of the over-organized coalition. A great strain is placed on political sincerity when party membership is known to be the key to office. Political opinions come to be the main qualifications for appointments in which technical knowledge and experience should count for most. Above all, the party aspect of political life is continuously emphasized, when it is most important it should be played down, and an atmosphere of huckstering prevails in the appointment to offices where ability and devotion to the State service are the qualities most required.

Nevertheless, in spite of weaknesses, the Coalition has succeeded and survived. On the whole, it has been a healthy influence in Austrian political life. Its dangers have been less serious than unbridled political conflict. In 1945 eleven years of authoritarian government had created a gap in Austrian political experience. Some of the new leaders had had no parliamentary experience. Those who had were mostly old and nearing the end of their careers. The new generation of politicians, however, is accustomed to compromise and collaboration. It has grown up under a Chancellor and two Presidents who put party second to the State. It has been schooled by external pressure to appreciate the value of the heritage that all political parties share.

727 642 The Coalition, however, has never had full responsibility for the government of Austria. It has been subject continuously to the authority of the Allied Control Commission made up of the four occupying Powers.

The system of supervision established on the 20th of October 1945, when the Allied Council recognized the Provisional Government, lasted for just over eight months. It involved

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very close control. Although the Allies could not agree on the functions to be reserved to the Council, the provision that all laws must be submitted for the Council's approval gave it the last word, so far as legislation was concerned. By the end of January 1946 nearly 300 laws and decrees of the Austrian Government had been considered and acted upon by the Allied Council, aided by its legislative committee. Of these the great majority were approved, though some were amended and a few rejected outright. A significant case of the Council asserting its authority was the demand in November 1945 that all laws and orders of the Provisional Government dealing with military matters should be annulled. The Government Declaration of the 27th of April had mentioned a modest defence force, and Dr. Renner's original Cabinet had included an Under-Secretary for Army Affairs.

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This state of tutelage and subjection was tolerable only as a temporary expedient. It was in flat contradiction to the declared intentions of the Allied Powers. At Moscow, Churchill, Roosevelt, and Stalin had described Austria as a victim of Nazi aggression. At Yalta they had declared their intention of restoring to such victims their sovereign rights and self-government in accordance with the principles of the Atlantic Charter. The Austrian Government had every right to demand that this decision should be carried out, and the occupying Powers themselves would reveal the sincerity of their diplomatic convictions by the efforts that they took to implement it.

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During the spring of 1946 a series of powerful pleas were made on the Austrian side for revising the system of Allied control. On the 5th of April Dr. Renner gave a lecture to the Austrian League for the United Nations entitled 'Austria, St. Germain, and the Coming Peace'. In it he made the comparison between Austria's position after the two World Wars to which reference has already been made. Two weeks before, Karl Seitz, the veteran Socialist leader, made a speech in Parliament in which the authentic voice of democracy was heard. He spoke of the power of veto in parliamentary history

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642 727 and the hesitation of even kings and emperors to make use of it, because it brought them into conflict with the people. In Austria, however, laws now passed by the freely elected representatives of the people were subject to the sanction of authorities outside the State. After a great war against Fascism in Europe they could be proud that Fascism had been driven out, but the Allied champions of democratic rights were now claiming the right to approve laws passed by the Austrian Parliament. He ended:—

'We appeal to the democratic sense of the English, French, Russian and American peoples. We appeal to them: safeguard your own dignity by safeguarding the dignity of this small Austrian State and its parliament. . . . Democratic countries of Europe: protect your most important and your greatest idea, protect Democracy.'

727 648 Shortly afterwards the Vice-Chancellor, Dr. Schärf, accompanied by Dr. Pittermann, a fellow Socialist and member of Parliament, paid an unofficial visit to London, where they met members of the British Labour Party. Schärf took advantage of the opportunity to impress on Ernest Bevin the urgent need to improve the conditions governing the occupation of Austria. The British Government were willing listeners. The four occupying Powers were bound by their agreement of the 4th of July 1945 to decide on the new relationship that should exist between themselves and the Austrian Government after the elections had taken place. Even before the elections were held, in November 1945, the British Element of the Control Commission in Vienna had started work on a draft agreement, and early in 1946 Allied quadripartite discussions on the British draft had begun. Months of hard negotiations followed, and by June a revised occupation statute was ready for signature. It was perhaps fortunate that during that month the British, who had taken the initiative in the matter, occupied the chair in the Allied Council. The persuasiveness of Lieut.-General Steele, the new British Commander-in-Chief, overcame the final minor differences.

727 The New Control Agreement was signed by the occupying

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The New Control Agreement was signed by the occupying Powers on the 28th of June 1946. It is a document of great importance. Following the recognition of the Provisional Government in October 1945, it was the next great step forward in the rebuilding of the new Austria, and with minor modifications it has determined the nature of the post-War régime in Austria ever since. 727 642

According to the agreement the main structure of the Allied Control Commission remained unchanged. It was to consist of a Council, an Executive Committee, and departmental staffs. But the members of the Allied Council were now described as High Commissioners, and it was laid down that the departmental staffs were to be organized in divisions, corresponding roughly with the Ministries in the Austrian Government. The Allied Council had powers of supervision over the whole administration, but was to exercise it normally through the Central Government or the Austrian authorities concerned. The Commission could take measures to deal directly with the following reserved subjects: demilitarization; war criminals; security of the Allied occupying Forces; the care and restoration of the property of the Governments and citizens of the United Nations; disposal of German assets; the care and movement of prisoners of war and displaced persons, and the regulation of travel in and out of Austria, until Austrian controls could be set up.

In general, the authority and responsibility of the Austrian Government and civil authorities were substantially enlarged. The powers of the Central Government extended throughout the whole of Austria, subject only to the obligation to carry out the directions of the Allied Commission and to the reservation of the above subjects. Austria officially became an economic entity again. The function of the zonal boundaries was reduced to fixing the spheres of authority of the four occupying Powers, and in the provinces direct control of the military governments was replaced by watching briefs to ensure that the orders of the Central Government and the Allied Council were obeyed. Provision was made for the establishment of an Austrian customs and frontier control

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administration and for the transfer to it as soon as possible of such functions as would not interfere with the military needs of the occupying forces. The civil administration of the city of Vienna was to be handed over by stages from the Inter-Allied Command to the municipal authorities.

The legislative power of the Austrian Government was greatly increased. It was still obliged to submit all legislation to the Allied Council, but only constitutional laws required the Council's unanimous approval. In the case of all other legislative measures the rule applied that they went into effect if within thirty-one days the Government had not been informed of an Allied veto. As the veto had to be unanimous, this rule ensured that the great majority of laws became effective, even if they met with Russian opposition.

Agreements between the Austrian Government and one of the four occupying Powers did not have to be approved by the Allied Council, but the Council had to be informed of their existence. The Government was also allowed to establish diplomatic and consular relations with Governments of the United Nations without approval of the Council. The establishment of relations with other Governments was permitted, but only with the Council's consent.

In view of the persistent efforts of the Russians later to obstruct the legislative activity of the Austrian Government, it is surprising that they should have ever agreed to an arrangement that considerably increased the Government's legislative powers. It may be that they had not entirely given up hope of gaining control of Austria by the technique of democratic solidarity and national concentration. It is possible that Stalin was in favour of greater autonomy for the country where he himself had studied the problem of nationality, and that afterwards he changed his mind. But it is most likely that the Russian negotiators did not understand the implications of what they were doing. The original British idea was that all Austrian legislation should take effect that was not subject to unanimous Allied veto. The Russians objected to this. So a compromise was proposed, by which constitutional laws were

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put in a separate category. It is highly probable that the Russians did not fully appreciate the difference between constitutional and ordinary laws and imagined that much of the legislation they were likely to disapprove would fall into the constitutional class. 642 727

The last article of the New Control Agreement stated that within six months of signature the Four Powers should start discussions regarding its revision. Yet they have not so far succeeded in agreeing on anything to take its place, and it has remained the statutory basis of the Allied occupation ever since. The day after the agreement was signed, in a special Cabinet meeting, Figl summed up the Austrian attitude by saying: 'To our thanks to the Allies for the New Control Agreement we add the request that they will show us further proof of their confidence and give our country full freedom.' An arrangement which was welcomed by the Austrians in 1946 has, as the years have gone by, become increasingly the formula of their country's servitude.

Because the general pattern of Allied occupation in Germany and Austria was originally similar, with the Russians occupying the eastern parts of both countries and the capital in each case an isolated island in the Russian zone, there has been a widespread tendency to identify, and therefore confuse the situations of the two countries. Actually their positions since October 1945 have been fundamentally different. There has never been a government for all Germany since the War. When differences between Russia and the West led to the union of the American, British, and French zones to form Western Germany, its capital was established not in Berlin, but in Bonn. In Austria, on the other hand, there has been a Central Government in Vienna since the four Powers recognized the Provisional Government on the 20th of October 1945, and since the 28th of June 1946 it has had considerable, if restricted, powers. The Austrian Government is subject to the supervision of the Allied Control Commission, and the system of quadripartite control, after a fashion, does work. There are frequent differences between the Western Allies and 727

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665 more moderate adherents by merging with the Communists to form the 'People's Opposition'.

666 It was rightly held in Austria and abroad that the elections were a triumph for the forces making for stability and moderation and that the Austrian people had again expressed their confidence in the Coalition. The Federal President called on the People's Party to nominate their candidate for the Chancellorship, and Dr. Figl was asked to form another coalition government.

665 So far from solving the crisis, however, the result at first intensified the deadlock. The Socialists claimed that the electorate had pronounced in favour of their policy and demanded increased representation in the Government. The People's Party maintained that it had yielded too much influence to the Socialists in the past and that, as the parties of the Right had obtained 200,000 more votes than those of the Left, the Socialist claim was unreasonable. The party declared itself in favour of a three-party coalition, including the Union of Independents. To emphasize the parliamentary strength of its position it published a working programme that it had agreed to jointly with the Union of Independents.

642 Following weeks of hard bargaining Dr. Figl gave up his attempt to form a government just one month after the elections. The People's Party Executive unanimously chose their chairman, Julius Raab, as his successor. On the 1st of April, Raab succeeded in forming a coalition government consisting of the Socialists and People's Party only. In it the Socialists obtained two junior Ministries in addition to their previous representation. The new Coalition was based on a two-party understanding less comprehensive than in the previous post-War Governments. For example, the party truce did not extend to the provinces and the municipalities. It was significant that a provisional compromise budget that had been agreed on in the autumn of 1952 was extended to the end of the year.

During the course of the negotiations President Körner in a public speech made a surprising statement in which he implied

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that the Union of Independents was not a '*staatsbejahende*' party—that is to say, a party taking up a positive attitude towards the State. Out of deference no doubt to the President's age and past record, the two main political parties made little of this constitutional lapse. But the Union of Independents, with good reason, repudiated the statement emphatically. 642

Outside the People's Party Executive the full circumstances in which Figl gave way to Raab can at present only be a matter of conjecture.[1] But the nomination of Raab indicated the direction in which events were moving. The new Chancellor is a leading industrialist who was a member of Schuschnigg's Cabinet just before the *Anschluss* and has been President of the Austrian Business-men's Association and of the Chamber of Commerce and Trade since the War. He became Chairman of the People's Party during its reorganization after the presidential election. While the occupation lasts Austria still needs a coalition, especially since Stalin's death has renewed hopes that a treaty will be signed. But Raab is a typical Right-Wing leader and temperamentally less fitted for compromise than his conciliatory predecessor. His appointment marks a stage in the return to normal party politics. 643

From the point of view of Austrian democracy the political truce has already lasted too long. The discipline and restraint a coalition imposes are a good influence from time to time, but over a period of years they tend to be transformed into less desirable qualities. Compromise, when it becomes a habit, means loss of vitality, and in the long run no political party can survive without the stimulus of competition. 642

Yet the Coalition has served Austria well, and in a complex and critical situation the country has been fortunate to have it. It has given stability and continuity to Austrian policy at a time when weakness or vacillation might have been fatal. Much credit is therefore due to those chiefly responsible for its survival; to President Renner, President Körner, and Dr. Figl himself.

Since Austria became a republic no statesman has approached 643

[1] The above was written on the 7th of April 1953.

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had achieved considerable success. The currency had been stabilized. Between December 1951 and December 1952 wholesale prices had dropped 6·4 per cent and the cost of living 1 per cent. With unimportant exceptions wages had remained constant. Total savings during 1952 amounted to over a billion schillings, compared to the 77 million in 1951. Although the gross national product only just kept up to the level for the previous year, the foreign trade position improved substantially. Figures available in February 1953 showed a drop in the balance-of-trade deficit from 4·3 billion schillings in 1951 to 3·1 billion in 1952, while the balance-of-payments deficit fell from $176 million to $100 million. 652

The Ministers of Trade and Finance deserved great credit for this achievement. But it must be remembered that they were members of a coalition government and that the policy of stabilization had begun before their appointment. Furthermore, the policy depended for its success on the voluntary action of both industrialists and trade unions in keeping down prices and wages.

During the election campaign a large measure of agreement on economic and financial policy was revealed between the Socialists and the People's Party, but the gap between the two points of view, which had made elections necessary, could not be closed entirely. The serious deterioration in the employment situation accentuated the differences on this vital issue. At the end of 1952 there were nearly 100,000 more unemployed than there had been in December 1951, and throughout 1952 the average number of unemployed had been 158,000, compared with 117,000 the previous year. 464 665

The deadlock that followed the elections and delayed the formation of a new Government for more than five weeks was proof of the stubbornness of the differences. The replacement of Figl by the industrialist Raab made it clear that a long-term compromise could not be expected: the Coalition survived, but for external, not for internal reasons. It was, nevertheless, encouraging that Austria's two main political parties should have 642 665

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revealed such strong convictions about the country's economic future. The contrast between this attitude and the listless indifference that was common in the immediate post-War years was one practical indication of the achievement of Marshall Aid.

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State, when once their independence had been restored. If Austria's hopes of solvency were well-founded in 1937, the development of her oil-fields and hydro-electric power since then have placed their realization beyond all doubt, provided she is free to manage her own affairs. 433

Like the Nazi aggression before 1938 and the German occupation that followed, Russia's economic and political obstruction since the War has stimulated Austrian patriotism. Austria's courage and patience under great provocation, her Government's correct attitude towards the Soviet authorities, combined with insistence on its rights, have won general admiration. So her greatest disappointment since the War has, from the long-term point of view, been turned to her advantage, and has played its part in the harsh process by which the Republic has been welded into a unit. 186

Above all, the Coalition Government's record has had a decisive influence. Its problems have been exacting, in some cases insoluble, and it has been a difficult team to manage. Yet on the whole, in face of great difficulties, it can claim to have been one of the most stable and successful governments in post-War Europe. The contrast between political life in the First and Second Austrian Republics could scarcely be more marked. In the one case there was bitter rivalry, mutual intolerance, and frequent changes of government; in the other case co-operation, continuity, and a readiness to compromise for the common good. In eight years Austria has made great progress towards democratic maturity, and the lessons of the inter-War years have been well learned. 642

But their newly developed patriotism and self-confidence have left Austrians under no illusions. They are aware of their limitations, and they realize that political nationalism is out of date. The American journalist who described Dr. Figl as the successor of Don John of Austria, the last knight of Europe, who turned back the Turks in 1571, was read with a smile in Vienna. Austrians think that their main contribution to the world will always be cultural rather than political and will be based on the spirit, the intellect, and the preservation of 648

648 on March 15, 1938, as null and void and further ex-
728 pressed the desire to see a free and reestablished Austria. This accomplishment would enable the Austrian people, as well as neighboring nations confronted with similar problems, to find that political and economic security which is the only foundation of a lasting peace.

The powers augmented this declaration at the Conference of Yalta (Crimea conference of February 4 - 11, 1945) by agreeing to promulgate the reinstatement of sovereign rights as well as self-government for all peoples deprived of such rights by aggressor nations. To implement the practical exercise of these rights, liberated European nations should be assisted in the amelioration of want and need as well as in the creation of a (provisional) governmental authority in which all democratic population elements were to be represented on a broad basis, and which should in turn be required to establish, as soon as possible, a government, chosen by free elections, acting in accordance to the will of the people.

642 Based upon the repeated declarations of the
727 powers the chairmen of the three political parties proclaimed the Second Republic of Austria on April 27, 1945, immediately after cessation of hostilities in Austria. In accordance with Article I of this proclamation the "democratic Republic of Austria" was reestablished and to be organized similarly to the constitution of 1920. Article II provided that the annexation forced upon the Austrian people in 1938 was to be considered as null and void. Therewith Austria joined again the family of European nations.

The first legislative acts of the provisional government concerned the framework of the constitution, the reestablishment of the legal system and the appointment of authorities. On the strength of the "Verfassungsüberleitungsgesetz" (i.e., the law to reestablish Austrian enactments for German ones), Austria was fundamentally reestablished as a democratic republic, reverting to the provisions of the federal constituion of 1920, as amended in 1929. Simultaneously a provisional constitution was agreed upon which regulated the government. In essential stipulations it conformed with the constitutional law of 1929. The "Behördenüberleitungsgesetz" (i.e., the law to reestablish Austrian authorities) was enacted to establish a new Austrian authoritative apparatus. It stipulated the definitive substitution of administrative and judicial instruments of the German Reich by

those of Austria as of July 20, 1945. This was followed by the "Beamtenüberleitungs- und Staatsbürgerschaftsüberleitungsgesetz" (i.e., a law re-establishing the Austrian status of employees and citizens), the reorganization of municipal law as well as the "Nationalsozialistengesetz," known as NS, the law prohibiting national-socialism (Verbotsgesetz 1945 and the Wirtschaftsräuberungsgesetz). 642 727

Following the arrangement agreed upon by the powers, Austria was divided into four occupation zones and their divisioning settled during August, 1945. The supreme occupation and control authority is the Allied Commission for Austria in Vienna which retained a number of sovereign rights, but which little by little after 1946 transferred substantial shares of authority to the Austrian Federal Government. 727 631 642

At the Potsdam Conference (protocol of August 2, 1945) the powers, examining the question of extending the executive power of the provisional government (Dr. Renner) which up to then covered only the Russian occupation zone, recommended the extension of this power to cover all Austria. 728

In the federal provinces, meanwhile, provisional provincial governments were established and the federal provinces constituted, permitting the functioning of a provincial legislature within the jurisdiction of the constitution of 1929. At the same time the reestablishement of the Verfassungs- und Verwaltungsgerichtshof (i.e., a constitutional court) was prepared. On October 20, 1945, the Allied Commission for Austria finally authorized the provisional federal government, to enact laws for all of Austria (which, however, first had to be submitted to the Allied Commission for approval). 631

The elections of November 25, 1945, which had been arranged by the election proclamation of the provisional government, brought about the legalization of the endeavors of the provisional government, which resigned on November 28, 1945. 666 642

1945 Election: Tally of Votes and Seats

ÖVP	(Austrian Peoples Party)	1,588,444 votes	85 seats	666
SPÖ	(Socialist Party)	1,428,441 votes	76 seats	646
KPÖ	(Communist Party)	174,387 votes	4 seats	
		3,191,272 votes	165 seats	

642 On December 3, 1945, a committee of the political parties entrusted Secretary of State Figl with the formation of a government, which the Allied Commission approved on December 18, 1945. On December 20, 1945, a session of the Federal Assembly (Nationalrat and Bundesrat) with a vote of 204 out of 205 elected Dr. Karl Renner to the presidency. He accepted the office for the term of six years.

642 The new federal government as well as the
642 presidency were recognized by notes of the various
642 powers although these notes showed deviations in texts. Thus the first phase of the constitutional reestablishment of the Second Austrian Republic was concluded. The federal government could proceed with the task of solving the most important economic problems.

2. The Situation after the Cessation of Hostilities and the First Economic Reorganization Measures, 1945-1947.

725 The reestablished Second Austrian Republic faced a great economic task. The losses and damages from the war destroyed almost a quarter of the total national capital which had amounted to about 38 billion schillings.

[363] In Vienna alone, 37,000 apartments were completely destroyed and 50,000 partly destroyed, while 25,000 were less severely damaged. Aside from extensive destruction of raw materials was the loss of machinery through dismantlements, especially in the eastern part of the country after 1945, which caused deficiencies in extremely valuable production material amounting to at least 1.2 billion RM (at prices fixed as of 1940). Plants of the electric, vehicle, machine, iron and metal industries, and steel mills lost more than 46,000 machines. This meant that in some instances, the combined loss of the war and postwar period amounted to 80 percent of the [493] machines and equipment. These deficiencies were all the more burdensome since the destruction and the removal of the production means led unavoidably to severe disturbances in the general economic scheme.

[162] Austria also suffered substantial losses in human lives. Out of a population of 7,000,000, the number of dead or missing totalled 350,000 and the wounded 170,000. These losses were mainly from the ranks of the able-bodied age groups (13 percent).

October 20th, 1926. Seipel's fourth term of office as Chancellor.
November 3rd, 1926. The "Linz Programme" of the Social-Democratic Party.
July 14th, 1927. Verdict of "Not Guilty" in the Schattendorf Trial.
July 15th to 17th, 1927. Serious disorders in Vienna. Burning of the Palace of Justice.
March 11th, 1928. First demonstration of the Heimwehr in an industrial area.
October 8th, 1928. Simultaneous demonstrations of the Heimwehr and the Republican Schutzbund in Wiener Neustadt, separated by a cordon of the Austrian Army.
September 16th, 1929. Failure of the Bodencreditanstalt.
October 27th, 1929. First demonstration of the Heimwehr in Vienna.
December 7th to 10th, 1929. Austrian Constitution changed.
May 18th, 1930. "Korneuburg Oath" of the Heimwehr.
November 9th, 1930. Last parliamentary elections before the Second World War.
May 12th, 1931. Government action to save the Creditanstalt.
September 12th to 13th, 1931. Attempted Putsch by the Styrian Heimatschutz.
May 20th, 1932. First Dollfuss Government.
September 5th to 20th, 1932. Conference in Stresa.
March 4th, 1933. Resignation of the three Presidents of Parliament. Crisis for democracy.
March 7th, 1933. Prohibition of all public meetings. The freedom of the press curtailed.
March 18th, 1933. The German Cabinet Minister Frank threatens Austria on behalf of the Nazis.
March 30th, 1933. Republican Schutzbund disbanded.
May 1st, 1933. The Socialist May-Day celebrations forbidden.

In the meantime history had taken its inevitable course. The black and yellow flag had been hauled down in Austria and a disinherited generation hoisted the red-white-red tricolour over the ruins of the Hapsburg Empire. While in Vienna the Republic was proclaimed on the 12th of November, 1918, and the principle established that in future all power would emanate from the people, the Succession States—Czechoslovakia, Hungary, Poland and Yougoslavia—had hastened to invoke the principle of self-determination in order to declare their independence, and thus to burden the remaining rump of Austria with all debts and obligations. 642

To this country of barely seven million inhabitants, whose frontiers had been torn up by violence, the remnants of the army now came streaming back—officers from garrisons in Hungary and Croatia, administrative clerks from Cracow and Laibach, ship-builders from the docks of Pola and Trieste, merchants from Belgrade and the harbours of the Adriatic, teachers and doctors from the Ukraine and the Carpathians, professors from the German University in Prague, mining engineers from the Upper Silesian collieries, governors' staffs and employees from the vast forest districts, judges, diplomats, ambassadors, builders, foremen, railwaymen—all streamed back into the mutilated torso of what only four years previously had been a prosperous empire. 166

The fate which now overtook Austria was without precedent. The worst horror of those days was not the stormy happenings all around and the starvation, but the utterly catastrophic reversal of every aspect of life, and the disappearance of Austria's proud position. An Austrian nocturno had begun, the privileges of centuries had been extinguished.

May 29th, 1933. Institution of the 1000 mark limit for German tourists in Austria.

September 7th to 12th, 1933. Ninth "Catholic Day" in Vienna. Programmatic speech of Dollfuss.

February 5th, 1934. The League of Nations to be asked to intervene in the struggle with Germany.

February 9th, 1934. The parliamentary deputy Kunschak appeals in the Vienna City Council for reconciliation between "Black" (Catholics) and "Red" (Socialists).

February 12th to 15th, 1934. House searches in buildings of the Social-Democratic Party in Linz meet with armed resistance. General strike, violent conflict in Vienna and the countryside. The Vienna City Hall occupied by troops. Dissolution of the Social-Democratic Party. Arrests of leading Social-Democrats.

April 30th, 1934. Parliamentary Session of March 4th, 1933 closed. Enabling Bill passed to authorize the Government to conduct the affairs of state.

May 1st, 1934. Publication of the new Constitution of the Corporate State.

May 20th, 1934. First Nazi bomb outrage.

July 25th, 1934. Murder of Chancellor Dollfuss by illegal S.S.

July 25th to 30th, 1934. Nazi revolt in Carinthia and Styria suppressed.

July 30th, 1934. Schuschnigg becomes Chancellor.

September 27th, 1934. Joint Declaration by England, France and Italy, guarantees the independence of Austria.

January 7th, 1935. Laval in Rome. Consultative pact between Italy and France for defence of Austrian independence.

May 1st, 1935. The "Vaterländische Front" given monopoly rights to hold political meetings.

If there were any need to emphasize or to prove the indestructibility of the conception of Austria, events subsequent to 1918 might be called as witnesses before the bar of history. With quiet determination, the Austrians pulled themselves together and prepared to tread the stony path towards the formation of a new state. Now the call came to the simple citizens, the peasants, the city workers. The privileges of a class who for the last ten years had meant no more to the various peoples of Austria than a loose bond forged by tradition and official position were swept away in the general collapse of 1918. The blackballing of socially ineligible candidates for membership of exclusive clubs and the privilege of having green shutters to the house windows—documented evidence of membership of a privileged class—together with the old uniforms and the titles of nobility became just a part of historic memories.

The Austrian people know by instinct how to determine what is part of a precious heritage from the past and what is merely outworn convention. This instinct has constantly enabled them to adjust themselves to new modes of life during the ups and downs of the centuries. The Austrian has the gift of human comprehension, a readiness to respect opinions diametrically opposed to his own. Averse from the use of force and revolted by unnecessary violence, he cherishes freedom and hates tyranny. The Austrian has no respect for an empty skull, even if it is covered by a top hat or the brass hat of a general. But he is capable of deep reverence for every person and every thing really worthy of it.

Austria's path which led from the First to the Second Republic was a painful and difficult one. She was no more free from errors and mistakes in home policy than from reverses

642 coming from abroad, for Europe as a whole had not yet found peace. The shadows of great crises fell athwart the land in the middle twenties at a time when it enjoyed only a makeshift financial stability and consolidation. Now came the stagnation of world trade, and the birth of the dictatorships. The internal political events can only be partly understood if considered in conjunction with events in the outside world. 648 Austria is the barometer of Europe. Lying on the Rome—Berlin axis, partly surrounded by the semi-circle of the lands of the Little Entente, with eyes hopefully turned towards the peace policy of the League of Nations, this country found itself amidst ideological material forces which only too soon began to extend their activities beyond their own frontiers, until opposing policies in this small and tortured country put an end to civil peace. A factor to be remembered is that men without employment were marching in all the various armed formations—Schutzbund, Heimwehr and Storm Troopers. Despite lack of unity, Austria still found the strength to resist the aggression of the Third Reich until the invading troops of Hitler trampled—for the time being—Austria's freedom into the dust.

During the years of 1938 to 1945 there arose and spread through Austria a valuable quality, the will to tolerance and cooperation when the Motherland should at last be liberated.

April 11th, 1935. Schuschnigg orders disarmament of the Catholic militant formations.

May 4th, 1936. Compulsory military service in Austria.

June 11th, 1936. Germany recognises by treaty the full sovereignty of Austria.

July 23rd, 1936. Political armistice for the Nazis.

October 10th, 1936. Disbanding of all private armies. End of the Heimwehr.

June 18th, 1937. National-Political Section set up in the Vaterländische Front. Infiltration of the Vaterländische Front by Nazis.

September 25th to 29th, 1937. Mussolini visits Hitler in Germany.

February 4th, 1938. Hitler purges the German General Staff.

February 12th, 1938. Schuschnigg visits Hitler at Berchtesgaden.

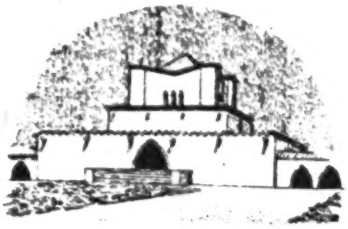
February 24th, 1938. Campaign speech of Schuschnigg to the Federal Council at Vienna. Final struggle for Austria.

March 9th, 1938. Schuschnigg announces National Referendum.

March 11th, 1938. Ultimatum of the German Government. Fall of Schuschnigg.

March 12th, 1938. German troops invade Austria.

March 13th, 1938. Proclamation of the annexation of Austria by Germany.



[665] 643 the Heimwehr against Starhemberg's fascist tendencies. Inevitably, Raab and Starhemberg fell out. Raab left the *Heimwehr*. The communists call Raab a fascist, but that is stupid.

After Parliament was dispensed with under the Dollfuss-Schuschnigg regime, Raab won high repute as founder, organizer, and leader of the *Gewerbebund*, a nation-wide organization of all the trades, crafts, and industries. When Chancellor Schuschnigg made his last desperate attempt to stave off Hitler, he rallied the biggest names in the land around him. He made Raab minister of trade and transport.

After Hitler annexed his native Austria to the *Reich*, Raab was, of course, out in the wilderness. He was never personally persecuted, but he could not risk the family fortune by rejoining their old firm, and he started out on his own, in Vienna. So deep was nazi hatred towards Raab that at the outbreak of the 2nd World War he was formally declared unworthy of wearing a German uniform!

727 The Russians entered Vienna in the spring of 1945. Marshal Tol-
● 642 bukhin ordered a provisional gov-
645 ernment in which the Catholics, Socialists, and communists had to share every ministry. Builder Raab became secretary of state in the ministry for reconstruction, but was vetoed by the Russians as a minister in Figl's cabinet.

131 721 democratic neighbours, is therefore an essential condition for checking Germany's "*Drang nach dem Osten*" in the future. Indeed, if the Austrian state had not existed it might have been necessary to invent it.

721 Fortunately, no such invention is needed. The events which have taken place in Austria in the days of liberation, 642 and since, testify to the ardent desire of most Austrians to rebuild their country on a firm, independent, and democratic basis. Austrians from all sections of society took part in the armed expulsion of the German occupationists. The liberating armies in the east and in the west were everywhere greeted with joy. For the first time in Austria's history, there is a spirit of unity and common purpose among all democratic Austrians. This has enabled them to form in a surprisingly short space of time a truly representative government, free trade unions, a progressive youth movement, and other democratic bodies which have made a bold start in rebuilding the shattered [668] political and economic fabric. Remnants of Nazi cells and of Nazi ideology have certainly survived and remain to be dealt with. But there is no doubt that the vast majority of Austrians have been cured of any illusions they may have entertained about the necessity or desirability of an *Anschluss*.

433 This is a very welcome fact. It is, indeed, an essential condition of any democratic revival. But it is not, by itself, sufficient. As the Moscow Declaration rightly indicates, the creation of satisfactory economic conditions is essential if stability and peace in that area are to be secured. And it is on this score that some poeple, who are otherwise entirely in favour of Austrian independence, begin to raise their doubts. They remember the prolonged controversies after the last war which centred on this very point: whether the new Austrian Republic would

AUSTRIA'S ECONOMIC DEVELOPMENT

648 The suspicions of 1918 against Austria as the centre of Habsburg power has given way to a feeling of common interest after the common experience of German oppression. Fourthly, the destruction of Germany's political and economic power will, for the first time, allow Austria to re-build and develop her economy freely and without the defeatist and destructive interference of German 727 business and its Pan-German friends in Austria. Last but not least, Austria's prospects of recuperation are 186 better than in 1918 because Austrians themselves have 642 changed. The experience of twenty years—not very easy ones, to be sure—of an independent Austria and of the subsequent catastrophe of seven years of German occupation have cured them of such *Anschluss* ideas as they may have had. They are firmly determined to have their own independent country and to maintain its independence. A healthy and constructive Austrian nationalism has developed in place of the defeatism and lack of confidence of the inter-war period. The active part which many Austrians took in the liberation of their country, and the speed with which Austrians of all parties came together and formed a Provisional Government of national unity is a hopeful sign for the future. Austrians have started to learn to take their fate into their own hands and not to rely solely on foreign help for their salvation. This change of outlook, if it can be preserved and fostered, cannot but greatly assist the reconstruction of the country.

600 In spite of the extreme seriousness of the present position, then, the outlook for the transition period is quite hopeful. In the first stages a certain degree of foreign help for relief and rehabilitation is, of course, absolutely essential. But if it is given speedily, without the delays and political interference which were such an unfavourable feature of the Hoover Mission in 1919, and

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isolated and comparatively unimportant instances an absolute veto; in the majority of cases it had a suspensive veto,[1] and in a small number of extremely important cases, concerned with financial matters, it had no veto at all.[2] It had little control over the Government. It could, as the National Council, inquire into the Government's conduct of business.[3] But it could not, by a withdrawal of confidence, cause the dismissal of the Government.[4] In any case, it was possible for the National Council to exercise an indirect control over its composition, because, owing to a mistake in drafting, the Federal Council did not possess an absolute veto right in regard to alterations to Article 34, dealing with representation of the Provinces in the Federal Council. Provided that the requisite majority could be obtained in the Federal Council, the Government, which was the tool of the National Council, could dissolve a Provincial Council and thereby remove its representatives from the Upper House.

The President, whose functions were not intended to be other than decorative, was elected by the Federal Assembly;[5] the National Council could take the initiative in calling the Federal Assembly together to impeach him.[6] He was the servant of the National Council, not its master.

But the sovereignty of the National Council comes to the fore most clearly in the provisions made to ensure its control over the Government. Article 70, (1), decrees that the Government shall be chosen by the National Council, voting upon the proposal laid before it by the Chief Committee.[7]

[1] Article 42, (4). [2] Article 42, (5). [3] Article 52
[4] Article 74, (1). [5] Article 60. [6] Article 63, (2).

[7] 'Die Bundesregierung wird vom Nationalrat in namentlicher Abstimmung auf einen vom Hauptausschuss zu erstattenden Gesamtvorschlag gewählt.' This article might, however, suggest that the National Council had a more absolute control over the personnel of the Government than was actually the case. By Article 72, (2), for instance, it was stipulated that the list of ministers should be countersigned by the new Chancellor. Therefore, in fact, this meant that the Chancellor chose his own colleagues although his choice was subject to the approval of the National Council. Kelsen remarks: 'Die . . . Bestimmung, dass der neugewählte Bundeskanzler die Bestellungsurkunden aller Mitglieder der Regierung gegenzuzeichnen hat, hat praktisch die grosse Bedeutung, dass kein Mitglied des neuen Kabinettes gegen oder ohne den Willen des präsumtiven Bundeskanzlers berufen werden kann.' (*Die Verfassungsgesetze der Republik Österreich*, vol. v, p. 168.)

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the growth of federalism, and so simplify the structure of government, had actually contributed further to this end.[1] The number of officials was to some extent curtailed by the 1929 reforms. The National Council was reduced from one hundred and sixty-five to one hundred and twenty members,[2] and the Provincial Councils were limited in proportion to the number of citizens in the Province.[3] The cost of administration in general was cut down. But Schober announced after the passage of the Bill that he was still far from satisfied in this respect. The fact that the constitution of 1920 was, in any case, too expensive and too complicated to be worked satisfactorily by a people inexperienced in the art of self-government was not, however, generally grasped,[4] and the constitution emerged after the reforms if anything more complicated than it had been before.

One of the chief aims of the reforms was to strengthen the executive. The power of the President, hitherto little more than a figurehead, was therefore greatly extended, chiefly at the expense of the National Council.[5] Schober made use of the suggestions put forward by the Pan-Germans at Salzburg in 1920, by the Christian Socialists since the beginning of 1928, and by the *Landbund* in a memorandum addressed to Steeruwitz on 31 August 1929.[6] In the main the new proposals followed the German model. The President's term of office was extended from four to six years; and direct election was substituted for indirect. The Christian Socialists maintained firmly that this was the more democratic method.[7] The device

[1] Thirteen different kinds of jurisdiction were now recognized, instead of the four envisaged by the constitution of 1920. Kelsen remarks that 'die Folge davon . . . ist, dass die Verteilung der Kompetenzen zwischen Bund u. Ländern ein überaus kompliziertes Bild der verschiedensten Rechtsfiguren zeigt'. (*Jahrbuch des öffentlichen Rechts*, vol. xviii, pp. 133–4.)

[2] A result of the restriction of the franchise to those over twenty-one years of age.

[3] B. G. Bl. Nr. 393, Article 95, (4).

[4] The Social Democrats, for instance, proposed a wider use of the Referendum, by which every bill should be submitted to the people, if one-third of the National Council so desired, or if 300,000 electors so requested. (*Pester Lloyd*, 10 October 1929.)

[5] Articles 60–7. The idea of a strong government was still suspect.

[6] Malbone W. Graham, 'Constitutional Crisis in Austria', *American Political Science Review*, vol. 24, 1930.

[7] *Reichspost*, 22 October 1929. Seipel, ibid., 19 October 1929.

642 adopted was, however, not unexceptionable. Election was
643 compulsory and, if no candidate succeeded in gaining an absolute majority in the first count, only the two parties having the largest number of votes in the first count could nominate candidates for the second. Since these could then nominate new candidates there was nothing to prevent parties that had gained a large number of votes, by putting up moderate candidates, from confronting the people with extremists in the second count.[1]

642 The power of the President over the Government and the
643 National Council was considerable. The President, and not
644 the Chief Committee, now appointed the former, although the confidence of the National Council was still necessary.[2] The President could dissolve the National Council, with the assent of the Government. But he could only do this once for the same reason; and fresh elections had to be held within ninety days.[3] During this period, however, the Government could carry on in virtue of its right to issue ordinances.[4]

In general, the principle of parliamentary rule was much weakened by the fact that it was now assumed that Parliament was not a permanent body. The President had to assemble it in the spring and the autumn. It was laid down that the spring sitting should last for at least two months, but that it could not continue after 15 June. The autumn session had to be for at least four months, but it could not begin until after 15 October.[5] It was envisaged as a possibility, therefore, that the National Council would not be in session for more than six months of the year. Committees could, however, be entrusted with carrying on the work when it was not in session.[6] And it was provided that it should be reassembled should a third of the Upper or Lower House so demand. In this case, it had to be summoned within two weeks for an extraordinary session.[7]

The power of the National Council over the budget also

[1] The original proposal had been that the President should be directly elected, but that the verdict might be revised by the two legislative chambers. (*The Times*, 15 October 1929.)

[2] Articles 70, (2), and 74, (1). [3] Article 29.

[4] Article 18, (3). [5] Article 28, (1). [6] Article 28, (4).

[7] Article 28, (2).

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declined. The original proposal had been that, if the budget were not voted at the right time, the provisions of the previous year should hold good. Eventually, however, this period was limited to eight weeks.[1]

The corollary of these limitations placed upon the power of the hitherto omnipotent National Council was the legislative power now entrusted to the President. Kelsen remarks, for instance, on the importance of the new ordinance right.[2] This innovation was regarded with the deepest suspicion by the Social Democrats, who saw in it an attempt to resuscitate the famous Paragraph 14 of Imperial days. Schober, however, solemnly asserted that nothing of this kind was intended. He pointed out that it had been found necessary to entrust the executive with the right to issue ordinances in certain circumstances in most other democratic countries, as France, England, Ireland, Czechoslovakia, etc. The Social Democrats, however, wanted this power to be made over to the Chief Committee and liberal opinion disapproved strongly of the whole arrangement.[3] Eventually, a compromise was reached by which all ordinances issued by the President required the immediate assent of a sub-committee of the Chief Committee, and the assent, within a month, of the National Council, which had to be summoned to consider them within eight days.[4] Ordinances could not change constitutional laws, impose permanent financial burdens, or alienate State property. It was further provided that ordinances should only be issued in

[1] Article 51, (3).

[2] Kelsen, *Jahrbuch des öffentlichen Rechts*, vol. xviii, p. 141: 'Im innigsten Zusammenhang mit der Einschränkung der Parlamentsfunktion steht die sehr einschneidende Reform, die das Verordnungsrecht einführt.'

[3] *Frankfurter Zeitung*, 10 October 1929: 'Die Minorität würde so stets unter Druck gesetzt werden können, dass Gesetzentwürfe, die sie nicht schnell annehmen lässt, durch Notverordnung erlassen werden.'

[4] Article 18, (3) and (4). Kelsen considers, however, that this last provision would not apply to ordinances passed during the period of ninety days during which it was legal for the President and Government to rule without Parliament. He admits, however, that 'die Verpflichtung der Regierung, eine von ihr erlassene Notverordnung dem Parlament unverzüglich vorzulegen, bedeutet eine wichtige Einschränkung dieses ausserparlamentarischen Gesetzgebungsrechtes'. (*Jahrbuch des öffentlichen Rechts*, vol. xviii, p. 142.)

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642 cases of necessity and for purposes of defence.[1] But, as Kelsen
643 points out, this safeguard was worthless from a legal point of
646 view.[2]

The President was also made head of the army.[3] But this
642 was rather a change of emphasis than an actual increase in
643 presidential power. It may be noted, however, that the re-
701 forms gave more power to the army. Hitherto it had only been empowered to restore order if so requested by the civil powers. It was now permitted to step in, in case of emergency, without being so requested.[4]

642 Another marked tendency in the 1929 reforms was towards centralization. But although it was coming to be realized with increasing clearness in responsible circles that Austria could not afford the luxury of provincialism—either from a moral or from an economic standpoint—yet as Kelsen had pointed out two years earlier, this tendency was, if anything, gaining ground,[5] in spite of the increased centralization introduced by the 1925 reforms, and in spite of the general realization that provincialism must make the possibility of an *Anschluss* ever more remote.

642 It was also intended to introduce changes as regards the
646 organization of the Upper House, which, it was generally admitted, had not worked satisfactorily.[6] The *Heimwehr*, the *Landbund*,[7] and certain other right-wing sections of Christian Socialist opinion were anxious to introduce the corporative principle, either wholly or in part. And a proposal was for a time considered by which the nine Provinces were to be repre-

[1] Article 18, (3).

[2] 'Da das Vorhandensein dieser Umstände zu beurteilen, dem Ermessen der verordnenden Instanz selbst überlassen bleibt, und dieses Ermessen auch von dem seiner Überprüfung zuständigen Gericht—dem Verfassungsgerichtshof—nicht wirksam überprüft werden kann.' (Op. cit., p. 141.)

[3] Article 80, (1). [4] Article 79, (2).

[5] 'Durch die politische u. staatsrechtliche Entwickelung seit dem Umsturz hat sich die Stellung der Länder so gekräftigt, haben sich die durch die Landesregierungen repräsentierten politischen Machtcentren in den ehemaligen österreichischen Krönlandern so sehr verwurzelt, dass an eine Umwandlung Österreichs in einen Einheitsstaat ernstlich nicht mehr zu denken ist.' (*Frankfurter Zeitung*, 4 April 1927.)

[6] Seipel, article in *Reichspost*, 19 October 1929.

[7] *Die Stunde*, 21 September 1929.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

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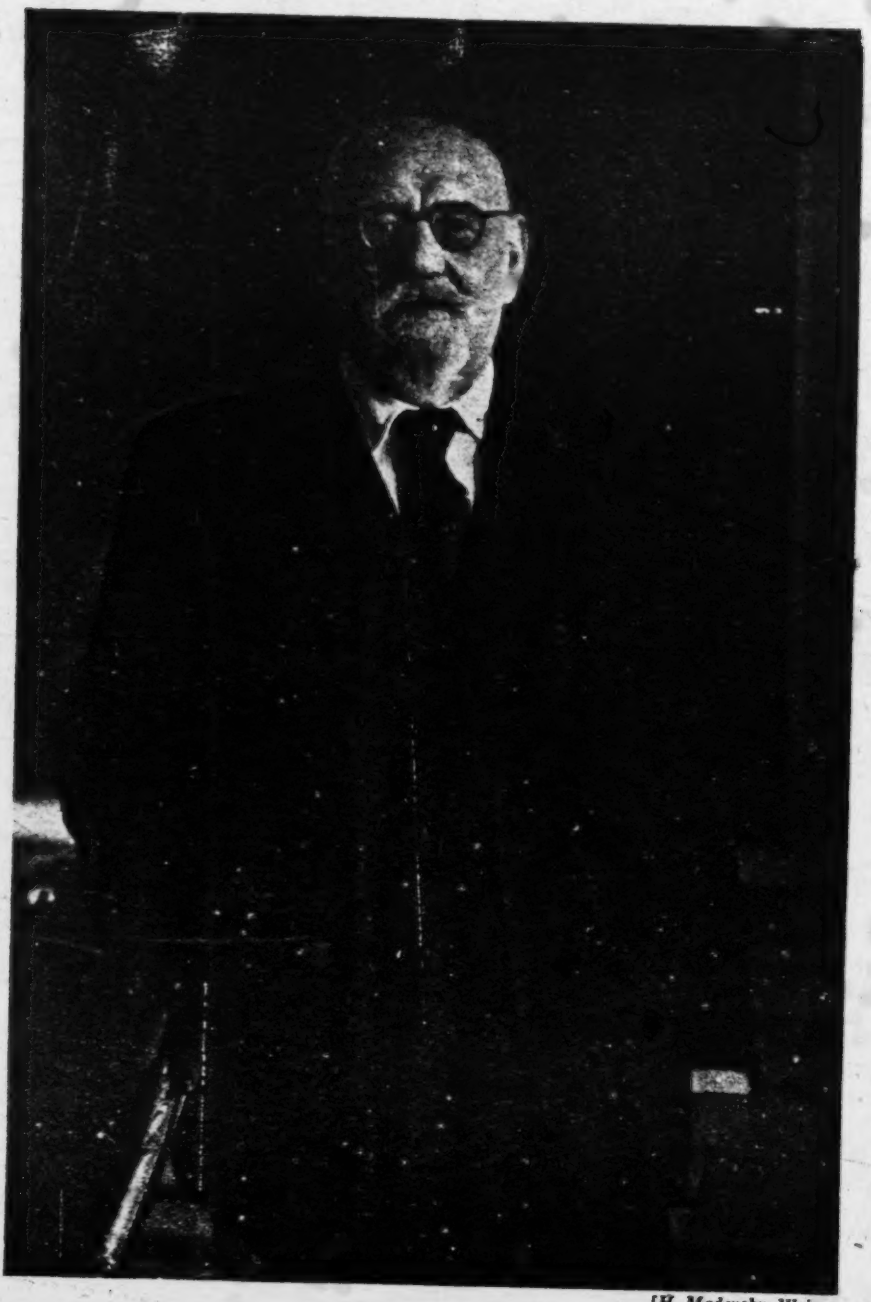

[H. Madensky, Wein 1

DR. KARL RENNER

[facing p. iii]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

government of Lower Austria, shortly afterwards becoming President of the Austrian *Bauernbund* and Governor of Lower Austria. At the same time he improvised measures for the relief of famine in Vienna. The Russian military authorities were persuaded to put two or three dozen lorries at his disposal. The drivers reported to him every morning, and, accompanied by volunteer civilian guides, were sent out into the countryside to collect supplies. In the evening they returned, and the food was handed over to the municipality for distribution. Figl was specially qualified to perform this service, because he had the confidence of the peasants.

While these developments were taking place in Vienna, a series of events had occurred in the country south-west of Vienna which were to have a decisive influence on Austrian history.

In the village of Gloggnitz, at the foot of the beautiful Semmering Pass, Dr. Karl Renner, senior and most respected member of the Austrian Socialist Party, had been living since his enforced retirement from active politics in 1934. In April 1945 he was seventy-four years old, but still strong and active in body and mind. Gloggnitz was not far from Köszeg, the point on the Hungarian border where the Russian troops first entered Austria. It was therefore one of the first villages to be occupied. Dr. Renner, having advised his fellow villagers to stay where they were and not run away from the advancing army, was disappointed at the rough house-searchings to which all of them were subjected. On Easter Tuesday, therefore, two days after the arrival of the Russians, he took his stick and, without bothering to put on a coat, walked down the street in search of the local command post, in the hope of convincing the officer in charge of the villagers' peaceful intentions and preventing further mistreatment. He was directed to the next village, a mile and a half away, and there by a fortunate chance found some officers who knew his name and past record. He was sent by lorry to higher headquarters at Hochwolkersdorf, where he was received with great respect and spent the evening in discussion with senior staff officers.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

Dr. Renner had entered the lorry under protest. He had left home with the intention of visiting the village command post and then returning. He was therefore concerned both about his family and about their anxiety for him. Nevertheless the evening's conversation and the talks that followed the next day with officers of even higher rank were of great significance for the future. The Russians agreed to assist Dr. Renner in taking the measures necessary for the re-establishment of democratic government in Austria. They assured him that they stood by the Three Powers' declaration at Yalta and that Austria, when liberated, would be free to solve its political and economic problems according to the people's will. Dr. Renner for his part made clear that there could be no question of his acting as a Russian agent. If he were to form a government his commission must come from the Austrian side. It was arranged that he should be given full facilities for his preliminary work first in Gloggnitz and later at some suitable place nearer Vienna.

After a few days at home, during which he worked on a series of declarations and pamphlets addressed to the Austrian people, Dr. Renner and his family were taken to a country house near Wiener Neustadt. Then, to their surprise, they were driven on the 21st of April direct to Vienna.

It was a remarkable accident that brought Dr. Renner into contact with the Russian authorities within a week of their entering Austria. His name was known to educated Russians as a pioneer Socialist thinker on the problem of nationalities, whose writings had influenced Stalin, while he was preparing his essay on *Marxism and the National Question* in Vienna at the beginning of 1913. But that he should have come upon Russian officers, in a remote village at that particular time, who realized his potential importance, was a stroke of fate, the full consequences of which it is impossible to assess. What would have happened had his meeting with the Russian leaders been delayed for some weeks can only be a matter of conjecture.

By character and experience Karl Renner was by far the best qualified man to undertake the formation of an Austrian

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

643 government in the critical spring of 1945. He was sufficiently far to the Left in his opinions to be acceptable to the Russians and yet sufficiently moderate to be respected by all parties. He had been first Chancellor of the First Republic, and therefore had unrivalled knowledge and experience of post-War problems. He had also been President of the Austrian Peace Delegation at St. Germain. Furthermore, he combined strong political convictions with flexibility of method and willingness to compromise, a mixture of qualities which were to prove invaluable during the coming years.

[642] When he arrived in Vienna, Dr. Renner found, to his pleased surprise, that the political parties had already combined in many municipalities, including the capital, to set up provisional administrations. In Vienna General Körner and his [204] deputies were established at the Town Hall. Representatives of the three parties had joined together to found a new newspaper, *Neues Österreich*, the first number of which appeared on the 23rd of April, after the city had been without a newspaper for three weeks. A first meeting of trade unionists had also [447] taken place, which led to the foundation on the 27th of April of an Austrian Federation of Trade Unions on an all-party basis. Dr. Renner altered his plans to suit the unexpectedly favourable conditions. Calls to action were not required so much as leadership, organization, and the definition of objectives.

643 The Russians installed Renner in a house in the suburb, Hietzing, that was large enough to accommodate his family 648 and small staff and allow conferences to be held on the main 642 floor. The day after his arrival, the Russian colonel who was acting as liaison officer arranged for leading personalities from the different political parties to come and visit him. The first to arrive was Leopold Kunschak, to whose attitude Renner attached great importance. He was followed by General Körner and Adolf Schärf; the Communists, Ernst Fischer and Johann Koplenig, and others. Negotiations progressed so rapidly that within two or three days agreement had been reached on the membership and constitution of the Provisional

3: Hiscocks G¹4, 5 (1946-1949) 1953 EK1 Austria EK1

Government. On the 27th of April, Dr. Renner as Chancellor designate and his proposed colleagues were received by Marshal Tolbuchin, who in the name of the Red Army gave the Government *de facto* recognition and promised it support. 643 648 642

The same day a proclamation was issued in the name of Renner and representatives of the three political parties, which contained a formal Declaration of Independence. It announced the restoration of the Austrian Republic, the nullification of the *Anschluss*, and the proposed establishment of an all-party provisional government with full legislative and executive authority, subject to the rights of the occupying Powers. On Sunday the 29th of April members of the new Government assembled in the council chamber of the Vienna Town Hall, and, after an exchange of speeches between Burgomaster Körner and Dr. Renner, proceeded, accompanied by the City Senate, to take formal possession of the half-destroyed parliament building nearby. There they were greeted by the Russian Commandant of the city; and Dr. Renner, among the ruins and the rubbish that there had been no time to clear away, reaffirmed his faith in the future of free Austria and the democratic resolve of his colleagues and himself. The ceremony concluded with the reading of a declaration to the people of Austria announcing the establishment of the Provisional Government and exhorting all citizens to play their part worthily in the restoration of the country. 642

The authority of the new Government extended in fact only to Vienna and those areas of Lower Austria, Burgenland, and Styria that the Russians had already freed. Provisional governments were established in the rest of Austria, as the liberation proceeded, and political authority was exercised either by the military governments of the occupying Forces or by Austrian Provincial Governments set up or approved by them. In Carinthia an all-party Government had been formed on Socialist initiative before the British arrived. In the Tyrol, the Resistance Movement, which had already achieved so much, established an Austrian Provisional Government Committee in the face of Nazi opposition: the American forces, whom the 642 648

3: Hiscocks G¹4, 5 (1946-1949) 1953 EK1 Austria EK1

III

Provisional Government

DR. RENNER'S task was to form an interim government 'broadly representative of all democratic elements in the population'. Those were the terms of the Yalta programme for the liberated peoples of Europe, and it was in that task that the Russians had promised to help him. His first problem was how to make the Government representative under existing conditions. Elections for some months were out of the question. When he arrived in Vienna, fighting was still going on, and, when opposition ceased, Austria was divided into four separate zones under the different armies of occupation. The country was almost entirely without means of communication, and the great majority of able-bodied men of military age were prisoners of war. 643 642

During his first conversations with the Russians Dr. Renner had proposed that, as President of the last National Assembly dissolved by Dollfuss in 1934, he should call together its surviving members or their official substitutes, replacing the Fascist representatives by Communists. But he finally decided against this plan. It would be a complicated, somewhat arbitrary procedure and would take time, when the circumstances demanded that a provisional government should be established immediately. As the main political parties were already re-forming under recognized leaders in Vienna, it would be more satisfactory if the party leaders themselves and their nominees combined to make up a government. Under the Austrian system parliamentary candidates were normally nominated by the party machines, so that the deviation in this case from the ordinary practice would be formal rather than real.

To ensure that the government chosen by this method should really have the confidence of the people great care was 642

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3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

642 taken in its composition. No government was ever set up that more closely deserved to be called a coalition. There were representatives of all parties at each level of the administration. Of the thirteen main posts, four went to Social Democrats, four to the Austrian People's Party, three to Communists, and two to non-party men. In addition, in all Ministries, except the Ministry of Finance, two Under-Secretaries were appointed from the parties to which the Minister did not [645] belong. Dr. Renner himself, as Chancellor, was assisted by three Secretaries without portfolio, who with him constituted the Political Cabinet Council. This body, in addition to acting as an inner Cabinet, temporarily formed the supreme executive authority and carried out the duties previously performed by the President of the Republic. Its members, apart from the Chancellor, were Leopold Figl, Adolf Schärf, and Johann Koplenig.

The whole Government, including the Under-Secretaries, formed the Cabinet in the broader sense. From the point of view of taking executive decisions, this body was inconveniently large. But, on the whole, its size was an advantage. As there was no Parliament, it was executive and legislature rolled into one, and had to perform the functions of a Cabinet and of both parliamentary Chambers. It was therefore a good thing that it should be as representative as possible. Confidence in it as a legislative body was further increased by the principle of unanimity that governed its decisions.

643 663 In view of the severity of the party conflict in Austria between the Wars, it may well cause surprise that the three parties should have collaborated so closely and successfully during the seven months' life of the Provisional Government. It was due partly to the personality of Dr. Renner. By sheer force of character and political experience he exercised considerable influence over his colleagues in the Government. He was one of the few Austrian statesmen since 1918 who were able to combine lifelong adherence to a political creed with magnanimity and the ability to look beyond party to the needs of the country as a whole. In 1922 he wrote, 'Passion is

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a bad political counsellor', and during the remainder of his life 643
he acted in accordance with this precept. In a speech delivered
a few days before his death he spoke of the usefulness of 663
political differences, but emphasized that from the clash of opinions the right course should emerge and common action follow: party, the part, must not usurp the role of the general welfare, which is the whole.

Common suffering at the hands of the Nazis made a great 663
difference also. Political rivals came out of prison as close personal friends addressing one another by the familiar '*du*'. As Leopold Figl said, in the concentration camp a man did not ask his fellow-prisoner what party he belonged to, but whether he was an Austrian. Brave men endured hardship and torture in order not to betray other members of the Resistance, even if they did belong to another party. Adolf Schärf has described how by chance Felix Hurdes, once in a neighbouring cell to his own, was cross-examined about their contacts with each other. However strong party rivalry might subsequently become, such incidents as these could never be forgotten by those who had experienced them.

Another individual who contributed greatly to the success of 663
the Provisional Government by his action and his example was
Leopold Figl. In 1945 he was only forty-three, and he had 675
none of Dr. Renner's experience of Parliament and national politics. But he had great integrity and boundless energy. As a member of the Political Cabinet Council, President of the *Bauernbund*, and Governor of Lower Austria, he was rapidly becoming the most significant figure in the People's Party. His loyal and consistent collaboration with Dr. Renner was therefore of great importance. It meant that the leaders of the two main parties, whose rivalry had been so disastrous in the past, were now working together for the good of Austria.

Besides the strong central government that Dr. Renner and 631
his colleagues provided, the country needed a new administration. After the *Anschluss*, Vienna's functions as the administrative centre of Austria were transferred to Berlin. The city ceased to be a capital and became a province and, so far as the

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642 German Government since the *Anschluss*. They could not be repealed *en masse* without causing great confusion. A further constitutional law was therefore passed, that was also to be effective from the 1st of May, stating that all laws and decrees incompatible with a free and independent Austrian State and with a genuine democracy were annulled. The Government would, after investigation, give notice of those that were invalid. The remainder would for the time being have the force of Austrian law.

With these constitutional acts as a basis, the Provisional Government proceeded with astonishing speed to issue the wide range of laws and decrees necessary for the reconstruction of the Austrian State. When the Government was recognized by the four occupying Powers on the 20th October, over 200 had been promulgated.

643 This remarkable legislative achievement was due very largely to the energy, ingenuity, and legal capacity of Dr. Renner himself. The unanimity rule made the legislative process more difficult. But the Chancellor declared on a number of occasions that he would assume a resolution had been approved, unless its opponents within the Cabinet were prepared to back their opinions by resignation. Being accustomed to night-work himself, Dr. Renner would often call Cabinet meetings for nine o'clock in the evening. The less controversial measures would be taken first, and by about midnight, when most members were suffering from hunger and exhaustion, the more difficult matters would come up for discussion. In those days lack of food was a serious consideration in the lives of all Viennese, and it was customary for wine and sandwiches to be served at the end of Cabinet meetings. Critical faculties were damped, therefore, and the democratic process was considerably eased by Dr. Renner's arrangement. The Chancellor would then sit up far into the night drafting the legislation based on the Cabinet's decisions.

663 The administrative tasks that confronted the Provisional Government were endless. It would take many months before anything like normal civic life could be restored.

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to the Russians, and he had shown the Russians to Central Europe. The first error could be rectified by ensuring that the occupying troops did not stay long enough in Central Europe to feel at home. But the results of the second mistake will take many years to eradicate.

In Austria, in the spring of 1945, the Russians had the game in their hands, and from then on they played it very badly. A great opportunity was missed, as in the rest of the world, where a moderate and enlightened Communist policy, following Russia's heroic struggle against Germany, would have been irresistibly attractive to millions.

The results of the election became known on the 24th of November. Two days later the Provisional Government resigned. The Political Cabinet Council accepted its resignation, entrusted it with the temporary administration of public business, and at the same time called on the Austrian People's Party to nominate someone to form a government. The choice fell on Leopold Figl, who had for some months been Chairman of the party and, like Dr. Dollfuss, owed his influence in the party and the country to his work for the *Bauernbund*. During the election campaign all three parties had declared that they were in favour of further collaboration after the election. A Coalition Government was therefore formed in which there were eight representatives of the People's Party, six Socialists, and one Communist. The approval of the Allied Council was given on the 18th of December.

On the following day the new National Assembly met for the first time, and Dr. Renner presented a report on the work of the Provisional Government. At the same time, the Second Chamber, known as the Federal Assembly, which had been elected by the Provincial Chambers according to the constitution, held its first sitting. On the 20th of December the two Houses met in joint session and elected Dr. Renner Federal President by 204 votes out of 205, one member abstaining. The new President's first duty was to swear in the members of the new Government.

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It was a fitting gesture of recognition that a Socialist should have been chosen President by a virtually unanimous vote after an election in which the Right Wing had headed the polls. At the beginning of April Dr. Renner told the Russians that he had been preparing himself for the time when Austria would need him again. He rose to the opportunity with distinction, when it came. He gave order, when there was danger of anarchy, and he gave unity, when division threatened to persist. Throughout the seven months' life of the Provisional Government there was no strike and no political breach of the peace. Above all, Dr. Renner provided an example of political tolerance and co-operation in contrast to the conflict of the past. This set the tone for the reborn country in the post-War years.

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Probably the most important result was to make possible greater freedom of expression during Cabinet meetings. 645

The life of an Austrian Parliament is limited by the constitution to four years. Elections were therefore due to be held not later than November 1949 and actually took place on October the 9th 1949. There were two main differences between the political situation then and in 1945. First, the number of electors had increased by over 940,000. Of these more than 400,000 were 'less implicated' Nazis, to whom the franchise had been restored the previous summer, and the remainder were either returned soldiers or persons who had acquired Austrian citizenship since 1945. Secondly, a number of new parties had entered the scene. Of these only two, the Union of Independents and the Democratic Union, succeeded in polling more than 10,000 votes, but a new fluidity and vitality in political life were indicated by the fact that at one stage during the year over forty new parties had announced their existence. 666 665

In the elections 97 per cent of the qualified voters went to the polls, compared with 94 per cent in 1945. The People's Party increased its votes by 244,354, the Socialists by 188,626, and the Communists, reinforced with some extreme Left-Wing Socialists, by 35,809. The Union of Independents obtained 489,273 votes and the Democratic Union 12,059. As regards seats, the People's Party got 77, the Socialists 67, the Union of Independents 16, and the so-called Left Block 5.

The election was significant for two reasons. It justified the Coalition Government by showing that it substantially represented the people's view. At the same time it made clear that there were about half a million people who were dissatisfied with the programme of the two main parties and the Communists. They were likely to prove an important political force in the future.

On the 31st of December 1950, Dr. Renner died, only a few days after the celebration of his eightieth birthday. His greatest achievement for post-War Austria had been as Chancellor in the Provisional Government. But while Federal President during the next five years he had been a wise and stabilizing 643

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643 influence in Austrian political life and had won general respect as a dignified, impartial, and yet forceful head of the State. The tribute paid to him by the Chancellor the day after his death was of special value, coming from one whose political views differed widely from his own. During the five years of his presidency, said Figl, he was 'a teacher and friend, who stood above political parties, a man to whom one never went in vain for advice'.

643 666 In January 1951 Parliament decided unanimously that the new Federal President should be elected by the people of Austria, as laid down in the constitution of 1929, and not in accordance with the special procedure adopted in 1931 and 1945, when the election was carried out in a joint session of the two legislative chambers. The two main parties chose their candidates well. The People's Party's choice was Dr. Heinrich Gleissner, the much-respected Governor of Upper Austria, and the Socialists', General Körner, the popular and venerable mayor of Vienna. The worst criticism that could be made against each candidate was of comparatively minor importance. Gleissner had been a junior member of Dollfuss's Government. Körner was seventy-eight years old and had only accepted candidature reluctantly out of a sense of duty.

A presidential candidate requires a clear majority of votes to be elected. If in an election no candidate has the required majority, a further contest is held between the two candidates with the most votes.

For the first election, which was held on the 6th of May, the Communists put forward Gottlieb Fiala as a candidate, and Dr. Burkhard Breitner stood as a non-party independent. Breitner was a popular, somewhat eccentric Innsbruck surgeon with no real political experience and no serious claims to potential statesmanship. Gleissner obtained 1,725,695 votes, Körner 1,682,768, Breitner 662,559, and Fiala 220,012.

In the second election, on the 27th of May, Körner was elected President with 2,172,106 votes against Gleissner's 2,004,290, having evidently secured the Communist votes

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and a greater measure of independent support than was generally expected. 643

During the first campaign efforts were made with some success to keep the party aspect of the contest under control. But the second, through no fault of the two candidates, involved a good deal of party bitterness and personal animosity. Fortunately this lapse from the best post-War political standards was made good by the example of the new President and his chivalrous defeated rival. When the election result was announced, Gleissner at once telegraphed his congratulations and good wishes to Körner. President Körner himself responded soon after his election by visiting Linz, the capital of Upper Austria. At the official ceremony of welcome he announced that he had shown his personal esteem for Dr. Gleissner by addressing him with the familiar '*du*' as they drove together from the station. 666

After its success in the two general elections, the People's Party received a severe shock from its defeat in the presidential election, all the more so because its candidate was a strong one. As a result, a thorough re-organization of the party was carried out. Changes were made in the main party officials and in the party's representatives in the Government. 665

More significant for Austria as a whole was the increase in the independent vote. Without doubt many of those who had voted for the Union of Independents in 1949 and Dr. Breitner in 1950 were disgruntled ex-Nazis, whose opposition was mainly negative. The attitude to the Nazi problem of the Austrian Government and people in general was sensible, broad-minded, and Christian. Except in the worst cases they wanted as soon as possible to let bygones be bygones. They were unwilling to drive into implacable discontent the disillusioned and repentant party members who were ready to be converted in 1945 and had only become Nazis originally through a mixture of fear and economic necessity. Dr. Koref, Burgomaster of Linz, spoke for the great majority of Austrians in July 1946 when he said: 'We are all agreed that we should not use Nazi methods to bring about the last liquidation of

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that the Union of Independents was not a '*staatsbejahende*' party—that is to say, a party taking up a positive attitude towards the State. Out of deference no doubt to the President's age and past record, the two main political parties made little of this constitutional lapse. But the Union of Independents, with good reason, repudiated the statement emphatically. 642

Outside the People's Party Executive the full circumstances in which Figl gave way to Raab can at present only be a matter of conjecture.[1] But the nomination of Raab indicated the direction in which events were moving. The new Chancellor is a leading industrialist who was a member of Schuschnigg's Cabinet just before the *Anschluss* and has been President of the Austrian Business-men's Association and of the Chamber of Commerce and Trade since the War. He became Chairman of the People's Party during its reorganization after the presidential election. While the occupation lasts Austria still needs a coalition, especially since Stalin's death has renewed hopes that a treaty will be signed. But Raab is a typical Right-Wing leader and temperamentally less fitted for compromise than his conciliatory predecessor. His appointment marks a stage in the return to normal party politics. 643

From the point of view of Austrian democracy the political truce has already lasted too long. The discipline and restraint a coalition imposes are a good influence from time to time, but over a period of years they tend to be transformed into less desirable qualities. Compromise, when it becomes a habit, means loss of vitality, and in the long run no political party can survive without the stimulus of competition. 642

Yet the Coalition has served Austria well, and in a complex and critical situation the country has been fortunate to have it. It has given stability and continuity to Austrian policy at a time when weakness or vacillation might have been fatal. Much credit is therefore due to those chiefly responsible for its survival; to President Renner, President Körner, and Dr. Figl himself.

Since Austria became a republic no statesman has approached 643

[1] The above was written on the 7th of April 1953.

3: Hiscocks G-4, 5 (1946-1949) 1958 EK1 Austria EK1

643 Figl's record of remaining Chancellor for over seven years, and no Chancellor has gained so much respect and support both from the Right Wing and from the Left. There was a large element of accident in the events which caused a young and inexperienced politician to become head of the Austrian Government in 1945. But the choice of Figl was justified by his record in office. He provided the qualities of character and statesmanship that an unusual situation demanded, and his name will always be associated with a critical period in Austrian history in which he guided his country well.

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DR. FIGL AT 10 DOWNING STREET, LONDON, MAY 1952

[facing p.237]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

648 valuable and unique traditions. Diplomatic entanglements and power politics are inappropriate for a country of 7 million inhabitants in a highly vulnerable position. The political aim of Austrian statesmen is to justify Austria's independent existence by maintaining a healthy economy and social order and by setting an example of good world-citizenship.

Austrians believe that their country's best hope for the future will be as part of some effective international order. Their political leaders have stressed this point repeatedly since the Second World War, just as they have been the consistent champions of Austria's mediatory and conciliatory role.

643 648 No one has had a greater influence on the development of the Second Republic than Dr. Karl Renner, who was a convinced internationalist of long standing. Before 1914 he had advocated a federation of self-governing nations under the Habsburgs, and considered that the dissolution of the Empire would mean the triumph of reactionary nationalism. The future belonged, in his view, not to the nation State but to the supra-national State comprised of antonomous units. In accordance with his general outlook he described Austria on his return from St. Germain to Vienna in 1919 as 'an autonomous province of the League of Nations' which relied on the League as the guarantor of its independence. In a speech during the opening session of the National Assembly, on the 19th of December 1945, and again on his eightieth birthday, Dr. Renner expressed his faith in the idea of the United Nations. In 1948, he wrote: 'The forces which make history move towards a world economy and a world State, and in this direction Austria is glad to go.'

Dr. Renner had considerable influence on the politicians with whom he worked during the last years of his life. His sentiments towards the Habsburg Empire were echoed by the Socialist, Dr. Koref, who said in Parliament in 1952: 'The Austrian people are predestined to take part in international understanding because they have within them the heritage of a small version of the United Nations.' Dr. Figl repeatedly declared his belief in an international order.

Karl Renner, the late federal president, who died in 1950, occupied himself particularly with social-political questions. Despite his age and professional obligations he published during the last years Die neue Welt und der Sozialismus, 1946, Vom liberalen zum sozialen Staat, 1948, besides numerous social-political contributions. 643● 816

The minister of foreign affairs, Karl Gruber, who also lectures on national economy as "Privatdozent" at the University of Vienna, published Voraussetzungen der Vollbeschäftigung, 1946, and Die Zusammenhänge zwischen Grösse, Kosten und Rentabilität industrieller Betriebe, 1948. 645 816

From this it may be seen that the Austrian national economists, whether they be theorists or practical experts, provide a strong unity of theory and practice. Teachers of universities (especially of the University of Vienna), are frequently entrusted by the government with important economic tasks which they perform within the sphere of a higher public function or upon an economic level. 815 816

Besides the colleges, also the Bundeskammer der gewerblichen Wirtschaft (a chamber organization), especially the Chamber of Commerce, Vienna, and the Austrian bureaucracy (particularly the Ministry of Commerce and the Ministry of Finance) have leading economists in their employ.

This synthesis of science and practical experience also accomplished in the postwar years the solution of various problems, no matter whether they concerned questions of currency, banking and credit, production and investment policies, and, in connection with the Marshall Plan, the drawing up of economic programs, foreign trade, foreign exchange and payment balances. From the above it may be seen that the younger generation of Austrian economists in ministerial service has been able to master the problems arising with the initiation of the Marshall Plan on the strength of its thorough theoretical schooling.

Aside from world politics, the arts 814

and sciences found in this gifted ruler,[1] himself a talented writer and thinker, an understanding patron. Albrecht Dürer and Peter Fischer enjoyed his favours and humanism found a home in Vienna.

> The peasant walks behind his plough in peace,
> While in the towns the workmen ply their trade
> And industries and guilds lift up their heads.
>
> (Ottocar, Rudolf, Act III)

After the death of Maximilian, his grandchild Karl V took over a vast empire. He inherited Spain, Burgundy and the old Hapsburg possession; he was elected King in Germany and later crowned Emperor at Bologna. In 1521 he divided his Empire with his brother Ferdinand, to whom he gave the Austrian Duchies. From this time onwards one finds references to an Austrian and to a Spanish line of the House of Hapsburg. The reign of Karl V was filled with internal German conflicts arising out of the start of the reformation. Constant wars with France and Turkey left him no peace. Karl V was another of the strange, gloomy and apathetic figures to be found among the Hapsburg rulers. His plans to win back for the Imperial Crown its ancient power and splendour and to preserve the unity of the old Catholic faith were brought to naught, partly on account of the egotism of the Lutheran Princes but also because of their devotion to their faith. Karl thereupon renounced the crown and retired to the monastery of San Yuste in Spain. A lonesome and frustrated figure, he turned his back on that life which would have made him ruler of a world Empire.

1519 to 1521. The Portuguese Ferdinand Magellan first circumnavigates the world. 648 643

1526. Bohemia and Hungary pass legally into the possession of Austria.

1528. Under Henry VIII, the first steps are taken which led up to the separation of the English Church from Rome.

1536. Death of Erasmus of Rotterdam.

> There order dwells, there order has its home
> While here confusion lives and vain caprice.
>
> (Family Strife, Rudolf, Act I)

In the meantime Ferdinand was ruling prudently and ably in Austria. The new doctrines from Wittenberg quickly penetrated to Austria, where they spread rapidly. Soon appeared the first signs of a clash of beliefs which was to prove particularly significant for Austria. Efforts to bring about religious reforms brought with them social discontent, which manifested itself particularly in peasant revolts, and in the formation of the sect of the Baptists.

In 1526, Ludwig II, King of Hungary and Bohemia, lost the day and his life as well in the battle of Mohacs against the Turks. Under the Treaties

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1540. Foundation of the order of Jesuits. [669]

1545 to 1563. Council of Trient. The Catholic Church grows more powerful and the Counter-Reformation begins. 648

1 [, the Emperor Maximilian. -- Analyst]

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and here his "Don Juan" was produced. Nowadays this historic stage is at the disposal of young actors of the Reinhardt School.

Something quite unique for sightseers is the Wagenburg, or carriage park. Its showpiece is the eight-horsed Coronation Coach of the Emperor Karl VI, fashioned in the shape of an enormous gold crown and supposed to be the most beautiful coach in the world. Its interior is decorated with valuable paintings of the Rubens School. This coach was used at seven Hapsburg coronations, the last of them being that of Emperor Karl, crowned in Budapest during the First World War in the year 1916.

351 Wide gravel parks and avenues conduct one to the lovely grounds of the Palace, a compromise between two art trends—born of the enthusiasm for nature of Rococo and the joy in antiquity which characterised Baroque. Figures taken from legend and ancient history, the rich statuary of the park, reflect the living spirit of those times, commemorating many historic events. Tall, formal hedges clipped in the French manner flank the wide flowerbeds, running diagonally towards fountains with their surrounding statues.

In the far distance are the Neptune Fountain, the "Roman Ruins" and the Kaiserbrunn with the "Beautiful Fountain" from which Schönbrunn takes its name. On the other side are the Palm House and the extensive Zoo. Half way to them a zigzag path winds up to the heights of the Gloriette, a light and decorative structure with slender columns and stone roof through the round arches of which the skies look down.

344 From here we get a fine view of the wide-spread city, an attractive

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The man who is next door to Russia

344 I HAD NOT been at the Ballhausplatz in Vienna since the last months of Chancellor Schuschnigg. Bombs have since destroyed the rooms as I knew them. They have been restored in modern Viennese splendor.

344 ●643 Here, Chancellor Julius Raab received me in the vast room paneled in precious woods. From the high ceiling hang two crystal chandeliers. The Austrian eagle is inlaid on the wall behind the chancellor's desk, gold-embossed on his high-backed leather chair, and woven into the curtains before the three big windows. It looks symbolically like a phoenix risen from the ashes.

Gone are the days when the Ballhausplatz ranked with the Quai d'Orsay or Downing St. Yet, although Austria has ceased to be a great power, her geographical position as a key country kept her statesmen in the world limelight—Seipel, Dollfuss, Schuschnigg.

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Since the end of the 2nd World War, an avowed aim of which was to restore an independent Austria, an Austrian chancellor has resided in Metternich's palace. For eight years he was an engineer of peasant stock, Leopold Figl. This summer he made way for the leader of his party, another engineer, this time of solid middle-class background, Julius Raab.

The chancellor led me to a comfortable conference corner at the far end of the room, where a green velvet settee and easy chairs were grouped round a low table. The chancellor promptly lit one of those long, thin, black cigars called "Virginias," so popular among Austrians.

He is tall, big boned, massively built; his nearly square head has a low-set jaw. He is 62, but his thinning hair is gray only at the temples. He has the appearance of the typical Austrian burgher: solid, from his sober suit down to his boots, but *gemütlich*. There is great

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643 shrewdness behind his narrow-lidded eyes, but when his slow smile breaks through, it relaxes the noncommital face.

Raab comes from St. Pölten, the nearest big town to Vienna, 50 miles to the west. His people have been architects and builders there for generations; one of three brothers (the eldest still runs the family business), Julius never had any other ambition himself as a youngster.

At the Benedictine grammar school of Seitenstetten he excelled in mathematics, and from there he matriculated to the Technical university of Vienna. The 1st World War interrupted his student years. He served with distinction on the Russian and Italian fronts, won the Big Silver Medal for bravery, a decoration which is rarely given to officers. Amidst the utter disruption of the army in November, 1918, he managed to bring his company back from the front in perfect order.

The collapse of the empire struck Vienna with fearful impact. Ex-Lieutenant Raab felt the loss of the great Hapsburg tradition deeply. He had returned to his studies and the Students' Representative body elected him as their spokesman to the university authorities.

Even in high school, he had been interested in sociology. In his first prewar Vienna years he joined the group round Monsignor Schaurhofer, fired by the new social teach-

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ings of Pope Leo XIII's encyclicals. Now, in the dark postwar misery, he took an active part in Students' Help, organized by Professor of Theology Innitzer, now Cardinal Archbishop. They provided free meals and distributed clothes. Those "terrible years," as he calls them, have impregnated the conservative background of his home with a strong social consciousness. Even later, when he emerged as a leading economist, he never lost his early understanding of the struggle of the small people.

After graduating as Engineer (*Ing.* is an academic title in Germanic countries, used like our *Dr.*) Ing. Raab went into the family business. At the same time, he turned to politics, a field that interested him from early youth: his mother's brother was a distinguished member of the imperial Reichstag. In 1927, his home town elected him as their Christian Social deputy to Parliament. "For the first year," he recalls, "I sat back and listened, to learn the ropes." He had an unbounded admiration for the chancellor, Monsignor Ignaz Seipel, "the greatest statesman Austria ever had."

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Austrian politics became so bitter in those years that every big party had a military organization. Once the Socialists armed themselves, Prince Starhemberg founded the anti-Socialist *Heimwehr*. Raab joined it at the instigation of Seipel, who wanted him to work inside

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[665] 643 the Heimwehr against Starhemberg's fascist tendencies. Inevitably, Raab and Starhemberg fell out. Raab left the *Heimwehr*. The communists call Raab a fascist, but that is stupid.

After Parliament was dispensed with under the Dollfuss-Schuschnigg regime, Raab won high repute as founder, organizer, and leader of the *Gewerbebund*, a nation-wide organization of all the trades, crafts, and industries. When Chancellor Schuschnigg made his last desperate attempt to stave off Hitler, he rallied the biggest names in the land around him. He made Raab minister of trade and transport.

After Hitler annexed his native Austria to the *Reich*, Raab was, of course, out in the wilderness. He was never personally persecuted, but he could not risk the family fortune by rejoining their old firm, and he started out on his own, in Vienna. So deep was nazi hatred towards Raab that at the outbreak of the 2nd World War he was formally declared unworthy of wearing a German uniform!

727 642 645 The Russians entered Vienna in the spring of 1945. Marshal Tolbukhin ordered a provisional government in which the Catholics, Socialists, and communists had to share every ministry. Builder Raab became secretary of state in the ministry for reconstruction, but was vetoed by the Russians as a minister in Figl's cabinet.

●643 441 Once more Raab turned his talents to economic fields. He created the Austrian *Wirtschaftsbund,* which reorganized Austrian economy and constituted a federal Chamber of Commerce, of which Raab was first president.

643 665 Raab was one of the founders of the *Oesterreichische Volkspartei,* the (Catholic) Austrian People's party, a deputy since 1948 and its "strong man" from the start. His political position was consolidated when the People's party elected him as their *Parteiobmann,* or leader, in 1951.

In the 1953 general elections, the OVP did not do so well as the Socialists. The party decided that a change of prime minister was needed. A new one, it thought, would more likely get maximum concessions from the Socialists in the coalition government. As things stood, with Catholic and Socialist seats nearly balanced, the OVP could have got a majority with the aid of the small Independent party. But realist Raab holds that in the present difficult international situation, only a strong government of the two biggest parties can achieve that primordial aim, restoration of full Austrian sovereignty.

643 While I was with the chancellor, the clock in his room played a gay carillon to strike the full hour. It did not disturb him. He admitted placidly that he has no ear for music. He never goes to opera or theater, those two glories of Vienna.

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He is an addict of Karl May (Austrian equivalent to Fenimore Cooper), in whose yarns he could indulge only on long journeys. At home, he has time to read nothing but politics and economics. For relaxation, he goes to the country; once there, he does not walk or fish, but just "sits in the sun." 643

He has the reputation of being a quietly determined man at ease with himself and with the world, who knows what he wants. Sparse of words, he hates discursive arguments. His own speeches are short and to the point; he hates phrases. He neither whitewashes nor glosses over. They tell you in Vienna that his greatest asset is his flair for sensing the opportune moment; his greatest drawback, a certain improvization as he feels his way ahead. In negotiations he uses humor as a weapon, both to clarify and to demand.

He still lives in the same three-room apartment in the Döbling district which he has occupied for years. His wife is an invalid, so he entertains only at the chancellery. Theirs is a happy though childless marriage.

Raab needs little sleep. He begins work at home long before going to his office, about eight every morning. On Sundays, he drives in his old Chevrolet to high Mass in the Schottenkirche, and then joins the *Stammtisch* reserved for his old party friends at a café on Ring Blvd. There he invariably listens

CHANCELLOR RAAB OF AUSTRIA

more than he takes part in the lively talk. 643

Ten years have passed since the Allies, in a solemn Moscow declaration, proclaimed restoration of Austria's sovereign independence as one of their avowed war aims. Today Austria's position as a "liberated" victim of aggression is in many ways worse than that of the aggressor. 728

Chancellor Raab has taken the activation of his country's foreign policy personally in hand. Reduced to essentials his argument comes to this: Austria is not yet free only because the Allies fell out among themselves, and that is certainly not Austria's fault. After 99% agreement, the state treaty is being held up only as a Russian cold-war tactic (though, he remarked, "the cold war in Europe has never been quite ice-cold in Austria"). But why not withdraw, meanwhile, the occupation armies? Democratic Austria has proved that it can fully maintain law and order by itself, and there would still be the Allied high commissioners in Vienna to watch—no foreign armies are necessary for that. 643 648

Since last summer, relations with the Russians have greatly improved, though nobody can say whether as a reversal from Stalin policy or merely as political tactics. All the same, the belated Russian concessions do not go as far yet as those made much earlier by the Western powers. The chancellor has reacted

643 to them with the attitude that one
648 should meet an outstretched hand with good will: "there is no sense in pulling the Bear's tail."

In that atmosphere, he presses Austria's many remaining complaints and aims. With a shrewd appreciation of possible Soviet touchiness at losing face, he bases his reasoning on the argument that it could not be interpreted as a Russian weakness if they give a civilized, democratic and orderly nation that full sovereignty which they solemnly promised.

643 Chancellor Raab stands firmly on the side of the West. He realizes the need of continued close collaboration with the U.S. He is a firm believer in a free economy. His economic platform is that of a firm currency and of stabilized price and wage levels; of creating

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643 fuller employment through increased production; and production helped by modifying crushing industrial tax burdens and home and foreign loans for industrial investment. Austria wants to produce and earn her living rather than be subsidized.

My hour with the Austrian Chancellor had come to a close. "The Austrians," he said, "are a lighthearted people who forget easily how bad things were and how much improvement has already been made. But they are good at heart."

Somehow, I felt that even the most intricate international and economic problems lose their forbidding aspect when you hear them explained in the homely dialect and with all the *Gemütlichkeit* of a good, sensible Austrian.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

642 taken in its composition. No government was ever set up that more closely deserved to be called a coalition. There were representatives of all parties at each level of the administration. Of the thirteen main posts, four went to Social Democrats, four to the Austrian People's Party, three to Communists, and two to non-party men. In addition, in all Ministries, except the Ministry of Finance, two Under-Secretaries were appointed from the parties to which the Minister did not [645] belong. Dr. Renner himself, as Chancellor, was assisted by three Secretaries without portfolio, who with him constituted the Political Cabinet Council. This body, in addition to acting as an inner Cabinet, temporarily formed the supreme executive authority and carried out the duties previously performed by the President of the Republic. Its members, apart from the Chancellor, were Leopold Figl, Adolf Schärf, and Johann Koplenig.

The whole Government, including the Under-Secretaries, formed the Cabinet in the broader sense. From the point of view of taking executive decisions, this body was inconveniently large. But, on the whole, its size was an advantage. As there was no Parliament, it was executive and legislature rolled into one, and had to perform the functions of a Cabinet and of both parliamentary Chambers. It was therefore a good thing that it should be as representative as possible. Confidence in it as a legislative body was further increased by the principle of unanimity that governed its decisions.

643 In view of the severity of the party conflict in Austria between the Wars, it may well cause surprise that the three 663 parties should have collaborated so closely and successfully during the seven months' life of the Provisional Government. It was due partly to the personality of Dr. Renner. By sheer force of character and political experience he exercised considerable influence over his colleagues in the Government. He was one of the few Austrian statesmen since 1918 who were able to combine lifelong adherence to a political creed with magnanimity and the ability to look beyond party to the needs of the country as a whole. In 1922 he wrote, 'Passion is

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a bad political counsellor', and during the remainder of his life 643
he acted in accordance with this precept. In a speech delivered
a few days before his death he spoke of the usefulness of 663
political differences, but emphasized that from the clash of opinions the right course should emerge and common action follow: party, the part, must not usurp the role of the general welfare, which is the whole.

Common suffering at the hands of the Nazis made a great 663
difference also. Political rivals came out of prison as close personal friends addressing one another by the familiar '*du*'. As Leopold Figl said, in the concentration camp a man did not ask his fellow-prisoner what party he belonged to, but whether he was an Austrian. Brave men endured hardship and torture in order not to betray other members of the Resistance, even if they did belong to another party. Adolf Schärf has described how by chance Felix Hurdes, once in a neighbouring cell to his own, was cross-examined about their contacts with each other. However strong party rivalry might subsequently become, such incidents as these could never be forgotten by those who had experienced them.

Another individual who contributed greatly to the success of 663
the Provisional Government by his action and his example was
Leopold Figl. In 1945 he was only forty-three, and he had 675
none of Dr. Renner's experience of Parliament and national politics. But he had great integrity and boundless energy. As a member of the Political Cabinet Council, President of the *Bauernbund*, and Governor of Lower Austria, he was rapidly becoming the most significant figure in the People's Party. His loyal and consistent collaboration with Dr. Renner was therefore of great importance. It meant that the leaders of the two main parties, whose rivalry had been so disastrous in the past, were now working together for the good of Austria.

Besides the strong central government that Dr. Renner and 631
his colleagues provided, the country needed a new administration. After the *Anschluss*, Vienna's functions as the administrative centre of Austria were transferred to Berlin. The city ceased to be a capital and became a province and, so far as the

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IV

Coalition and Quadripartite Control

645 LEOPOLD FIGL, the new Chancellor, was very different from his predecessor. He was considerably younger, and he lacked Dr. Renner's intellectual distinction and breadth of background. Yet the two men had certain qualities in common that are of importance in a prime minister: they both possessed the tact and magnanimity that enabled them to manage their colleagues and rise to the level of great responsibilities at a critical time. Figl was suited by nature to follow Renner's example of tolerance and co-operation. This was revealed in the skill with which he formed the Coalition and in his success in remaining head of it for more than seven years.

The offices in the new Government were distributed wisely, so that the two main political parties were satisfied with the result. Dr. Schärf, the Socialist leader, became Vice-Chancellor. The economic appointments were divided. The People's Party provided the Foreign Minister in Dr. Gruber and the Minister of Education in Dr. Hurdes, while the Socialists, Helmer and Maisel, took the Ministries of the Interior and Social Welfare, the latter being a post to which their party attached special importance.

The results of the election did not entitle the Communists to a seat in the Cabinet, but they were given one in order to propitiate the Russians and rally forces in the emergency. A Communist, Dr. Karl Altmann, was therefore made Minister of Energy and Electrification, an appointment especially created for his and his party's benefit.

642 From the constitutional point of view, the Provisional Government had been only a temporary expedient to tide over the transitional period until free elections could be held. After the elections, in order to legalize the position, legislative acts of the previous seven months had to be confirmed. One of the

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have done all that they can to restore normal diplomatic relations with the Austrian Government. All four occupying Powers had agreed to exchange political representatives with Austria before the end of 1945. During the next two years the Allied representatives in Austria were given full diplomatic status, and in 1950 the Governments of the three Western Powers announced that their diplomatic representatives had been appointed High Commissioners. This meant that each of the three Powers had separated the command of its Army of Occupation from the High Commissionership, and that the Western members of the Allied Council would in future be civilians.

The United States and Britain have also contributed a great deal to the industrial and agricultural revival of Austria. This subject will be considered in more detail in connexion with the country's economic recovery. But it is something that cannot be overlooked in dealing with the positive aspect of the Allied occupation. The presence of American and British economic experts in Austria during the post-War years has been of direct and indirect value to the country. In particular, the United States' responsibilities as an occupying Power have added realism and vitality to the execution of the European Recovery Programme in Austria.

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From December 1945 until February 1953 the Coalition Government of Figl and Schärf under quadripartite control gave stability and continuity to Austrian political life. Within this constant framework, however, significant changes took place.

In November 1949 a currency reform law was approved by the Cabinet in spite of Communist opposition. It was the first occasion since the formation of the Government on which the principle of Cabinet unanimity was abandoned, and Dr. Altmann, the Communist member, resigned. The Ministry of Energy and Electrification came to an end with his membership of the Government. Communist collaboration with the other parties in the Coalition had long been formal rather than real, so his resignation had little effect on Government policy.

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Probably the most important result was to make possible greater freedom of expression during Cabinet meetings. 645

The life of an Austrian Parliament is limited by the constitution to four years. Elections were therefore due to be held not later than November 1949 and actually took place on October the 9th 1949. There were two main differences between the political situation then and in 1945. First, the number of electors had increased by over 940,000. Of these more than 400,000 were 'less implicated' Nazis, to whom the franchise had been restored the previous summer, and the remainder were either returned soldiers or persons who had acquired Austrian citizenship since 1945. Secondly, a number of new parties had entered the scene. Of these only two, the Union of Independents and the Democratic Union, succeeded in polling more than 10,000 votes, but a new fluidity and vitality in political life were indicated by the fact that at one stage during the year over forty new parties had announced their existence. 666 665

In the elections 97 per cent of the qualified voters went to the polls, compared with 94 per cent in 1945. The People's Party increased its votes by 244,354, the Socialists by 188,626, and the Communists, reinforced with some extreme Left-Wing Socialists, by 35,809. The Union of Independents obtained 489,273 votes and the Democratic Union 12,059. As regards seats, the People's Party got 77, the Socialists 67, the Union of Independents 16, and the so-called Left Block 5.

The election was significant for two reasons. It justified the Coalition Government by showing that it substantially represented the people's view. At the same time it made clear that there were about half a million people who were dissatisfied with the programme of the two main parties and the Communists. They were likely to prove an important political force in the future.

On the 31st of December 1950, Dr. Renner died, only a few days after the celebration of his eightieth birthday. His greatest achievement for post-War Austria had been as Chancellor in the Provisional Government. But while Federal President during the next five years he had been a wise and stabilizing 643

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of the Economics Division of the American High Commissioner's Office. This document, which was entitled 'The Restraint of Competition in the Austrian Economy', strongly criticized the various forms of restraint, such as cartels, political associations, and organized group interests, and recommended the education of public opinion on the merits of a competitive régime. 185

On the other hand, the Socialist Party, while accepting the need for economy and self-help, was opposed to any reduction in social services; preferred government, to private, investment; was more conscious of the evils than of the merits of competition, and stressed the dangers of unemployment rather than the dangers of renewed inflation.

In November 1951 Dr. Franz Nemschak, Director of the Austrian Institute for Economic Research, emphasized the significance of Austria's economic problems for the country as a whole, and recommended that in working out a solution the Government should take the advice of experts rather than allow themselves to be influenced by sectional interests. He deplored particularly the tendency for economic policy to be determined by considerations of party politics.

Dr. Nemschak's warnings and recommendation were justified. By giving full consideration to the views of independent experts, it might well have been possible to agree on an economic policy for the country. As has been seen, there was common acceptance of some of the main objectives, and on the controversial points a degree of compromise was possible. To aspire after the ideal expert solution, however, is a tendency characteristic of democracies and one that is almost invariably disappointed. The circumstances in which party considerations finally confused the issue were not free from an element of accident.

Members of the People's Party held the three key Ministries of Finance, Trade, and Agriculture. The second instalment of the Party's reorganization, following its defeat in the presidential election, took the form of replacing the three Ministers in question in January 1952. Dr. Kamitz, the new Finance 645 665

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645 Minister, was a financial and economic expert who believed
665 that the budget could only be balanced satisfactorily by stringent economy in national expenditure. The new Minister of Trade, Herr Böck-Greisau, was an experienced industrialist, with a special interest in export problems, who believed in free enterprise, and shared Dr. Kamitz' view on the need for economy. Both men were convinced exponents of the new policy of self-reliance and self-help.

453 Before the end of 1951 the Coalition Government's efforts to establish financial stability had already met with success. To restrict credit expansion the bank-rate was raised from 3½ to 5 per cent on December the 6th, while the trade unions and the employers collaborated to keep prices down. During the
454 first four months of 1952 savings-bank deposits rose by 538 million schillings, compared with an increase of only 77 million schillings during the whole of 1951.

645 One reason why the People's Party appointed the new
665 Ministers was that it wished to strengthen its representation in the Cabinet. But it believed also that their policy was what Austria needed at the time. A natural result of its action, however, was that the policy tended to become a party issue, although it had virtually been started before the Cabinet changes took place.

645 The new Ministers were energetic and uncompromising in carrying out the measures in which they believed. Within a
652 few months of his taking office Herr Böck-Greisau was with
665 difficulty dissuaded from relinquishing his post on a question of principle. During the autumn party differences came to a head over Dr. Kamitz' proposals for an economy budget. The People's Party was mainly interested in a deflationary policy to maintain the value of the schilling. The Socialists wanted bigger expenditure on public works and new housing projects in order to keep up employment. No agreement could be reached, and so, as has been seen, the Government resigned. Pending the elections a temporary compromise budget was accepted by both sides.

652 Before the elections took place the new economic policy

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town offers. But there were a number of special reasons to which the post-War trend in Austria can be attributed. The comparative neglect of Austrian agriculture by the Nazis and the discriminatory nature of Austrian social legislation, before the Law of 1948 was passed, have already been mentioned. In addition, the accommodation provided for agricultural labourers was most unsatisfactory. On the majority of farms there were no dwellings at all for married workers, and the rooms provided for single men were frequently quite inadequate. Agricultural wages lagged far behind those paid in industry. At the end of 1948 they varied between 127 and 203 per cent above the 1945 level, while the wages of an unskilled industrial worker had risen 350 per cent. It is true that the farm worker had virtually no food problems and also received payments in kind, but the comparison with industry was a natural cause of discontent. Furthermore, the boom in building and construction work due to war damage and the large undertakings financed by ERP funds provided attractive opportunities of alternative employment, often near enough to agricultural areas to attract the labourers' notice.

The Ministry of Agriculture and Forestry realized the danger of the situation and evolved, somewhat tardily, a comprehensive programme to deal with it. The new Minister, Herr Thoma, who took office in January 1952, brought fresh energy to his department and issued a forceful memorandum on the subject the following summer.

The first important step taken was the Agricultural Labourers' Law of 1948. It did a great deal to raise morale and, by strengthening the workers' organization, ensured that their point of view would be heard. The establishment of Agricultural Workers' Chambers in most provinces contributed to the same result. The price increases for agricultural products approved by the Fourth and Fifth Price-Wage Agreements also improved the general situation.

Between 1947 and 1951 Government and ERP subsidies amounting to 55 million schillings were spent on agricultural housing, and 10,371 dwellings were completed, including

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[USIS, Vienna

MR. DEAN ACHESON IN VIENNA WITH DR. GRUBER[1] AND MR. WALTER J. DONNELLY, AMERICAN AMBASSADOR, JUNE 1952

[1] [Foreign Secretary — Analyst]

[facing p. 200]

Karl Renner, the late federal president, who died in 1950, occupied himself particularly with social-political questions. Despite his age and professional obligations he published during the last years Die neue Welt und der Sozialismus, 1946, Vom liberalen zum sozialen Staat, 1948, besides numerous social-political contributions. 643 816

The minister of foreign affairs, Karl Gruber, who also lectures on national economy as "Privatdozent" at the University of Vienna, published Voraussetzungen der Vollbeschäftigung, 1946, and Die Zusammenhänge zwischen Grösse, Kosten und Rentabilität industrieller Betriebe, 1948. 645 816

From this it may be seen that the Austrian national economists, whether they be theorists or practical experts, provide a strong unity of theory and practice. Teachers of universities (especially of the University of Vienna), are frequently entrusted by the government with important economic tasks which they perform within the sphere of a higher public function or upon an economic level. 815 816

Besides the colleges, also the Bundeskammer der gewerblichen Wirtschaft (a chamber organization), especially the Chamber of Commerce, Vienna, and the Austrian bureaucracy (particularly the Ministry of Commerce and the Ministry of Finance) have leading economists in their employ.

This synthesis of science and practical experience also accomplished in the postwar years the solution of various problems, no matter whether they concerned questions of currency, banking and credit, production and investment policies, and, in connection with the Marshall Plan, the drawing up of economic programs, foreign trade, foreign exchange and payment balances. From the above it may be seen that the younger generation of Austrian economists in ministerial service has been able to master the problems arising with the initiation of the Marshall Plan on the strength of its thorough theoretical schooling.

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II

PRELIMINARY DISCUSSIONS ON THE FORM OF THE NEW CONSTITUTION

THE break-up of the Empire necessitated a radical alteration of the pre-war Austrian constitution, the pivot of which had been the Imperial House. The chief object of Habsburg policy had been to manipulate the rival national and social forces within the State in order to ensure the predominance of Imperial influence. Therefore, with the collapse of the Monarchy and the falling away of the non-German elements, German Austria was confronted with the task of building up a new national State, which was necessarily different, in both its forms and its aims, from that which had preceded it. 642

Because of the general feeling that the reintroduction of any form of autocratic government, however convenient this might be in a period of emergency, must be avoided at all costs, the governmental devices made use of by the German Austrians from October 1918 to the promulgation of the constitution of October 1920[1] were marked by a desire to safeguard the position of the National Assembly as the supreme legislative organ.[2] All parties were agreed, though their fervour varied, that the new State must be a democratic one. 642 646

The stress on the importance of the Lower House was also partly a consequence of the political philosophy of the Social Democrats, whose views were then in the ascendant. This party laid great emphasis on the necessity for concentrating power in one democratically elected Chamber, and viewed with suspicion attempts on the part of that Chamber to delegate any considerable part of its authority to bodies not directly

[1] For an analysis of the Constitutions of 30 October and 19 December 1918 and 14 March 1919, see Kelsen, '*Die Verfassung Deutschösterreichs*', *Jahrbuch des öffentlichen Rechts* (Tübingen), vol. ix, pp. 245–91.

[2] Kelsen, *Die Verfassungsgesetze der Republik Österreich* (Wien, 1919).

2: MacDonald S-4 (no date) 1946 EK1 Austria EK1

642 elected by the people.[1] The party therefore regarded with dis-
646 favour any of the customary devices designed to check the Chamber, such as a strong Government, a strong President, or a second Chamber. Social Democrats were equally anxious to vindicate the independence of the Chamber as against the people. Hence, they regarded such devices as the Referendum and the Initiative with suspicion. For this reason, also, they were in favour of the introduction of proportional representation with the closed list system, as they believed that these would free the members of the Chamber from any kind of dependence on their constituents. This, they hoped, would avert both the corruption of local politics and the predominance of the provincial outlook in the National Assembly, which they feared would result if this became the catspaw of local groups.[2]

These views can be clearly traced in the constitutional experiments of the first two years of the Republic. For instance, the Council of State was chosen by the National Assembly on the basis of proportional representation. The Government was thus recruited not from the ranks of one party, but from the whole body of representatives.[3] This body was, however, intended to be in all respects subordinate to the National Assembly. The three Presidents of the Council, who had equal powers, were chosen by each of the three big parties, the Christian Socialists, the Social Democrats, and the German Nationalists.[4] The elections to the Constituent Assembly in February 1919 were based on proportional representation, instead of the old majority voting arrangement.

[1] For instance, the Executive Committee, or Council of State elected by the National Assembly and entrusted by it, on 30 October, with the task of carrying on the government of the country, was deliberately made subordinate to the National Assembly, of which it was constituted the executive committee. The Council of State was, however, later given a right of suspensive veto on proposals put forward by the National Assembly. Law of 19 December 1918. St. G. Bl. Nr. 139, Article 4. Law of 14 March 1919, St. G. Bl. Nr. 179, Article 5.

[2] Renner, speech to Provincial National Assembly, 18 December 1918.

[3] 30 October 1918, St. G. Bl. Nr. 1, Article 4.

[4] Hauser, Seitz, and Dinghofer were elected by the Christian Socialists, the Social Democrats, and the German Nationalists respectively on 21 October 1918. Each held in rotating weeks the offices of President of the National Assembly, the Council of State, and what may be termed the Cabinet.

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that if municipal councils chose to elect special administrative committees, such committees must be elected on a proportional representation basis.[1] 666 642

Direct government by the people was provided for in the Austrian constitution.[2] It was not, however, intended that frequent use should be made of these provisions. Article 24, for instance, enumerating the various legislative organs of the State, makes no mention of direct legislation by the Initiative and the Referendum. Article 41, (2), provides that every proposal signed by two hundred thousand qualified voters, or by half of the qualified voters in each of three Provinces, must be submitted by the Federal Government to the National Council. It may be observed, however, that the quorum of petitioners is, relatively speaking, a very high one.[3] And it was unlikely that the second of the two conditions would ever be fulfilled, in view of the fact that co-operation between the various Provinces was, as in pre-war days, discouraged.[4] 646 642

The Referendum could only be set in motion by the National Council itself.[5]

Only in the case foreseen in Article 44, (2) (a complete revision of the constitution), was a Referendum compulsory; and even in this case the effect of the article seems problematical, since no definition of "complete revision" is provided.

Of the Provinces, only Salzburg, Tyrol, and Vorarlberg included provisions for direct democracy in their constitutions.

[1] Verdier, op. cit., p. 189. It may be noted also that when, in accordance with the Geneva Protocol of 4 October 1922, it became necessary to set up a Council of State endowed with special powers, the third protocol, dealing with this, set up a body composed of the Government and twenty-six councillors who were to be elected on a proportional representation basis.

[2] The provisions were, however, somewhat half-hearted. Most of the Social Democrats did not approve of proportional representation, fearing that it might undermine the supremacy of Parliament. The Christian Socialists, who had at first supported it warmly because of their control over the Provinces, became doubtful in proportion as the question of the proposed administrative reform, which they felt would weaken their hold on the Provinces, became actual.

[3] In Switzerland, for instance, only thirty thousand votes are needed. Swiss Constitution, Article 89.

[4] Cf. Law of 1860 with Article 107, 1920.

[5] Article 43.

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the sphere of provincial autonomy.[1] But, as the Federal State had in fact evolved from a unitary State, the word 'remain' is meaningless. 642 635

By Article 26, (2), it was laid down that the country should be divided up into constituencies within the various Provinces. Apart, however, from the fact that this constituted a recognition of the federal ideal, it is difficult to see that the Provinces derived any particular benefit from this arrangement. Article 36, providing for strict rotation among the Provinces in the office of President of the Federal Council, is of a similar character. 642 635 646

Article 24 announces that legislation shall be by the National Council, together with the Federal Council elected by the Provincial Councils. But in fact, as has been pointed out, the legislative power of the Federal Council was very slight indeed. The Federal Council had, for instance, no share in the appointing of the Government;[2] and it could not even set up special committees of investigation.[3]

Again, by the terms of Article 52, the Federal Council could, as the National Council, inquire into the conduct of the Government. It might be supposed that the corollary of this Article would be that, if the conduct of the Government was found to be unsatisfactory, the Federal Council could take some steps towards its removal. This, however, was not the case.[4]

There were, it is true, certain things which could not be done without the consent of the Federal Council. By Article 3, (2), for instance, it was decreed that no alterations could be made in the boundaries of the Provinces (except as provided by the Peace Treaties), except by agreement of all the Provinces concerned.[5] By Article 35, (4), it was decreed that no alteration

[1] 'Verbleibt sie im selbständigen Wirkungsbereich der Länder.' This terminology may be compared with that of the previous draft of this article, 'Die Länder . . . übertragen dem Bund', etc. The implication of these phrases is that the Provinces were originally sovereign bodies. This was certainly not the case. (Kelsen, op. cit., vol. v, p. 80.)

[2] Article 70. [3] Article 53, (1). [4] Article 74, (1).

[5] Cf. Weimar Constitution, Article 18, which empowers the State, in certain circumstances, to alter boundaries without the consent of the Provinces concerned.

642 should be made in the constitution of the Federal Council
635 without its assent. And assent required a majority vote in
646 favour from the representatives of at least four Provinces. A minority of the Provinces could thus prevent an amendment.[1]

[692] Finally, by Article 132, if a Province were involved in a dispute before the Administrative Court, the case had, as a rule, to be tried by a Senate having among its members a judge who formerly belonged to the judicial or administrative service of that Province.[2]

642 But although certain actions could not be carried through
635 without the consent of the Provinces, effective precautions were taken to ensure that the Provinces should never become overpowerful.

Articles 95–120, for instance, gave the State control over the political and social structure of the Provinces. The provisions ensuring democratic government, safeguarding minority rights, and guaranteeing to the State extensive supervisory rights, guarded against the possibility of the growth of a strong, united opposition to the central Government from reactionary parties in the Provinces. The extent to which State control over the Provinces went may be seen by Article 100, which provided that a Provincial Council could be dissolved by the Government, if the consent of the Federal Council was obtained.[3] The Article provides an example of the spirit of compromise which pervades the Austrian constitution, for, while the federal principle is undermined by the provision that a Provincial Assembly can be dissolved by a State organ, it is safeguarded by the provision that the assent of the highest federal organ shall be necessary for such a dissolution.

642 The Administrative and the Constitutional Courts were
635 clearly intended as State organs (although, as has been pointed
692

[1] The provisions of this article should have been applied also to Article 34 (dealing with representation of the Provinces in the *Bundresat*). Originally Articles 34 and 35 were one. When they were separated the constitutional committee omitted to make Article 35, (4), apply to both of them, though it was clearly far more important that it should apply to Article 34.

[2] Cf. with provisions for trying cases before the Permanent Court of International Justice (Statute of the Court, Article 31).

[3] The consenting vote, however, required a quorum of one-half of the members, and a two-thirds majority.

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642 as the result of a Referendum this is noted.) No mention is
635 made of the co-operation of the Federal Council. Laws are
671 dated in the Federal Law Book from the day of their third reading by the National Council.

(iii) *The National Council*

642 The Austrian State was reorganized by the constitution of
646 1920 as a democratic, federal, and parliamentary republic. The pivot of the whole political structure was the National Council.

The sovereignty of the National Council was ensured by the almost complete absence of provisions for its control either by the people who elected it, the Federal Council, the Government, or the President.

From the first of these possible controlling bodies the National Council was virtually divorced after it had been elected. It was specifically laid down in Article 56 that members should not be bound by instructions. The people could, it is true, introduce legislation directly, by the device of the Initiative. They were not, however, encouraged to do so; the numbers of supporters required for an Initiative motion was, as has been pointed out, comparatively high; nor was the National Council bound to pass such bills. Similarly, proposals involving a complete revision of the federal constitution had to be submitted to a Referendum. But no attempt was made to define what was meant by a 'complete revision'; and again, it was not stated that the National Council was bound by the result of such a Referendum. Other measures only had to be submitted to a Referendum if the National Council so decided.[1] The National Council could only be dissolved before the end of its four-year term of office by its own decree. If it was so dissolved, it had to be reassembled by its President, if a quarter of its members so requested.[2]

But, if the National Council was not controlled by its electors, still less was it controlled by the Federal Council. The Federal Council had, as has been pointed out, in a few

[1] Article 43. [2] Article 28.

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isolated and comparatively unimportant instances an absolute veto; in the majority of cases it had a suspensive veto,[1] and in a small number of extremely important cases, concerned with financial matters, it had no veto at all.[2] It had little control over the Government. It could, as the National Council, inquire into the Government's conduct of business.[3] But it could not, by a withdrawal of confidence, cause the dismissal of the Government.[4] In any case, it was possible for the National Council to exercise an indirect control over its composition, because, owing to a mistake in drafting, the Federal Council did not possess an absolute veto right in regard to alterations to Article 34, dealing with representation of the Provinces in the Federal Council. Provided that the requisite majority could be obtained in the Federal Council, the Government, which was the tool of the National Council, could dissolve a Provincial Council and thereby remove its representatives from the Upper House.

The President, whose functions were not intended to be other than decorative, was elected by the Federal Assembly;[5] the National Council could take the initiative in calling the Federal Assembly together to impeach him.[6] He was the servant of the National Council, not its master.

But the sovereignty of the National Council comes to the fore most clearly in the provisions made to ensure its control over the Government. Article 70, (1), decrees that the Government shall be chosen by the National Council, voting upon the proposal laid before it by the Chief Committee.[7]

[1] Article 42, (4). [2] Article 42, (5). [3] Article 52
[4] Article 74, (1). [5] Article 60. [6] Article 63, (2).

[7] 'Die Bundesregierung wird vom Nationalrat in namentlicher Abstimmung auf einen vom Hauptausschuss zu erstattenden Gesamtvorschlag gewählt.' This article might, however, suggest that the National Council had a more absolute control over the personnel of the Government than was actually the case. By Article 72, (2), for instance, it was stipulated that the list of ministers should be countersigned by the new Chancellor. Therefore, in fact, this meant that the Chancellor chose his own colleagues although his choice was subject to the approval of the National Council. Kelsen remarks: 'Die . . . Bestimmung, dass der neugewählte Bundeskanzler die Bestellungsurkunden aller Mitglieder der Regierung gegenzuzeichnen hat, hat praktisch die grosse Bedeutung, dass kein Mitglied des neuen Kabinettes gegen oder ohne den Willen des präsumtiven Bundeskanzlers berufen werden kann.' (*Die Verfassungsgesetze der Republik Österreich*, vol. v, p. 168.)

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642 Article 70, (3), provided for the eventuality of a Government
646 resigning while the National Council was not in session. In this case, a new Government had to be chosen provisionally by the Chief Committee. As soon as the National Council reassembled, the election of the Government had to take place as usual.[1]

Members of the Federal Government were responsible to the National Council while in office,[2] and impeachment proceedings could be brought against them.[3] The Government could be questioned on all matters relating to the execution of the laws by members of both Houses. Both Houses could express their wishes in regard to the exercise of the executive power, by resolution.[4] And it was even laid down by Article 55 that in addition laws could be introduced providing that particular ordinances of the Government should require the assent of the Chief Committee. The presence of the Government could be demanded by either House, and by the committees.[5]

Another means of control by the National Council over the Government was the Independent Court of Audit. This court was responsible for drafting the balance-sheet of the Budget and presenting it to the National Council. It could examine the expenditure of every agency of the Federal State. It could be entrusted with the right to examine the expenditure of any enterprise in which the Federal State was financially interested.[6] And by Article 122, (1), it was expressly laid down that the Independent Court of Audit was directly responsible to the National Council.[7]

642 Finally, by Article 74, (1), it was decreed that if the National
646 Council, by express resolution, withdrew its confidence from
689

[1] This provision, safeguarding the power of the National Council, had not been included in the constitution of 14 March 1919.

[2] Article 76. [3] Article 142, (2), b. [4] Article 52.

[5] Article 75. On the other hand, members of the Government could take part in debates in the National Council, the Federal Council, and the committees (except debates in the Chief Committee, to which they had to be specially invited). They had always to be heard if they wished to speak.

[6] Article 121.

[7] The president of this court was elected by the National Council on proposal of the Chief Committee, Article 122, (3). He could be dismissed by resolution of the National Council, Article 123, (2).

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the Federal Government, or from individual members of the Government, they would be thereby removed from office.[1] It was not, however, intended that this weapon should be lightly employed against a Government, for it was stipulated that such a resolution would require a quorum of half the members of the National Council. And, if one-fifth of the members so demanded, the vote could be postponed for two days.[2] The Government, apart from this somewhat meagre stipulation, had no means of protecting itself against an adverse vote by a chance coalition in the National Council, since it could not confront the National Council with the choice between continued support and a dissolution.

As has been pointed out, the National Council had practically complete control over all legislation. It had also considerable executive functions. By Article 50, political and certain other treaties required for their validity the consent of the National Council. By Article 53, it was empowered to set up by resolution Committees of Inquiry,[3] before which all public authorities were obliged to give evidence if required. By Article 54 certain executive duties were specifically made over to the National Council, such as the fixing of the prices of such federal services as railways; the fixing of the prices of monopoly goods; and the fixing of the salaries of persons employed by the State. Apart from these specified cases, it was laid down in Article 55 that the National Council should share in the executive power of the State through its Chief Committee, to which reference has already been made. Kelsen has described this body as the most important political organ of the National Council.[4] Provision had been made for its election in the constitution of 14 March 1919. Its membership had then been fixed at eleven, whereas by the constitution of 1920

[1] It may be noted that, since it was anticipated that the dismissal of an individual minister by a vote of no confidence should not necessarily involve the resignation of the whole ministry, the cabinet system was not adopted.

[2] Kelsen comments on this: 'Dass die Wirkung des Misstrauensvotums verfassungsgesetzlich ausdrücklich normiert wird, ist eine Besonderheit unserer Verfassung' (op. cit., vol. v, p. 169).

[3] Cf. with Article 34 of the German Constitution, according to which such a committee had to be set up if one-fifth of members so demanded.

[4] *Jahrbuch des öffentlichen Rechts*, vol. xi, p. 246.

642 the number of members was not specified. And the President
646 of the National Council was no longer *ex officio* a member and
647 Chairman of the Committee. The Chairman was now elected by the Committee itself. The Chief Committee was elected by the National Council from among its own members, on a basis of proportional representation of all parties.[1]

642 Finally, the control exercised by the National Council over
646 the judiciary was considerable. By Article 86, (1), it was decreed
693 that the judges should be appointed upon nomination by the Federal Government.[2] The control exercised by the National Council over the Federal Government has just been pointed out. That exercised by it over the Independent Court of Audit has also been referred to. The President and half the members of the Administrative Court were appointed by the Federal Government upon nomination by the Chief Committee.[3] The President, Vice-president, and half of the members and deputy members of the Constitutional Court were elected by the National Council.[4]

It may be said, therefore, that by the constitution of October 1920, Austria was reconstructed as a democratic, federal, and parliamentary State, the pivot of which was intended to be the National Council.

(iv) *Conclusions*

642 The chief criticism that can be levelled at the 1920 constitution is the weak position in which its provisions placed the Government, the proper authority of which was deliberately undermined, mainly because of the fear of a return to the old, too powerful rule of the executive. The fact that the right to demand a dissolution was withheld from the Government, together with the fact that, owing to the introduction of pro-

[1] It may be noted that, although the National Council exercised no direct control over the Provinces, it did exercise very considerable indirect control, through its control of the Government.

[2] With regard to this article, it may be noted that although the senates were required to produce proposals for such appointments, these proposals were not, as they were in the project of 22 November 1918, made binding on the Government.

[3] Article 135. [4] Article 147, (2).

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ties were due. The reformers of 1929 mistook effects for causes. 642

It was, for instance, widely felt that one of the great evils in the post-war Austrian state had been the politicizing of every department of public life.[1] This was certainly true. But it was not realized that the cause of this lay to a great extent in the constitution itself. The Government had been deliberately placed under the control of the National Council; and instead of being regarded as the executive committee of that body, it had come to be considered as a weak, but potentially dangerous, rival, whose powers must be curtailed at all costs.

The National Council possessed all the necessary constitutional means to enforce its authority. But it was itself controlled by the party leaders as, owing to the system of proportional representation and the closed list, these had almost absolute control over its members. Thus the proper organs of control—the electorate, the National Council, and the Government—had been in the hands of an irresponsible group of men, many of whom were possibly not even known to the Austrian public.[2] For twelve years the party system had thus run riot in Austria, and in consequence many people had come to believe that it was a system inherently vicious, and to advocate its supersession, and the substitution of some non-party form of organization in its stead. But in fact, different parties are simply the organized expression of differences of opinion among the electorate, and as such they are a necessary concomitant of any democratic government. Their abolition may temporarily hide such differences, but can hardly eradicate them. And, if differences cannot be voiced constitutionally, they may 642 646 665

[1] 'Tatsächlich ergab sich auf Grund dieser Verfassung im Verlauf der vergangenen zehn Jahre eine Ueberpolitisierung unseres gesamten Lebens, eine Diktatur des Parteiwesens, dessen Einfluss weit über den politischen Bereich hinaus greift u. so ziemlich alle Gebiete des wirtschaftlichen wie des geistigen Lebens erfasst hat. (*Neues Wiener Tageblatt*, 22 September 1929.)

[2] The disadvantages of the closed-list system were, however, beginning to be understood, and the need for a closer connection between electors and elected urged. 'Tatsächlich wurden die Volksvertreter in ihrer Überzahl nichtmehr vom Volke gewählt, sondern von den Parteiführer, den Parteisekretariaten nominiert.' (*Neues Wiener Tageblatt*, 21 September 1929.) For the same reason large electoral districts were now deprecated. In the end, however, the electoral system remained unchanged.

well find a more dangerous outlet. The parties were not the villains of the piece—but the constitution, by which they were accorded a disproportionate amount of power.

Distrust of the National Council was manifested on all sides. The parties of the right hoped to undermine its power by strengthening the office of President; the Social Democrats, by a more frequent use of the Referendum.[1] In fact, it transpired in the course of the 1929 debates on constitutional reform, that the Social Democrats had revised their views on constitutional questions almost as much as their rivals, the Christian Socialists. Renner, for instance, in the debate on the first reading, remarked that the great weakness of the 1920 constitution had been the concentration of power in the Lower House, to the exclusion of all other bodies.[2] For this reason he announced his approval of the proposals made for strengthening the position of the Government and the President.[3] It is true that Renner was very much more conservative in his views than the majority of the Social Democrats. But the party leaders as a whole were well aware that they were on the defensive, and they did not therefore show themselves averse from reasonable compromise.

One result of the over-politicizing of public life, to which attention had frequently been drawn in the past by Dr. Zimmermann, had been a tendency to multiply officials, and thus to increase the cost of government.[4] Attempts to check

[1] Their proposal was that every bill taken up by Parliament should be submitted to a Referendum if one-third of the National Council advised it, or if 300,000 electors demanded it. (See *Pester Lloyd*, 10 October 1930.)

[2] 'Das ist die erste grosse u. tragische Schwäche unserer geltenden Verfassung, dass sie nicht ein Gleichgewicht hergestellt hat unter den mehreren Trägern der staatlichen Autorität, sondern dass sie alles auf eine Karte gesetzt hat, dass sie den Staat u. seine Ordnung, seine Sicherheit u. Freiheit auf die eine Säule des allmächtigen Parlaments aufbauen wollte. . . . Die Verfassungsnovelle ist vor allem charakterisiert durch das Bemühen, das alte demokratische Ideal der Gewalttrennung durchzuführen.' (*Stenographisches Protokoll*, 102 Sitzung, 22 October 1929.)

[3] 'Es soll vor allem die Bundesregierung in ihrer Position gestärkt werden. Das geschieht schon dadurch, dass der Bundespräsident sie ernennt. Der vorliegende Entwurf hält die Mitte zwischen der Präsidenten-Republik u. der Parlamentarischen-Republik; ich glaube eine gesunde u. richtige Mitte' (op. cit.).

[4] *Neues Wiener Abendblatt*, 18 September 1929. Schober pointed out that Austria, a country of seven million persons, had seven hundred members of legislative bodies, (*Reichspost*, 20 October 1929.)

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642 adopted was, however, not unexceptionable. Election was
643 compulsory and, if no candidate succeeded in gaining an absolute majority in the first count, only the two parties having the largest number of votes in the first count could nominate candidates for the second. Since these could then nominate new candidates there was nothing to prevent parties that had gained a large number of votes, by putting up moderate candidates, from confronting the people with extremists in the second count.[1]

642 The power of the President over the Government and the
643 National Council was considerable. The President, and not
646 the Chief Committee, now appointed the former, although the confidence of the National Council was still necessary.[2] The President could dissolve the National Council, with the assent of the Government. But he could only do this once for the same reason; and fresh elections had to be held within ninety days.[3] During this period, however, the Government could carry on in virtue of its right to issue ordinances.[4]

In general, the principle of parliamentary rule was much weakened by the fact that it was now assumed that Parliament was not a permanent body. The President had to assemble it in the spring and the autumn. It was laid down that the spring sitting should last for at least two months, but that it could not continue after 15 June. The autumn session had to be for at least four months, but it could not begin until after 15 October.[5] It was envisaged as a possibility, therefore, that the National Council would not be in session for more than six months of the year. Committees could, however, be entrusted with carrying on the work when it was not in session.[6] And it was provided that it should be reassembled should a third of the Upper or Lower House so demand. In this case, it had to be summoned within two weeks for an extraordinary session.[7]

The power of the National Council over the budget also

[1] The original proposal had been that the President should be directly elected, but that the verdict might be revised by the two legislative chambers. (*The Times*, 15 October 1929.)

[2] Articles 70, (2), and 74, (1). [3] Article 29.

[4] Article 18, (3). [5] Article 28, (1). [6] Article 28, (4).

[7] Article 28, (2).

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declined. The original proposal had been that, if the budget were not voted at the right time, the provisions of the previous year should hold good. Eventually, however, this period was limited to eight weeks.[1]

The corollary of these limitations placed upon the power of the hitherto omnipotent National Council was the legislative power now entrusted to the President. Kelsen remarks, for instance, on the importance of the new ordinance right.[2] This innovation was regarded with the deepest suspicion by the Social Democrats, who saw in it an attempt to resuscitate the famous Paragraph 14 of Imperial days. Schober, however, solemnly asserted that nothing of this kind was intended. He pointed out that it had been found necessary to entrust the executive with the right to issue ordinances in certain circumstances in most other democratic countries, as France, England, Ireland, Czechoslovakia, etc. The Social Democrats, however, wanted this power to be made over to the Chief Committee and liberal opinion disapproved strongly of the whole arrangement.[3] Eventually, a compromise was reached by which all ordinances issued by the President required the immediate assent of a sub-committee of the Chief Committee, and the assent, within a month, of the National Council, which had to be summoned to consider them within eight days.[4] Ordinances could not change constitutional laws, impose permanent financial burdens, or alienate State property. It was further provided that ordinances should only be issued in

[1] Article 51, (3).

[2] Kelsen, *Jahrbuch des öffentlichen Rechts*, vol. xviii, p. 141: 'Im innigsten Zusammenhang mit der Einschränkung der Parlamentsfunktion steht die sehr einschneidende Reform, die das Verordnungsrecht einführt.'

[3] *Frankfurter Zeitung*, 10 October 1929: 'Die Minorität würde so stets unter Druck gesetzt werden können, dass Gesetzentwürfe, die sie nicht schnell annehmen lässt, durch Notverordnung erlassen werden.'

[4] Article 18, (3) and (4). Kelsen considers, however, that this last provision would not apply to ordinances passed during the period of ninety days during which it was legal for the President and Government to rule without Parliament. He admits, however, that 'die Verpflichtung der Regierung, eine von ihr erlassene Notverordnung dem Parlament unverzüglich vorzulegen, bedeutet eine wichtige Einschränkung dieses ausserparlamentarischen Gesetzgebungsrechtes'. (*Jahrbuch des öffentlichen Rechts*, vol. xviii, p. 142.)

642 cases of necessity and for purposes of defence.[1] But, as Kelsen
643 points out, this safeguard was worthless from a legal point of
646 view.[2]

The President was also made head of the army.[3] But this
642 was rather a change of emphasis than an actual increase in
643 presidential power. It may be noted, however, that the re-
701 forms gave more power to the army. Hitherto it had only been empowered to restore order if so requested by the civil powers. It was now permitted to step in, in case of emergency, without being so requested.[4]

642 Another marked tendency in the 1929 reforms was towards centralization. But although it was coming to be realized with increasing clearness in responsible circles that Austria could not afford the luxury of provincialism—either from a moral or from an economic standpoint—yet as Kelsen had pointed out two years earlier, this tendency was, if anything, gaining ground,[5] in spite of the increased centralization introduced by the 1925 reforms, and in spite of the general realization that provincialism must make the possibility of an *Anschluss* ever more remote.

642 It was also intended to introduce changes as regards the
646 organization of the Upper House, which, it was generally admitted, had not worked satisfactorily.[6] The *Heimwehr*, the *Landbund*,[7] and certain other right-wing sections of Christian Socialist opinion were anxious to introduce the corporative principle, either wholly or in part. And a proposal was for a time considered by which the nine Provinces were to be repre-

[1] Article 18, (3).

[2] 'Da das Vorhandensein dieser Umstände zu beurteilen, dem Ermessen der verordnenden Instanz selbst überlassen bleibt, und dieses Ermessen auch von dem seiner Überprüfung zuständigen Gericht—dem Verfassungsgerichtshof—nicht wirksam überprüft werden kann.' (Op. cit., p. 141.)

[3] Article 80, (1). [4] Article 79, (2).

[5] 'Durch die politische u. staatsrechtliche Entwickelung seit dem Umsturz hat sich die Stellung der Länder so gekräftigt, haben sich die durch die Landesregierungen repräsentierten politischen Machtcentren in den ehemaligen österreichischen Krönlandern so sehr verwurzelt, dass an eine Umwandlung Österreichs in einen Einheitsstaat ernstlich nicht mehr zu denken ist.' (*Frankfurter Zeitung*, 4 April 1927.)

[6] Seipel, article in *Reichspost*, 19 October 1929.

[7] *Die Stunde*, 21 September 1929.

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sented by eighteen members, while thirty-six members should represent the professions and industries.[1] However, as Schober pointed out, a reform of such magnitude could not be hurried through in a few days—particularly as it would mean a further increase in the number of officials.[2] It was anticipated, however, that another constitutional law would be passed dealing with this matter. In the meantime the composition of the Federal Council remained unchanged.[3]

A further step towards centralization was taken by extending the control of the Court of Audit not only over provincial finances but over districts which comprised more than twenty thousand inhabitants.[4] Hitherto the control of the Court of Audit had only been exercised in those Provinces which had not independent control organs of their own.[5] This change brought the finances of the city of Vienna under the control of the Court of Audit, and in consequence was bitterly opposed by the Social Democrats.

The right of appeal in matters dealing with provincial administration was somewhat extended.

The powers of the State police were considerably extended at the expense of those of the Provinces.[6] As a result of this legislation, the special municipal police force instituted in Vienna after the 1927 riots had to be disbanded. All State police were to be given an autonomous ordinance right, in virtue of which they could, under special circumstances, issue ordinances, which would have temporary validity, provided

[1] *The Times*, 15 October 1929. [2] *Reichspost*, 20 October 1929.

[3] But although no new legislation was introduced, a later paragraph referred to members of the Upper House as enjoying immunity in their capacity as members of Provincial Councils (Article 58, (1)). But the old Federal Council members, although they had to be eligible for election, could not themselves be members of local assemblies (Article 35, (2), 1920).

[4] Smaller districts could be included if the Provincial Government concerned so requested (Article 127).

[5] B. G. Bl. Nr. 268, 30 July 1925, Article 127, (1).

[6] Kelsen, *Jahrbuch des öffentlichen Rechts*, vol. xviii, p. 132. 'So gut wie die gesamte Sicherheitspolizei ist der Zuständigkeit der Länder entzogen, und dem Bunde übertragen. Diese Monopolisierung fast des gesamten Polizeiwesens beim Bund bedeutet, wenn man beachtet, dass auch das ganze Militärwesen u. die ganze Gerichtsbarkeit von allem Anfang an beim Bund lagen—einen Grad von Zentralisation, der mit dem Typus des Bundesstaates kaum mehr vereinbar ist.'

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727 Russians had been in sole control for four months, and Western suspicion of their influence was growing. On the 19th of August a public ceremony took place that symbolized their position. Accompanied by the firing of hundreds of rockets, a memorial was unveiled in the Schwarzenbergplatz which represented a Russian soldier with flag and shield as the emblem of liberation. Though not objectionable in itself, its position in front of the beautiful Schwarzenberg Palace spoilt one of the finest city views in Europe. The Viennese resented its inartistic intrusion and called it the 'Unknown Plunderer'. One day, it is hoped, the Russians will transfer it to a more fitting site in the Prater, where the Red Army fought to free the city.

In spite of the proclamation of the 11th of September, the Western Allies wished to have three points settled before they recognized the Provisional Government. They wanted to be sure that it was a suitable government for the whole of Austria. They wanted to be certain it had the approval of the provinces. And it was necessary to settle between themselves and the Russians what the relationship of the Government to the Allied Council should be. Before the end of September the second point was established beyond doubt.

646 After the First World War a series of provincial conferences had been called to deal with the immensely difficult problems of the time. Dr. Renner had seen their value then, and he was convinced that they could make a valuable contribution again. Some senior Allied officers felt the same. So, with the approval of the Allied Council, whose permission was needed to allow the delegates to travel to Vienna, an all-party Provincial Conference was called for the 24th to the 26th of September. It was no coincidence that during the four previous days the People's Party held a provincial conference in Salzburg. Austrian opinion at the time was strongly in favour of country-wide co-operation.

The conference was held in the Provincial Chamber of Lower Austria in the Herrengasse. Leopold Figl, as Governor of the Province, greeted the assembled representatives by expressing the hope that they could prove to the Allies that

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they were worthy of directing the destiny of their country and their people themselves. He was followed by Dr. Renner, who gave a vivid description of the frustration and impotence that resulted from the division of the country. Certain differences revealed themselves in the course of the discussions. Dr. Renner himself had shown centralizing tendencies as head of the Provisional Government, and Dr. Gruber, as Governor of the Tyrol, had been inclined to take an independent line. There were problems, therefore, that had to be thrashed out. But the conference, on the whole, was a great demonstration of unity. Dr. Heinrich Gleissner, the past and future Governor of Upper Austria, set the tone that prevailed and expressed the feelings of the provincial representatives in a statesman-like speech, when he spoke of the sense of home-coming they had all experienced as they climbed the steps leading into the Vienna Town Hall.

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There were four immediate results. The Government was broadened to include representatives of the provinces, the most significant appointment being that of Dr. Gruber, as Under-Secretary in charge of External Affairs. A legal commission of the Provincial Conference was appointed to consider the suitability of the Provisional Government's laws for the provinces. The outlines of an economic programme were drawn up; and a recommendation was made that general elections should be held in November.

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Two more Provincial Conferences were held during October, at which the provincial delegates made further important decisions. The laws and ordinances passed by the Provisional Government were accepted. It was agreed that the legislative powers of the provincial chambers under the 1929 constitution should be restored. Recommendations were made regarding procedure at the coming elections, and the exclusion of former National Socialists was proposed. The Government's economic plans were endorsed, including an appeal for help to UNRRA. Most important of all was the moral support these further meetings gave the Chancellor in his vital negotiations with the Allied Council.

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to the Russians, and he had shown the Russians to Central Europe. The first error could be rectified by ensuring that the occupying troops did not stay long enough in Central Europe to feel at home. But the results of the second mistake will take many years to eradicate.

In Austria, in the spring of 1945, the Russians had the game in their hands, and from then on they played it very badly. A great opportunity was missed, as in the rest of the world, where a moderate and enlightened Communist policy, following Russia's heroic struggle against Germany, would have been irresistibly attractive to millions.

The results of the election became known on the 24th of November. Two days later the Provisional Government resigned. The Political Cabinet Council accepted its resignation, entrusted it with the temporary administration of public business, and at the same time called on the Austrian People's Party to nominate someone to form a government. The choice fell on Leopold Figl, who had for some months been Chairman of the party and, like Dr. Dollfuss, owed his influence in the party and the country to his work for the *Bauernbund*. During the election campaign all three parties had declared that they were in favour of further collaboration after the election. A Coalition Government was therefore formed in which there were eight representatives of the People's Party, six Socialists, and one Communist. The approval of the Allied Council was given on the 18th of December.

On the following day the new National Assembly met for the first time, and Dr. Renner presented a report on the work of the Provisional Government. At the same time, the Second Chamber, known as the Federal Assembly, which had been elected by the Provincial Chambers according to the constitution, held its first sitting. On the 20th of December the two Houses met in joint session and elected Dr. Renner Federal President by 204 votes out of 205, one member abstaining. The new President's first duty was to swear in the members of the new Government.

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665 [666] constituencies. The elector does not vote for the man of his choice but for a list of candidates selected by the leaders of his party. There is therefore no personal contact between the member of parliament and his constituents, and even the politically minded citizen usually does not know the names of the members who represent him. Once in Parliament the member feels himself to be less a representative of the electorate than an official of his party, and the discipline of the party parliamentary club is strong. The club determines how he shall vote and sometimes how he shall speak. The opportunity for the individual to influence the democratic process outside the club is small, and the occasions are very rare when a parliamentary debate develops along lines unforeseen and unplanned by the party organizers.

• 646 664 The impersonal nature of the legislative procedure is increased by the rule requiring certain draft laws to be referred, before submission to Parliament, to Chambers representing sectional interests of the community, such as the Chamber of Agriculture and the Chamber of Workers and Employees, in which party interests are often strong. In the case of Bills wholeheartedly approved by the interests concerned, the subsequent parliamentary proceedings tend to lose in significance.

665 The large part played by the party machines in the whole process of government accentuates political antagonism. Individuals have a greater capacity for compromise than organizations, and under the Austrian system the scope given to the human element is reduced to a minimum.

This state of affairs contributed much to the intensity and bitterness of the political conflict between the Wars. The opposing parties, with their utterly different ideologies, were so taken up with the trial of strength between them that they mistook the means for the end. They forgot that the true purpose of the democratic process is to find something out and, having come as near as possible to discovering the best course, to act upon it. Such qualities as humour, good nature, friendliness, and a capacity to live and let live make Austrians natural democrats. Yet these very qualities were squeezed

those of Austria as of July 20, 1945. This was followed by the "Beamtenüberleitungs- und Staatsbürgerschaftsüberleitungsgesetz" (i.e., a law reestablishing the Austrian status of employees and citizens), the reorganization of municipal law as well as the "Nationalsozialistengesetz," known as NS, the law prohibiting national-socialism (Verbotsgesetz 1945 and the Wirtschaftssäuberungsgesetz). 642 727

Following the arrangement agreed upon by the powers, Austria was divided into four occupation zones and their divisioning settled during August, 1945. The supreme occupation and control authority is the Allied Commission for Austria in Vienna which retained a number of sovereign rights, but which little by little after 1946 transferred substantial shares of authority to the Austrian Federal Government. 727 631 642

At the Potsdam Conference (protocol of August 2, 1945) the powers, examining the question of extending the executive power of the provisional government (Dr. Renner) which up to then covered only the Russian occupation zone, recommended the extension of this power to cover all Austria. 728

In the federal provinces, meanwhile, provisional provincial governments were established and the federal provinces constituted, permitting the functioning of a provincial legislature within the jurisdiction of the constitution of 1929. At the same time the reestablishement of the Verfassungs- und Verwaltungsgerichtshof (i.e., a constitutional court) was prepared. On October 20, 1945, the Allied Commission for Austria finally authorized the provisional federal government, to enact laws for all of Austria (which, however, first had to be submitted to the Allied Commission for approval). 631

The elections of November 25, 1945, which had been arranged by the election proclamation of the provisional government, brought about the legalization of the endeavors of the provisional government, which resigned on November 28, 1945. 666 642

1945 Election: Tally of Votes and Seats

ÖVP (Austrian Peoples Party)	1,588,444 votes	85 seats	666
SPÖ (Socialist Party)	1,428,441 votes	76 seats	646
KPÖ (Communist Party)	174,387 votes	4 seats	
	3,191,272 votes	165 seats	

(ii) *The Federal Principle*

631 642 The same criticism may be applied to Article 2 ("Austria is a Federal State") as was applied to Article 1—namely, that it is a judgement rather than a law. Whether or not Austria was a federal State necessarily depended upon subsequent provisions in the constitution. Moreover, as Adamovich points out, the term 'federal State' is susceptible of a variety of interpretations. Kelsen, however, considered that the constitution of October 1920 could be accepted as a *bona fide* federal constitution since it provided for an organ whereby the Provinces could take part in the legislative and administrative work of the State. It differed, he thought, in this respect, from pre-war constitutions, although these had contained, in many cases, provisions of a federal nature.

But it is clear that Austria was not a federal State in the sense that there was any question of sovereignty being divided between the State and the Provinces. It was not laid down in so many words that State law takes precedence over provincial law. But the absence of this statement—probably out of deference to the prevalent federalist views—did not mean so much an accretion of strength to the Provinces as an accumulation of work for the Constitutional Court.

642 642 In considering how far the federal principle was incorporated in the 1920 constitution it may be convenient to deal first with the extent to which the Provinces participated in federal legislation, since this participation constitutes, as Kelsen points out, the essence of a federal system.

By the 1920 constitution a federal organ, the Federal Council, was set up. The Federal Council was composed of members elected by the Provincial Councils.[1] The Provincial Councils did not, however, return an equal number of members.[2] Again, the provision that the representatives

[1] Article 35.

[2] Article 34. In this respect a compromise was reached between the more extreme of the Christian Socialists who considered that the Provinces, which varied greatly in size, should none the less, as equal sovereign bodies, return an equal number of representatives, and the Social Democrats who wished representation to be on a basis strictly proportional to the population.

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elected need not be members of the Provincial Councils, 647 although they should be eligible for such membership, suggests 642 that it was not intended that the Federal Council members should be directly representative of the Provincial Councils.[1] Further, proportional representation was introduced in order to secure representation for the largest of the minority parties in all the Provinces.[2]

The Provinces could not therefore be represented in the Federal Council, as they were in the American Upper House, by corporate bodies of voters. Indeed, the provisions of Article 56, by which it was decreed that members should not be bound by instructions from any outside body, were expressly made to apply also to members of the Federal Council.[3] And these Articles, apart from the fact that they made impossible a strict representation of provincial interests, also constituted a very considerable interference by the State on what might well have been regarded as purely provincial matters.

The influence of the Federal Council on federal legislation was a limited one. It could submit bills to the National Council through the Federal Government,[4] and with certain important exceptions, as, for instance, measures dealing with financial matters, it had a right of suspensive veto. Bills thus vetoed could, however, be repassed by the National Council by a special majority.

It may be said, therefore, that the Federal Council was not organized on a strictly federal basis, and that its powers, as compared with those of the National Council, were extremely limited.

Those legislative powers not specifically enumerated as 642 belonging to the State, were left to the Provinces.[5] Actually 635

[1] Article 35, (2).

[2] Article 35, (1), inserted at the instigation of the Social Democrats.

[3] Kelsen comments on this: 'Dass die Mitglieder des Bundesrates nicht an die Aufträge des Landtags gebunden sind, der sie entsendet, ist jedoch darum besonders bemerkenswert, weil es sich beim Bundesrat doch offenbar um eine Vertretung der Länderinteressen handelt. . . . Die Mitglieder des Bundesrates sind daher ebensowenig Vertreter des Landtages oder eines Landes, wie die Mitglieder des Nationalrates Vertreter des Bundesvolkes oder einzelner Wählergruppen sind.' (Op. cit., vol. v, p. 145.)

[4] Article 41, (1).

[5] Article 15, (1).

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the Federal Government, or from individual members of the Government, they would be thereby removed from office.[1] It was not, however, intended that this weapon should be lightly employed against a Government, for it was stipulated that such a resolution would require a quorum of half the members of the National Council. And, if one-fifth of the members so demanded, the vote could be postponed for two days.[2] The Government, apart from this somewhat meagre stipulation, had no means of protecting itself against an adverse vote by a chance coalition in the National Council, since it could not confront the National Council with the choice between continued support and a dissolution.

As has been pointed out, the National Council had practically complete control over all legislation. It had also considerable executive functions. By Article 50, political and certain other treaties required for their validity the consent of the National Council. By Article 53, it was empowered to set up by resolution Committees of Inquiry,[3] before which all public authorities were obliged to give evidence if required. By Article 54 certain executive duties were specifically made over to the National Council, such as the fixing of the prices of such federal services as railways; the fixing of the prices of monopoly goods; and the fixing of the salaries of persons employed by the State. Apart from these specified cases, it was laid down in Article 55 that the National Council should share in the executive power of the State through its Chief Committee, to which reference has already been made. Kelsen has described this body as the most important political organ of the National Council.[4] Provision had been made for its election in the constitution of 14 March 1919. Its membership had then been fixed at eleven, whereas by the constitution of 1920

[1] It may be noted that, since it was anticipated that the dismissal of an individual minister by a vote of no confidence should not necessarily involve the resignation of the whole ministry, the cabinet system was not adopted.

[2] Kelsen comments on this: 'Dass die Wirkung des Misstrauensvotums verfassungsgesetzlich ausdrücklich normiert wird, ist eine Besonderheit unserer Verfassung' (op. cit., vol. v, p. 169).

[3] Cf. with Article 34 of the German Constitution, according to which such a committee had to be set up if one-fifth of members so demanded.

[4] *Jahrbuch des öffentlichen Rechts*, vol. xi, p. 246.

642 the number of members was not specified. And the President
646 of the National Council was no longer *ex officio* a member and
649 Chairman of the Committee. The Chairman was now elected by the Committee itself. The Chief Committee was elected by the National Council from among its own members, on a basis of proportional representation of all parties.[1]

642 Finally, the control exercised by the National Council over
646 the judiciary was considerable. By Article 86, (1), it was decreed
693 that the judges should be appointed upon nomination by the Federal Government.[2] The control exercised by the National Council over the Federal Government has just been pointed out. That exercised by it over the Independent Court of Audit has also been referred to. The President and half the members of the Administrative Court were appointed by the Federal Government upon nomination by the Chief Committee.[3] The President, Vice-president, and half of the members and deputy members of the Constitutional Court were elected by the National Council.[4]

It may be said, therefore, that by the constitution of October 1920, Austria was reconstructed as a democratic, federal, and parliamentary State, the pivot of which was intended to be the National Council.

(iv) *Conclusions*

642 The chief criticism that can be levelled at the 1920 constitution is the weak position in which its provisions placed the Government, the proper authority of which was deliberately undermined, mainly because of the fear of a return to the old, too powerful rule of the executive. The fact that the right to demand a dissolution was withheld from the Government, together with the fact that, owing to the introduction of pro-

[1] It may be noted that, although the National Council exercised no direct control over the Provinces, it did exercise very considerable indirect control, through its control of the Government.

[2] With regard to this article, it may be noted that although the senates were required to produce proposals for such appointments, these proposals were not, as they were in the project of 22 November 1918, made binding on the Government.

[3] Article 135. [4] Article 147, (2).

well find a more dangerous outlet. The parties were not the villains of the piece—but the constitution, by which they were accorded a disproportionate amount of power.

Distrust of the National Council was manifested on all sides. The parties of the right hoped to undermine its power by strengthening the office of President; the Social Democrats, by a more frequent use of the Referendum.[1] In fact, it transpired in the course of the 1929 debates on constitutional reform, that the Social Democrats had revised their views on constitutional questions almost as much as their rivals, the Christian Socialists. Renner, for instance, in the debate on the first reading, remarked that the great weakness of the 1920 constitution had been the concentration of power in the Lower House, to the exclusion of all other bodies.[2] For this reason he announced his approval of the proposals made for strengthening the position of the Government and the President.[3] It is true that Renner was very much more conservative in his views than the majority of the Social Democrats. But the party leaders as a whole were well aware that they were on the defensive, and they did not therefore show themselves averse from reasonable compromise.

One result of the over-politicizing of public life, to which attention had frequently been drawn in the past by Dr. Zimmermann, had been a tendency to multiply officials, and thus to increase the cost of government.[4] Attempts to check

[1] Their proposal was that every bill taken up by Parliament should be submitted to a Referendum if one-third of the National Council advised it, or if 300,000 electors demanded it. (See *Pester Lloyd*, 10 October 1930.)

[2] 'Das ist die erste grosse u. tragische Schwäche unserer geltenden Verfassung, dass sie nicht ein Gleichgewicht hergestellt hat unter den mehreren Trägern der staatlichen Autorität, sondern dass sie alles auf eine Karte gesetzt hat, dass sie den Staat u. seine Ordnung, seine Sicherheit u. Freiheit auf die eine Säule des allmächtigen Parlaments aufbauen wollte. . . . Die Verfassungsnovelle ist vor allem charakterisiert durch das Bemühen, das alte demokratische Ideal der Gewalttrennung durchzuführen.' (*Stenographisches Protokoll*, 102 Sitzung, 22 October 1929.)

[3] 'Es soll vor allem die Bundesregierung in ihrer Position gestärkt werden. Das geschieht schon dadurch, dass der Bundespräsident sie ernennt. Der vorliegende Entwurf hält die Mitte zwischen der Präsidenten-Republik u. der Parlamentarischen-Republik; ich glaube eine gesunde u. richtige Mitte' (op. cit.).

[4] *Neues Wiener Abendblatt*, 18 September 1929. Schober pointed out that Austria, a country of seven million persons, had seven hundred members of legislative bodies, (*Reichspost*, 20 October 1929.)

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the growth of federalism, and so simplify the structure of government, had actually contributed further to this end.[1] The number of officials was to some extent curtailed by the 1929 reforms. The National Council was reduced from one hundred and sixty-five to one hundred and twenty members,[2] and the Provincial Councils were limited in proportion to the number of citizens in the Province.[3] The cost of administration in general was cut down. But Schober announced after the passage of the Bill that he was still far from satisfied in this respect. The fact that the constitution of 1920 was, in any case, too expensive and too complicated to be worked satisfactorily by a people inexperienced in the art of self-government was not, however, generally grasped,[4] and the constitution emerged after the reforms if anything more complicated than it had been before.

One of the chief aims of the reforms was to strengthen the executive. The power of the President, hitherto little more than a figurehead, was therefore greatly extended, chiefly at the expense of the National Council.[5] Schober made use of the suggestions put forward by the Pan-Germans at Salzburg in 1920, by the Christian Socialists since the beginning of 1928, and by the *Landbund* in a memorandum addressed to Steeruwitz on 31 August 1929.[6] In the main the new proposals followed the German model. The President's term of office was extended from four to six years; and direct election was substituted for indirect. The Christian Socialists maintained firmly that this was the more democratic method.[7] The device

[1] Thirteen different kinds of jurisdiction were now recognized, instead of the four envisaged by the constitution of 1920. Kelsen remarks that 'die Folge davon . . . ist, dass die Verteilung der Kompetenzen zwischen Bund u. Ländern ein überaus kompliziertes Bild der verschiedensten Rechtsfiguren zeigt'. (*Jahrbuch des öffentlichen Rechts*, vol. xviii, pp. 133–4.)

[2] A result of the restriction of the franchise to those over twenty-one years of age.

[3] B. G. Bl. Nr. 393, Article 95, (4).

[4] The Social Democrats, for instance, proposed a wider use of the Referendum, by which every bill should be submitted to the people, if one-third of the National Council so desired, or if 300,000 electors so requested. (*Pester Lloyd*, 10 October 1929.)

[5] Articles 60–7. The idea of a strong government was still suspect.

[6] Malbone W. Graham, 'Constitutional Crisis in Austria', *American Political Science Review*, vol. 24, 1930.

[7] *Reichspost*, 22 October 1929. Seipel, ibid., 19 October 1929.

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	Millions of Schillings
Allocations include (*contd.*):—	
Industrial Investments	4,113·1
Electric Power	1,424·3
Coal-mining	226·0
Other Mining	25·7
Primary Iron and Steel Industry	827·7
Non-ferrous Metals Industry	126·2
Electrical Engineering	85·1
Chemical Industry	174·4
Secondary Iron and Metal Industry	215·1
Textile Industry	214·0
Woodworking Industry	121·3
Paper Industry	533·2
Leather and Leather Goods Industry	6·9
Special Recovery Programme	1,467·0
Agriculture	719·7
Forestry	156·3
Tourism	256·7

In May 1948 an ERP Central Office was set up in Vienna and made responsible to the Minister for Foreign Affairs. In December 1949 the economist, Professor Wilhelm Taucher, who had been Minister of Trade before the War, was put in charge of it, and the office then became part of the Federal Chancellery.

It became clear to all those responsible for administering Marshall Aid in Austria that the fundamental need of the Austrian economy was to improve the efficiency of production, or increase 'productivity' in the specialized sense of the term. Only in this way could Austrian goods compete successfully in world markets. It was therefore decided in April 1950 to establish an Austrian Productivity Centre with the task of doing everything possible both by study and practical measures to increase productivity in all branches of the Austrian economy. Professor Taucher became president of the Centre.

The productivity of the whole Austrian economy after the War was lamentably low. In 1947 it was estimated to be

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647 433 between 50 and 55 per cent less than the 1937 level. There were certain obvious reasons for this state of affairs: war damage, out-of-date equipment, lack of fuel and raw materials, and the influence of food shortage on the physical and mental efficiency of the workers. But as conditions improved it became evident that there were other factors contributing to the same result that could in some measure be mastered by the education and endeavour of the Austrian people themselves. Years of rationing and controls had weakened the competitive sense in Austrian industry. The severity of the post-War crisis, uncertainty as to the future, combined with the occupation and the arrival of foreign help, led many to assume that salvation could only come from outside and in no way depended on themselves. A good system of social legislation and a liberal allowance of public holidays on religious and secular occasions added a false sense of security and even a touch of recklessness to the prevailing attitude.

647 The Productivity Centre, which was supported both by the trade unions and the employers, worked by three main methods. It maintained a staff of experts who made systematic studies of productivity problems, carried out investigations of actual enterprises, and recommended improvements in method. With ERP help it arranged for foreign technical experts to visit Austria and organized study tours of Austrians in the United States and other countries. Perhaps most important of all, it initiated a publicity campaign to make the Austrian people conscious of the productivity problem. Two series of booklets were published dealing with specific aspects of the productivity campaign as it affected Austria, and an illustrated periodical entitled *Der Schlüssel* ('The Key') kept the public informed regarding the activities of the Centre and the efforts made in other countries to raise productivity.

The main aim of the Centre's educational work was to drive two points home: that it is worth while for the individual to increase his income and standard of living by means of better work and achievement, and that Austria's future prosperity would depend upon a co-operative effort by everyone concerned to increase the efficiency of all branches of the national economy.

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565 during the inflation and devaluation that followed the two Wars. But until quite recently their dislike of any organized protest remained.

During the whole series of Price–Wage Agreements, except the last, these people were discriminated against consistently. In the grave national emergency it was right that the better paid of them should be called on to make great sacrifices, though the process was carried too far, but in the case of the worse paid the discrimination was never just. The wage-earners were catered for adequately in the circumstances. The incomes of landowners and industrialists participated, in varying degrees, in the inflationary process, and their earning powers remained. But the categories in question suffered both from devaluation and State neglect. The situation therefore arose in which a young surgeon or research worker might receive a fraction of the income of a wage-earner of the same age whose hours of work were considerably less.

875 465 The incomes of academic workers were so low by world standards that there was the strongest temptation for them to emigrate, and it was almost impossible to persuade foreign professors to fill Austrian chairs. At the end of 1951 the net salaries of Austrian professors varied between 3,489 schillings ($163.34) a month [1] for the most senior and 1,866 schillings ($87.31) for the lowest paid. The Privatdozent, or lecturer, member of a traditionally neglected class in Austrian and German universities, got no salary, but received lecture dues amounting on an average to 540 schillings ($25.28) a year, which might just cover his tram-fares. The starting salary of school teachers in 1951 was less than three times the 1937 figure and the final salary less than twice the amount, which meant that the teacher's standard of living had fallen by more than 50 per cent since pre-War days.

647 465 As regards administrative civil servants, in March 1951, before the Fifth Price–Wage Agreement, the increase in their net salaries since 1946 varied between 120 and 180 per cent,

[1] Calculated at the commercial rate of 21·36 schillings to the dollar. The foreign visitor to Austria normally obtains 26 schillings to the dollar.

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while the cost of living had risen during the same period by more than 400 per cent. This state of affairs applied not only to the top ranks, but to those with salaries of less than 1,000 schillings a month, who were therefore in lower-income groups than many wage-earners who had been adequately cared for by the Price-Wage Agreements.

Two examples will illustrate the position of certain highly qualified groups in industry and the professions.

The discrimination against some salaried industrial employees with most valuable technical qualifications has been carried to foolhardy lengths, especially in the nationalized industries, and has aroused the indignation of enlightened managers and directors, whose political opinions put their loyalty to the principle of nationalization beyond question. In one of Austria's greatest industrial enterprises the engineer in charge of the main productive process, who has saved the management millions of schillings a year by his technical knowledge and initiative, was earning less in 1952 than a number of his own labourers. Were such a man to emigrate even to Western Germany he could easily obtain many times his present salary. He is only prevented from doing so by patriotic sentiment, interest in his work, or sheer lack of money to cover the cost of moving. But Austria's need of such men is as great as any country's in the world.

A second example is provided by the case of the 'guest doctors' in Austrian hospitals. The title was given to newly-qualified doctors in need of experience, who were employed by hospitals without any remuneration. This form of exploitation was possible owing to the large number of medical students, but in the many cases where the 'guests' played an essential role in the running of the hospitals it was quite inexcusable. In 1947 there were several hundred 'guest doctors' in Vienna, and by the summer of 1951 the number had risen to 700. The salaries received by young doctors were at best very low, and as a result there was a tendency for some of the ablest of them to emigrate. The loss of outstanding talent in this way is especially damaging to a country whose capital in

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759 the past has had a great reputation as a centre of medical studies.

During the last two or three years an increasing number of Austrians, belonging to both the main political parties, have become aware of the danger of these developments, and certain palliative measures have been taken on a piecemeal basis.

759 In 1950 the salaries of qualified medical assistants were raised from the miserable scale of 200 to 300 schillings ($9.36 465 to $14.04) a month to the still quite inadequate scale of 310 to 390 schillings a month, and very small extra payments were made for night work. In the summer of 1951, as a result of determined protests and a public demonstration by the 'guest doctors', the Minister of Finance agreed to fifty of them being taken on as paid medical assistants in Viennese hospitals.

875 University professors were given allowances for the purchase of books and certain minor concessions regarding taxa- 465 tion. Lecturers obtained research allowances of 165 schillings a month. And in connexion with the Universities of Vienna, Graz and Innsbruck special accommodation was built to relieve the housing shortage from which many professors were suffering. Since the War students' fees at Austrian universities have been extremely low and until recently averaged between 160 and 200 schillings a year. To increase the normal remuneration of the professors, the Government agreed in the autumn of 1952 that the fees should be trebled, and, in deference to the students' protests, undertook temporarily to bear the whole cost, until a final settlement could be negotiated for the following summer semester. Yet, in spite of these various measures, the net salary scale for professors at the beginning of 1953 ranged from 4,530 to 2,255 schillings ($212.08 to $105.57) a month. The net monthly salaries of school-teachers varied between 2,561 and 1,079 schillings ($119.89 to $50.51).

● 647 As has been seen, the Fifth Price–Wage Agreement improved 465 the position of the administrative civil servants. By the summer of 1951 the cost of living had risen by over 470 per cent since 1946. The civil servants asked that their salaries

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

should be brought up to 350 per cent above the 1946 level, but owing to the opposition of the Finance Ministry and the trade unions the increases they were given by the Agreement only amounted to a 270 per cent improvement on the 1946 figure and within a few months were largely offset by the substantial rise in prices that followed. The 12 per cent increases received under the Agreement by salaried employees in industry, compared to the 10 per cent increases given to wage-earners, made very little difference to their depressed condition.

In fact, although these various measures revealed a changing attitude on the part of the authorities towards the whole problem, they were quite insufficient to bring an end to the inherent dangers of the situation. Neglect of the economic position of civil servants and academics is a common disease of States in the twentieth century. But few States are suffering from it so seriously as Austria, and fewer still are so vulnerable to its effects. Austria is faced with complex and stubborn political problems. Her cultural and economic contribution to the world since 1918 has been based on quality, not quantity. It is therefore of vital importance to her future that her civil service should continue to attract men of great ability and that her high intellectual standards should be maintained. The pride and devotion of her public servants and academic class have been exemplary in recent years, but they cannot without deterioration stand up indefinitely to the inordinate strain that is being imposed on them.

INTRODUCTION

121 In my capacity as Foreign Consultant to the Library of Congress, I attempted to provide in this study a report on Austria's postwar economic problems accompanied by a short survey of the Austrian economic theory and related literature.

The survey deals with the reconstruction of Austria in the period from 1945 until 1952, and the major economic elements and features sponsoring the reconsolidation of the country are considered. 547 The ideological reflections elaborated therein are the result of those basic decisions which had been shaped within the scope of the Ministerial Committee for Economic Questions, which is a sub-committee of the Federal Austrian Government. The Ministerial Committee for Economic Questions is a joint bipartisan committee consisting of representatives of the Austrian People's Party and of the Socialist Party of Austria and functions in accordance with the constitutional rules of the Austrian Federal Government. Consequently, resolutions made by it require in each case unanimous vote of its members. Built up on this fundamental basis are the big investment programs of the Austrian Federal Government, which have been carried through during the last years, particularly after the ERP Program started. These programs are set up by the ERP Central Office of the Federal Chancellory in permanent consultation with the competent Ministerial Departments and the interested parties of industry, trade and commerce before a definite decision is taken by the Ministerial Committee for Economic Questions, whence they are reforwarded to the respective sections of the ECA Service.

465 As regards the five agreements about wages 435 and prices reached in the years from August 1947, 652 they were negotiated and passed as a result of common deliberations between the various interested economic associations (Federal Chamber of Industrial Activities, the Chamber of Agriculture, Labor and Trade Union), whereby, in this sector which is so important to the whole economy of the country, a middle line was maintained and the political interests coordinated as far as possible. In this connection it might be considered that all political parties agree in the view that the real wages and salaries of the workers and employees should be maintained, thus

815 structure) and "Gestaltungslehre" (principles of development), whereby occurrences within the society are reflected in the particular social establishments as, for example, in the relation of necessity and satiation in an economy. In addition, representatives of the "organic principles" are E. H. Vogel (Theorie des Bedarfdeckungsprozesses und der Einkommensbildung, 1945), who, in his works on financial science, does acknowledge the influence of the Austrian School; W. Heinrich (Wirtschaftspolitik, 1948), a pupil of O. Spann who follows the trend towards social universalism and H. Tautscher (Bankenverstaatlichung; Zur Frage des gestuften Zinses, 1946; Staatswirtschaftslehre des Kameralismus, 1947). Tautscher, sharing partially the ideas of Vogel, nevertheless follows a more neo-mercantile trend while Th. Pütz (Theorie der allgemeinen Wirtschaftspolitik und Wirtschaftslenkung, 1949) follows Gottl.

National economists of a more conservative viewpoint, whose interests center more around questions of economic and social policy, are F. Degenfeld-Schonberg, F. A. Westphalen and E. Lagler. The sociologist A. M. Knoll is a close associate.

Theorists of the socialistic conception, who, besides historical researches, promulgate questions of planned economy, prospects and crises, socialization and union problems, include: C. Grünberg, Emil Lederer, J. Marschak (agrarian problems).

816 647 Next to the pure theorists are to be mentioned practical economists, with accumulated knowledge and experience, who, in responsible public positions promulgated the Austrian course in many a crisis. Of the large number, just a few recent ones can be mentioned.

V. Kienböck was formerly minister of finance and president of the Oesterreichische Nationalbank. After the First World War, as financial expert of Federal Chancellor Ignaz Seipel, he effected the currency reform. Kienböck is at present consultant to the Oesterreichische Nationalbank. His book on currency and economy appeared in 1947 (Währung und Wirtschaft).

W. Taucher was minister of commerce and chief of the Chamber of Commerce of Graz in Styria. He is now managing the ERP Central Office within the Federal Chancellery. Taucher lectures at the University of Graz on economic policies.

In addition the Institute had been entrusted with a number of tasks by public institutions or by agencies working for public interests. The Federal Chancellery, Central Office for ERP Affairs, entrusted to the Institute the preparation of reports and the expression of opinions as well as other tasks, while the Central Office itself, in accordance with Article VI, paragraph 2, and Article VII, paragraph 4, of the bilateral agreement between the United States of America and Austria of July 2, 1948, prepared the quarterly economic reports, outlining results achieved with ERP means and the economic measures undertaken. The Austrian Investment Program of 1950-1952 has been designed in collaboration with the Institute. 204 816 [648]

A close cooperation exists between the Institute and the "Oesterreichisches Produktivitätszentrum" (OPZ) (Austrian Productivity Center), Vienna. The Zentrum was created by a ministerial decision of March 6, 1950. Dr. Taucher, Chief of the Federal Chancellery, Central Office for ERP Affairs, serves as president. Dr. Nemschak acts as manager. Within the scope of this cooperation a number of problems were investigated: the scarcity of vocational employment for youth and combating it; the Austrian paper industry; the processing of Austrian foreign trade transactions; the Viennese housing requirements and its future development; opinion studies of managers, engineers, foremen, and employees relative to production increases; possibilities of increased yield from the tourist trade through elimination of seasonal trends; cooperation in the designing of rules permitting the ascertainment of production index numbers of cotton textile mills relative to a coordination of the averages with upper and lower margins. Shortly released will be: structural analysis of the Austrian textile industry; analysis of the employment possibilities and causes of unemployment in the catering trade; preparation of a memorandum about the effects of a prolonged scarcity of imported raw materials upon Austrian production and employment situation; the Austrian railroad-trucking problems; the development of productivity since the end of the war; extension of a wage and earning index in collaboration with the Bundeskammer der gewerblichen Wirtschaft; comparison of the living cost indexes of various countries; development of raw material consumption, investment activity and turnover; improvement of living costs and wage index calculations for which additional statistical investigations are necessary. The Austrian Productivity Center published monthly a pamphlet Der Schüssel (The Key), intended to foster within an extended circle of readers understanding of production step-ups and exchange of technical experiences. [647] [133]

204 Operating within the Austrian Productivity
177 Center there is a sub-section for "Technical Assis-
647 tance." This provides Austrian experts of various
433 establishments with opportunities to acquaint them-
selves with the latest developments of their business lines in the United States. The results of these study trips are evaluated in a publication Die Studienreise, in which the impressions and experiences of the technical assistance delegation are brought to the attention of a large circle of interested persons. The first publications are entitled Moderne Holzernte (Modern Lumber Crops) and Gäste aus Amerika (Guests from America). To acquaint the public at large in a comprehensive manner with the productivity problem, a popular pamphlet series Der Ausweg (The Way Out) has been published, its first number being entitled Produktivitätssteigerung--der Ausweg (Greater Productivity - the Way Out).

Particularly valuable for the exchange of ideas, formulas, etc., is the Economic Technical Information Service of the Austrian Productivity Center which developed into a liaison office between domestic and foreign information centers. Collaborating with Technical Assistance, it answers inquiries about American production processes, firms and equipment, and loans small-sized motion picture films and projection apparatus. It further provides, in cooperation with OEEC countries, trade or professional journals and books, furnishes excerpts of the latest American professional literature ("Digest and Abstracts Service") and answers inquiries about American licenses and patents. This service is supplied and supported by a documentation center.

647 A special cooperation for the furtherance of
816 statistics exists between the Oesterreichisches statis-
[204] tisches Zentralamt, Wien (Austrian Statistical Central Office, Vienna), and the Institute of Economic Research. The Statistical Central Office publishes monthly, in collaboration with the Committee of Economic Central Offices and Chambers, the official Statistische Nachrichten (Statistical News), the editor-in-chief of which is presently Hofrat Dozent Dr. Arnold Madlé. In this connection the Oesterreichische Statistische Gesellschaft (Austrian Statistical Society) should also be mentioned. It was established March 31, 1951, for the purpose of cultivating statistics in all sections of the social and natural sciences besides furtherance of statistical teaching. Chairmen of the board of trustees are: the president of the Austrian Statistical Central Office,

former minister Dr. Georg Zimmermann, and the manager of the Statistisches Institut der Universität Wien (Statistical Institute of the University of Vienna), Professor Dr. Wilhelm Winkler. The latter is the author of a number of treatises about principles of methods and economic statistics. In this field of endeavor he is being supported by F. Klezl-Norberg, vice-president of the Statistical Central Office. These two theorists share, from a national economic point of view, the ideas of the Austrian School, whereby the first named inclines more or less towards mathematics and economics. 647 816

The Ständige interministerielle Referentenkomitee zur Bekämpfung der Arbeitslosigkeit und Sicherung der Vollbeschäftigung (Permanent Inter-ministerial Committee of Department Heads to combat Unemployment and to secure Full-time Employment) also cooperates with the Institute of Economic Research. This committee concerns itself not solely with the task of enforcing immediately adequate measures, but also directs attention towards weak points in the economy which eventually could influence the intensity of work; it further prepares long-term economic measures which should be enacted. [464] [654]

The Mitteilungen (Reports) of the Oesterreichisches Kuratorium für Wirtschaftlichkeit (Austrian Board of Trustees for Economy), a board sponsored by the Bundeskammer der gewerblichen Wirtschaft, are especially concerned with rationalization problems (Manager: Consul Schmidhuber). Science of business economics is a discipline particularly taught at the Hochschule für Welthandel, Vienna, which has quite a number of experts on its lecturing staff (W. Bouffier, F. Dörfel, K. Oberparleiter). This branch of science became, via the balance theory, more and more related to theoretical economics. In this way--and this applies to the entire field of commercial science--the selection of themes, the setting of problems and the methods of presentation show the influence of the Austrian School. The science of business economics has contributed to better and more standarized forms of accounting, improvements in bookkeeping and cost accounting. Scientific handling of advertising and market research has substantially improved plant management. 874 451 816

Austria has become intensely interested lately in methods of work psychology, which have proven successful in the United States, England and other western nations. In this connection may be mentioned the 461 466 816

Austrian Economist), founded by W. Federn in cooperation with G. Stolpern. An English edition is now being issued. The Vereinigung österreichischer Industrieller, a private society of industrialists, issues a weekly Die Industrie. Direktorium der Oesterreichischen Nationalbank, issued monthly, is top-notch. It contains, in addition to topics about the financial and economic developments in Austria, statistical charts, diagrams, data about the circulation of currency, the processing of reconstruction credits, rates of exchange, ERP counterpart accounts, surveys about the development of credit volume and of deposits, price trends, imports and exports, payment balances, etc. The Creditanstalt-Bankverein, Vienna, issues besides its quarterly economic reports, Wirtschaftsberichte, and monthly Monatsberichte, special publications (e.g., on the Marshall Plan). The Oesterreichische Länderbank A. G. Vienna, also issues a monthly report. The association of banks and bankers, Verband österreichischer Banken und Bankiers (President: Dr. Josef Joham, General-Manager of Creditanstalt-Bankverein; Manager: Dr. E. Kastik) publishes semi-monthly the Bankenkorrespondenz (Editor-in-chief is Dr. Gustav Knoth). It contains news about international developments in banking and finance.

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With regard to ERP aid, there appear besides the quarterly publications of the Federal Chancellery ERP Central Office, a number of compiled publications, among them Oesterreich und der Marshallplan (Gerlach and Widing, Vienna, 1950) and the Oesterreichisches ERP Handbuch (Verlag für Geschichte und Politik, Vienna, 1950). The latter two were published under the sponsorship of the Federal Chancellery ERP Central Office and contain basic documentary material (laws, etc.). In commemoration of its 100th anniversary the Bundeskammer der gewerblichen Wirtschaft published a lavishly detailed work: 100 Jahre österreichischer Wirtschaftsentwicklung 1848-1949 (Springer Verlag, 1949) under the editorship of Professor Hans Mayer. In this extensive volume emphasis is on economic questions not only from a historical but also from a scientific point of view. Of economic periodicals catering to a professional audience mention must be made of Die Wirtschaft and Die internationale Wirtschaft, both published by the Oesterreichischer Wirtschaftsverlag, Vienna. A number of publications emphasizing vocational trends are issued by the Oesterreichisches Gewerbeförderungsinstitut (Austrian Institut for Trade Promotion, Vienna), an institution sponsored by the Bundeskammer der gewerblichen Wirtschaft.

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regulations as privately owned enterprises.

If companies or enterprises, under the regulations of the corporation law, were for any reason not as yet able to install the required responsible executive managements (executive officers, board, stockholder meetings) the competent authority, in accordance with the terms of the federal law of July 26, 1946, installed public administrators. The privilege, however, does not apply to enterprises and plants working under their legally installed executive managements; such an existing status permits the government to introduce motions, by its delegated board members, only within the scope of legal corporate requirements.

[477] According to the federal constitutional law of June 16, 1948 (Rechnungshofgesetz), all nationalized enterprises are subjected to the accounting and business policy control of the Oberster Rechnungshof (superior accounting office of the government), which in turn is responsible to the parliament for rendering account.

By these means parliament wanted to prevent red tape in the commercially managed establishments.

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c) The reconstruction of the Austrian credit institutions.

Following the loss of Austrian sovereignty in 1938, changes within the great Austrian banking organizations occurred. The Austrian National Bank disappeared as bank of issue, its Vienna organization became a branch office of the German Reichsbank, the substantial gold and foreign exchange holdings as well as other assets were transfered to the latter, so that from 1938 to April 1945 no independent money and currency policy was possible.

Likewise, the nationalized banking institutions were confronted with structural changes which, after 1945, brought about problems of balance adjustments. Therefore, if the entire question complex and the enforcement of relative measures are to be ascertained, it is necessary to become acquainted with the developments which have occurred. Austria, having been reestablished as a sovereign nation at the end of the war, faced a greatly changed situation in comparison with 1937. The prior assimilation into the economically and organically different economy of the German Reich, caused a far

2: MacDonald S-4 (no date) 1946 EK1 Austria EK1

the Federal Government, or from individual members of the Government, they would be thereby removed from office.[1] It was not, however, intended that this weapon should be lightly employed against a Government, for it was stipulated that such a resolution would require a quorum of half the members of the National Council. And, if one-fifth of the members so demanded, the vote could be postponed for two days.[2] The Government, apart from this somewhat meagre stipulation, had no means of protecting itself against an adverse vote by a chance coalition in the National Council, since it could not confront the National Council with the choice between continued support and a dissolution.

As has been pointed out, the National Council had practically complete control over all legislation. It had also considerable executive functions. By Article 50, political and certain other treaties required for their validity the consent of the National Council. By Article 53, it was empowered to set up by resolution Committees of Inquiry,[3] before which all public authorities were obliged to give evidence if required. By Article 54 certain executive duties were specifically made over to the National Council, such as the fixing of the prices of such federal services as railways; the fixing of the prices of monopoly goods; and the fixing of the salaries of persons employed by the State. Apart from these specified cases, it was laid down in Article 55 that the National Council should share in the executive power of the State through its Chief Committee, to which reference has already been made. Kelsen has described this body as the most important political organ of the National Council.[4] Provision had been made for its election in the constitution of 14 March 1919. Its membership had then been fixed at eleven, whereas by the constitution of 1920

[1] It may be noted that, since it was anticipated that the dismissal of an individual minister by a vote of no confidence should not necessarily involve the resignation of the whole ministry, the cabinet system was not adopted.

[2] Kelsen comments on this: 'Dass die Wirkung des Misstrauensvotums verfassungsgesetzlich ausdrücklich normiert wird, ist eine Besonderheit unserer Verfassung' (op. cit., vol. v, p. 169).

[3] Cf. with Article 34 of the German Constitution, according to which such a committee had to be set up if one-fifth of members so demanded.

[4] *Jahrbuch des öffentlichen Rechts*, vol. xi, p. 246.

VI

THE INFLUENCE OF FOREIGN POLICY ON THE EVOLUTION OF DEMOCRATIC GOVERNMENT

648 THE difficulties experienced by Austria in the conduct of her foreign relations contributed, indirectly, to the general disillusionment with parliamentary democracy which came to be felt throughout the country. For it was all too obvious that the democratic theory of a policy inspired and controlled by the wishes of the people bore little or no resemblance to the facts of the case. Austria was, in fact, controlled by her creditors, who had over her, literally, the powers of life and death. And, since her foreign relations were matters of great moment to them, they did not hesitate to impose their own views on her Governments. These views were not shared by the great majority of Austrians. Thus it came about that successive cabinets, from 1919 till 1934, were obliged to pursue a foreign policy of which the electorate disapproved. This was the more unfortunate because foreign policy was a question of very great importance for post-war Austria, and the gradual realization that it was a matter over which public opinion could exercise no control did not enhance the value of democracy in the eyes of the Austrians.

The disillusionment began almost immediately after the war, when Austria was frustrated by France and the Allies in her plan for union with Germany.

642 The possibility of an independent existence for Austria had 648 never been seriously envisaged by any section of Austrian opinion after the break-up of the Empire, although certain elements in the Christian Socialist party had viewed the prospect of an *Anschluss* with some misgiving. Almost the first official pronouncement of the new republican Government had been to the effect that German Austria was a part of the German Reich.[1] Representatives from German Austria

[1] Article 2 of the Declaration of 12 November 1918 (B. G. Bl. Nr. 5). It was arranged, however, that Austria should continue, for the time being, to be organized as a separate state.

2: MacDonald S-4 (no date) 1946 EK1 Austria EK1

attended the deliberations at Weimar on this assumption.[1] Bauer has stated that "our most important aim in the peace negotiations had to be the assertion of our right to unite with Germany'.

It seems probable that the Social Democrats were right in maintaining that the chief hope of survival for the young and somewhat frail plant of Austrian republicanism lay in the close connection of German Austria with the Reich. The Allies were, however, strongly opposed to any extension of German influence in the Danube basin, and Article 188 of the Treaty of St. Germain forbade an *Anschluss*, either immediately or in the future, without the consent of the League Council.[2] This article was, not unnaturally, felt to be extremely unjust, and strong protests were made against it, both in Germany and Austria.[3]

On the other hand, although it is almost certainly true that Austria and Germany would have joined up in the autumn of 1918 had they not been forcibly prevented by the Allies from doing so, it is equally true that public opinion, never unani-

[1] On 6 February 1919, a message of congratulation was sent from the Provisional National Assembly, to the Assembly at Weimar, in which it was stated that the Austrian body '. . . spricht die Hoffnung u. die Überzeugung aus dass . . . es der deutschösterreichischen Volksvertretung gelingen wird, das Band, das Gewalt im Jahre 1866 zerrissen hat, wieder zu knüpfen, die Einheit u. Freiheit des deutschen Volkes zu verwirklichen u. Deutschösterreich mit dem deutschen Mutterlande für alle Zeiten zu vereinigen.'

Provision was made in due course by Article 61 of the Weimar Constitution for the early inclusion of Austria in the Reich.

[2] M. Beneš has since stated that he and Masaryk had envisaged until as late as 1917 the incorporation of Austria in Germany. They thought that this solution would constrain the remaining small states of Central Europe to form a close political and economic bloc. These ideas were only abandoned when it was found that they met with opposition from Italy, France, England, and Russia—especially the two former. 'Being completely loyal to our friends in the war . . . we accepted their standpoint in this matter, and have remained faithful to it up to now.' (Speech of 21 March 1934, *Czechoslovak Sources and Documents*, p. 29.)

[3] 'Die Nationalversammlung erhebt vor aller Welt feierlich ihren Protest dagegen, dass der Friedensvertrag von S. Germain unter dem Vorwande, die Unabhängigkeit Deutschösterreichs zu schützen, dem deutschösterreichischen Volke sein Selbstbestimmungsrecht nimmt, ihm die Erfüllung seines Herzenswunsches, seine wirtschaftliche, kulturelle, u. politische Lebensnotwendigkeit, die Vereinigung mit dem deutschen Mutterlande, verweigert.'

642 mous in this matter, became less fervent in its support as the
648 months passed. The monarchists and the big Austrian industrialists had never been in favour of an *Anschluss*; and, after the publication of the German Peace Terms on 7 May, the Austrian bourgeoisie shrank from identifying themselves with Germany, especially as France succeeded in creating the impression that Austria would get more favourable peace terms if she abandoned the *Anschluss* policy. It was also felt that if France were presented with a *fait accompli*, she might well incite the Yugoslavs and Czechs to occupy Austrian territory. Germany, for her part, feared the loss of further territory to France and Poland.[1] As time went on, however, these misgivings were forgotten, and only the injustice of the Allies' veto was remembered.

648 Austria's position in the immediate post-war period was not a happy one, for, frustrated in what she now believed to have been her unanimous desire to join Germany, there was no Power, democratic or otherwise, to whom she could turn for assistance. Hungary, denuded of two-thirds of her pre-war territory, was, if anything, in a rather more unsettled condition than Austria. And the two states, never on particularly friendly terms, were now divided by the incipient dispute over the Burgenland.[2]

There could be no question of the establishment of close relations with Czechoslovakia. It is true that in both countries democratic Governments were in power, and that the relationship between them was ostensibly friendly. But Czechoslovakia was a victor state, who, having recouped herself lavishly at the expense of Austria, was not unnaturally anxious to sever all connections with her late rulers, even though these showed signs of an ideological change of heart. Moreover, disputes over the frontier had not yet died down.

If Austria's relationship with Czechoslovakia was distant, her relationship with Italy was, at this time, one of positive hostility, because of the question of the South Tyrol. In this

[1] Otto Bauer, *The Austrian Revolution*, Parsons (1925), p. 115.
[2] C. A. Macartney, *Hungary and Her Successors*, Oxford University Press (London, 1937), pp. 41 *et seq.*

2: MacDonald S-4 (no date) 1946 EK1 Austria EK1

case, as in the case of the veto on the *Anschluss* with Germany, the Austrians asserted bitterly that the principle of self-determination was only applied when the application was likely to work out in favour of the Allies.

Thus, in 1919, since there appeared to be no other alternative, German Austria had to subscribe to the policy of the Allies, and pose as an independent state. The maintenance of Austrian independence has been the official foreign policy of the country from the moment when Renner succeeded Bauer, the great protagonist of the *Anschluss*, on 28 July 1919.

Desirable though this policy may have been, from the point of view of Europe as a whole, it was an essentially artificial policy. And the fact that it had, for the most part, very little backing from public opinion, weakened considerably the standing in the country of the successive Governments who had to attempt to carry it out.

Opposition to official foreign policy amounted at times to a declaration of war on the Federal Government, and this at a time when national unity was a matter of prime importance.[1] These 'unofficial' agitations caused such grave disquiet in Allied, and particularly in French circles, that on 14 April 1920, M. Lefèvre Pontalis handed a Note to the Chancellor, on behalf of his Government, stating that, if the Austrian Government were not in a position to suppress the *Anschluss*

[1] In December 1919, Tyrol and Salzburg respectively petitioned to be allowed to join the Reich. On 31 March 1920 the Tyrol *Landtag* requested the Renner Government to present a petition to the Ambassadors' Conference for the union of Tyrol with Germany, on economic grounds. Renner replied that although he could not refuse to present such a petition, he deplored it. It would not be granted, and it would only have the effect of discrediting Austrian representatives in the eyes of the Allies and thus making negotiations for economic assistance more difficult. Tyrol, however, persisted: and Salzburg followed suit.

The difficulties of Renner's position were increased by the fact that he was not supported by his own party. On 5–7 November 1919, for instance, at the Social Democratic Party Conference, the party announced its continued adherence to a policy of *Anschluss*.

The same difficulties confronted the Christian Socialist Mayr cabinet, which came into office on 3 November 1919. On 3 February, for instance, a deputation from the Provinces demanded the organization of a plebiscite to decide whether or not an *Anschluss* petition should be presented to the League. Arrangements for such a plebiscite were made in Salzburg, on 11 March 1920 for 24 April; and in Steiermark on 7 April for 30 May.

648 642 agitations, the French Government would withdraw its support from schemes to help Austria. On hearing of this Note, the British and Italian Governments intimated to the Austrian Government that such an action on the part of France would mean the complete collapse of schemes to assist Austria. Thus the French Note really amounted to a command to the democratically elected Government of Austria to override and suppress the wishes of its electorate.[1]

In this way, the Austrian people were alienated in sympathy from their elected representatives, at the very time when it was most essential that the new state should be welded into a coherent whole, by leadership from a strong popular Government.

The goal of Austrian 'independence' was, moreover, receding rapidly into the distance. The conditions which it was felt necessary to attach to the granting of the League Loan in 1922 were such as to be scarcely compatible with the existence of Austria as an independent sovereign state at all.[2] League control was withdrawn in 1926. But it became all too obvious in 1931 that the narrow margin which had till then separated Austria from economic collapse would not suffice to enable her to stand up to the economic blizzard which descended upon Europe and America. And, in 1932, when the Lausanne Loan was granted, even more stringent League control was imposed.

It is true that by 1932 the situation had somewhat changed, for, with the rise of the Nazi movement in Germany, more moderate Austrian opinion came to regard a policy of indepen-

[1] The Note occasioned a stormy scene in the National Council in the course of which Mayr pointed out bluntly that Austria was not in a position to refuse the demands of the Allies: 'Wir werden ohne auswärtige Hilfe vielleicht schon in zwei Monaten nichts mehr zu essen haben.' (*Stenographische Protokolle*, 15 April 1920.)

Finally, the Mayr cabinet resigned on 1 June, on the grounds that the *Anschluss* agitations had made its position impossible.

[2] She had to agree to submit her finances, and the general economic policy of her Government, to control by a committee of the guarantors of the loan, which was to be represented in Vienna by a Commissioner-General. She had also to agree not to 'endanger' her independence by the granting of a 'special régime' to any one state. (League of Nations, *The Restoration of Austria*. Agreements arranged by the League of Nations and signed at Geneva on 4 October 1922, with the Relevant Documents and Public Statements. C. 716, M. 428, 1922, x, Geneva, 1922.)

2: MacDonald S-4 (no date) 1946 EK1 Austria EK1

dence with less disfavour. But the fact remains that for fourteen years, successive Austrian Governments were compelled to attempt to carry out a foreign policy which was directly contrary to the wishes of the great majority of the people by whom they had been elected. In fact, of course, the various Governments had no option in the matter; but an electorate frustrated in its dearest wish does not pause to consider the good reasons which may exist for this frustration, especially when its temper is sharpened by acute economic distress.

There can be little doubt that what the vast majority of the Austrian electorate wanted during these years was an *Anschluss* with Germany, although this desire was not always felt with equal intensity by the different sections of the population.[1]

The chief supporters of the *Anschluss* policy of 1919–22 had been the separatist peasantry of the Alpine province, who were influenced to a large extent by temporary economic considerations. After 1925 the movement derived its strength mainly from the Civil Service, the professional classes, and the industrialists. If less spontaneous, this later movement was very much better organized and, unlike its earlier counterpart, it received positive support from high places in Germany. It was the beginnings of the renascence of German nationalism.[2]

[1] In 1923 and 1924, for instance, agitations for an *Anschluss* died down, partly owing to the comparative success of the Reconstruction Scheme in Austria, partly because of the bad conditions then prevailing in Germany. After 1924, however, the agitations increased again, because, with the introduction of the Dawes Plan, conditions improved in Germany, at a time when they were deteriorating steadily in Austria, as a result of the collapse caused by the over-speculation which took place in the summer of 1924.

[2] *Le Temps*, 17 and 27 May 1925, and the *Deutsche Allgemeine Zeitung*, 26 May 1932.

The new German Nationalist movement may be said to have taken its inception from an unofficial visit paid by Dr. Dinghofer and Dr. Frank, the German Nationalist leaders, to Berlin, towards the end of January 1925. It was then decided to reorganize, on a wider basis, Professor Wettstein's committee, which had been formed in 1919, to work for the removal of the technical difficulties in the way of the *Anschluss*. The new organization, which met for the first time in Vienna on 26 February, designated itself the Austro-German Union, as the Social Democrats' Popular League had become merged in the new organization. Its members were from all parties. Various sub-committees were set up to consider such matters as the unification of teaching in the secondary schools of both countries (higher education

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first anticipated. It was, for instance, difficult to envisage any satisfactory solution for the problem of Austrian provincialism, were Austria to become incorporated in the Reich.[1] And it was found, on closer examination, that Austrian legislation did differ from German in many important respects.[2] Austrian industrialists were now not slow in pointing out that the structure of German industry was essentially different from that of Austrian.[3] Finally, the Social Democrats, once the most convinced of all the protagonists of the *Anschluss*, became ever more doubtful of the advisability of this policy, as the strength of the Nazi movement in Germany increased.[4]

The announcement of the Customs Union project by Curtius and Schober in March 1931 came therefore as something like a bombshell. But its reception by the great Powers indirectly knocked the last nail in the coffin of Austrian democracy, for, once the Customs Union had been forbidden, everybody became convinced that this was what they had

[1] Kelsen wrote in 1927: 'Durch die politische u. staatsrechtliche Entwicklung seit dem Umsturz hat sich die Stellung der Länder so gekräftigt, haben sich die durch die Länder-Regierungen repräsentierten politischen Machtzentren in den ehemaligen österreichischen Kronländern so sehr verwurzelt, dass an eine Umwandlung Österreichs in einen Einheitsstaat ernstlich nicht mehr zu denken ist. Ja, man darf sich sogar—so traurig es ist—nicht verhehlen, dass wenn die Umwandlung Österreichs in einen Einheitsstaat . . . die Aufhebung der Länder also, eine conditio sine qua non für den Anschluss diese Bedingung nicht erfüllt werden könnte.' (*Frankfurter Zeitung*, 4 April 1927.)

[2] The German criminal code, for instance, was very much more severe than the Austrian. And German marriage laws were not easily reconcilable with Roman Catholic opinion in Austria.

[3] See *Le Temps*, 16 August 1928, for account of the proceedings at the Conference of Jurists, held at Salzburg in September 1928, to discuss the measures to be taken to unify the laws in both countries, regarding industrial and commercial cartels, etc.

[4] Article by Bauer, *Der Kampf*, July 1927: 'Es wird nicht das Reich Hindenburgs u. des Bürgerblocks sein, in das wir kommen werden.'

On the other hand, right-wing opinion in Austria was coming to view an *Anschluss* with less misgiving. Dr. Seipel, in particular, made speeches about this time which suggested that he had to some extent changed his views. These occasioned considerable misgiving in France, where he had always been regarded as the great supporter of Austrian independence. In September 1928 France issued a sharp warning: 'Un esprit aussi averti ne peut ignorer qu'en tout état de cause, le rattachement de l'Autriche à l'Allemagne, de quelque manière qu'on veuille poser le problème, ce serait la guerre pour toutes les puissances interessées au maintien du statu quo en Europe.' (*Le Temps*, 21 September 1928.)

642 648 really wanted. And opinion was finally disillusioned as to the efficacy of a democracy which was unable to give effect to what was felt to be the unmistakable wishes of the electorate, even when these were legally attainable, as most Austrians believed them to be. The fact that France and Czechoslovakia clearly meant to oppose the scheme, whether it was found to be legal or not; whether Austria and Germany desired it or not; and without any consideration for the possible economic advantages which might accrue to Austria, who was known to be in desperate need, was hardly calculated to strengthen the Austrians' not very fervent belief in the wisdom of constitutional government, of which Czechoslovakia and France were supposed to be among the chief exponents. After the failure of the Curtius-Schober project, subsequent efforts to bring about the *Anschluss* were diverted into extra-constitutional channels.

648 It had been hoped in certain Allied circles after the war that it might prove possible to find a solution to the Austrian problem in the formation of a democratic federation of Danubian states. Such an arrangement, it was felt, would not only help Austria but would provide an effective barricade against possible German aggression in south-eastern Europe in the future.[1] And the economic advantages of maintaining the old free-trade area of the Empire as far as possible intact were felt to be considerable.[2]

It was, however, never found possible to realize such a

[1] *War Memoirs of David Lloyd George*, Nicholson and Watson (London, 1936), vol. v, pp. 2463 *et seq.*:

'The downfall of Russia had created fresh anxiety for the political future of Europe, and it was feared in many influential quarters that unless some counterweight was established on the Continent to Germany in place of Russia, the future peace of Europe might continue to be precarious. . . . If Austria were prepared to play that role and break with Germany, she would have not only our sympathy, but our active support . . . our object now was to assist Austria to give the greatest freedom and autonomy to her subject nationalities.'' Mr. Lloyd George envisaged the development of a federation of free peoples in Central Europe, and hoped that in the future other peoples, not at that time a part of the Austro-Hungarian Empire, might be attracted into the orbit of the confederation.

[2] Article 222 of the Treaty of Versailles had provided for tariff agreements between Austria, Hungary, and Czechoslovakia. But when an attempt was made to realize these in 1921, it came to nothing, because of the opposition of Italy.

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scheme. Germany, for obvious reasons, disliked it. Italy always opposed it, in whatever form it was proposed.[1] And the Austrians, though willing, and indeed anxious, to establish friendly relations with their neighbours, and to do as much trade as possible with them, could never consent to become an organic part of an organization of states potentially hostile to Germany. And apart from racial considerations, the intellectual and cultural life of Austria necessarily inclined her towards co-operation with the Western Powers.

The main obstacle to Danubian confederation, however, came from the states of the Little Entente themselves. For many months after the Armistice sporadic fighting had continued round the frontiers of Austria and Hungary, thus preventing any possibility of close co-operation. Even after this came to an end, it was inevitable that the Succession States would feel the need of time to consolidate their new territories, and that the last thing they would want, while doing this, would be to join forces again with their old rulers. It was this fear of an eventual resuscitation of Austria-Hungary which strengthened the bonds between Czechoslovakia, Roumania, and Yugoslavia. And the organization of the Little Entente, instead of becoming looser with the passage of time, as might have been expected, became progressively stronger. Even in 1932, for instance, when Austria and Hungary were both, economically, at their last gasp, this fear remained, and was instrumental in causing the failure of the Tardieu Plan.[2]

At the same time, it was realized, particularly in Czechoslovakia, that Austria must not be allowed to drift, in desperate defiance of the Treaties, into an *Anschluss* with Germany. Sufficient concessions must be made to make possible her continued existence as a weak but independent state.[3]

[1] Italy always viewed with misgiving any signs of an incipient *rapprochement* between Austria and the Little Entente, fearing the resuscitation of her old foe, the Empire, in new forms.

[2] See also speech of Beneš at the Bucharest Conference of the Little Entente, May 1925.

[3] Hence, the signing of the Treaty of Lana between Austria and Czechoslovakia in 1921. The economic position of Austria continued, however, to be unsatisfactory; and the Layton Rist report, published in 1926, stated that this condition of affairs was largely a consequence of the policy of economic nationalism pursued by the Succession States.

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•648 The Tardieu scheme was launched in order to try to escape from the obviously unsatisfactory and unstable existing state of affairs. The time appeared to be auspicious, for the *Anschluss* scheme had failed; and both Austria and her neighbours were in a very bad way economically.[1] Moreover, Austria had recently, of necessity, become peculiarly susceptible to French influence.[2] France had an obvious responsibility towards Austria, for she had taken the lead in opposition to the *Anschluss* scheme; and she had admitted, in her Constructive Memorandum of the spring of 1931 that the Powers must make themselves responsible for the future well-being of Austria.[3]

M. Tardieu's scheme[4] was not, however, well received by any of the interested parties.

In Austria, the fact that the scheme did not embrace Germany undoubtedly made it more palatable to many of the right-wing groups, who hoped that with a little luck Danubian Confederation might become synonymous with Habsburg

[1] The initiative came from the Austrian side. On 15 February 1932 Buresch solemnly declared to the assembled ambassadors of Great Britain, France, and Italy that Austria could not continue any longer under present conditions, as it was becoming increasingly difficult to trade with neighbouring states. Austria would, he said, be willing to enter into close economic negotiations with any and every state who would be willing to do so. (*Neue Freie Presse*, 16 February 1932.)

[2] Schober had been dropped in the January reshuffle of the Buresch cabinet; and the new Government was supported by all the groups who had come to regard the idea of an *Anschluss* with disfavour.

[3] 'The French Government considers that in view of the difficult position of Austria it is the duty of the Powers to which that country has given an undertaking not to alienate its independence, to contribute to its material development, on the understanding that Austria on her side will do all in her power to improve her economic situation.' (League of Nations VII, C. 338, M. 151, 1931 (C.E.U.E., 1933).)

[4] The scheme, as communicated in a Memorandum to the Governments of Great Britain and Italy on 2 March, took as its starting-point the official report of the 44th session of the Financial Committee of the League, which had drawn special attention to the critical position in Austria and Hungary. It comprised proposals that Austria, Hungary, and the Little Entente should arrange a preference scheme among themselves, and should form, as it were, a united bloc *vis-à-vis* the outside world. The great Powers were to allow the entry of Danubian agricultural products at preferential rates, without demanding any *quid pro quo*. (*L'Europe Nouvelle*, 2 April 1932, p. 445.)

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Restoration.[1] The Social Democrats also, frustrated in their efforts to achieve the *Anschluss*, were comparatively well-disposed towards Tardieu's plan. There could, indeed, have been many worse solutions from the socialist point of view.[2]

At the same time, Austrian opinion as a whole cannot be described as enthusiastic, for it was all too obvious that the scheme had been conceived as an alternative to the *Anschluss*.

The economic advantages which would accrue to Austria were not too clear. It was feared, not without justification, that the struggling peasants of the Alpine Provinces would be unable to compete with the produce of the fertile Danubian states. And Austrian industrialists viewed with misgiving the prospect of Czech competition.

The attitude of the other proposed participants was not favourable. It was feared in the agricultural states (Hungary, Roumania, and Yugoslavia) that Austria and Czechoslovakia would not be able to absorb anything like all their surplus agricultural products.[3] And these three states maintained that in no circumstances could they give up extra-Danubian markets.

It is doubtful whether the scheme would have been of great value from the economic standpoint. The analogy of pre-war days was inapplicable, for, in the area which it was now

[1] The position of the *Heimwehr* and clerical groups was, however, difficult when it became apparent that the plan would not have the support of Italy, for these groups were probably, by this time, to a large extent dependent on Italian support.

[2] The *Prager Presse* of 23 September 1932, quoted at length from a recent article in *Der Kampf*, by Paul Szende, as follows: 'Es ist ein Irrtum, wenn man dieses Problem so darstellt, als ob Osterreich die Wahl zwischen Anschluss u. Donauföderation habe. Diese Wahl besteht zur Zeit überhaupt nicht. Es gibt vorläufig nur zwei Möglichkeiten: Donauföderation in einer Gestalt, bei welcher der französische Einfluss dominiert, oder Zusammenschluss einiger Staaten unter der militarischen Oberherrschaft des fascistischen Italien. Mit anderen Worten, die Wahl steht zwischen grosser oder kleiner Donauföderation frei.'

It was further pointed out that whereas the Small Plan would almost certainly lead to a return of the Habsburgs the Big Plan would not necessarily do so.

[3] Schober estimated that between one-sixth and one-seventh of the Danubian surplus might be absorbed, but that this would mean the ruin of Austrian and Czech agriculturists. (He was, however, including Bulgaria in this computation.) (*Frankfurter Zeitung*, 3 February 1932.)

proposed to amalgamate, agriculture formed a much larger proportion of the total economy than in the roughly corresponding pre-war area, in spite of the development of industry in the Succession States. Bessarabia and Serbia, wholly agricultural districts, were now included in the new area; and agriculture had been sedulously, and to a large extent successfully, fostered in Austrian and Czechoslovak districts where it had been of little or no importance before the war.

Moreover, the whole scheme looked rather like an attempt to set the clock back, for, from the League documents published about this time on economic conditions in central Europe, it was clear that all the six Danubian states had, of recent years, had more trade with the western countries and less with each other.[1] And it was a dubious undertaking, from the economic point of view, to try to exclude Italy and Germany from Danubian markets, whatever might have been said for the attempt on political grounds.[2]

Thus the third possible 'democratic' solution for Austria proved to be unrealizable, on political, economic, and cultural grounds.

In fact the only foreign policy which appeared to be at all feasible by 1933 was one which was decidedly anti-democratic in its implications, namely an Italian policy.[3]

[1] In 1928, for instance, 35·5 per cent. of Danubian exports were within the Danubian group. By 1931, this proportion had dropped to 25·5 per cent.

[2] As regards Austria, for instance, while Hungary and the Little Entente took 29·5 per cent. of her exports, Germany and Italy took as much as 24·4 per cent. And as regards imports, the four Danubian states sent 36 per cent., while Germany and Italy sent 26·3 per cent. In each of the other Danubian states the position was essentially the same. (See *League Documents, Economic and Financial*, 1932, E. 781—'Études relatives au problème des rapprochements économiques. Chiffres essentiels du commerce extérieur des pays danubiens.') The group did not, indeed, form at all a satisfactory economic unit. Apart from the fact that Austria and Czechoslovakia could not absorb anything like all the surplus agricultural produce of the other three, their own industrial products tended to be of a kind that could only find a market in relatively highly developed countries. (This was especially the case with Austrian semi-luxury goods.)

[3] Italy's plans for Austria were, however, never very clearly defined, and probably varied considerably from time to time. Similarly, the groups susceptible to Italian influence, in Austria, all tended to have plans of their own.

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From the first days of the Republic there had existed right-wing groups in Austria who were not reconciled to the new democratic régime,[1] and with these the Italian Government, dissatisfied with the attitude of the Allies, established connections, without, at first, any success.[2] In 1922, however, an opportunity arose, when Seipel, in desperation, visited the various capitals of Europe seeking for economic help, having warned the Powers, at the London Conference, that unless they were prepared to come to Austria's assistance, they must take over her administration themselves. When he met the Italian Foreign Minister, Schantzer, at Verona, on 24 October 1922, it was proposed that a customs union should be formed between the two countries; and that Italy should take over the control of Austrian finances. The union was evidently intended to be relatively far-reaching. It is not, however, clear from which side the initiative came. Schantzer in any case hesitated, and the League stepped into the breach.[3]

During the next few years, the possibility of any kind of Italian solution receded as the relationship between the two

[1] These groups were recruited, in the main, from the ranks of the old Imperial Army, the Church, and the aristocracy.

[2] In the years immediately following the Armistice, for instance, she probably lent her support to the somewhat nebulous schemes then afoot for the formation of a south-German Catholic state under one of the Wittelsbachs. This state was to include Bavaria, Austria, Hungary, and possibly Croatia. The plan was apparently sponsored by Austrian clerical circles, certain French circles, and by the Vatican. The scheme, however, came to nothing. (C. A. Macartney, 'The Armed Formations of Austria', *Journal of the Institute of International Affairs*, vol. viii (1929), pp. 167 *et seq.*)

[3] The question arose again, at the time when the Austro-German Customs Union proposal was being considered by the International Court. Herr Kaufmann, the Austrian representative, then distinguished between 'associations douanières' and 'inclusions douanières'. The proposal of 1922 was, he said, an example of the latter: 'Il n'y a pas de doute quant du point de savoir que ce projet aurait compromis l'independence de l'Autriche au sens de l'article 88 de S. Germain.' The initiative had, he indicated, come from Italy. The Italian representative, M. Pilotti, denied this, however: 'Le gouvernement autrichien . . . a envoyé ses représentants en Italie pour proposer au gouvernement italien de prendre à sa charge la monnaie autrichienne, et de faire une Union douanière aussi complète que possible. Cette proposition n'a pas été acceptée par le gouvernement italien; on a estimé que la charge aurait été lourde pour les finances italiennes de cette époque.' (*Cour Permanente de Justice Internationale Série C*, No. 53, pp. 525 *et seq.* Also Muriel Curry, *Italian Foreign Policy* (Nicholson and Watson, 1932), p. 73.)

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•648 countries degenerated into one of positive hostility over the question of the South Tyrol.[1] And it was long remembered against Italy that she had supported Hungary's claim to a plebiscite in Odenburg in 1921.

But although the greater part of the population continued, as in pre-war days, to dislike and despise the Italians, Italy found plenty of opportunity for mischief-making. The *Heimwehr*, for instance, originally founded to keep the peace and defend the frontiers in Carinthia and Styria, shared from the beginning the Italian dislike of Yugoslavia. And with the advent of Mussolini in Italy, and the growth of reactionary forces within the *Heimwehr*, the link with Italy became stronger. As early as 1927, for instance, it was rumoured that the more extreme of the parties of the right, whose dislike of the Social Democrats predominated over their concern at the plight of the South Tyrol, were willing to play Italy's game in return for material support for the *Heimwehr*.[2]

If it is uncertain to what extent Seipel's Government felt positive sympathy for Italy, it is certainly true that Austria was not in a position to ignore her, for, in conjunction with her enthusiastic ally, Hungary, she was in a position to exert a very formidable pressure on Austria. This was shown very clearly at the time of the riots of July 1927. Italian support of Hungarian revisionist aspirations, which were at that time concentrated on the *Burgenland*, was well known. And Hun-

[1] The German minority in the South Tyrol had, since 1923, been subjected to systematic Italianization. This had been the subject of much indignant comment in Germany and Austria. Vigorous protest from the Bavarian Premier, Dr. Held, in 1926, elicited an extremely belligerent speech from Mussolini, in which he remarked that in no circumstances would Italy withdraw her flag from the Brenner. She might even, if need be, carry it further.

[2] *Manchester Guardian*, 5 November 1927, quoting from *Vorwärts*, the *Deutschen Volkswirt*, and the *Münchener Neueste Nachrichten*.

On 5 November the *Frankfurter Zeitung* drew attention in a long article to widespread rumours to the effect that the *Heimwehr* was being financed with Italian gold, and provided with Italian weapons. The Styrian *Landeshauptmann*, Rintelen, it was pointed out, had entertained the closest political and financial relations with Italy since he had given over the Styrian Water Power Company to Italian capital. Italy, it was suggested, would like to be able to control Styria because it would enable her more effectively to encircle Yugoslavia.

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gary would have required little encouragement to step in and take what she claimed was her own.[1] This state of affairs persisted through 1928. Relations with Italy continued, in spite of the danger, or perhaps because of it, to be uncertain.[2] But, as the right became progressively stronger in Austria, the anti-Italian tide began to turn.[3]

It was not, however, until 1930 that Schober finally established the relationship of the two countries on a positively friendly basis, by his visit to Rome in the February of that year.[4] The *rapprochement* was inevitably something of a Canossa for Austria,[5] and it speaks well for Schober's statesmanship that the visit did not arouse a great deal more opposition in Austria than was actually the case. It is probable that Schober himself did not intend the Italian visit to inaugurate the beginning of a new trend in Austrian foreign policy.[6] The French, however, and the Italians themselves, did not hesitate to assert that it did.[7]

The influence of Italy in Austrian politics had certainly

[1] Hungary's relations with her other neighbours had been rather more friendly in 1925 and 1926. The possibilities of opposition to a forward policy in the *Burgenland* had therefore decreased.

[2] The position of the South Tyrol, for instance, was discussed with great bitterness in the National Council in February.

[3] At the beginning of July 1928, for instance, Seipel made overtures to Italy by admitting that the point at issue in the Alto Adige was simply a cultural one. The Italian minister, absent since February, returned forthwith to Vienna.

[4] Schober went primarily in order to thank Italy for her recent support at the Hague, but also to conclude a Treaty of Friendship and Arbitration.

[5] Schober had, for instance, to walk in the funeral procession of one M. Bianchi, a well-known Austrian irredentist of pre-war days. (*Kölnische Zeitung*, 11 February 1930.)

[6] In his speech in the National Council, Schober remarked that 'der Vertrag mit dem Königreich Italien ist in seiner Tendenz die gradlinige Fortführung der Politik Österreichs, mit allen Staaten in friedliche Beziehungen zu leben.' (*Reichspost*, 26 February 1930.)

[7] '. . . L'Autriche est considerée comme un anneau' (between Italy and Hungary) 'qui pourrait rendre du précieux services au nouveau système italien d'alliances et d'amities.' (*Le Temps*, 8 February 1930.) 'Le gouvernement fasciste paraît, en tout cas, faire un nouvel effort pour organiser sur le Danube un groupe capable de contre-balancer l'influence de la Petite-Entente, et de créer au centre de l'Europe, une situation politique correspondant aux idées et à l'intérêt italiens.' (*Le Temps*, 8 February 1930: also *Pester Lloyd*, 26 February 1930.)

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increased considerably by 1930. This was in part a consequence of the fact that, for reasons of internal politics, the balance of power in Austria had passed to the right-wing groups, who had natural affinities with both the civil and the ecclesiastical powers in Italy. There can be little doubt that the fact that Italy was ready to back these materially as well as morally gave them eventually an advantage over the left and the centre which they might never otherwise have acquired.[1]

The pattern of Austrian foreign policy, long veiled in obscurity, was now becoming clear. The 1931 Customs Union proposals had showed that the great body of democratic and moderate feeling in the country still looked for salvation in union with the Reich. The Social Democrats were certainly becoming more doubtful of the advisability of an *Anschluss* in the immediate future, in view of events in Germany. But their lack of enthusiasm was made up for by the fervour of the Nazi group, which was growing rapidly.[2]

The right-wing clerical group, whose interests were more or less identical with those of a large section of the *Heimwehr*,[3] would probably have had little chance of maturing their plans, even after the failure of the 1931 Customs Union project, had it not been for the support which they received from Italy and

[1] The author of *Alarmruf aus Österreich*, a well-informed pamphlet which appeared in 1931, and emanated, apparently, from someone in close proximity to Schober, considered that Austrian reactionary groups would probably be of negligible importance were they not supported from outside the country.

[2] It would be easy to expatiate at length on the unsuitability of the Nazi ideology for Austria. But the movement had, none the less, much to recommend it in Austrian eyes. It was anti-democratic, at a time when disillusionment with democracy was widespread; it was anti-clerical, a factor of great importance in Austria where anti-clericalism is much more widely spread than is commonly supposed; and it was pro-German. It was thus, superficially at any rate, admirably suited in many respects as a creed for the impoverished, free-thinking middle class. And it recruited its hangers-on for the purposes of demonstrations, fights, etc., from the army of the down-and-outs, who were ready to work and fight for anyone who paid them, and to believe in any party which worked against the existing régime, and held out sufficiently alluring promises of future wealth.

[3] A considerable part of the *Heimwehr*, notably in Styria, were Nazi in sympathy.

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the Vatican. The aristocracy and the army, from whom these groups were mainly recruited, had never had deep roots in Austria; they had lived, both before and after the war, in a closed circle, as a class apart from the people. On the other hand, the return of the Habsburgs to Austria and Hungary, which was the more or less constant aim of these groups, was a policy eminently acceptable to Italy (though the Right-wing parties no doubt anticipated being in a position to dispense with Italian 'advice', once they were established). And Great Britain, irritated by the insistent demands of nervous French imperialists, would probably have been glad enough if Italy could have taken the place of France in building up a strong bloc in south-eastern Europe, which would in its nature constitute a permanent check on German ambitions. Even France, too much embroiled in her own difficulties to be able to finance much longer the costly experiment of Austrian 'independence', was able to view Italian schemes without undue alarm. And some circles in Czechoslovakia, the senior partner in the Little Entente, were coming to believe that Italian influence, even if this meant a return of the Habsburgs, was a lesser evil than the *Anschluss*.

Italian schemes at first took the form of the encouragement of a *rapprochement* between Austria and Hungary. In July 1930 Schober made a journey to Budapest. The two countries exchanged mutual compliments; and the tension that had existed between them before and after the war was conveniently forgotten.[1] Too much significance should not, however, be attached to this visit.

There appears, however, to be reason for believing that the relationship between the two countries became very much closer during the short period of office of the Seipel–Vaugoin minority Government in the autumn, and it was widely be-

[1] Report of Count Bethlen's speech, at a dinner given in Schober's honour when he visited Budapest: 'Viele Jahrhunderte gemeinsamer Friedensarbeit . . . unzählige gemeinsame Kämpfe, gemeinsam vergossenes Blut, ebenso wie die letzten zehn Jahre gemeinsam erduldeten Leiden . . . sind ein festes Band, das uns mit unserem österreichischen Nachbar in warmer Freundschaft verbindet.' (*Neues Wiener Tageblatt*, 8 July 1930.)

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648 lieved that the question of a military alliance at least was then discussed, although this was officially denied.[1]

In March and April interest in the Hungarian question was overshadowed by the German Customs Union proposals. It was revived, however, at the beginning of May, by an unofficially inspired article which appeared in the *Tribuna*, in which Italy gave it to be understood that she considered that Austria's true mission was to remain as a Danubian state, closely linked with Hungary.[2]

The Hungarian project probably came to be viewed with increasing favour in the course of the summer in certain Austrian circles,[3] as it was becoming ever more apparent that the Customs Union would not be realized. And French and

[1] The *Frankfurter Zeitung* of 1 February 1931 quoted an article from the *Österreichische Volkswirt* as follows: 'Vor dem Wechsel auf dem Ballhausplatz, hätte Bethlen mit gutem Grunde auf einen Wortlaut rechnen können, der über den üblichen Freundschaftsvertrag hinausgegangen wäre. Auch das wäre natürlich ein rein defensiver Vertrag gewesen, aber doch immerhin, ein Vertrag auf mehr als bloss formalen Inhalt.' The *Frankfurter Zeitung* commented on this as follows: 'Dass die Politik Seipels in dieser Richtung gelassen ist, u. dass die reaktionären Kreise . . . nichts lieber sehen würden als einen Anschluss Österreichs an das halbdiktatorisch regierte Ungarn u. seine Gruppe, besteht kein Zweifel.'

[2] The article was quoted in *Le Temps* of 4 May 1931 as follows: 'La mission historique, économique et politique de l'Autriche est du reste en fonction danubienne. C'est pourquoi c'est seulement avec une autre pays typiquement danubienne, la Hongrie, que l'Autriche peut améliorer sa structure économique, renforcer son entité politique, et acquérir de l'autorité en Europe . . . l'Italie trouverait dans ce nouvel équilibre de l'Europe centrale et balkanique un précieux facteur, pour le développement de sa politique de paix et d'expansion, et la France un moyen efficace pour éviter l'Anschluss.'

[3] The *Weltblatt*, for instance, representing the views of Herr Kunschak and the more liberal wing of the Christian Socialist party, remarked that 'la necessité s'impose à l'Autriche de se préparer, ou tout au moins de ne pas s'opposer, à son union qui est trés prochain, avec la Hongrie. Lorsque l'évolution, qui est imminente, arrivera à son terme, les deux peuples seront peut-être accessibles à l'idée d'un restauration de la Monarchie.' (Quoted in *Le Temps*, 26 October 1931.)

On 22 November 1931 the project was discussed at a meeting of the *Wiener Industriellenklub*, at which leading business men from both countries were present. (*Pester Lloyd*, 22 November 1931.)

The matter was broached in Parliament about this time, in connection with the negotiations which had taken place between Dr. Dollfuss, Minister of Agriculture, and M. Hantos, the Hungarian Minister of Trade. The project was opposed by the National Economic Bloc. (*Neue Freie Presse*, 24 November 1931.)

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Czech opinion was coming to feel that even the Habsburg solution would be preferable to that of an *Anschluss* between Austria and Germany.[1]

Italy, however, always uncertain as to her best line of attack, showed some hesitation when the question of Danubian Federation came up in 1932. It was not until the time of the London Conference that she decided definitely to oppose this plan.

The moment appeared an opportune one for the Italian scheme, for those of the *Heimwehr* who had not openly or secretly gone over to the Nazis now appeared to rally round the Legitimist cause.[2] Italy now openly supported the *Heimwehr*.[3] The Church also came out openly in favour of it, and it became quite usual for *Heimwehr* meetings to begin with an open-air Mass.[4]

Negotiations with Hungary were not, however, found to be very easy. And even the attempt to negotiate a new commercial treaty in the summer of 1932 occasioned much difficulty and ill-feeling.

At the end of 1932 the old project of the formation of a

[1] Article in *Frankfurter Zeitung*, 29 August 1931: 'Man glaubt, dass den Franzosen, aber auch den Italienern, ein Zusammenschluss mit Ungarn unter einem Habsburger als ein kleineres Übel als der Anschluss Österreichs an Deutschland erscheinen werde. Auch die Kleine Entente ist in der ablehnenden Haltung gegenüber Habsburg . . . nicht mehr so einig wie früher.'

[2] Article by Léon Blum in *Populaire*, 3 November 1932: 'La Heimwehr d'Autriche, en partie Hitlerienne, reste en grande majorité hapsbourgeoise. Elle entretient les plus étroites relations avec le gouvernement fasciste de Hongrie, avec les Casques d'Acier, avec Mussolini. Le Ministre d'Italie n'a pas craint de figurer publiquement à la dernière manifestation des Heimwehren.' Léon Blum pointed out that these people were gradually getting into government circles, and that Major Fey, for instance, belonged to them.

[3] On 15 and 16 October, for instance, when a conference of *Heimwehr* leaders was held in Vienna, at which 1,000 *Heimwehr* men appeared, the Italian minister was present. (*Le Temps*, 17 October 1932.)

[4] *Alarmruf aus Österreich*, 1931: 'Dass Fascismus u. Vatikan in Ungarn u. Österreich gemeinsam marschieren, ist allein aus dem Wohlwollen der österreichischen Kirchenfürsten für die von Mussolini begönnerten Heimwehren erwiesen. Der österreichische u. ungarische Legitimismus wird nahezu von allen Kardinälen, Bischöfen, Prälaten u. Aebten dieser beider Länder ganz offen begünstigt. Das wäre ohne Zustimmung des Oberherrn in Rom nicht möglich.'

2: MacDonald S-4 (no date) 1946 EK1 Austria EK1

South German Catholic state which was to include Austria, Hungary, and Bavaria was revived unofficially. It is, however, doubtful if the scheme ever approached actuality, although Dr. Dollfuss was said to be interested in it.[1]

In conclusion, it may be said that in the early post-war years, when both Austria's friends and her principal creditors were democratic states, the signs of reaction in Austria were relatively few. But the movement of Germany towards the right, round about 1928, inevitably led to a similar movement in Austria; and at the same time France, and, to a lesser extent, the satellite Little Entente states, timorous before the increasing power of Germany, came to view with ever less aversion a solution of the Austrian problem on the lines envisaged by the right-wing Austrian groups. A development of this kind was by no means wholly to their liking, but it at least precluded, so they thought, the menace of the *Anschluss*.

Thus Austria's democratic friends came to view with comparative equanimity the increasingly large part played by Italy in Austrian affairs from 1930 onwards. Italy, it was thought, could be trusted to play for all time an anti-German game. This she undoubtedly did, as long as she was able. But the price which had to be paid was the sacrifice of democratic government.[2]

It was, from the first, all too obvious that Austria was considered by the great Powers as a pawn in the game of international politics, and that the right of self-determination would never be accorded her. It was, therefore, not unnatural that, as the years went on, the country ceased to desire the maintenance of a sham 'independence'.

[1] Meetings were held on 11 November and 12 November 1932 in Salzburg, at which both Dr. Dollfuss and Dr. Held, the Bavarian Premier, were present. And the *Heimwehr* and the Bavarian Casques d'Acier held joint manœuvres at Salzach, at the beginning of December.

[2] The crushing of the Social Democrats, in February 1934, for instance, was probably a direct result of Italian intervention.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

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I

The Austrian Problem

THE popular conception of a Europe divided by the Iron Curtain makes no allowance for the position of Austria. On one side of the curtain are East Germany and the Soviet satellite States, with Berlin heroically maintaining its insularity and faith in the future. On the other side are the West European countries, including Yugoslavia, with Albania as a queer but harmless anomaly left isolated on the Adriatic by Tito's quarrel with Russia. Austria under Four-Power occupation, yet with a Federal Government of its own, does not fit into this over-simplified pattern. The Russian zone of Austria is not behind the Iron Curtain in the same sense as East Germany, but it cannot be included in Western Europe. 648

This aspect of the Austrian question is bound up with the conflict between Russia and the West. It is a post-War development and will become clear as the story of post-War Austria is told. The main problem presented by Austria in 1945 is more fundamental and can be understood only in the light of the country's history between the two World Wars.

When the Habsburg Empire disintegrated in the autumn of 1918, the bulk of its territory and population was taken over by the so-called Succession States. All that were left to form the new Austrian Republic were about seven million German-speaking Austrians and a group of provinces extending from Hungary to Switzerland without national or administrative cohesion. For some months it was doubtful if an Austria would survive at all. From the economic and political points of view there were strong reasons why it should not. 728 642

Economically the new State was an irrational fragment which would have the greatest difficulty in paying its way. In area it was little more than an eighth the size of the old Empire, 433

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433 and in population less than a seventh. Yet it contained Vienna, with over two million inhabitants, a great Imperial city that had lost its *raison d'être*. The capital's top-heavy administrative system and large governing class were a burden to the young Republic. The country had lost to the Succession States its main sources of food supply and the coal vital to its industries. Four-fifths of its wheat and between two-thirds and three-quarters of its coal had to be imported. It was not surprising that in 1922 Austria had to appeal for financial aid from abroad and to accept the supervision of a League of Nations Commissioner.

648 Politically the seven million German-speaking Austrians did not want to form an independent State. The Austro-Hungarian Empire had collapsed owing to the desire of its various peoples for self-government. In 1918 the idea of self-determination was in the air, and it was natural that the German-Austrians, who owed to it the loss of their dominant position in the Habsburg Empire, should wish to make the best of the situation by applying the principle to themselves. In Germany the military Imperialists had fallen from power. The great majority of Austrians, therefore, who disliked Prussian arrogance but felt themselves to be Germans, were in favour of an *Anschluss*, or union with Germany, whether they belonged to the Right Wing or to the Left. Even Dr. Karl Renner, the first Chancellor of the Austrian Republic, who, as a Socialist, had advocated a free federation of Danubian peoples under the Habsburgs, was converted to the *Anschluss* idea by the force of events.

The first name given to the remnant of the Habsburg Empire was not 'Austria' but 'German-Austria'. A Provisional National Assembly, which met in Vienna during November 1918, approved a constitutional law stating that German-Austria was 'an essential part of the German Republic'. This decision was confirmed by a Constituent National Assembly the following March. Otto Bauer, who was in charge of foreign affairs, drew up a treaty with the German Foreign Minister, laying down the manner in which German-Austria

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should be incorporated in the German Republic, in the event of the peace treaty permitting such a development. The Provincial Assemblies of Salzburg and the Tyrol decided to hold plebiscites on the subject, both of which resulted in overwhelming majorities in favour of union with Germany. In the Tyrol 144,342 votes were cast for the *Anschluss* and 1,794 against. In Salzburg the figures were 103,000 for and 800 against. 648

In spite of these clear indications of popular opinion, the victorious Powers opposed any increase in German territory. The Treaty of St. Germain, in September 1919, established Austria as an independent State and forebade any modification of its independence without the consent of the League of Nations. In 1931, when the economic crisis led the Austrian and German Governments to plan a Customs Union between the two countries, the project was forbidden as contrary to the treaty terms. C. A. Macartney's laconic statement that French fear of the Germans on the Rhine was 'an insufficient reason for condemning Austria to be alive' summed up the feelings of many Austrians.

In addition to its fundamental weaknesses, the Austrian Republic lacked the required conditions for successful democratic government. 641 665

A prerequisite of sound democracy is a sense of common purpose. Party rivalry is essential to the democratic system, but it must take place within the framework of loyalty to the State. On the whole, in the First Austrian Republic party sentiment was stronger than patriotism. Of the two main political parties, the Social Democrats were convinced, though moderate, disciples of Marx, believing in the international character of Socialism and not uninfluenced by Marx's theory of class dictatorship. The Christian Socialists, though made up of peasants and industrialists as well as clericals, were predominantly Catholic and traditionalist in sympathy, many of them with monarchist leanings. Both sides tended to attach more importance to realizing their political ideals than to establishing effective government in the new State.

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665 been suspended by the Dollfuss Government and the country
668 was on the verge of civil war. The Government's harsh and ill-considered decision to turn artillery on to the workers' dwellings may have cut short the conflict and suffering, but it was a final betrayal of democracy that no considerations of expediency can excuse.

721 In spite of the serious internal difficulties, it was in the end to external force that the Austrian Republic succumbed. On the 11th of March 1938 Hitler sent an ultimatum to Dr. Schuschnigg, the Chancellor. Within a few hours German troops had occupied the country and the *Anschluss* was a fact. The Austrian political parties have accused each other of preparing the way for this tragedy, but there were deep-lying causes for the growth of National Socialism and Fascism that were beyond their power to prevent. In the diplomatic circumstances of the time, even had Austria been a model democracy, it would have had no more chance of withstanding Hitler than had the courage, patriotism, and democratic example of the Czechs. As the only German country outside the Reich, Austria was the first object of Hitler's ambition. The opening page of *Mein Kampf* contains the sentence: 'German-Austria must return to the great German Mother Country'.

186 In fact, by 1938 the attitude of Austrians towards union with
648 Germany had changed considerably. Inside Austria nearly twenty years of enforced independence had inevitably left their mark: the people were acquiring a sense of pride in their achievement and hope for the future. Recent developments in Germany also had had a decisive effect.

433 Economically Austria had made important progress. In 1918 its position seemed hopeless. But the Austrian Government and people gradually accustomed themselves to the idea that their fate was in their own hands. By 1937 the country was producing three-quarters of its food. Valuable oil-fields had been discovered at Zistersdorf, north-east of Vienna, and oil production had risen from 73 tons in 1932 to 32,849 tons in 1938. The tourist industry had developed rapidly and covered over 80 per cent of the country's trade deficit. When the

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433 *Anschluss* took place, Austria already had a good chance of becoming a viable State.

657 Politically the main achievement had been in the field of social legislation. Nowhere in Europe did the Socialist ideal find more impressive realization than in the legislative programme initiated by Ferdinand Hanusch, the Austrian Secretary of Social Administration between 1918 and 1920, and in 367 the housing schemes carried out between the Wars by the Vienna municipality under Social Democratic control. These improvements gave the young Republic something to be proud of, something, moreover, which was associated with the difficult present rather than with the glorious past, and which 648 directed attention to the possibilities of the future. Another political event of importance was the appeal for financial help made to the Allies by the Christian Socialist Chancellor, Monsignor Seipel, which led to the appointment of the League of Nations Commissioner. He was accused of being a traitor by his opponents, but his action established an important precedent in international collaboration. It showed that it was possible to combine patriotism with the acceptance of international control, an innovation of great significance for a small State like Austria.

517 In culture and sport the period also brought great success. The triumphs of the Austrian football team, the Vienna State Opera, and the Salzburg Festival stirred the pride and enthusiasm of the harassed Austrian people.

186 Anton Wildgans' *Rede über Österreich*, which was written in 1929, reflected the development of Austrian patriotism and Austria's sense of identity as a State. This great speech was intended for a foreign audience. But it was also a noble expression of patriotic faith. Its enthusiastic reception in Austria was a clear indication that it summed up ideas that were germinating in many Austrian minds.

648 Austria's growing self-consciousness and sense of independence were stimulated by Hitler's rise to power. Austrian Socialists had been in favour of union with a Germany in which Socialism and democracy were strong, but they had no

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desire to link up with a totalitarian régime practising militarism and racial persecution. Their aversion was shared by many Right-Wing Austrians who had additional reasons for disliking Hitler's Germany. Dr. Dollfuss had been murdered by Nazis, and Dr. Schuschnigg had been insulted at Berchtesgaden. It was significant that shortly before the German ultimatum Dr. Schuschnigg held a successful conference with Viennese Socialists and Communists, although it was too late to have any effect.

Hitler himself provided the best proof that the majority of Austrians were opposed to his régime. The German troops crossed the Austrian frontier two days after Dr. Schuschnigg announced his intention of holding a plebiscite on Austrian independence. The Führer was well-informed on Austrian opinion, and decided he must act before the people could express their views.

A clear distinction must be made between the two meanings of the term '*Anschluss*'. In its more general sense of union with Germany it describes the aspiration of the great majority of Austrians after the First World War, an aspiration based on consent and rooted in the principle of racial self-determination. In the case of loyal Imperialists, it was the product of disenchantment and despair, the shattering of the foundations of their existence. With the Socialists it represented the international aspect of Marxism and the conviction that their political ideals could best be realized in alliance with the German Socialist Movement. But since 1938 the term has normally been used to describe Hitler's seizure of Austria in March of that year. In this sense it describes the first phase in the Nazi programme of expansion in Europe, which was carried out by force and threats without any regard for the real wishes of the Austrian people or any intention of respecting their cultural and historical identity.

In the absence of diplomatic support, Austria was powerless to withstand Germany. A minority of Austrians did not wish to do so either. They were tired of the economic struggle, disillusioned about politics, and impressed with German strength.

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Hitler's phenomenal success and his massive histrionic displays had their effects on an impressionable people. But one year's close acquaintance with National Socialism was sufficient to break the spell.

Austria was renamed the *Ostmark*, and its interests were systematically subordinated to those of the *Reich*. The most important Austrian banks and industries were placed under German control. To most Austrians it was intolerable that Vienna should become a provincial city and each of the ancient provinces a *Gau* controlled from Berlin. The difference between Prussian totalitarianism and the Austrian spirit became clear as never before, and one Viennese spoke for many when he said it was only an accident that Germans and Austrians spoke the same tongue.

When the War ended, the disillusionment of the Austrian minority was complete. Six more years of Nazi domination had confirmed the impression of the first twelve months. Failure and disaster had discredited a movement which was built up on practical success.

More important was the transformation of the Austrian people as a whole. The change that started between the Wars was completed during the German occupation. By 1945 the name 'Austria', honoured by Hitler's disapproval, had gained a new significance. The Austrian people had acquired a will for independence. They had also learned much from their political experience and failures.

So when Austria was liberated by the Allied armies and the Second Austrian Republic was formed, the restored State faced the challenge of post-War problems in circumstances quite different from those in which the First Austrian Republic had confronted the problem of its existence after 1918.

Austria's difficulties in 1945 were formidable. Like most European countries, she suffered from War damage and economic dislocation. In her case were added the political and economic effects of seven years' subjection to Germany, during which there had been a complete break in administrative continuity, and industry and agriculture had been subordinated to

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668 division was virtually written off by staff sabotage. The division had been defeated on the Western front; its re-formation was repeatedly delayed by changes in the rendezvous and misdirection of reinforcements and equipment, and finally it was reported ready for action when its personnel was only at half strength.

668 Outside their own country Austrians fought with the Maquis in France and with Resistance groups in Italy. An
•648 Austrian battalion was formed as part of Marshal Tito's National Liberation Army. Many Austrians taken prisoner by the Allies asked that an Austrian fighting force should be formed to take part in the liberation of their country. But Allied consent was unfortunately delayed until April 1945, when it was too late to be of use.

During the last months of the War the enterprise and courage of a few individuals led to liaison being established between the Austrian Resistance Movement and the Allies. In the autumn of 1944 messengers with forged papers travelled to and fro between Austria, Switzerland, and North Italy. During October and November the Provisional Austrian National Committee, known as POEN, was set up in Vienna with its secret communications centre in the Grand Hotel, in order to provide a representative political organ through which the military Resistance Movement could make contacts abroad. After about four months most of its members were arrested by the Gestapo and the organization was destroyed. But not before it had fulfilled a valuable function. In February 1945 a representative of the Austrian Resistance went to Paris and established relations with the Allied General Staff, the French Foreign Ministry, American and British diplomatic representatives, and Russian liaison officers. He told them about the activities of the Resistance Movement and the existence of POEN, and asked them to give recognition to POEN, appoint liaison officers, and supply weapons and radio sets for the Resistance. The reactions of the Allies varied. The British showed caution, and the Americans were more ready to give practical assistance. Two American liaison officers were

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appointed, and two radio sets were smuggled across the frontier for use at Innsbruck and Salzburg. It was also arranged that the B.B.C. and the Voice of America should broadcast for POEN and the Austrian Resistance Movement. 668 648

In March, Fritz Molden, a young Austrian who had played a leading part in establishing relations with the Allies, visited the Allied Air Headquarters at Caserta. He took with him an appeal from the Resistance Movement, asking the Allies not to bomb civil objectives in Austria and pointing out that restraint on this point would make the task of the movement in organizing opposition easier. The Americans gave Molden, as the representative of POEN, the status of a special liaison officer with their forces in Italy.

The last Nazi effort to mobilize forces for the defence of Austria was the calling out of the *Volkssturm* in the autumn of 1944. This *levée en masse* of those that remained was doomed to failure from the start. All able-bodied men of military age had already been conscripted, and the hurried mobilization of the young, the old, and the unfit could only have succeeded had they been filled with a spirit of devotion to the cause. But this was almost entirely lacking. Drill and training in most cases were not taken seriously, often as the result of tacit understanding between officers and men. An Associated Press report from Buchs on the Austro-Swiss frontier towards the end of March 1945 estimated that 60,000 Austrians had fled to the hills to avoid the new form of service. During the liberation campaign that followed, not only members of the *Volkssturm* but whole units of the *Wehrmacht* under Austrian officers broke up and went home, changing their uniforms for civilian clothes. In these circumstances, Hitler's Wagnerian plan for a last stand in his 'Alpine fortress' at Berchtesgaden was abandoned. He chose for the final scene Berlin, where the details were less likely to escape his control. 726

In the brief battle for Vienna the general attitude of the population had a decisive influence. A group of army officers, led by Major Biedermann, who had established contact with the Russians, were betrayed and executed soon after fighting 668 726

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642 government of Lower Austria, shortly afterwards becoming President of the Austrian *Bauernbund* and Governor of Lower Austria. At the same time he improvised measures for the [731 relief of famine in Vienna. The Russian military authorities were persuaded to put two or three dozen lorries at his disposal. The drivers reported to him every morning, and, accompanied by volunteer civilian guides, were sent out into the countryside to collect supplies. In the evening they returned, and the food was handed over to the municipality for distribution. Figl was specially qualified to perform this service, because he had the confidence of the peasants.

648 While these developments were taking place in Vienna, a 643 series of events had occurred in the country south-west of Vienna which were to have a decisive influence on Austrian history.

In the village of Gloggnitz, at the foot of the beautiful Semmering Pass, Dr. Karl Renner, senior and most respected member of the Austrian Socialist Party, had been living since his enforced retirement from active politics in 1934. In April 1945 he was seventy-four years old, but still strong and active in body and mind. Gloggnitz was not far from Köszeg, the point on the Hungarian border where the Russian troops first entered Austria. It was therefore one of the first villages to be occupied. Dr. Renner, having advised his fellow villagers to stay where they were and not run away from the advancing army, was disappointed at the rough house-searchings to which all of them were subjected. On Easter Tuesday, therefore, two days after the arrival of the Russians, he took his stick and, without bothering to put on a coat, walked down the street in search of the local command post, in the hope of convincing the officer in charge of the villagers' peaceful intentions and preventing further mistreatment. He was directed to the next village, a mile and a half away, and there by a fortunate chance found some officers who knew his name and past record. He was sent by lorry to higher headquarters at Hochwolkersdorf, where he was received with great respect and spent the evening in discussion with senior staff officers.

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Dr. Renner had entered the lorry under protest. He had left home with the intention of visiting the village command post and then returning. He was therefore concerned both about his family and about their anxiety for him. Nevertheless the evening's conversation and the talks that followed the next day with officers of even higher rank were of great significance for the future. The Russians agreed to assist Dr. Renner in taking the measures necessary for the re-establishment of democratic government in Austria. They assured him that they stood by the Three Powers' declaration at Yalta and that Austria, when liberated, would be free to solve its political and economic problems according to the people's will. Dr. Renner for his part made clear that there could be no question of his acting as a Russian agent. If he were to form a government his commission must come from the Austrian side. It was arranged that he should be given full facilities for his preliminary work first in Gloggnitz and later at some suitable place nearer Vienna.

After a few days at home, during which he worked on a series of declarations and pamphlets addressed to the Austrian people, Dr. Renner and his family were taken to a country house near Wiener Neustadt. Then, to their surprise, they were driven on the 21st of April direct to Vienna.

It was a remarkable accident that brought Dr. Renner into contact with the Russian authorities within a week of their entering Austria. His name was known to educated Russians as a pioneer Socialist thinker on the problem of nationalities, whose writings had influenced Stalin, while he was preparing his essay on *Marxism and the National Question* in Vienna at the beginning of 1913. But that he should have come upon Russian officers, in a remote village at that particular time, who realized his potential importance, was a stroke of fate, the full consequences of which it is impossible to assess. What would have happened had his meeting with the Russian leaders been delayed for some weeks can only be a matter of conjecture.

By character and experience Karl Renner was by far the best qualified man to undertake the formation of an Austrian

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643 government in the critical spring of 1945. He was sufficiently far to the Left in his opinions to be acceptable to the Russians and yet sufficiently moderate to be respected by all parties. He had been first Chancellor of the First Republic, and therefore had unrivalled knowledge and experience of post-War problems. He had also been President of the Austrian Peace Delegation at St. Germain. Furthermore, he combined strong political convictions with flexibility of method and willingness to compromise, a mixture of qualities which were to prove invaluable during the coming years.

[642] When he arrived in Vienna, Dr. Renner found, to his pleased surprise, that the political parties had already combined in many municipalities, including the capital, to set up provisional administrations. In Vienna General Körner and his [204] deputies were established at the Town Hall. Representatives of the three parties had joined together to found a new newspaper, *Neues Österreich*, the first number of which appeared on the 23rd of April, after the city had been without a newspaper for three weeks. A first meeting of trade unionists had also [467] taken place, which led to the foundation on the 27th of April of an Austrian Federation of Trade Unions on an all-party basis. Dr. Renner altered his plans to suit the unexpectedly favourable conditions. Calls to action were not required so much as leadership, organization, and the definition of objectives.

643 The Russians installed Renner in a house in the suburb, Hietzing, that was large enough to accommodate his family •648 and small staff and allow conferences to be held on the main 642 floor. The day after his arrival, the Russian colonel who was acting as liaison officer arranged for leading personalities from the different political parties to come and visit him. The first to arrive was Leopold Kunschak, to whose attitude Renner attached great importance. He was followed by General Körner and Adolf Schärf; the Communists, Ernst Fischer and Johann Koplenig, and others. Negotiations progressed so rapidly that within two or three days agreement had been reached on the membership and constitution of the Provisional

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Government. On the 27th of April, Dr. Renner as Chancellor designate and his proposed colleagues were received by Marshal Tolbuchin, who in the name of the Red Army gave the Government *de facto* recognition and promised it support. 643 648 642

The same day a proclamation was issued in the name of Renner and representatives of the three political parties, which contained a formal Declaration of Independence. It announced the restoration of the Austrian Republic, the nullification of the *Anschluss*, and the proposed establishment of an all-party provisional government with full legislative and executive authority, subject to the rights of the occupying Powers. On Sunday the 29th of April members of the new Government assembled in the council chamber of the Vienna Town Hall, and, after an exchange of speeches between Burgomaster Körner and Dr. Renner, proceeded, accompanied by the City Senate, to take formal possession of the half-destroyed parliament building nearby. There they were greeted by the Russian Commandant of the city; and Dr. Renner, among the ruins and the rubbish that there had been no time to clear away, reaffirmed his faith in the future of free Austria and the democratic resolve of his colleagues and himself. The ceremony concluded with the reading of a declaration to the people of Austria announcing the establishment of the Provisional Government and exhorting all citizens to play their part worthily in the restoration of the country. 642

The authority of the new Government extended in fact only to Vienna and those areas of Lower Austria, Burgenland, and Styria that the Russians had already freed. Provisional governments were established in the rest of Austria, as the liberation proceeded, and political authority was exercised either by the military governments of the occupying Forces or by Austrian Provincial Governments set up or approved by them. In Carinthia an all-party Government had been formed on Socialist initiative before the British arrived. In the Tyrol, the Resistance Movement, which had already achieved so much, established an Austrian Provisional Government Committee in the face of Nazi opposition: the American forces, whom the 642 648

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642 648 Resistance leaders had invited to cross the frontier from Bavaria, were given a formal and enthusiastic welcome when they entered Innsbruck on the evening of the 3rd of May.

648 Within a year or two of the end of the War a bitter joke was current in Vienna. Austria, it was said, might possibly survive a third World War, but it would certainly not survive a second liberation. Austrian disappointment was understandable. Dr. Renner pointed out in April 1946 that after the First World War Austria had waited six months for the invitation to St. Germain, and that the peace treaty had followed four months later: that was the treatment given to a defeated country, and it was indefensible that a liberated country should be treated worse. Yet, in spite of everything, the overthrow of the Nazi régime in the spring of 1945 was a liberation. Since then Austria has had a large measure of freedom in which to develop its own way of life. Though the continued restrictions on its liberty cannot be defended, against them can be set the considerable amount of material and moral help the country has received from some of the occupying Powers.

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of deep patriotism. In spite of the sordid conditions and immense difficulties, an atmosphere of happy adventure and exhilaration surrounded the whole operation. As one official who took part in it remarked: 'After all, it is not often that one has an opportunity to build up a State.' 663

In the work of political and economic reconstruction the Provisional Government received the support and assistance of the Russian military authorities. As will be seen, the Russians at this time were beginning to carry out the systematic confiscation of economic assets which was part of their post-War policy. But this was accompanied by a positive and helpful attitude towards the Government itself. It would be quite wrong to attribute to the Russians at this period the political obstruction they practised later. Buildings were made available for Government departments. There was no interference with the Cabinet's deliberations, and the laws were, with very few exceptions, given tacit approval. In fact, the Provisional Government felt free and unrestricted in the immense legislative task with which it was faced. After all, the Government was a Russian creation, and the Russians must be given credit for the selection of Renner. The fact that he turned out to be a better choice from the Austrian than from the Russian point of view is beside the point. 648

The Austrian Communists also, in their own way, furthered the work of the Provisional Government. In view of the key positions they held, this was really to be expected. With Russian support they had obtained much fuller representation in the Cabinet than their strength in the country warranted. In addition to providing Under-Secretaries and a member of the Political Cabinet Council, they held the all-important Ministries of the Interior and Education, which were responsible respectively for security and 'public enlightenment'. But the Communists also contributed to the success of the Government for another curious and surprising reason. 665

Very soon after the arrival of the Russians the chosen leaders of the Austrian Communist Party flew into Vienna in Russian aeroplanes: Ernst Fischer and Johann Koplenig from Moscow,

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Nevertheless a great deal was accomplished at every level; by the Central Government itself, by the provinces, and by the municipalities. And it was not long before the results of their efforts could be seen. Following the example of Vienna, in some cases at the same time, the machinery of local government was set in motion in the villages and towns by the joint action of all parties. This work was carried out with the support of the Russian military authorities, who, however, did not attempt to exercise any undue influence. That this attitude should be taken by an occupying Power, in some cases while fighting was still in progress, is something for which the Russians deserve full credit. In Vienna, before the end of April, several tram services were again working, and gas and electricity were available in some parts of the city. At the beginning of May the first trains left Vienna for Klosterneuburg and Wiener Neustadt, and a restricted mail service was started again. At the end of the month the lighting of private houses was possible for short periods daily, and this was followed early in June by the restoration of street-lighting and a considerable relaxation of the curfew regulations that had been introduced in April. A very limited radio service had been opened in April, and on the 12th of June *Neues Österreich* announced proudly that for the first time for seven years the voice of Austria could be heard again by wireless in the outside world.

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The two most serious matters to be settled were the problems of food and security.

The famine conditions in liberated Vienna could not easily be overcome. The city's supply problem since 1918 had always been a difficulty, and the situation in the spring of 1945 made it infinitely worse. The breakdown of communications, the vast number of refugees, and the inevitability of the Russian troops living partly off the country, when they first arrived, led in May to the reduction of the ration to 350 calories a day. The Austrians made every effort to improve the situation, though with little success. Figl's improvised collection service has already been described.[1] But the previous year's stocks were almost exhausted, and the prospects for the new harvest could

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[1] [Ct. cat. 116, p. 20 — Analyst]

3; Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

731 hardly have been worse. The fighting in Lower Austria had coincided with sowing time; horses and tractors had been carried off; men of military age were still away, and the forced foreign labour brought in by the Nazis had disappeared. Women dared not go out on to the fields, and their menfolk were unwilling to leave them alone at home, with Russian troops in the neighbourhood. In these circumstances the well-intended exhortations of the *Bauernbund* and the efforts of the Lower Austrian Government could have little effect. The only hope was Allied help, and this was fortunately forthcoming. In May the Russian Army began to release food from its own stocks, and in September all four occupying Powers joined in alleviating Vienna's supply problem.

625 648 The disintegration of the Austrian police that accompanied the liberation left the country without a force for the maintenance of law and order at a time when it was most needed. Joint Russian and Austrian improvisation, however, produced a reasonably satisfactory solution of this problem, though an increase of crime was inevitable under the exceptional conditions of the time.

The Russians first established groups of auxiliary police largely under Communist leadership in the Vienna districts and parts of Lower Austria. The Austrian partisan battalion from Yugoslavia, which arrived in Vienna on the 12th of May, was also installed as a kind of Communist party-guard in the Hofburg, the old Imperial Palace, which had become the Russian headquarters. But from the beginning loyal Austrian police officials were also working energetically for the re-organization of the police. They operated at first from the Auersperg Palace, the headquarters of the Resistance, and, as early as the 13th of April, contrived to get a poster printed calling on former members of the police who had not been Nazis before 1938 to present themselves at a rendezvous in the Kandlgasse. It was very fortunate that Oskar Helmer, the Socialist Under-Secretary in the Ministry of the Interior, was one of the strongest personalities in his party. He worked consistently to prevent the re-organized force from coming under

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Communist control and to emphasize the importance of professional training and experience. At his suggestion, on the 23rd of May, Dr. Pamer, a former Police President, replaced a Communist as Police President of Vienna. Finally, on the 13th of June, the whole force was formally taken over by the Police Directorate, a purely Austrian authority. 625 648

By July the Vienna police were nearly 7,500 strong, though only some 1,000 of them had had previous police experience and many still owed their position to their political opinions. In September, at British instigation, the first meeting of the Allied Public Safety Committee was called. From then on the Austrian police were under Quadripartite supervision, and the three Western Powers were able to counterbalance Russian influence.

Dr. Renner's main concern, after his first few months in office, was to ensure the real unity of Austria. The Provisional Government had announced the restoration of the Austrian Republic and declared itself to be the Government for all Austria. Yet *de facto* its authority still only extended to those parts of the country that were occupied by the Russians; that is to say, Vienna, Burgenland, Lower Austria, and parts of Upper Austria and Styria. The Chancellor's two aims were to obtain the recognition of the Four Powers for his Government and reintegrate the country under its control. The continued division carried with it real dangers. Economically, the position was absurd. In so small a country, each part was dependent on the others for its survival. But the iron of Styria was cut off from the engineering industries of the Russian zone. The salt and meat of Salzburg and the Tyrol could not be brought to Vienna, and the oil, grain, and potatoes of Lower Austria were not available to the West. It had always been difficult to feed Vienna. Yet the task had become impossible in a house, as Dr. Renner put it, 'where the larder was walled off from the kitchen by zonal frontiers'. 642 438

Since 1918 the mutual suspicion between Vienna and the provinces had been a menace to the country as a whole. The interests of the city and the rural areas were utterly different, 369 631

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When the Western Commanders-in-Chief first arrived in Vienna, the Provisional Government was not recognized by them, and they did not at first enter into official communications with it. Before long, however, the British and American Commanders interviewed Dr. Renner and apparently satisfied themselves that he was a suitable Chancellor and no mere puppet of the Russians. They were further reassured by the results of the first Provincial Conference.

Two of the conditions necessary for recognition of the Renner Government had therefore been achieved, and the Allied Council proceeded to consider what the relationship should be between the Control Commission and an Austrian Government. At its meeting on the 1st of October it decided to recommend to the Governments of the four occupying Powers that the Provisional Government's authority should be extended to the whole of Austria and recognized, subject to certain conditions. The most important condition was that some functions of government should be reserved to the Allied Council, and this was a point on which the Four Powers could not agree.

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On the 13th of September Dr. Renner had sent a note to the Allied Council requesting the unification of Austria, the recognition of his Government, and the holding of free elections. The Allies now decided on recognition without waiting for agreement on the question of reserved functions. During its meeting on the 20th of October Dr. Renner was summoned and informed of this decision. The main conditions of recognition were that the Provisional Government should exercise its functions subject to the guidance and control of the Allied Council as the supreme authority in Austria; that certain functions of government should be reserved to the Allied Council; that one of the main duties of the Provisional Government should be to hold free elections as early as possible, and not later than the end of the year; that the Provisional Government should be empowered to enact laws applying to the whole of Austria, provided that they were first submitted for approval to the Allied Council, and that nothing in the condi-

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727 tions should affect the validity of any Military Government
648 legislation then in force or afterwards enacted. The Allied
642 Commission also proceeded with the task of examining, and where possible approving, the laws and decrees issued by the Provisional Government since the 1st of May.

The formation of the Provisional Government in April had been Dr. Renner's first great service to Austria since his return to active politics. The Allied recognition of his Government marked the second stage of his achievement and was of incalculable importance to the future of the country. Without it the danger still remained that Austria might suffer lasting division and the fate of Germany. It is not surprising, therefore, that the British officer who went to fetch the Chancellor to the Allied Council meeting on the 1st of October noticed an unaccustomed nervousness on the part of this experienced, sophisticated, but deeply patriotic statesman.

666 The main task that faced the Provisional Government, after it had been recognized, was the organization of elections. An electoral law, after amendment by the second Provisional Conference, had been passed by the Government on the 19th of October and approved by the Allied Council on the 30th. It was based on the electoral law of the First Republic, modified to disfranchise Nazis and candidates for the Nazi Party, unless they could prove they had suffered political persecution under the Nazi régime. On the 27th of October the Government, in the name of all three political parties, issued an appeal to the Austrian people, calling on them in the traditional manner, as befitted a civilized and freedom-loving people, to cast their votes for one of the three democratic parties.

On the 25th of November the elections were held. They passed off in a most orderly manner, 93 per cent of the electors casting valid votes. It was generally agreed that the Austrian people were able to vote freely in accordance with their political opinions. By the end of the month no charges of fraud nor complaints from either parties or individuals had been lodged regarding the election. In view of the nature of some of the elections that took place in Central and Eastern

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very close control. Although the Allies could not agree on the functions to be reserved to the Council, the provision that all laws must be submitted for the Council's approval gave it the last word, so far as legislation was concerned. By the end of January 1946 nearly 300 laws and decrees of the Austrian Government had been considered and acted upon by the Allied Council, aided by its legislative committee. Of these the great majority were approved, though some were amended and a few rejected outright. A significant case of the Council asserting its authority was the demand in November 1945 that all laws and orders of the Provisional Government dealing with military matters should be annulled. The Government Declaration of the 27th of April had mentioned a modest defence force, and Dr. Renner's original Cabinet had included an Under-Secretary for Army Affairs.

This state of tutelage and subjection was tolerable only as a temporary expedient. It was in flat contradiction to the declared intentions of the Allied Powers. At Moscow, Churchill, Roosevelt, and Stalin nad described Austria as a victim of Nazi aggression. At Yalta they had declared their intention of restoring to such victims their sovereign rights and self-government in accordance with the principles of the Atlantic Charter. The Austrian Government had every right to demand that this decision should be carried out, and the occupying Powers themselves would reveal the sincerity of their diplomatic convictions by the efforts that they took to implement it.

During the spring of 1946 a series of powerful pleas were made on the Austrian side for revising the system of Allied control. On the 5th of April Dr. Renner gave a lecture to the Austrian League for the United Nations entitled 'Austria, St. Germain, and the Coming Peace'. In it he made the comparison between Austria's position after the two World Wars to which reference has already been made. Two weeks before, Karl Seitz, the veteran Socialist leader, made a speech in Parliament in which the authentic voice of democracy was heard. He spoke of the power of veto in parliamentary history

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642 and the hesitation of even kings and emperors to make use of
727 it, because it brought them into conflict with the people. In Austria, however, laws now passed by the freely elected representatives of the people were subject to the sanction of authorities outside the State. After a great war against Fascism in Europe they could be proud that Fascism had been driven out, but the Allied champions of democratic rights were now claiming the right to approve laws passed by the Austrian Parliament. He ended:—

'We appeal to the democratic sense of the English, French, Russian and American peoples. We appeal to them: safeguard your own dignity by safeguarding the dignity of this small Austrian State and its parliament. . . . Democratic countries of Europe: protect your most important and your greatest idea, protect Democracy.'

727 Shortly afterwards the Vice-Chancellor, Dr. Schärf, accom-
648 panied by Dr. Pittermann, a fellow Socialist and member of Parliament, paid an unofficial visit to London, where they met members of the British Labour Party. Schärf took advantage of the opportunity to impress on Ernest Bevin the urgent need to improve the conditions governing the occupation of Austria. The British Government were willing listeners. The four occupying Powers were bound by their agreement of the 4th of July 1945 to decide on the new relationship that should exist between themselves and the Austrian Government after the elections had taken place. Even before the elections were held, in November 1945, the British Element of the Control Commission in Vienna had started work on a draft agreement, and early in 1946 Allied quadripartite discussions on the British draft had begun. Months of hard negotiations followed, and by June a revised occupation statute was ready for signature. It was perhaps fortunate that during that month the British, who had taken the initiative in the matter, occupied the chair in the Allied Council. The persuasiveness of Lieut.-General Steele, the new British Commander-in-Chief, overcame the final minor differences.

727 The New Control Agreement was signed by the occupying

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727 In the first place, the burden of the occupation has been progressively reduced. During the course of 1946 the total strength of the occupying forces fell, in round figures, from 700,000 to 120,000. During the spring of that year the three Western Powers proposed that the maximum strength of troops in each zone should be 25,000. The Russians refused to agree and would not even discuss a proposal for more drastic reduction put forward in 1948. But the process of reduction nevertheless went on. In the autumn of 1950 it was estimated that the combined forces of the Western Powers totalled less than 25,000, while the Russians numbered some 44,000.

Occupation costs were cut correspondingly. During the first eighteen months of the occupation its cost was estimated by the Austrian National Bank at 3,600 million schillings, more than half of which had been incurred by the Russian Army. In 1952 the total cost was 453 million schillings, though the schilling was worth less than in 1946. This meant that the percentage of the total national budget spent on the occupation was less than half of that devoted to military expenditure in 1937. In June 1947 the American Government renounced its claim to occupation costs from the Austrian Government and undertook to pay in dollars for all services and supplies furnished by the Austrian economy for the maintenance of American troops. It also agreed to pay 308 million schillings in respect of outstanding obligations. Henceforth the American forces in Austria were justly described as 'paying guests'.

In 1952 a further step was taken by the Western Powers to aid the Austrian economy with the decision to build special accommodation for their troops. This enabled them to release requisitioned houses much needed by the people and hotels urgently required for the use of foreign tourists. The example was set by the Americans, when they planned to build a military town near Salzburg. It was followed by the French at Innsbruck and by the British at Zeltweg in Styria.

727 648 The restoration of Austrian sovereignty is dependent on the signature of a State Treaty, but the Western Allies meanwhile

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727 648 have done all that they can to restore normal diplomatic relations with the Austrian Government. All four occupying Powers had agreed to exchange political representatives with Austria before the end of 1945. During the next two years the Allied representatives in Austria were given full diplomatic status, and in 1950 the Governments of the three Western Powers announced that their diplomatic representatives had been appointed High Commissioners. This meant that each of the three Powers had separated the command of its Army of Occupation from the High Commissionership, and that the Western members of the Allied Council would in future be civilians.

The United States and Britain have also contributed a great deal to the industrial and agricultural revival of Austria. This subject will be considered in more detail in connexion with the country's economic recovery. But it is something that cannot be overlooked in dealing with the positive aspect of the Allied occupation. The presence of American and British economic experts in Austria during the post-War years has been of direct and indirect value to the country. In particular, the United States' responsibilities as an occupying Power have added realism and vitality to the execution of the European Recovery Programme in Austria.

645 From December 1945 until February 1953 the Coalition Government of Figl and Schärf under quadripartite control gave stability and continuity to Austrian political life. Within this constant framework, however, significant changes took place.

In November 1949 a currency reform law was approved by the Cabinet in spite of Communist opposition. It was the first occasion since the formation of the Government on which the principle of Cabinet unanimity was abandoned, and Dr. Altmann, the Communist member, resigned. The Ministry of Energy and Electrification came to an end with his membership of the Government. Communist collaboration with the other parties in the Coalition had long been formal rather than real, so his resignation had little effect on Government policy.

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were a pre-condition for the purchase of food from abroad, 433
and undernourishment stood in the way of industrial recovery. 439

The food problem remained serious for at least three years. 433
In 1947 it was often found impossible to honour the inadequate 146
basic ration scales of 1,500 to 1,600 calories, and medical inspections established that nearly 50 per cent of Viennese school children were under-nourished. Until 1948, when Austria had its first good post-War harvest, the population as a whole remained noticeably under-fed. By then most people's savings had already been spent and their mental and physical powers of resistance had been seriously weakened.

In spite of this melancholy story, great efforts were made to deal with the situation. Had this not been the case, the prolonged deprivation and distress of the Austrian people would have ended inevitably in political disaster.

In the autumn of 1945 it was decided to invite the United 648
Nations Relief and Rehabilitation Administration to organize 657
a supply programme for Austria. The way had been prepared in August, when the UNRRA Council had decided that as Austria was a liberated country there was nothing to prevent relief and rehabilitation operations being undertaken there, provided the occupying Powers approved. At the time, however, the necessary funds were not available. In November the immediate initiation of an UNRRA programme was urged, particularly by the United Kingdom, and before the end of the month an UNRRA Working Party had arrived in Vienna to obtain preliminary information regarding requirements. In December UNRRA headquarters, following a request from the Allied Council, authorized negotiations for an agreement with the Austrian Government, subject to the Council's approval. Brigadier R. H. R. Parminter, who had been serving since September as chief of the UNRRA Displaced Persons Operations in Austria, took over the duties of Chief of Mission on the 1st of January 1946 and conducted the negotiations. An UNRRA Bureau was set up in the Austrian Federal Chancellery early in the New Year to co-ordinate the transport, administration, and distribution of UNRRA supplies. On the

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648 5th of April a formal agreement covering the relief programme
657 was signed by Brigadier Parminter and the Austrian Minister for Foreign Affairs.

Although it had originally been hoped that UNRRA would be in a position to start operations on the 1st of March, this estimate proved too optimistic. It was finally decided that the organization should assume its responsibilities by three stages in April, May, and June, the beginning of June being the date on which it should be responsible for the actual delivery of supplies. To make this programme possible the Chief of Mission obtained the promise of each of the four occupying Powers to do its best to make available one month's food supply for its own zone from stocks already in the country. Even in June UNRRA had to borrow supplies from the American and Soviet Elements.

Allied help, which had first been given in the summer of 1945, was thus continued in order to tide Austria over the transition period. Throughout the whole winter and spring the country was dependent on the Allies for food and other essential supplies. At the end of 1945 the Russians agreed to the export of food from their zone into Western Austria. Coal was brought in from Germany. Raw materials, vehicles, clothes, and medical equipment were provided. Military stores belonging to the German army were handed over to the Austrian Government.

The UNRRA administration in Austria lasted from the spring of 1946 until the end of June 1947. Its main work was the supply and distribution of food. From June 1946 until October, when the Austrian harvest became available, 80 per cent of the rations of the non-agricultural population were provided or paid for by UNRRA, and UNRRA supplies formed a substantial part of the rations so long as the administration lasted. The total value of the food supplied amounted to $81,206,600, in addition to $20 million that were paid to the Allied military authorities for food provided by them.

648 The second largest item on the UNRRA budget was in
433 respect of agricultural supplies. After food itself, aid to increase

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food production was Austria's most urgent need. When UNRRA started operations the prospects were not at all good. A large part of the seed reserves had been used up as food. Practically no artificial fertilizers were available. There was a lack of farm implements and tractors, all of which had been worked hard during the War. In the chief grain-growing areas of the Soviet zone there was a serious lack of livestock, most of the horses and cattle having been driven west by the Germans before the advancing Russian army. UNRRA spent $18,818,600 on agricultural supplies: about $4·5 million on machinery, $2 million on fertilizers, and more than $10 million on seeds.

After these two main items had been covered, comparatively little money remained over for other requirements. $6,492,400 were spent on industrial rehabilitation, mostly on raw materials, transport, and communications; $1,789,400 on clothing, and $1,706,200 on medical supplies.

UNRRA'S main effort in Austria was spent on short-term needs. The emphasis was on relief rather than rehabilitation, when the country's fundamental need was to build up its food production and purchasing power. Yet, given UNRRA's limited resources, the choice made was inevitable. The non-agricultural population was on the verge of starvation, and the health of the people as a whole was the essential condition of further progress towards recovery. The second stage in Austria's economic revival was a matter of long-term planning and was made possible by Marshall Aid. UNRRA laid the necessary foundations.

By the autumn of 1946 it became clear that UNRRA aid could not last much beyond the end of the year. In November the Federal Chancellor sent a letter to the Allied Council asking for foreign credits to help meet the deficit for 1947, which the Government estimated at $178 million.

The first country to respond to this request was Britain. Towards the end of 1946 the British Government agreed to make available £8,500,000 sterling for relief and reconstruction and a further £1,500,000 as a commercial credit for the

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648 457 purchase of raw wool. During the course of 1947 about £4 million worth of surplus British military supplies was also handed over to Austria.

That Britain set an example at this critical juncture is a fact that has not been forgotten by Austrian statesmen. Yet it was clear that the United States alone had the resources to provide assistance on the scale that was required. Generous American help was soon forthcoming. In the first place, a special War Department grant, intended for the American zone, was made available for the whole of Austria. In February 1947 Herbert Hoover visited Vienna to investigate the food situation as President Truman's Special Representative. In a subsequent report he recommended a post-UNRRA relief programme lasting until July 1948, and Congress voted special funds for the purpose. Over $15 million worth of surplus American military supplies was also made available to the Austrians. The help received by Austria from the United States under all these headings during the course of 1947 reached a total of over $100 million, and it was continued during 1948 until the beginning of Marshall Aid.

The Canadian Government provided assistance to the value of $3,400,000, and valuable consignments of food were also received from the Norwegian and Irish Governments.

Austria was thus dependent on supplies direct from the Allies both before and after the period of UNRRA administration, and the greater part of them were provided by the United States and Great Britain. The importance of this contribution to the Austrian economy can hardly be exaggerated, the amount supplied being considerably more than the total UNRRA deliveries. In 1947 only 1 per cent of the rations of Austria's non-agricultural population was covered by commercial imports, although nearly two-thirds of them were imported. Over 60 per cent therefore came from outside sources, and UNRRA itself had ceased operations in Austria by the middle of the year.

434 During the post-UNRRA period the ration situation considerably improved. In the second half of 1947 the basic ration

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146 heavy workers, children, or nursing and expectant mothers,
434 were entitled to additional or special rations. Children had less calories, but received a special allocation of milk. In the case of employees the addition was small, but for workers of all categories and for nursing and expectant mothers it was considerable, though the minimum requirements were correspondingly greater.

• 648 The second explanation was the widespread and well-organized relief work undertaken by a large number of foreign organizations, mostly on a private and voluntary basis.

Of the countries that had themselves been engaged in the War, the United States and Britain took the lead in providing voluntary relief for Austria. By the beginning of 1947 a group of British societies, pooling their resources and working with the British Red Cross, had, together with the Irish Red Cross, delivered over 5,000 tons of food, 400 tons of medical supplies, and forty tons of clothing to Austria. During the summer of 1946 the British Forces in Austria organized a highly successful Searchlight Tattoo, the proceeds of which, amounting to 400,000 Austrian schillings, were handed over to the mayor of Vienna for the benefit of the children of the city. By the beginning of 1947 various American charitable organizations had delivered to Austria over 9,500 tons of food and 320 tons of clothing. A large-scale relief scheme had been organized, known as the Co-operative American Remittances to Europe, which was happily abbreviated to the word CARE. Throughout the post-War years the arrival of large food parcels, known as CARE packets, was a cause of much happiness and gratitude amongst a great many individuals and institutions in Austria. The Quakers of both countries, in addition to distributing food and clothing, made a special contribution by organizing holiday homes for young people.

Of the neutral countries, Switzerland and the Scandinavian nations made the outstanding contributions.

The first help from Switzerland arrived in the Tyrol and the Vorarlberg as early as May 1945, and by November provisions and medical supplies had begun to reach Vienna. During the

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following year the Swiss Relief Organization provided substantial midday meals for 9,500 children between the ages of six and fourteen in the most distressed districts of Vienna. Holiday homes for children were organized and improved, and food and other forms of relief were provided for old people. One of the most typical and imaginative of Swiss welfare activities was a scheme by which every month 200 children, who were considered to be in danger of tuberculosis, were taken from Vienna for a four weeks recuperation period in Switzerland. By the summer of 1948 over 30,000 tons of foodstuffs, clothing, shoes, and medical supplies had been sent by the Swiss to Austria.

In February 1946 a large-scale relief scheme for Vienna was put into operation by the Swedish Committee for International Relief, acting through the Swedish Red Cross and Save the Children Fund. It was arranged to provide extra nourishment over a period of six months for the 54,000 children in the city between the ages of three and six. They were divided into three groups of 18,000, each of which in turn was fed for a period of two months and provided with extra milk for the remaining four months. The food for the purpose was brought from Sweden by road and distributed under Swedish supervision. In this way a substantial contribution was made to the health of Vienna's children. Swedish relief work was carried on until April 1949 amongst Viennese children, and was gradually extended to the whole country, especially to 6,000 needy students at Austria's three universities. Altogether 5,651 tons of food and 447 tons of clothing were brought by Swedish organizations to Austria.

Danish and Norwegian societies played an important part in Austrian relief work, bringing in 1,671 tons and 1,550 tons of supplies respectively. The Danes had a share in the relief work amongst children and old people. The Norwegians paid special attention to those suffering from tuberculosis, and invited to Norway as guests children of the victims of Nazi concentration camps.

Charitable societies in Canada, South Africa, Holland, and

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648 Belgium also made contributions to Austrian relief. Help was given by various international religious organizations, the International Red Cross, and the International Children's Emergency Fund, usually known as UNICEF.

The combined effect on the Austrian people of the foreign relief work was considerable. It reduced their suffering, raised their morale, and restored their faith in a shaken civilization. It was undertaken on a generous scale by such fortunate neutrals as Switzerland and Sweden. But a great deal was done by countries that in varying degrees had themselves suffered during the War. Against a background of post-War disillusionment and cynicism this example of spontaneous and efficient international altruism was an encouragement and an inspiration.

The first journey that Leopold Figl made abroad after becoming Chancellor was in the summer of 1948 to Switzerland, where he expressed the thanks of the Austrian people for Swiss aid. In 1950 the Chancellor and Vice-Chancellor together paid visits to Sweden, Norway, and Denmark, and thanked the Scandinavian nations for their help. In his reply to Figl's speech of thanks in Berne the Swiss Federal President summed up the significance of foreign relief to Austria as follows: 'According to an ancient Christian custom the receiver is not indebted to the giver; on the contrary, the giver owes the receiver thanks for providing him with the opportunity to obey the command to be charitable. Your prisoners and needy children have made it possible for us to hold high the torch of western culture in days when it was being obscured.'

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VII

Marshall Aid and Economic Recovery

IN his speech at Harvard on the 5th of June 1947 the American Secretary of State, Mr. George Marshall, gave an invitation and a challenge that resulted in the European Recovery Programme. He said that the confidence of the European people in their economic future must be restored and that the initiative in drawing up the necessary plan must come from Europe. The United States would be prepared to help, but any assistance the American Government might give henceforth 'should provide a cure rather than a palliative'. He was clearly dissatisfied with the piecemeal manner in which American aid had been given to various countries in the past. What was wanted was a well-considered long-term programme.

Up to the summer of 1947 Austria's political leaders had not been able to look very far into the future. They had been too concerned with the problems of the immediate present. A starving or semi-starved man has no objection to piecemeal help, and has neither the physical nor the mental energy to work out long-term plans. The success of UNRRA and foreign relief, however, had prepared Austria for the second stage in post-War recovery.

On the 3rd of July Britain and France invited all European countries except Russia and Spain to attend a conference in Paris on the Marshall offer. The Austrian Government accepted, and the Federal Chancellor informed the Allied Council accordingly. The decision had been made separately by each of the two main political parties, and at a subsequent Cabinet meeting the single Communist member concurred in making it unanimous.

Mr. Marshall had made clear that his offer included Russia. No invitation to the Paris Conference had been sent to Russia,

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because the British, French, and Russian Foreign Ministers had already met in Paris at the end of June, and Mr. Molotov had declared that the Soviet Union would not take part in the proposed European Recovery Programme. Russia also made it clear that she would consider attendance at the Paris Conference as an unfriendly act. As a result, the invitation was finally declined by all the East European countries under Russian influence, including Czechoslovakia, which had already accepted, and Poland and Finland, which had showed signs of wishing to do so.

Austria's decision to participate in the European Recovery Programme, therefore, had far-reaching diplomatic consequences. When the choice was made, it appeared likely that Czechoslovakia would follow suit. But, with the sudden reversal of the Czech attitude, Austria was left in a precarious position. She alone of the countries under Russian influence had come to an independent decision. In fact, so far as economic policy was concerned, the middle ground between East and West to which Austria really aspired no longer existed, after Russia had rejected the Marshall offer.

In the Allied Council's meetings in Vienna during July and August the Soviet High Commissioner repeatedly attacked both the Marshall Plan and Austria's decision to take part in it. He accused the American Element of the Control Commission of taking advantage of Austria's economic difficulties to render the country entirely dependent on the United States. The agreement signed between Austria and the United States covering Austrian participation in the European Recovery Programme, he said, imposed on Austria conditions incompatible with her sovereignty. It gave the United States control over Austria's production, trade and customs policy, budget and finances, and the general direction of her economic development. Austria became subject to a régime of capitulation under which American dealers and business-men would have unlimited right to make themselves masters in Austria. The Austrian Government was warned that the Soviet Command held it responsible for all consequences arising from the

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acceptance of such conditions. The United States High Commissioner replied by declaring that he would welcome aid to Austria under similar conditions from any other Powers, and that the American wish was for Austria to become independent of United States assistance as soon as possible. 648

The attitude of the Austrian Government in face of the implied Russian threat was courageous and firm. It informed the Soviet High Commissioner that some of the precautionary conditions in the agreement of which he complained were made necessary by the extra-territorial practices indulged in by the industrial enterprises in Austria under Soviet administration. These made it impossible for the Austrian Government to give assurances that American relief supplies would go exclusively to meet the needs of Austrians and not 'those of other Governments'. It was confident that the United States would be ready to withdraw the conditions as soon as the assurances could be given, and suggested that a good first step in that direction would be for the Soviet administration to begin conducting the industries under its control in accordance with Austrian laws and regulations.

Although the Paris Conference to discuss the Marshall offer met on the 12th of July 1947, the European Recovery Programme did not go into effect until the 3rd of April 1948, when the United States Government finally approved the first instalment of the necessary funds. By that time Austria had had almost three years in which to recuperate after the War. Before considering the contribution of Marshall Aid to Austrian recovery, therefore, it is necessary to examine briefly the state of the Austrian economy at the beginning of 1948.

Apart from the disastrous legacy of the War and the hand-to-mouth economic policy forced on the Austrian Government by lack of food, Austria had to contend with two other difficulties during 1946 and 1947. They were both unusually dry years, and there was a crippling shortage of coal. 731

Rainfall means a great deal to Austria, partly owing to its dependence on hydro-electric power, and partly because the climate of the chief grain-producing area is only just wet

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and its own zone. In addition, the occupation furthered the development between Austria and the Allies of the cultural diplomacy that has made such rapid progress in recent years. Leaders in this field were the French with their well-organized *Division des Affaires Culturelles* in the French Foreign Office. Its headquarters in Austria was the magnificent Lobkowitz Palace in Vienna, and a very active French Institute was also set up in Innsbruck. The British Council opened an office in Vienna towards the end of 1945, and later established branches in Graz, Klagenfurt, and Innsbruck. The Russians worked mainly through 'The Society for the Cultivation of Cultural and Economic Relations between Austria and the Soviet Union', which was started soon after the end of the War. While the Americans, though concentrating entirely on their Information Services at first, finally sent representatives of the Cultural Affairs Branch of the State Department to Austria.

The presence of foreign cultural organizations in their country stimulated the interest of Austrians in a form of diplomacy to which they are well suited by temperament and tradition. As will be seen, the French and British cultural representatives furthered the development of relations between Austria and their own countries in a wide variety of ways. But the Austrians, without any special organization of their own intended for the purpose, undertook a series of major ventures in cultural diplomacy which made a great impression in many European countries and in North America. A series of cultural conventions were also signed by the Austrian Government; with France in 1947, with Italy and Great Britain in the spring and autumn of 1952, and with Belgium early in 1953.

The damage done by the Nazis to the Austrian educational system was a most serious threat to the country's future, because the damage was spiritual as well as material. A systematic attempt had been made to pervert the minds of teachers and pupils. Fortunately its effects were modified considerably by home influence and by the anti-Nazi convictions of many

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assistants. Subsequently the situation improved, as an increasing number of returned prisoners of war became available and some relaxation was allowed in the law excluding all former National Socialists from teaching.

The shortage of food was so general that the educational authorities were not in a position to make special arrangements for school-children, but, as has been seen, much was done for them by Swedish, Danish, and Swiss voluntary relief organizations. During the winters that immediately followed the War it was only possible to heat a proportion of the schools, the 'winter schools', as they came to be called; and then the already large classes doubled up or the shift system was intensified. The acute fuel shortage at the beginning of 1947 led to so-called 'coal holidays'.

The Allied cultural and educational organizations played an important part in breaking down the intellectual isolation from which the teachers had suffered so long and of which the best of them were acutely conscious. The French and British ran summer schools for teachers in Austria each year, which were also attended by teachers from France and England; and visits for Austrian teachers were arranged to England, France, Switzerland, and the United States. A limited number of Austrian school-children were also enabled to travel abroad. With the active co-operation of foreign countries, the Austrian Ministry of Education revived some of the schemes for exchanging teachers which had been in operation before the *Anschluss*.

Education is one of the subjects on which there are strongly felt differences between the People's Party and the Socialists. Since the War the differences have been accentuated by the fact that for more than five years Dr. Hurdes, the Minister of Education, was also General Secretary of the People's Party, and by the fact that the Vienna School Board was under Socialist control. The main subjects of difference are religious instruction, private schools, and the best method by which a ninth year could be added to the period of compulsory schooling. There is agreement on the principle of extending the

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impossible to replace books and instruments that had been damaged and destroyed or to modernize equipment after years of neglect. Under such conditions serious research in many branches of science was impossible. To give one isolated example, in 1948 the Department of Astronomy at the Technical Institute in Vienna received a total monthly grant for books and equipment of 50 schillings—that is to say, $2.00 to $5.00, according to whether the black-market or official rate of exchange is taken. Such expensive new apparatus as was received by the universities and technical institutes often came, in one way or another, without payment from the United States. 874 727

In spite of these formidable obstacles, the war-weary and elderly professors set about the task of building up the academic life of their country with devotion and idealism. In the middle of April 1945, while fighting was still going on, members of the staff of Vienna University met together to consider what could be done to rebuild their university on true Austrian lines. Before the end of the month they had elected a Senate and Rector to take charge of the work of reconstruction.

There has been no lack of students since the War in Austrian universities. Young Austrians, including many ex-servicemen, have been anxious and impatient to equip themselves for some useful and constructive occupation after years of war and misdirected effort. So it has come about that the student body has shown a considerable increase on the pre-War level and for several years has exceeded 20,000. In the winter term of 1950–1 it numbered over 22,000, which was 43 per cent above the 1937–8 figure. Austrian universities continue to attract hundreds of students each year from Eastern Europe, and the number of students from the West, including the United States, has been increasing.

Foreign cultural organizations in Austria have done what they can to help. French and British professors and lecturers have visited Austrian universities. Austrian scholars have been invited to England and France, and scholarships given to Austrian students for foreign study. Harvard University has 814 648

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874 organized an international seminar in Max Reinhardt's mansion near Salzburg, where American, Austrian, and other European 648 students have studied together. Most important of all, from the point of view of its long-term effects, a large-scale and stimulating exchange between Austrian and American universities has been made possible under the Fullbright Law.

The fact remains that academic work in Austria is being carried on under great difficulties. Learning and scientific research have always been dependent in some degree on wealth and patronage, and in the present highly technical age this applies more than ever before. Austria's universities and technical institutes will only flourish again by international standards when the country's economic position is stronger than it is today or as a result of foreign endowments on a scale 874 that can hardly be expected.

In addition to its schools and universities, Austria before the War had a very active adult education movement, which reflected the social ideals of the First Republic. After the War the difficulties in the way of restoring the vitality of the adult education centres throughout the country were considerable. They suffered from the same troubles as the universities and schools: material damage, lack of fuel, and shortages of staff, books, and supplies. Moreover, because they were voluntary, they tended to come off worse under the exacting post-War conditions, which made so many demands on people's energy and resilience. So far as the public authorities were concerned, the schools and universities had to have priority. Yet, after an inevitably slow start, the idealistic drive behind the movement asserted itself. During 1949 there were over 35,000 registrations for courses at Vienna's adult education centres, which compared favourably with pre-War figures, and the revival was reflected in the provinces, where attendances increased and new centres were founded. In Lower Austria an interesting development took place at the suggestion of the Ministry of Education. An association was founded to encourage co-operation between all groups and organizations engaged in adult education in the widest sense of the term, such as educa-

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tion centres, people's libraries, folk-song and folk-dancing clubs and art societies. The example was soon followed in a number of other provinces. 874

An important part in the adult education movement was played by the so-called people's libraries, from which books could normally be borrowed without charge. Some were run by the villages and municipalities, some by the churches, some by trade unions, and others by political parties or voluntary associations. Their number rose within two years from a low level of 400 in 1945 to 1,257 in 1947.

The lack of books was one of the main cultural problems in post-War Austria. The intellectual isolation and severely restricted literary diet of the Nazi régime were followed by a period of dangerous uncertainty after Hitler's power had collapsed. A great deal would depend on how the mental and spiritual void was filled which had been left by the failure and exposure of the whole Nazi system. 214 727

Austrian journalism rose bravely to the occasion, but in the early days Austria's own contribution to the solution of the problem was limited by economic dislocation, shortage of paper, and absence of the conditions conducive to creative effort. The Allied Information Services did a great deal, and two British organizations took the lead in remedying the lack of books. By an imaginative stroke Mr. Ernest Bevin gave orders for two aeroplane loads of English books to be flown over to Austria early in 1946. This enabled the British Council to hold a highly successful book exhibition in Vienna during March, as a result of which nearly all the 20,000 books were sold within a short time and a large number of additional orders were received by London publishers. The British Foreign Office and Treasury made arrangements by which the Austrians could buy the books with their own currency and the British publishers were paid in sterling. Henceforth the main restriction on the supply of English books in Austria was the limited numbers available in Britain itself, where the paper shortage was still acute. The following year the British Council organized six further book exhibitions in provincial 214 648

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214 648 centres, and thus extended to the whole country the opportunities already given to the capital. The British Information Services also made arrangements to print in Austria special cheap editions of a selected number of English books. As a result of these various efforts Austrians were given access to the Western ideas from which they had been cut off for more than seven years and were able to acquire some of the most modern medical and scientific text-books. The process of restoring normal intellectual contacts was carried one stage farther by gifts from the United States, Britain, and France to Austrian university libraries.

214 As conditions gradually improved, Austria's own book production revived, until in 1952, judged by the number of new works published, she had become one of the world's half-dozen leading book producers. For some years the revival was held back by a ban on the sale of books and periodicals between Austria and Western Germany, which greatly limited the potential market for books written in German, but this obstacle was finally overcome, and in 1952 representatives of the Austrian and West German book trade made arrangements to hold exhibitions in each other's territory.

517 The position of music, the theatre, and the arts in Austria is difficult for anyone to understand who has not lived in a country with a past tradition of lavish royal patronage. For the Austrian Republic has inherited the sense of responsibility towards the arts in the widest sense, which was first shown by the most enlightened and discriminating of the Habsburgs and maintained as part of the Imperial dignity by other members of the family.

545 The origins of the State Opera and the Burgtheater go back to the first half of the seventeenth century, when the earliest music dramas were performed in the Hofburg, and to the year 1776, when the Emperor Joseph II decreed that the theatre next to the Hofburg should become the 'German National Theatre'. During the second half of the nineteenth century the two institutions were given the magnificent new homes on the Ring which are still amongst the most impressive of

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XI

Negotiations for a Treaty

727 BY the summer of 1952 Austria had been occupied longer by its 'liberators' than by the Nazis. This state of affairs came about as the result of a long process of delay and disingenuous diplomacy, and there has been a widespread tendency throughout the world to take it for granted as an inevitable concomitant of the situation in Germany. But the Austrian people had had every reason to suppose that their country would be in a very different position seven years after the War ended.

727 648 By the Moscow Declaration of the 1st of November 1943 the Governments of the United Kingdom, the United States, and Soviet Russia agreed that Austria, as the first free country to fall a victim to Hitler's aggression, should be liberated from German domination, and announced that they wished to see a free and independent Austria re-established. Later in the month the Free French authorities at Algiers concurred with this declaration. At the Potsdam Conference in the summer of 1945 the three Powers also agreed that reparations should not be exacted from Austria. Yet the occupation has continued, and Austrian statesmen have complained with justice that their country has been treated as an ex-enemy rather than as a liberated victim. In fact, the lot of the ex-enemies has, on the whole, been preferable, because by 1952 peace treaties had been concluded with Italy, Hungary, Roumania, Bulgaria, and Japan. In a broadcast statement delivered in January 1952 Dr. Figl expressed himself in the following vivid but unexaggerated terms: 'When a criminal has served his term, he is allowed to go free. It has solemnly been declared, not only that we have committed no crime, but that we have fallen a victim to a criminal. And yet we have been deprived of our liberty.'

727 As has been seen, the Allied occupation has had certain direct

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XIV

Austria Turns West

THE Austrian people are deeply convinced that their true role in Europe is to mediate between East and West. The conviction is based on historical, political, economic, and diplomatic considerations. It has been held and expressed by most of Austria's leading statesmen in the Second Republic. 648

The Habsburg dominions were held together by a policy of conciliation. Vienna, once a Roman frontier fortress and later an outpost of Western Europe against the Turks, could never have become the centre of a cosmopolitan Empire, comprising Germans, Slavs, and Magyars, had the Habsburgs not practised toleration and compromise. Conciliation, which for the rulers was a matter of expediency, serving a strictly dynastic purpose, was adopted by their subjects as a habit and an ideal. The Austrian people's belief in it was intensified by events between the two World Wars, when uncompromising nationalism led to world disaster.

Austrians have a strong sense of history and tradition. Their main cultural links are with the West, but they have never lost their sense of affinity with the Succession States and their desire to remain on friendly terms with them.

History, according to Anton Wildgans, has taught Austrians 'service to an idea', and he had in mind the supranational and universal idea. Both the main political parties in Austria today serve great ideas and advocate a mediatory and conciliatory role for their country in international relations. The People's Party, though non-confessional in principle, is strongly influenced by Catholic universalism and the Habsburg cosmopolitan tradition. The Socialists, while rejecting Communism, still believe in the international character of their movement.

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439 From the economic point of view Austria needs the markets and supplies provided by her natural trading partners in Eastern Europe. She produces goods which they cannot easily obtain elsewhere, and they are a source of some of the fuel and food that she herself requires. Under normal conditions Polish and Czechoslovakian coal would be a natural exchange for the Austrian oil and oil-products that are now being confiscated by the Russians. The low cost of transport in trade between neighbours is an important consideration.

648 Diplomatically Austria is best suited to be a conciliator. Her size and exposed position both point to the same conclusion. The weight she could add to either side would not be sufficient to prevent hostilities. In any war between East and West she would be one of the first to suffer.

These considerations are appreciated by every Austrian statesman. One of the most striking speeches on the subject was made by President Renner shortly before his death. On the 23rd of October 1950, in an address to the Youth Section of the Austrian League for the United Nations League he said: 'More than any other European the Austrian can understand the peoples of Eastern Europe to whom he has been closely linked by many centuries of economic, intellectual, and social relations. It is the responsibility of Austrian youth to see that this advantage is used in the service of ourselves and of the whole of Europe.' President Körner expressed his convictions in actions as well as words. While Mayor of Vienna he accepted an invitation to Russia to attend the celebration of Moscow's 800th anniversary in September 1947, though he went as the city's representative, not as a private individual.

In spite of the intense disappointment caused in Austria by the Soviet attitude and policy since the War, for about five years the Austrian Government showed great patience and reluctance to take sides. Public complaints against the Soviet Element were usually expressed in general terms that might apply to any of the occupying Powers. A clear proof of the Government's point of view was its willingness in 1949 to

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make sweeping concessions to Russia in order to obtain a State Treaty by common consent. 648

The change that eventually occurred in the Austrian attitude was the result of Soviet policy in Austria and the developments in Eastern Europe and the West.

As has been seen, Russia's planned exploitation of the Austrian economy grew steadily worse as the years went by, and culminated in the establishment of USIA retail shops and the ruthless stepping-up of oil production. Soviet political pressure and interference showed no signs of being modified after five years of occupation. The Communist action in the autumn of 1950 was based on Soviet encouragement and support.

No less significant were the developments in the international situation. The suppression of democratic freedom and national independence in the countries of Eastern Europe had a decisive effect on Austrian opinion. Between 1945 and 1949, Poland, Roumania, Czechoslovakia, and Hungary succumbed one after another to the Communist technique. Communist minorities were converted by trickery, threats, and terror into Communist Governments dominated by Russia, and diplomatic and trading relations with Austria became increasingly difficult. The greatest shock was the Communist *Putsch* in Prague of February 1948. Czechoslovakia's desire to maintain good relations with both Russia and the West was beyond doubt. After her treatment at Munich she turned naturally to the Soviet Union for diplomatic support, but the Czech people retained their admiration for Western culture and their belief in Western democracy. The events of February 1948 proved that a small country could carry conciliation and impartiality too far, when the Soviet Union was one of the parties. For the second time within a decade, at tragic cost to herself, Czechoslovakia served as the touchstone of a dictator's intentions.

These events, in addition to their direct impact on the Austrian people, provoked strong reactions amongst the Western Powers, which in their turn influenced Austria.

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648 The subjugation of Eastern Europe and Russia's rejection of the Marshall Plan convinced the nations of the West that defensive measures were necessary. With the Brussels Treaty of March 1948 the Western Union idea took definite shape, and a year later the North Atlantic Treaty followed. The division of Europe into two rival groups was an unintended consequence of the Marshall offer. The rivalry was emphasized by the two defensive alliances.

Austrian statesmen have stated repeatedly that their country has no intention of joining a military alliance either before or after the State Treaty is signed. Before the treaty such action would endanger Austria's unity. After the treaty she would prefer to pursue her own policy of neutrality and conciliation. Yet since 1948 it has been increasingly difficult for the Austrian Government to sustain its attempt at impartiality. Russia's attitude towards Marshall Aid first drove Austria into association with the West, and subsequent events have emphasized the alignment.

As Dr. Renner put it, psychologically Austria has been won for the Western Allies. Her statesman have been increasingly firm in maintaining their country's right and increasingly frank in voicing their resentment and their gratitude. In many different ways the Austrian people have given expression to their sympathy for Western ideals and the Western way of life. Only a small minority made up of Communists and their associates in the People's Opposition opposed the general trend.

Austria's new attitude has been reflected in the frequent visits of Austrian statesmen to the West and of Western statesmen to Austria. During the early post-War years occasional visits were made, but since 1950 there has been a marked and significant increase in the interchange. In that year Dr. Gruber made an extended tour of the United States, lecturing on Austria's political and economic problems. During 1951 and 1952 the Chancellor and four Austrian Ministers went to London, and visits to the United States were paid by the Chancellor, the Vice-Chancellor, the Ministers of Foreign Affairs, Finance, Trade, and Justice, the Mayor of Vienna, the

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648 General Secretary of the People's Party, and strong delegations of Austrian Members of Parliament and business-men. In the other direction during the same period Mr. Herbert Morrison, Mr. Dean Acheson, Mr. Anthony Eden, and two groups of American Congressmen paid visits to Vienna.

The culmination of the series was the tour made by Dr. Figl in the spring of 1952 to England, the United States, and France. This symbolized better than any other event Austria's turn towards the West. The Chancellor himself explained that he welcomed the invitations of the three Western Powers because they provided an opportunity for a demonstration of unusual significance for Austria. His State visits to London, Washington, and Paris enabled the Western Governments to show that, though they had not been able to restore Austrian sovereignty by treaty, they wished to recognize Austria as a free State entitled to equality of treatment. The Chancellor was received by Queen Elizabeth, President Truman, and President Auriol, and, wherever he went, he was given the recognition due to the Prime Minister of a sovereign State.

Dr. Figl proved himself a worthy representative of his country. In the United States his reputation for grit, tenacity, and common sense had preceded him, and his visit was a popular as well as an official success. He received a warm welcome from the Senate, a medal of honour from New York City, and a favourable notice from the Chicago *Tribune*. In all three countries he won sympathy and understanding for Austria and obtained assurances of continued and wholehearted diplomatic support.

The full significance of the Chancellor's journey became clear when he arrived back in Austria. At the Swiss frontier, and at every place where his train stopped between there and Vienna, he was received by his fellow countrymen with enthusiastic demonstrations of gratitude. Throughout his tour Dr. Figl had conducted himself as the representative of Austria rather than as a party leader, and he was rewarded with an all-party welcome on his return. The Socialist mayor of the preponderantly Socialist town of Attnang-Puchheim received him with

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the same warmth as places where his own party was in a majority. At the West Station in Vienna thousands of people awaited his arrival, and he was greeted first by Vice-Chancellor Schärf, who handed him a cordial personal note of thanks from President Körner. The Austrian people thus showed their appreciation both of the Chancellor's achievement and of the recognition accorded their country by the Western Powers. This recognition has given them greater courage and self-confidence in the endurance test to which they have been so long subjected and which has not yet come to an end.

Austria, having been compelled to take sides, has left no doubt where her sympathies lie. Yet the decision to turn West was reluctantly made. Most thinking Austrians, taking a long view and seeing their country's future against the broad background of its past history, still believe that Austria's true destiny is to maintain links both with the East and with the West. The political and economic considerations that have been decisive in the past are still valid to-day. Western countries would be reluctant to give up hope that one day the Soviet régime will be modified and Eastern Europe freed. With Austrians this hope includes the opportunity of renewing neighbourly intercourse. Their capacity to forget and forgive has been illustrated recently by their attitude towards Yugoslavia. In spite of Yugoslavia's provocative post-War claims against Austria, excellent relations between the two countries have been re-established following Tito's breach with Russia. The Yugoslav Permanent Under-Secretary of State for Foreign Affairs was able to say, in the autumn of 1951, that no Yugoslav minorities in foreign countries were so well treated as the Slovenes in Carinthia.

Austrians are thus hoping for the day when they can resume their traditional role. In 1951 Dr. Gleissner expressed his countrymen's views when he spoke in the following words: 'It is the will of her people that Austria should issue not challenges but invitations, should be a meeting point not a dividing line, nobody's bastion but everybody's bridge.'

During his visit to the United States, Dr. Figl stated publicly

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that he would willingly travel to Moscow, too, if he received an invitation. He was asked in Austria later if he did not consider that a visit to Moscow would alienate American opinion. He replied without hesitation that an invitation to Moscow would have to come from Stalin himself, that such an invitation would imply a new Soviet attitude towards Austria, and would be followed by a State Treaty. In these circumstances he felt sure that the Americans would appreciate the reasons for the visit. To a remarkable extent Dr. Figl himself had managed to combine dogged insistence on his country's rights with good personal relations with the Russians. In this mixture of obstinacy and patience he was the heir of the Habsburgs. He was also the true representative of the Austrian people.

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State, when once their independence had been restored. If Austria's hopes of solvency were well-founded in 1937, the development of her oil-fields and hydro-electric power since then have placed their realization beyond all doubt, provided she is free to manage her own affairs. 433

Like the Nazi aggression before 1938 and the German occupation that followed, Russia's economic and political obstruction since the War has stimulated Austrian patriotism. Austria's courage and patience under great provocation, her Government's correct attitude towards the Soviet authorities, combined with insistence on its rights, have won general admiration. So her greatest disappointment since the War has, from the long-term point of view, been turned to her advantage, and has played its part in the harsh process by which the Republic has been welded into a unit. 186

Above all, the Coalition Government's record has had a decisive influence. Its problems have been exacting, in some cases insoluble, and it has been a difficult team to manage. Yet on the whole, in face of great difficulties, it can claim to have been one of the most stable and successful governments in post-War Europe. The contrast between political life in the First and Second Austrian Republics could scarcely be more marked. In the one case there was bitter rivalry, mutual intolerance, and frequent changes of government; in the other case co-operation, continuity, and a readiness to compromise for the common good. In eight years Austria has made great progress towards democratic maturity, and the lessons of the inter-War years have been well learned. 642

But their newly developed patriotism and self-confidence have left Austrians under no illusions. They are aware of their limitations, and they realize that political nationalism is out of date. The American journalist who described Dr. Figl as the successor of Don John of Austria, the last knight of Europe, who turned back the Turks in 1571, was read with a smile in Vienna. Austrians think that their main contribution to the world will always be cultural rather than political and will be based on the spirit, the intellect, and the preservation of 648

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648 valuable and unique traditions. Diplomatic entanglements and power politics are inappropriate for a country of 7 million inhabitants in a highly vulnerable position. The political aim of Austrian statesmen is to justify Austria's independent existence by maintaining a healthy economy and social order and by setting an example of good world-citizenship.

Austrians believe that their country's best hope for the future will be as part of some effective international order. Their political leaders have stressed this point repeatedly since the Second World War, just as they have been the consistent champions of Austria's mediatory and conciliatory role.

643 648 No one has had a greater influence on the development of the Second Republic than Dr. Karl Renner, who was a convinced internationalist of long standing. Before 1914 he had advocated a federation of self-governing nations under the Habsburgs, and considered that the dissolution of the Empire would mean the triumph of reactionary nationalism. The future belonged, in his view, not to the nation State but to the supra-national State comprised of antonomous units. In accordance with his general outlook he described Austria on his return from St. Germain to Vienna in 1919 as 'an autonomous province of the League of Nations' which relied on the League as the guarantor of its independence. In a speech during the opening session of the National Assembly, on the 19th of December 1945, and again on his eightieth birthday, Dr. Renner expressed his faith in the idea of the United Nations. In 1948, he wrote: 'The forces which make history move towards a world economy and a world State, and in this direction Austria is glad to go.'

Dr. Renner had considerable influence on the politicians with whom he worked during the last years of his life. His sentiments towards the Habsburg Empire were echoed by the Socialist, Dr. Koref, who said in Parliament in 1952: 'The Austrian people are predestined to take part in international understanding because they have within them the heritage of a small version of the United Nations.' Dr. Figl repeatedly declared his belief in an international order.

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But the Austrian attitude on the subject cannot be attributed to the influence and example of any individual. It lay in the logic of Austria's position as a small and defenceless State that her people should pin their hopes on the support and guarantees provided by a world organization such as the United Nations. As far back as 1922 Monsignor Seipel had accepted the help and financial supervision of the League of Nations. In April 1946 the Austrian Government was invited to send representatives to the last meeting of the League as observers, and the President of the Assembly spoke of Austria as 'one of the most solid pillars of our organization' and referred to the specially active part she had taken in all the League's work. 648

Austria's belief in international co-operation has been revealed in a number of ways: through her support of specific projects with limited aims, her interest in European unity, and her enthusiasm for the United Nations and the work of the Specialized Agencies.

The full utilization of Austria's hydro-electric resources would only be possible on an international basis, as their potentialities greatly exceed her maximum needs, and there would be no point in her investing in projects beyond her own requirements, without international arrangements guaranteeing consumption. In December 1952 a meeting took place at Innsbruck between representatives of Austria, Germany, France, and Italy. It led to the establishment of an International Power Survey Company for co-ordinating hydro-electric developments in Austria with those of the three other countries. 648 185

Another project in which Austria has shown great interest is the plan for a Rhine-Main-Danube Canal, which would link the North Sea with the Black Sea. It involves improving the navigability of the Main and the construction of a canal from Bamberg on the Main to Regensburg on the Danube. The economic and political implications of the plan are considerable, and its immediate advantages for Austria obvious. At present her overseas exports are shipped from Trieste or the 648 185 312

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648 185 312 German North Sea ports, and in either case the railway freight charges add substantially to the cost of transport. The opening up of a water-way to the sea would be of the greatest value.

648 Austria's participation in such plans as these is due mainly to her needs and natural endowments as a land-locked Alpine country. To a large extent her interest in all international movements is the result of her size and situation. Yet Austria's internationalism cannot be attributed solely to material factors. The warmth and spontaneity of her people's response reflect their temperament, their humanity, and their political and religious convictions.

The Austrian attitude towards European unity has never been in doubt. In October 1945, before the European movement had been fully launched by Churchill's great speeches at Brussels, The Hague, and Zürich, Leopold Figl, who was not yet Chancellor, wrote of Austria as a 'germ-cell' in the reconstruction of the European community of peoples. In one of his first speeches to the National Assembly the following December he spoke of the vital importance of instilling into the rising generation of Austrians an 'all-European democratic way of thought'. Austria was subsequently represented at the Congress of Europe at the Hague in 1948 and at meetings of the European Parliamentary Union. Members of the Austrian Parliament have also attended meetings of the Consultative Assembly of the Council of Europe as observers since the autumn of 1951, and have taken part in its committee work. The only reason Austria has not become an official member of the Council is that her Government felt it inadvisable to take such a step, so long as the occupation continued.

One indication of the importance attached by Austria to friendly relations with other countries has been the many goodwill visits abroad undertaken by leading statesmen since the end of the War. Dr. Gruber himself has been a tireless traveller. There has also been a rapid development in the Austrian foreign service since the Allied Council permitted the exchange of diplomatic representatives early in 1946. Within a few years the size of the service as a whole and the number of

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embassies and legations established in foreign countries exceeded the pre-War level. 648

In the summer of 1947 Austria made formal application for membership of the United Nations, but its request was vetoed by Russia in the Security Council. The General Assembly decided by a large majority that Austria was qualified for membership, and the matter came up again before the Security Council. But this and later attempts to reverse the previous decision were all frustrated owing to Russian opposition. Recently the Austrian Government has declared itself in favour of the Russian proposal for the *en bloc* acceptance into the United Nations of non-member States sponsored by Russia and the West.

In spite of their disappointment, the Austrian Government and people have given their full support and co-operation to the United Nations as a non-member State. Russia was not in a position to prevent Austria joining the Specialized Agencies, and by 1952 she had become a member of all the Agencies except one. She has taken part in the Technical Aid programme to backward and undeveloped countries and has sent medical supplies to Korea. In the summer of 1952 the Austrian Parliament approved unanimously a declaration that Austria was prepared to fulfil conscientiously all its obligations under the Charter of the United Nations from the day on which it became a member of that organization. The appeal to the United Nations, later in the year, regarding the delay in obtaining a State Treaty, was in itself an expression of faith.

While they were in New York, Dr. Figl and Dr. Schärf both visited the United Nations headquarters. In July 1952 Mr. Trygve Lie himself went to Vienna. It was the first official visit of the Secretary General of the United Nations to a non-member country. In an address to a joint session of the Austrian Parliament Mr. Lie emphasized this fact, and expressed his thanks to the entire Austrian nation for having always acted politically both at home and abroad, as if they were already a member of the United Nations. The suggestion put forward in January 1953 by Mr. Walter Lippmann that Vienna might

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•648 make a better headquarters for the United Nations than New York was received in Austria with gratification.

There is probably no country in the world where greater efforts are made than in Austria to impress the United Nations idea on the whole people through the schools, the universities, and well-thought-out publicity. The Austrian League for the United Nations is a highly organized and active body, supported by the country's political and intellectual leaders. Every year the League arranges a United Nations Week, in which prominent statesmen take part. The Minister of Education has ordered that the anniversary of the Declaration of Human Rights should be celebrated in schools throughout the country.

Austria's belief in internationalism has superseded the desire for a voluntary *Anschluss* with Germany that prevailed after the First World War. In a New Year's Message soon after he became President, Dr. Renner said, after referring to experiences with the Italians and the Germans between the Wars: 'From these experiences the Austrian people in 1945 finally drew the only possible conclusion: self-reliance and independence; no *Anschluss* at all, neither with the East nor the South, neither with the West nor the North; one thing only is desirable, entrance into the community of the United Nations.' This change did not mean that Austrians lost pride in their German cultural heritage, but it did mean that they became increasingly conscious that the German culture of which they were proud could be traced back to an age when the Austrians, not the Prussians, set the tone and determined the character of the German contribution to European civilization. During the past few years Austria's relations with Western Germany have steadily improved. Western Germany has become her most important trading partner. In January 1953 Dr. Gruber accepted an invitation from Dr. Adenauer to visit Bonn the following March. But it is clear that Austrian statesmen envisage a friendly relationship with Western Germany based on common membership of a European political community. Mr. Walter Donnelly, the United States

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High Commissioner in Austria, made a constructive contribution in 1952, when he suggested that relations between Germany and Austria should be comparable to those between the United States and Canada. 648

Western Germany is already much farther along the road to freedom than Austria. If Austrian independence is held up for too long, there is a danger that the Austrian people, through sheer desperation, will again be attracted by the strength and success of a great kindred people. Dr. Figl pointed out this danger to Western statesmen during his visit to the United States, Britain, and France in 1952, and in this connexion obtained their assurances that the Austrian question would not be forgotten. Soviet leaders, who threw away the good will and admiration of the West so quickly and needlessly after the War, would do well to consider the long-term consequences of their obstructive policy towards Austria.

If Austria is inclined to stake her future on the success of mankind's efforts to establish a world order, the question arises as to what contribution this small State can itself make to such an order. 000

There is a growing and dangerous tendency at the present time to over-simplify the international issues with which the world is faced. Complex human problems, whether large or small, urgent or less urgent, are judged largely by the extent to which they are considered relevant to the main conflict between Communist Russia and the free West. This tendency results from a state of mind which is the counterpart in international thought of totalitarianism in political thought. Just as the demands and disappointments of the democratic system have driven men to accept the panaceas offered by Marx and Hitler, so have the intricacy and gloom of world politics led well-meaning and civilized people into the crude and perilous error of over-simplifying international problems.

Yet a world order can only be established on a democratic basis; that is to say, under a complicated system in which every individual counts and every individual is expected to make a contribution. Under the American constitution the

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[For an account of the unsuccessful efforts, from 1946 to 1952, of the four occupying powers to negotiate a State Treaty for Austria, see category 116, pp. 189-202.]

In addition the Institute had been entrusted with a number of tasks by public institutions or by agencies working for public interests. The Federal Chancellery, Central Office for ERP Affairs, entrusted to the Institute the preparation of reports and the expression of opinions as well as other tasks, while the Central Office itself, in accordance with Article VI, paragraph 2, and Article VII, paragraph 4, of the bilateral agreement between the United States of America and Austria of July 2, 1948, prepared the quarterly economic reports, outlining results achieved with ERP means and the economic measures undertaken. The Austrian Investment Program of 1950-1952 has been designed in collaboration with the Institute. 204 816 [648]

A close cooperation exists between the Institute and the "Oesterreichisches Produktivitätszentrum" (OPZ) (Austrian Productivity Center), Vienna. The Zentrum was created by a ministerial decision of March 6, 1950. Dr. Taucher, Chief of the Federal Chancellery, Central Office for ERP Affairs, serves as president. Dr. Nemschak acts as manager. Within the scope of this cooperation a number of problems were investigated: the scarcity of vocational employment for youth and combating it; the Austrian paper industry; the processing of Austrian foreign trade transactions; the Viennese housing requirements and its future development; opinion studies of managers, engineers, foremen, and employees relative to production increases; possibilities of increased yield from the tourist trade through elimination of seasonal trends; cooperation in the designing of rules permitting the ascertainment of production index numbers of cotton textile mills relative to a coordination of the averages with upper and lower margins. Shortly released will be: structural analysis of the Austrian textile industry; analysis of the employment possibilities and causes of unemployment in the catering trade; preparation of a memorandum about the effects of a prolonged scarcity of imported raw materials upon Austrian production and employment situation; the Austrian railroad-trucking problems; the development of productivity since the end of the war; extension of a wage and earning index in collaboration with the Bundeskammer der gewerblichen Wirtschaft; comparison of the living cost indexes of various countries; development of raw material consumption, investment activity and turnover; improvement of living costs and wage index calculations for which additional statistical investigations are necessary. The Austrian Productivity Center published monthly a pamphlet Der Schüssel (The Key), intended to foster within an extended circle of readers understanding of production step-ups and exchange of technical experiences. [647] [133]

5: Heissenberger S-4, 5 (no date) 1953 EK1 Austria EK1

II. ECONOMIC-POLITICAL ISSUES: ANALYSIS AND SOLUTION

The first part of this survey was intended /121 to acquaint the reader with a review of opinions, thoughts and trends of the scientific economic works and to furnish him with a cross-section of past and present publications which influence the intellectual profile of contemporary Austria since 1945. The second part shall acquaint the reader with Austria's many economic problems and the important aspects of Austrian economic policy, thus pointing up the expert's ideas and considerations which are at the basis of measures enacted. This will make it possible to get an over-all view of the reciprocal action between the ERP and the various economic sectors within the framework of a national economic balance.

A. The Political and Economic Reestablishment of the Second Austrian Republic. Problems of Austrian Reconstruction.

1. The Political and Economic Reestablishment of the Second Austrian Republic. 648 728

During the Second World War, particularly during the repeated meetings of leading political and military leaders, principles were laid down upon which the postwar political and economic reconstruction of the world should be based. The first of the pertinent documents was the eight-point declaration of the Atlantic Charter of August 14, 1941, by President Roosevelt and Prime Minister Churchill. Both expressed the desire to reinstate sovereign rights and autonomous government in all countries that had become victims of agression. The second basic document of this type was President Roosevelt's New Year's Message (January 6, 1942), concerning the Declaration of the United Nations at Washington, D. C., on January 1, 1942, based upon the principles of the Atlantic Charter. However, of importance to the constitutional reestablishment of Austria, was to be the solemn declaration of the governments of the United Kingdom, the Soviet Union and the United States during the Moscow Conference of Foreign Ministers (October, 1943), providing that one of the aims of this reorientation was that Austria, the first free country to become a victim of Hitler's aggression, must be freed from German rule. The great powers considered the forced annexation of Austria by Germany

648 on March 15, 1938, as null and void and further ex-
728 pressed the desire to see a free and reestablished Austria. This accomplishment would enable the Austrian people, as well as neighboring nations confronted with similar problems, to find that political and economic security which is the only foundation of a lasting peace.

The powers augmented this declaration at the Conference of Yalta (Crimea conference of February 4 - 11, 1945) by agreeing to promulgate the reinstatement of sovereign rights as well as self-government for all peoples deprived of such rights by aggressor nations. To implement the practical exercise of these rights, liberated European nations should be assisted in the amelioration of want and need as well as in the creation of a (provisional) governmental authority in which all democratic population elements were to be represented on a broad basis, and which should in turn be required to establish, as soon as possible, a government, chosen by free elections, acting in accordance to the will of the people.

642 Based upon the repeated declarations of the
727 powers the chairmen of the three political parties proclaimed the Second Republic of Austria on April 27, 1945, immediately after cessation of hostilities in Austria. In accordance with Article I of this proclamation the "democratic Republic of Austria" was reestablished and to be organized similarly to the constitution of 1920. Article II provided that the annexation forced upon the Austrian people in 1938 was to be considered as null and void. Therewith Austria joined again the family of European nations.

The first legislative acts of the provisional government concerned the framework of the constitution, the reestablishment of the legal system and the appointment of authorities. On the strength of the "Verfassungsüberleitungsgesetz" (i.e., the law to reestablish Austrian enactments for German ones), Austria was fundamentally reestablished as a democratic republic, reverting to the provisions of the federal constituion of 1920, as amended in 1929. Simultaneously a provisional constitution was agreed upon which regulated the government. In essential stipulations it conformed with the constitutional law of 1929. The "Behördenüberleitungsgesetz" (i.e., the law to reestablish Austrian authorities) was enacted to establish a new Austrian authoritative apparatus. It stipulated the definitive substitution of administrative and judicial instruments of the German Reich by

642 On December 3, 1945, a committee of the political parties entrusted Secretary of State Figl with the formation of a government, which the Allied Commission approved on December 18, 1945. On December 20, 1945, a session of the Federal Assembly (Nationalrat and Bundesrat) with a vote of 204 out of 205 elected Dr. Karl Renner to the presidency. He accepted the office for the term of six years.

642 The new federal government as well as the
648 presidency were recognized by notes of the various powers although these notes showed deviations in texts. Thus the first phase of the constitutional reestablishment of the Second Austrian Republic was concluded. The federal government could proceed with the task of solving the most important economic problems.

2. The Situation after the Cessation of Hostilities and the First Economic Reorganization Measures, 1945-1947.

727 The reestablished Second Austrian Republic faced a great economic task. The losses and damages from the war destroyed almost a quarter of the total national capital which had amounted to about 38 billion schillings.

[362] In Vienna alone, 37,000 apartments were completely destroyed and 50,000 partly destroyed, while 25,000 were less severely damaged. Aside from extensive destruction of raw materials was the loss of machinery through dismantlements, especially in the eastern part of the country after 1945, which caused deficiencies in extremely valuable production material amounting to at least 1.2 billion RM (at prices fixed as of 1940). Plants of the electric, vehicle, machine, iron and metal industries, and steel mills lost more than 46,000 machines. This meant that in some instances, the combined loss of the war and postwar period amounted to 80 percent of the
[453] machines and equipment. These deficiencies were all the more burdensome since the destruction and the removal of the production means led unavoidably to severe disturbances in the general economic scheme.

[162] Austria also suffered substantial losses in human lives. Out of a population of 7,000,000, the number of dead or missing totalled 350,000 and the wounded 170,000. These losses were mainly from the ranks of the able-bodied age groups (13 percent).

458 originally anticipated, due to the prolonged interval
652 between the publication and the enforcement of the law, the following months nevertheless did produce some economic results (lowering of prices, elimination of black markets and a general slackening of the purchasing psychosis).

727 In the meantime the occupation powers,
648 particularly the American and the British elements,
457 had introduced relief measures ameliorating need and want among the Austrian population. One of the first was initiated by UNRRA, whereby, in connection with a number of special credits, a "subsistence level" was achieved. Additional assistance measures followed. On June 26, 1947, an agreement between the United States and Austria provided a new form of assistance, substituting for the UNRRA aid which was ending. For this Austria Assistance" about 85 million dollars were provided. With these contributions of foodstuffs, commodities and machines, it was possible to start the reconstruction of the ruined communication system and to restore a modest production line.

Additional alleviation was obtained from a credit granted by the British Government for purchase of consumer goods. In October 1947, the Export Import Bank at Washington, D. C., granted Austria a credit amounting to 13 million dollars, of which amount 8 million dollars were placed at the disposal of the heavy and metal industry, 4 million dollars at the disposal of the chemical industry for purchases of raw materials and as equipment, while the remaining 1 million dollars served other purposes (freights, etc.).

652 Of particular importance was the establishment
727 of a regular budget. The first federal estimates (1946-1947) were, in view of conditions, only of an emergency nature.

The item of occupation costs was from the start a rather burdensome one. Until May 1946 these costs were covered by an additional issuance of bank notes. Beginning June 1946, all expenditures not covered by current incomes (including occupation costs as well as costs arising in connection with the welfare of displaced persons) were paid for with short-term treasury bonds, taken by banks, or with cash reserves. Later
[651] (July 1948) the expenditures of the occupation costs were met fiscally by an additional tax (occupation cost tax) to the income and wage tax.

652
453 Closely connected with the procurement of capital is the problem of liquidity upon which, internationally, the repute of a banking organization rests. Therefore, considerations about reconstruction measures will have to include the problems covering the organic cohesion of public and private credit extensions and also currency essentials.

The problematical scope of the entire reorganization of Austrian credit institutions is an extended one containing, besides questions of the budget and currency problem, the problem of capital procurement. In addition to the tax-exempting provisions, it will be necessary to effect certain changes in corporation law. The credit institutions, especially the banks, progressively liquidating relics of a past era, will eventually reestablish their previous traditional business relations with the world's financial centers in the interest of Austrian economy and by doing so, as agents for a progressive productivity, provide the necessary means. The purpose of the entire reconstruction, last but not least, strives towards an increase of the national income.

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457 B. Marshall Plan Assistance as the Material Basis of the Austrian Economic Policy.

1. The Legal Foundations of Marshall Plan Assistance.

a) Austria's position prior to Marshall Plan aid.

[433] The first two years following the establishment of the Second Austrian Republic permitted arranging a basis for the progressive development of the economy. However, the country's position remained precarious due to insufficient agricultural and industrial output. Domestic agriculture at that time provided only 36 per cent of the "subsistence level" needed to feed the population not engaged in agriculture. Industry, which prior to the war achieved export excesses, was unable to finance its raw material requirements. This caused a need for imports, primarily of food and mineral fuels, which caused a deficit in the payment balance amounting to 2 billion schillings.

However, this deficit was entirely covered by relief shipments and credits. Below is a breakdown of the most important deliveries and credits received during 1947:

UNRRA Shipments (ended July, 1947)	447 Million Schillings 648 457
USA Congressional Aid (second half, 1947)	501 Million Schillings
USA War Department	338 Million Schillings
USA War Surplus Assets	151 Million Schillings
USA Surplus Credit	60 Million Schillings
British 10,000,000 Pound-Sterling Credit	219 Million Schillings
British War Surplus Assets	160 Million Schillings
Private Charitable Organizations	130 Million Schillings
Total	2,006 Million Schillings

For Europe the turning point came during the summer months of 1947. On June 5, 1947, the American Secretary of State, Marshall, in a speech at Harvard University, sketched a program for the economic reconstruction of the European area, following the ideas recommended by the late President Roosevelt in a message to Congress promoting the well-known four principles of freedom. This program was to replace the various individual assistance actions of the early postwar years by an economic reconstruction program based on the idea of self-help and intercontinental cooperation. Accepting an invitation of the foreign ministers of Great Britain and France, 16 representatives from 22 invited nations, including Austria, attended the European Conference in Paris from July 12 to September 23, 1947. There the principles of European cooperation (ERP) were promulgated.

The initiation of ERP, originally set for April 1, 1948, had to be postponed for technical reasons to July 1, 1948. Meanwhile, the precarious Austrian situation required the granting of interim assistance.

On January 2, 1948, the United States of America and the Republic of Austria signed an "interim agreement" which provided the extension of funds and raw materials amounting to $57,000,000. Shipments from

648 the USA included: 45,000 tons of grain, 3,000 tons
457 of edible fats, 5,000 tons of sugar, and 200,000 tons of other essentials. To cover the period up to July 1, 1948, Austria received an additional amount of $70,000,000 in interim aid.

b) The inception of the Marshall Plan and its terms.

The second Paris Conference of the European nations participating in the reconstruction program (ERP) took place on March 15 and 16, 1948, while a third conference followed on April 16, 1948. At the latter the organization for cooperation was initiated and implemented by the signing of a covenant and additional protocols. The aim of these agreements was the achievement of a sound, stable and independent economy by 1952. Article IV of the Paris covenant for cooperation on April 16, 1948, also contains provisions for mutual endeavors to create principles of payment which were to lead to a free (multilateral) clearing system. These endeavors led to the signing of a limited compensation and payment agreement (October 16, 1948) effective October 1, 1948 to June 30, 1948. It was later extended to June 30, 1950.

The ERP program for the 16 nations which signed the Paris covenant of April 16, 1948 (plus the German Tri-Zone represented by the military commanders and the Free Territory of Trieste), began on July 1, 1948, in accordance with the stipulations of the "Foreign Aid Act of 1948" adopted on April 3, 1948 (Public Law 472, 80th Congress, 2nd session, chapter 169, p. 2002). The assistance itself depended upon bilateral economic agreements between the USA and the participating countries (for Austria by the agreement of July 2, 1948).

[652] With the signing of this covenant the Austrian government (like all participating countries) obligated itself to increase, within the scope of Austria's possibilities, her industrial and agricultural production and to submit proposals relative to the implementation of projects to be executed under the provided assistance program. The government was further required to enact measures stabilizing the currency and balancing the budget and to cooperate with the participating countries in achieving an elimination of barriers to interstate trade.

457 These means were expended as follows: after
457 deductions for foodstuffs (direct aid: $68,000,000, drawing rights: $2,710,000), for agriculture ($14,390,000, drawing rights $7,300,000) and for tobacco (direct aid: $2,500,000), there remained for the industrial economy funds amounting to $66,260,000 out of the direct aid and $75,190,000 out of the indirect aid (total of $141,450,000).

457 Of this remaining total of $141,450,000,
648 $82,300,000 covered coal imports, of which $43,400,000 (or more than 50 per cent) were financed under drawing rights; $2,250,000 were taken from direct aid for a corner transaction to get coal from Poland. Imports of hides amounted to $11,300,000 ($4,000,000 were financed by direct aid allotments and $1,400,000 under drawing rights). Of these imports almost 50 per cent were financed with ERP funds.

For imports of raw materials and semi-finished goods (excluding coal), approximately $182,000,000 were set aside in the payment balance 1949-1950. ERP grants amounting to $55,000,000 covered 30 per cent of these imports. Including imports of coal, the percentage amounted to 38 per cent.

Of great importance were the imports in the investment sector. During the first year of the Marshall Plan only $12,000,000 (or less than 4 per cent of the allotted amount of $283,600,000) was provided for investment purposes. (During this period the need for foodstuffs was still great and represented 44 per cent of the total allotment.) The second Marshall Plan year, however, brought about an increase to more than 16 per cent, i.e., to $40,450,000 (direct aid: $31,600,000; drawing rights: $8,850,000) despite a reduction of 11 per cent in the total allotment ($252,200,000).

2. The Financing of the Reconstruction.

a) Counterparts and their use.

648 According to Article IV of the bilateral
652 agreement between the United States and Austria of July 2, 1948, covering economic cooperation, schilling pro-
457 ceeds derived from domestic sale of imported Marshall Plan goods must be deposited with the Austrian National Bank in a special account (in favor of the Federal Ministry of Finance). The government has utilization of these funds only with the approval of the ECA in Washington. In accordance with the Foreign Aid Act, No. 472 of the

80th Congress, such counterpart funds, however, can be released only for purposes of currency stabilizations or promotion of investments. 652 [648] 457

The development of the special counterpart accounts, as a result of payments for ERP shipments, up to December 31, 1950, is tabulated as follows. [Not to be confused with special accounts established prior to the Marshall Plan assistance (Congressional Aid, British credit, etc.) which are classified as non-ECA accounts.]

	Million Schillings
I. To special account as per ECA instructions (counterpart value of ECA shipments).	8,140.8
II. Processing results (proceeds account of the Federal Ministry of Finance deposited with the Austrian National Bank).	
a) Proceeds of sales	6,035.1
b) Price-gap and time-lag, covered by treasury bonds of the government	2,105.7
Total of II	8,140.8
III. Charged to proceeds account (II)	
a) Released for monetary purposes	775.0
b) Released for the financing of the Austrian investment program	3,536.5
c) Other releases	49.9
d) 5 per cent reserved for U. S.	368.2
Total of III	4,729.6
IV. Balance of the proceeds account (I minus III--including price-gap and time-lag).	3,411.2

Not included in these figures are the U. S. assistance actions for the period July 1, 1947-December 31, 1947 as follows:

652 totaled only 454 million schillings. In accordance
[456] with the original "Release Program" it should have amounted to 800 million schillings to neutralize other money-increasing factors. The minus-difference is based on the fact that the anticipated decrease of the price-gap subsidies was delayed, as a consequence of changes in world markets, in order to avoid too sudden changes in the price and wage structures.

[457] To summarize: in spite of and mindful of the world-wide economic fluctuations affecting her economy, Austria is carrying out reconstruction within the scope provided by ERP facilities. Aside from scheduled reductions any decrease in the real value of this assistance makes the accomplishment of her programs more difficult (especially the balancing of her balance of payments).

c) Prices and wages, elimination of subsidies, adjustment of exchange rates, increase of economic productivity.

652 With the progressing consolidation,
[458] resulting from ERP procedures, the Austrian Federal
185 Government faced a number of problems. Aside from the aspect of the stipulated gradual decrease of foreign aid, these problems gained importance when Austria signed the European Payment Union (EPU) agreement in September 1950. She had entered upon obligations which could be met only if her economic policy was directed towards certain external economic goals (expansion of direct and indirect exports). This required certain measures aimed internally (balancing of prices and wages) as well as externally (adjustment of exchange rates).

The measures to be adopted within the framework of economic relationships had the following points in view.

1) Counteract inflationary tendencies according to timely needs;
2) Decrease step by step the system of subsidies for essential commodities, like edibles, coal and agricultural products, in order to achieve, besides a budgetary relief, "genuine" prices;
3) Bring prices gradually in line with world market levels;
4) Establish an equilibrium between prices and wages, in order to guarantee, in relation to prevailing prices of manufactured goods, an equitable

457 created a new situation. As a result of this de-
652 valuation process, the Federal Government, in November 1949, decreed a reorganization of the foreign exchange market. This was intended to be the first step towards the establishment of a uniform exchange rate system. The official rate of exchange, henceforth called the basic rate, was increased from 10 to 14.40 schillings per 1 U. S. dollar (in accordance with the devaluation of the English Pound Sterling). At the same time a variable premium rate of exchange, presently fixed at 26 schillings to 1 U. S. dollar, was established. Exporters were required to give up 40 per cent of their foreign exchange proceeds at the basic rate. The remainder they could retain for payment of their imports within a period of 60 days or could offer to the Austrian National Bank at the premium rate. Goods to be imported were classified into three groups. Those listed in schedule A were imported at the basic rate of exchange, those listed in schedule B at a mixed rate (21.36) and those appearing in schedule C at the premium rate. Goods imported within the scope of the ERP, commodities to be disposed at prevailing cheaper price levels, were grouped with the mixed rate. Service charges and capital transactions were dealt in at the premium rate.

457 There remained, however, a conspicuous dis-
435 crepancy in the import exchange rates which introduced
465 disturbances into the cost-price structure of the eco-
652 nomy, and these in turn influenced living costs and wages.

● [649] Upon recommendation of the International Mone-
tary Fund, a unification of the exchange rates had been considered at the time the multiple exchange rate system was promulgated, i.e., during November 1949. At the
[654] same time, and in order to ease budgetary strains, the system of subsidizing essential commodities like food, coal and agricultural necessities (which up to now had been sold at cheaper levels because of the ERP imports or imports financed under the basic rate of exchange) had to be substantially curtailed. Since any increase in the prices of grains and grain products was likely to impair living costs and wages, difficult situations arose. As a result of the changed price and wage relations, certain price and wage adjustments as well as a partial reduction of subsidies (covering sugar, coal and agricultural products) had already been promulgated in 1947, 1948 and 1949. After due consideration between political representatives and economic interests, a fourth price and wage agreement was enacted on September 27, 1950.

Consequently, the Austrian Federal Government in collaboration with the Austrian National Bank decreed, effective October 5, 1950, a uniform rate of exchange for the traffic in goods (with the exception of some food items). This rate was identical to the mixed exchange rate of 21.36 schillings to 1 U. S. dollar. The basic rate of exchange was discontinued. For tourist traffic, traffic in capital and for certain kinds of services, the premium rate of exchange (26 schillings to 1 U. S. dollar) remained in force. Simultaneously, compensation deals in goods were prohibited, excepting a few to avoid losses of foreign trade interests. 653 457

In addition the Austrian National Bank effected, according to newly published bid-rates, a revaluation of its foreign exchange holdings and increased the price of gold to 22,834. schillings per 1 kg fine. Thus, the Nationalbank's holdings of foreign exchange were brought in line with the uniform rate of exchange in force for the traffic in goods while its gold holdings were revaluated as mentioned before. (The revaluation of the gold and foreign exchange holdings brought about a surplus value. Since, in accordance with the Notenbanküberleitungsgesetz, the weekly statement of the Austrian Nationalbank has to contain only gold and foreign exchange holdings necessary as cover, the excess holdings thus derived have been eliminated together with other heretofore not published assets. Meanwhile, until a decision about their employment is found, these excess holdings are accounted transitorily.)

A further development, this time upon an international platform, occurred with the signing of the agreement establishing the European Payments Union (EPU) on September 19, 1950, at Paris, within the scope of which Austria received from the ECA an amount of 80 million dollars to cover her trade deficit with other EPU member countries for the period July 1, 1950, to June 30, 1951. [648]

Although the preceding years had resulted in remarkable economic reconstruction, the Austrian authorities, nevertheless, were aware of the fact that a step-up of economic productivity was necessary to come as close as possible to the mark set by the ECA for 1952. In estimating Austria's endeavors one must take into account her heavy losses of national wealth, so that the effect of ERP assistance became visible only in 1950. This makes the balancing of her payments balance within the limits of the ERP program rather doubtful. 457 433

Part of the proposed projects have been completed and remarkable results obtained already. This industry was bolstered greatly by refugees from Czechoslovakia. 323 652

Within the scope of the investment programs 100 million schillings were allotted in 1950 to the erection of general dwelling units. In addition to a sum of 11 million schillings provided out of public funds, 34 million schillings were allocated for erection of workers' dwelling units. (The proposed amount in the three year period for workers' dwelling units was 85 million schillings.) [362]

e) Investments for agriculture and forestry.

Damages caused by the war to this important source of supply (through exhausting the soil, lack of fertilizers and pest control, overcutting, etc.) can be restored only gradually. Because of the increased use of tools of production, financed by ERP funds, it was possible to reach a higher gross production value in the years 1948 and 1949. However, it still lagged behind the volume of industrial production which by 1949 had exceeded the prewar level. The higher production in agriculture in 1948 and 1949 made available bigger supplies of foodstuffs for city dwellers and also made it possible to increase the decimated livestock and improve it. Thus, gaps in supplies of milk, meat and fats could be filled in. [241] [362] [231]

These improved results would not have been impossible without the ERP aid. In the first plan-year, Austria had at its disposal a total of 156 million dollars (or 57 per cent of the total amount of the ERP aid) to increase the production in agriculture, small business and industry. A sum of 18.7 million dollars was allotted to agriculture and supplied 139,000 tons of fodder, 189,000 tons of fertilizers, 4,200 tons of seeds, as well as agricultural machinery and veterinary supplies amounting to 1.1 million dollars. In the second year of the plan agriculture and forestry received approximately 25 million dollars for the import of tractors, caterpillars, threshing machines, reapers, motorized plows, disk harrows, replacement parts, milk separators, and machinery for soil treatment (and also to finance means of conveyance and facilities for forestry). [648]

439 In order to make the liberalization fully
457 effective it is necessary to abolish foreign currency
652 restrictions for goods which have been liberalized and that is where the difficulties arise. Although the Initial Position in the value of 80 million dollars granted within the scope of the European Payments Union supports this effort through a relaxation in the foreign currency situation, it did not effect a general solution of these problems. The so-called dollar problem still exists in a very real sense.

[648] The European Payments Union, of which Austria is a full member, was put into force on July 1, 1950. It is the logical continuation to the reorganization of the European Payments system, started by the OEEC with the "off-shore" and drawing rights system. Above all, it was to further the lifting of trade barriers between the ERP countries and to carry out the principle of non-discrimination, the equal treatment of all parties within ERP Europe.

These measures, however, did not solve the precarious dollar problem for the ERP countries and Austria since it was not the aim of the European Payments Union to promote European exports to the USA and other hard currency countries outside the ERP. Also the currencies of the EPU countries are interconvertible but not against the dollar. For Europe, therefore, the dollar remained a very rare and hard-to-obtain currency.

A certain relaxation was caused by the new developments in the second half of 1950. The relaxation of the dollar shortage was not caused by the combination of the individual elements: the European Payments Union, liberalization and integration. Rather, due to external causes, it was a consequence of world economic changes which, owing to the conflict in the Far East, opened new markets of peacetime demands to those countries not directly involved in defense measures. (The dollar shortage is essentially a special structural problem of world economy, the causes of which go far back into the war years and are above all connected with the loss of southeastern Asia and the establishment of synthetic production processes in the United States.)

435 655 [651] 3. The tariffs of the public corporations (Federal Railway, Posts, Tramways) as well as the prices for current were increased[1] from 20 per cent to 100 per cent to keep pace with the prices on the world market which had increased due to increases in cost (especially the price of coal); the trend toward a deficit in the Federal Railway and public service enterprises had to be checked. In spite of these considerable increases, these price rises were only three to five times as high as the level of 1937.

[465] 4. On the basis of the newly calculated producer and import tax prices, new retailer prices were worked out; to balance this rise every receiver of gross wages received an additional income of from 10 per cent to 12 per cent per month, but at least a minimum of 140 schillings. For persons in the public service, special measures were taken on the ground of the so-called "Gehaltsüberleitungsgesetz."

[65] 5. Finally, in immediate connection with this agreement a number of taxes and duties were altered: progression of the taxes on wages and incomes; a change in the rates of the mineral tax; a change in the contributions of the employers to the balance funds for charitable relief; a change in the turnover-tax; on the grounds of the law of adjustment of social insurance of 1951, the basis of the maximum contributions to social security were changes.[2]

[648] [654] The most remarkable progress within the scope of this agreement, however, was (as already mentioned) the reduction of subsidies. As is known, the individual ERP countries obligated themselves in the bilateral economic agreements (Austrian agreement, August 2, 1948) toward the USA to pay the full value of the American relief deliveries in the currency of the recipient country on a special account (counterpart accounts). These accounts should be disposed of by the individual governments in accordance with the approval of the ECA to cover, as a rule, the financing of productive investments and to support currencies. The utilization of these means for financing for consumer goods should be limited as far as possible, although this had been tolerated in the beginning to raise the general standard of living. The purpose of this limitation was not to prolong the dependence upon foreign aid which was to end toward the end of June 1952.

457 652 With regard to the necessary balancing of the balance of payments (the special measures to achieve

1 [i.e., in July, 1951. Cf. cat. 116, p. 97, for rationale--Analyst]
2 [sic.,--Analyst]

D. Balance of Payments, Production, Investment.

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The problem is to carry out economic aims within the framework of inter-state coordination and the solving of certain intra-economic problems (problems of structure and priority). This is a specific Austrian task which must be attained by an increase in the transfer of production, by the rise of productivity, by an alteration of the structure of employment and foreign trade. The latter is a problem of international cooperation and of easing tensions in world politics.

Austria was dependent upon close international cooperation and international help from the start. This was due, for example, to the economic and political burdens such as the loss of a considerable capacity of production, which constituted a heavy drain upon the newly reestablished independent status of Austria achieved in 1945; new currency and credit policy foundations; the creation of an industry adapted to changed world economic conditions, which could be achieved only over a long period and only with the help of foreign aid. The situation of Austria is essentially different from that of western European countries which, at least after the outbreak of the Korean conflict, suffered only one-sidedly by the dollar shortage. Their balance of payments against countries with soft currencies were, on the average, favorable.

The following table shows the development of the Austrian balance of payments during recent years.

E. Foreign Trade.

439 457 Austria's foreign trade was naturally effected by the outbreak of the Korean crisis. In the beginning it caused considerable increases for Austrian exports. In the following period, however, import prices rose above export prices creating a discrepancy between the trade balance and the balance of foreign currencies in the spring of the year. A number of legal regulations were necessary. Intensification of Austrian foreign trade, therefore, becomes one of the most important economic-political assignments in connection with the end of the Marshall Plan. (See Monatsberichte for January 1952: "Ausfuhrsteigerung-erstes wirtschaftspolitisches Gebot." Compare especially what is said about the abolishing of the quota, which will not be changed, and about the material supports to raise the export trade, especially the extension of exchange business.)

● [648] In the last quarter of the year, a committee of the EPU in Paris was discussing this problem which is of paramount importance to Austria. It stressed the urgent need for further developments in this sector since Austria shows a permanent deficit account in its clearing with the EPU. This deficit reached an amount of 5.4 and 5.5 million dollars in October and November, respectively, while foreign aid in an amount of approximately 8 million dollars was allocated for these two months. The balance must be supplied by the Nationalbank out of its own reserves.

457 648 439 By means of trade agreements Austria endeavors to extend the scope of its obligations to the European area as well as to overseas areas. (In the following, explanations are based on: "Die Handels- und Zahlungsabkommen Oesterreichs" by Dr. Helmuth Boller, chief of the Trade Policy Section of the Bundeskammer der gewerblichen Wirtschaft, Vienna.) Certain progress could be reached. Thus, the lack of trade agreements with the Iberian peninsula could be corrected by the conclusion of a commercial agreement with Portugal. Toward Spain there are only feelers of a trade and political character. Indonesia joined the ranks of overseas agreement partners. New trade agreements were reached with Belgium, Luxembourg, the Netherlands, and Poland to replace former agreements which had expired. Trade agreements were renewed with Argentina, Brazil, Denmark, West Germany, France, Italy, Yugoslavia, Norway, Rumania, Sweden, Czechoslovakia and Hungary in 1951. As a rule, the formation of the goods

traffic on the basis of hitherto valid agreements were revised and new goods lists for the future worked out. The new agreements are, in general, valid for only one year. Additional payment agreements could be reached with Belgium, Luxembourg, Brazil, the Netherlands, Poland, and Portugal at the same time the commercial negotiations were concluded. (At present there are twenty-three payment agreements.) Payment agreements not connected with commercial agreements now exist with Great Britain, Canada, and Uruguay, and commercial agreements without corresponding payment agreement with India, Ireland, Indonesia, and Pakistan.

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If one groups the concluded commercial agreements according to basic common features, one can see that an extensive adjustment of the regulations to the decisions of the OEEC and the EPU took place in the so-called OEEC countries in 1951. Basically, the principle of Liberalization was stressed in all bilateral commercial agreements with OEEC countries in accord with obligations which result from membership in the OEEC and EPU. The lists drawn up are restricted to goods not covered by the general liberalization.

The paramount importance problems about the supply of raw materials caused a remarkable shift toward fixed promises for deliveries. In many cases the partners not only worked out lists for the import of non-liberalized goods but they added additional lists creating fixed promises for the allocation of export licenses in the form of delivery contingents. Austria uses agreements of this kind in its trade with West Germany, France, Italy, the Netherlands, and Portugal. All these agreements with OEEC countries also have in common the basic renunciation of the principle of compensation and its replacement by the so-called "clearing agreement." In 1951 even the last agreement based on bartering had to cede to this principle. The trade agreement with the Netherlands of December 13, 1947, which represents the type of mixed agreement, was replaced by a new trade agreement of February 5, 1951, which actually adopted the standards of those clearing agreements which were reached with other OEEC countries.

The renewed agreements (not in the framework of OEEC and partly only prolonged former agreements) with Bulgaria, Poland, Rumania, and Czechoslovakia do not show essential changes as compared with the preceding year. On the grounds of merely bilateral basis, the

457 balancing of the bilateral trade balance sometimes
● 048 causes considerable trouble. The trade agreement
439 with Yugoslavia was considerably extended by a credit for goods to the amount of 10 million dollars which Austria granted to that country; the goods have been almost totally delivered. The goods credit, starting with the year 1952, must be balanced by Yugoslavian counter-deliveries. The new discussions about a trade agreement with Yugoslavia were begun on January 7, 1952.

Among the overseas agreements, those with Argentina and Brazil contain very interesting new elements with regard to the techniques of agreements. Thus, for instance, the listing of the items of Austria's exports to Argentina is extremely detailed. One is certain that the establishment of a permanent Mixed Commission with its seat in Buenos Aires will be a success. It is the Commission's task to control observance of the agreement and the development of the goods traffic. In the agreement with Brazil the new method of balancing payments is most interesting because it deviates from the usual scheme. The establishment of annual accounts for the balancing is most remakable. At the end of the year in which the agreement operates, the amounts will be balanced and replaced by a new annual account for the following period of the agreement. It is equally remarkable for the regulation that a payment of a credit account will be demanded only to the extent in which import licenses actually were issued by the competent authorities after ordinary application procedures.

In the first months of the coming year further agreements with Brazil, Bulgaria, Denmark, Greece, the Netherlands, Norway, Pakistan, and Sweden are to be concluded. Existing agreements are to be renewed or prolonged.

457 The achievement of the balance of payments
652 is the aim to which all endeavors of the economic policy must be subordinated. As explained in the foregoing, these endeavors contain those measures which are to restrict the inflationary development. The craft segment of the economy under the direction of the Bundeskammer der gewerblichen Wirtschaft started various measures of material and psychological importance toward the end of 1951. Among these measures was price reduction (see Monatsberichte for November 1951 (No. 31): "Die ökonomische Bedeutung der Preissenkungsaktion").

The same aim is to be reached by an increase of the production with regard to quantities, by the balance between the production-goods and consumer-goods industries and by regard to necessities arising out of the export policy. In this connection, not only problems of an increase in productivity were discussed, but also fixed legally-based calculation principles (Eröffnungsbilanzen) were created which make it possible to strike an unassailable balance and to tax sham profits. 652 457

F. Liquidation of Marshall Plan Aid and Future Planning.

The Marshall Plan is drawing to an end; it expires, according to the Foreign Aid Law of 1948, at the end of June 1952. That the American Marshall Plan administration, the ECA in Washington, has ceased functioning and the Mutual Security Administration started its activities as of January 1, 1952, do not alter the basic principles of Austria's economic policy (see Monatsberichte for January 1952: "Vom Marshallplan zum Mutual Security Agency"). [648] 652 457

This is a fast-moving age in which we live. People almost forget that at the bottom of such a complicated program of procedures as the ERP allocations, of the releases from the counterpart funds, from the direct and indirect aid, from the drawing rights, and from the EPU, there was a relatively simple, but nonetheless, grand idea which aimed at the economic and social reconstruction of the war-torn European continent and the cooperation of the European countries in a free and comprehensive European market. Out of the 13 billion dollars supplied in the Reconstruction Program by the American taxpayer for Europe, Austria got 1 billion dollars for the purchase of bread and fodder grains, cotton, oil, and fats, for payment of overseas freight, for the extension and rationalization of its mining and industrial plants, for carrying out the enormous power-plants, for the reconstruction of its traffic network, and for its recreational and tourist traffic establishments. These dollar means, which were represented also in the counterpart accounts, served immediately or mediately in connection with aid deliveries to supplement investments and necessities in various enterprises.

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Observe the world your eyes can plainly see,
How hill and dale and brook and meadow stand.
The heights, though bare themselves, attract the clouds
And send them down as rain into the vale.
The wood holds off the wild, destructive storm.
A spring does not bear fruit, yet nurtures fruits.
And from such interchange of high and low,
If fruit and shelter, comes an ordered whole
That earns the right to live, because it is.

(Family Strife, Rudolf, Act III)

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1498. Vasco da Gama discovers the sea route to India.

1503 to 1521. The Pontifical Years of the two great Renaissance Popes, Julius II and Leo X. (Bramante, Michelangelo and Raphael in Rome).

1517. Martin Luther posts his 95 Theses at Wittenberg.

1517. The Spaniard Ferdinand Cortez sets out to conquer Mexico.

The Burgundian marriage of Maximilian had brought the House of Hapsburg on to the stage of world politics. The marriage of his son Philipp and Johanna, daughter of Ferdinand of Aragon and Isabella of Castile, soon showed itself as the foundation on which this family was to build up a unique preponderance among world Powers. Through the death of the heiress, the Spanish Infanta, and a second, elder Spanish Princess, the children of Philipp and Johanna inherited United Spain together with Sicily and Naples, as well as the still uncharted territories overseas which embraced almost the whole continent of America.

A marriage celebrated in Vienna in 1515 between the grandchildren of Maximilian, Ferdinand and Maria, and Ludwig and Anna, children of the King of Bohemia and Hungary, proved of vital importance to the future of Austria. This act of political wisdom united the countries of the Danube basin at the moment when the Turks were preparing their advance into the heart of Europe. These lands were welded together, not by an act of dynastic caprice, but as the result of a real political necessity which at the same time involved a fundamental European interest. When the Jagellone, Ludwig, fell on the battlefield a few years later against the invading Turks and his brother-in-law, Ferdinand of Hapsburg, took over the inheritance, this developed into a third attempt to carry out the political organization of South-East-Europe. That which Ottocar had failed from Bohemia to achieve and which proved under the Hungarian Matthias Corvinus to be only a passing extension of power of no duration, now came about naturally from the foot of the Alps under the immediate pressure of danger from without, a Christian union of the peoples of South-East-Europe. It was the dazzling personality of the Emperor Maximilian which created these postulates for a glorious future, for conferring on the Hapsburgs a world position as rulers of an Empire on which the sun would never set, and for the creation of a super-national Danubian Empire. Aside from world politics, the arts

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Aside from world politics, the arts 814

and sciences found in this gifted ruler,[1] himself a talented writer and thinker, an understanding patron. Albrecht Dürer and Peter Fischer enjoyed his favours and humanism found a home in Vienna.

> The peasant walks behind his plough in peace,
> While in the towns the workmen ply their trade
> And industries and guilds lift up their heads.
>
> (Otnocar, Rudolf, Act III)

After the death of Maximilian, his grandchild Karl V took over a vast empire. He inherited Spain, Burgundy and the old Hapsburg possession; he was elected King in Germany and later crowned Emperor at Bologna. In 1521 he divided his Empire with his brother Ferdinand, to whom he gave the Austrian Duchies. From this time onwards one finds references to an Austrian and to a Spanish line of the House of Hapsburg. The reign of Karl V was filled with internal German conflicts arising out of the start of the reformation. Constant wars with France and Turkey left him no peace. Karl V was another of the strange, gloomy and apathetic figures to be found among the Hapsburg rulers. His plans to win back for the Imperial Crown its ancient power and splendour and to preserve the unity of the old Catholic faith were brought to naught, partly on account of the egotism of the Lutheran Princes but also because of their devotion to their faith. Karl thereupon renounced the crown and retired to the monastery of San Yuste in Spain. A lonesome and frustrated figure, he turned his back on that life which would have made him ruler of a world Empire.

1519 to 1521. The Portuguese Ferdinand Magellan first circumnavigates the world. 648 643

1526. Bohemia and Hungary pass legally into the possession of Austria.

1528. Under Henry VIII, the first steps are taken which lead up to the separation of the English Church from Rome.

1536. Death of Erasmus of Rotterdam.

> There order dwells, there order has its home
> While here confusion lives and vain caprice.
>
> (Family Strife, Rudolf, Act I)

In the meantime Ferdinand was ruling prudently and ably in Austria. The new doctrines from Wittenberg quickly penetrated to Austria, where they spread rapidly. Soon appeared the first signs of a clash of beliefs which was to prove particularly significant for Austria. Efforts to bring about religious reforms brought with them social discontent, which manifested itself particularly in peasant revolts, and in the formation of the sect of the Baptists.

In 1526, Ludwig II, King of Hungary and Bohemia, lost the day and his life as well in the battle of Mohacs against the Turks. Under the Treaties

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1540. Foundation of the order of Jesuits. [669]

1545 to 1563. Council of Trient. The Catholic Church grows more powerful and the Counter-Reformation begins. 648

1 [i.e. the Emperor Maximilian.--Analyst]

642 coming from abroad, for Europe as a whole had not yet found peace. The shadows of great crises fell athwart the land in the middle twenties at a time when it enjoyed only a makeshift financial stability and consolidation. Now came the stagnation of world trade, and the birth of the dictatorships. The internal political events can only be partly understood if considered in conjunction with events in the outside world.

648 Austria is the barometer of Europe. Lying on the Rome—Berlin axis, partly surrounded by the semi-circle of the lands of the Little Entente, with eyes hopefully turned towards the peace policy of the League of Nations, this country found itself amidst ideological material forces which only too soon began to extend their activities beyond their own frontiers, until opposing policies in this small and tortured country put an end to civil peace. A factor to be remembered is that men without employment were marching in all the various armed formations—Schutzbund, Heimwehr and Storm Troopers. Despite lack of unity, Austria still found the strength to resist the aggression of the Third Reich until the invading troops of Hitler trampled—for the time being—Austria's freedom into the dust.

During the years of 1938 to 1945 there arose and spread through Austria a valuable quality, the will to tolerance and cooperation when the Motherland should at last be liberated.

April 11th, 1932. Schuschnigg orders disarmament of the Catholic militant formations.

May 6th, 1938. Compulsory military service in Austria.

June 11th, 1936. Germany recognises by treaty the full sovereignty of Austria.

July 22rd, 1936. Political amnistie for the Nazis.

October 10th, 1936. Disbanding of all private armies. End of the Heimwehr.

June 18th, 1937. National-Political Section set up in the Vaterländische Front. Infiltration of the Vaterländische Front by Nazis.

September 25th to 29th, 1937. Mussolini visits Hitler in Germany.

February 4th, 1938. Hitler purges the German General Staff.

February 12th, 1938. Schuschnigg visits Hitler at Berchtesgaden.

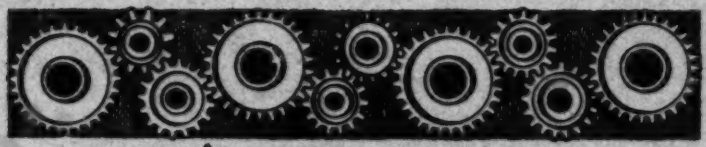
February 24th, 1938. Campaign speech of Schuschnigg to the Federal Council at Vienna. Final struggle for Austria.

March 9th, 1938. Schuschnigg announces National Referendum.

March 11th, 1938. Ultimatum of the German Government. Fall of Schuschnigg.

March 12th, 1938. German troops invade Austria.

March 13th, 1938. Proclamation of the annexation of Austria by Germany.



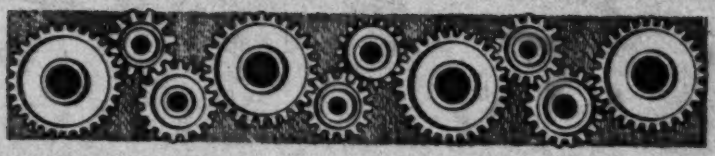
THE AUSTRIAN ECONOMY AFTER 1918.

439 The disintegration of the Dual Monarchy was immediately followed by severe economic disturbances. These were by no means small, even in comparison with the position after 1945. The heart of Austria, with its highly developed trade, was suddenly completely cut off from its former inland sources of raw products and markets. The oilfields of Galicia, like the important coal deposits in the lands of Bohemia, Moravia and Silesia, were lost, having fallen to the Succession States, and the loss of the agricultural surplus areas produced a threat of famine.

433 439 The Succession States—Czechoslovakia, Yugoslavia and Hungary—each attempted to build up a national economy, to balance its economic structure and to make itself as far as possible independent of raw and semi-manufactured materials and finished goods. A division of labour which had grown during decades into one complete organism was thus broken up, to the detriment of all peoples living within this territory. For Austria this meant that an intensive system of internal trading suddenly turned into one of foreign trade, where great difficulties had to be overcome. At first even inter-state transport communications were further complicated by barriers created by the Succession States.

728 433 458 The nadir of those days was reached with the signing of the Treaty of Saint-Germain, which revealed the full extent of the catastrophe. Austria's tragic path at that time was blocked by a series of apparently insurmountable obstacles to the procuring of essential foodstuffs, coal and raw materials. Inflation to an extent never before seen set in and led to a selling-out of national assets. The unfavourable basis of the ruinp economic structure as well as the instability of Austria's relations with foreign countries seemed to doom all her efforts to failure.

● 648 457 After difficult but very skilfully conducted inter-state negotiations, the governments of Czechoslovakia, France and Italy were persuaded to advance credits to the Austrian Republic. The Allied Powers convinced themselves that Austria, if help came from the League of Nations, would exert her own energies to the utmost in order to put her finances and trade on a sound footing. The will of the 652 Austrian Government to stabilise the budget, demonstrated by the previous abolition of food subsidies (in December 1921), did much to assist these efforts. The Financial Recovery Plan which was signed at Geneva on October 4th, 1922, proved the turning



439 Trade stagnation lasted until the middle of the 1930s, when the armament
648 programme of the Axis Powers, Germany and Italy, was launched, to be followed gradually by an armaments race between all the world's most important trading countries. Austria was excluded from the development which led to the catastrophe of the Second World War, firstly through her political differences with the Third Reich (which answered by a cruel economic boycott in order to force Austria to her knees) and secondly on account of her economic structure, which was suited to the production of peace-time goods but not to that of armaments.

Austria had to make a tireless and purposeful search for new markets before she succeeded in forming and consolidating foreign trade connections with distant territories—the United States of America, British India, Japan, China and the Argentine. If this development had not been interrupted by the occupation of Austria in 1938, the results of Austria's successful attempts to revive her foreign trade would doubtless have soon been apparent in the growth of typically Austrian exports.

Even though the visible results of this change of direction may seem modest, it must not be overlooked that parallel with the deleterious results for Austria of the protectionist policies pursued abroad, there were serious internal problems of economic reconstruction to be solved. One of these was and still is the structure and the development of agriculture.

241 For many reasons unconnected with economics, but also in order to increase home
439 supplies of the chief articles of food, agricultural development was encouraged. The most important changes in agricultural production were brought about, particularly in the years 1930 and 1931, by radical economic-political measures. The customs tariffs for these years showed a considerable increase of duties on grain, flour, sugar, cattle and meat, the protective tariffs being even further increased in the following years. The resulting rise in prices meant an increase of cultivated areas and the production of the most important kinds of grain.

231 A further far-reaching measure affecting cattle raising was the regulation of imports
439 of cattle and meat through the setting up of tariff barriers against the most important
654 of the neighbouring States. Apart from this, in April 1932 the import of the most widely sold types of cattle and cattle products was forbidden.

241 Apart from the necessity for the existence of
439 agriculture, the chief problem is to find a reasonable compromise between the legitimate aims
435 of agriculture and the need of Austrian trade and industry to export at competive prices. This end can only be attained by the pursuit of a suitable economic policy and by an increase of agricultural productive capacity through measures of rationalisation, the discouragement of the drift to the towns and the setting up of a suitable system of administration.

439 The period between the two World Wars was too short to allow of full success on these lines, especially in view of the long duration of the world slump.

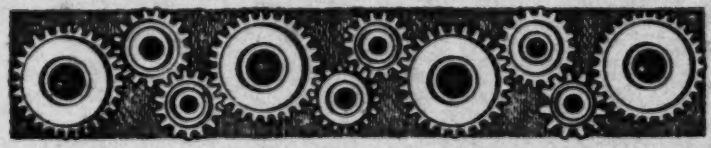
For the same reasons the efforts to develop the industrial-commercial system along new lines could not be brought to full fruition; attempts to maintain the status quo frequently held up progress. In times of international trade shrinkage any change of policy is not only exceptionally difficult but sometimes also a considerable risk.

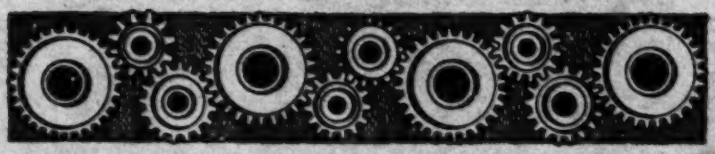
439 In spite of this Austria made repeated attempts
648 in the course of the years to develop plans for economic rapprochement with neighbouring States. These efforts, however, were doomed to failure through the existence of most-favoured nation clauses and political obstacles. Already in May 1931, conferences were being held in Rome concerning the possibility of increasing trade connections between Italy, Austria and Hungary. From this time onward the preference

THE BANKING SYSTEM IN AUSTRIA.

The structure and economic activities of the Austrian banks since their foundation round about the middle of the last century have followed a different course to that of the credit institutes of the West. For while industrial progress in the latter was based on the active participation of a large circle of interested persons and a well-organised capital market, the development of the far-flung territories of the old Austro-Hungarian Monarchy was left almost entirely to the initiative of the Vienna banks, at first in connection with mechanical transport, and later in connection with industry. Thus, in contrast to the Western type of pure deposit banks, they became universal banks with much more comprehensive functions. Apart from receiving deposits, they gave credit of all kinds ranging from discount credit to long term mortgage credit, dealt in shares and put through stock exchange deals as well as carrying on note emission and syndicate business.

The end of the Monarchy in the year 1918 made it necessary to adapt the Austrian banking system to new conditions. How close the connections of the Vienna banking institutions were with the territories of the old Empire which have since separated from Austria is shown by the fact that of the 127 branches of the Vienna banks which existed under the old Monarchy, not even 10 per cent fell to the new Austria and that, for instance, the Creditanstalt had 16, the Anglo-





bank 34 and the Wiener Bankverein 29 branches outside the territory of present-day Austria.

Adapting the Austrian credit system to the conditions and needs of the Austrian Republic actually took more than one and a half decades. It was not until the year 1936 that this process could be considered as completed with the fusion of the Creditanstalt and the Bankverein. The enormous difficulties involved were still further complicated by the fact that the change coincided in point of time with far-reaching international crises of trade and finance, so that certain grave reactions on the Austrian economy were unavoidable. Notwithstanding this, the latter and its credit system proved themselves strong and vital enough to survive these troubled times and to prepare the ground for the favourable development of Austrian trade in general and the Austrian banking system in particular.

This development was broken off in abrupt and catastrophic fashion through the establishment of the National Socialist regime and the outbreak of the war which soon followed. Although the end of the war restored Austrian independence—in theory, at least—it left behind chaotic conditions—both figuratively and literally a heap of ruins.

In the realm of finance, the first attempts at reconstruction had to be directed towards the re-establishment of the means of payment, a solid national currency being of course a primary condition for the normal system in foreign trade became the guiding 439
principle, the narrowing down of inter-state 648
trade relations being shortly afterwards still more strongly emphasized through currency restrictions and the clearing agreements connected herewith. The currency devaluations of the 457
gold-standard countries towards the end of the 435
year 1936 created new difficulties for Austrian foreign trade. As devaluation was out of the question and an export subsidy was not considered to be a suitable political-economic instrument, the only remaining alternative was to lower the costs of production. The difficulties of such a course have been proved by practical experience in all countries, as the questions of fixed prices and wages combine to form an insurmountable obstacle to such a development.

Nevertheless Austria still succeeded in linking 458
up with the world boom which began in 1935— 457
1936. In the year 1937 her figures of production were 6 per cent higher than those of the last characteristic boom year of 1929. The tourist trade developed exceptionally favourably, despite the "1000 mark limit" imposed by Germany, and the volume of foreign trade was constantly on the increase.

In view of the heavy burden of debt which 652
the country had to assume after 1918, of the increasingly protectionist tendencies throughout the whole of Europe, especially among Austria's immediate neighbours and considering the severe and long-continued world trade depression, as well as the crises of international currency,

377 Occupation, construction in these years was of a thoroughly "wartime" standard. A characteristic example was furnished by the Gerlos Power Station.

In 1945 a resurrected Austria found a thoroughly disorganised power system with no system of compensating the difference between winter and summer power supplies or between river and mountain stations. There were only the beginnings of a purely Austrian cable system, for in the years 1938—1944, the existing 110,000 volt system was connected up to the power system of the German Reich. Development of the Austrian system now had to be directed to laying a main power conduit in a west-easterly direction which would run the entire length of the land. In the few years since the end of the war there has already been considerable progress in this direction. For the first time since the erection of the 110,000 volt cable over the Arlberg in 1947, the great Vorarlberg power stations are linked with the inner Austrian network. First the power stations of Tyrol were provisionally connected with the eastern provinces by a 110,000 volt line carried by wooden pylons over the Gerlos Pass. In April 1948, the first part of the future 220,000 volt main cable was put into use from the relay station of Ernsthofen to Pottenbrunn. The prolongation of the main cable to Kaprun and beyond is planned to take place at the same time as the extension of the Tauern Power Station, work having been started in the autumn of 1948. The future Austrian high tension network will not only provide a uniform and smoothly running system at home, but will also make possible a generous exchange of current with all neighbouring states.

Although man power was crippled at the end of the war and is still not properly organised, it was possible by 1948 to start construction in 60 different places. Austria, the richest land for water power in Central Europe, has so far only utilised one sixth of this treasure-store of nature.

[648] Through the efforts of the United Nations Power Committee there is already close cooperation among the countries of Europe with a view to creating a pan-European power service. Owing to her enormous resources in water-power, Austria will be in a position to supply all the electric current still lacking in Europe, after the extensions of the present power stations have been completed and new stations constructed. Plans for exchange of current from Upper Italy to the Lower Rhine have been under consideration for years.

The Tyrolese and Vorarlberg sources of water power which have been developed or are worth developing, estimated together at about 11 milliard kilowatt hours yearly, are designed mainly for export. Water power east of the Gerlosplatte, on the other hand, will have to be used to cover inland demands. Austria most needs power in the eastern provinces, since her industries are mainly located in the Vienna and Linz districts. The principal power stations which have been designed for the supply of inland current are the Tauern Power Station of Kaprun, the Enns Power Work and the Danube Power Works of Ybbs-Persenbeug. After completion

with bread which he afterwards ate, such was the general mistrust and fear of poisoning. The talisman was long used at table: it was laid beneath glass or plate. 000

In the 15th century, Vienna cooking was considered to be among the best in Europe, and when the Viennese went to war, he took his best cooks to camp with him. The doughty Capuchin monk Abraham a Santa Clara more than once flew into a passion over Viennese gormandizing. He was not surprised, he said in one of his sermons, that house and farm were so often ruined because of the owner's overeating and that the noble soul was suppressed by the fat paunch.

DAYS OF SPLENDOUR. Splendour and luxury reached their climax in Austria in Leopoldian times, under Karl VI, under Prince Eugene and during the days of the Vienna Congress. Table decoration was a special feature of every official banquet. Fantastic shapes in sugar-icing, arabesques, ornamentation and groups of merry figures were the fashion in the days of great court banquets. The arrangement of the dishes competed with the table decorations; roasted doves and chickens, for instance, would be grouped about a pelican made of baked bread. 264 252

In this decorative period, they went so far as to produce gilded sucking-pigs. Astonishing pastry ships were filled with fruits of marzipan: the latter are still popular today. At other times table fireworks competed with disguised foods and artistic creations such as statues, fountains and castles of edible materials. Many confectioners of the period were trained sculptors.

The most luxurious days for the city were those of the Vienna Congress. Entertainment at the Imperial Court cost 50,000 gulden a day. The wealthy Austrian aristocratic families gave banquets to as many as 700 guests at a time, one day in the week being reserved for such brilliant affairs. 648 574

The so-called table d'hôte was never a success in Vienna. To these "Landlords tables" a certain number of people came at a fixed hour in order to partake of a meal which was served to everyone simultaneously at a fixed price. He who could eat quickest with the smallest regard for others was at an advantage, but as the Viennese dislike haste at mealtimes, the tables d'hôte were little patronised. 265

Apart from the customary eating-houses, there were also what were called the "tracteurs". Here one could eat at any time between eleven a. m. and three p. m., lunch costing up to a gulden according to what was chosen. The customers were drawn from a wide range of social classes. The manager stood in the middle of the room like a major commanding his troops and gave his orders to the waiters. The eaters sat packed together like sardines, gulped down their food and were quickly replaced by others.

In biedermeier times the middle classes lived most of their lives at home in the bosom of the family, where they also entertained guests, and took little interest in appearing in public. For this reason their history is bound up with family tradition. Their way of life and customs inspired an art style which embodied and preserved 565 593

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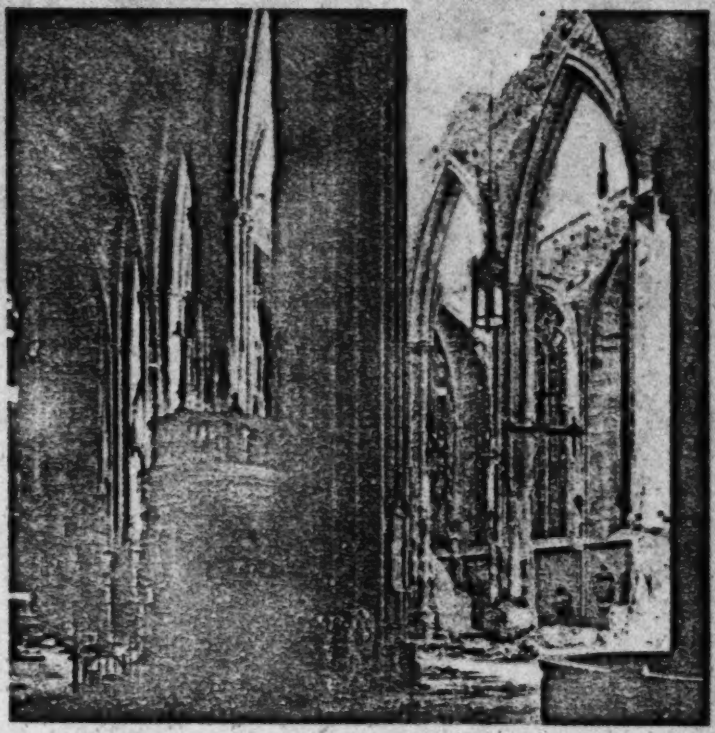

Vienna, the Stephansdom, April 1945.

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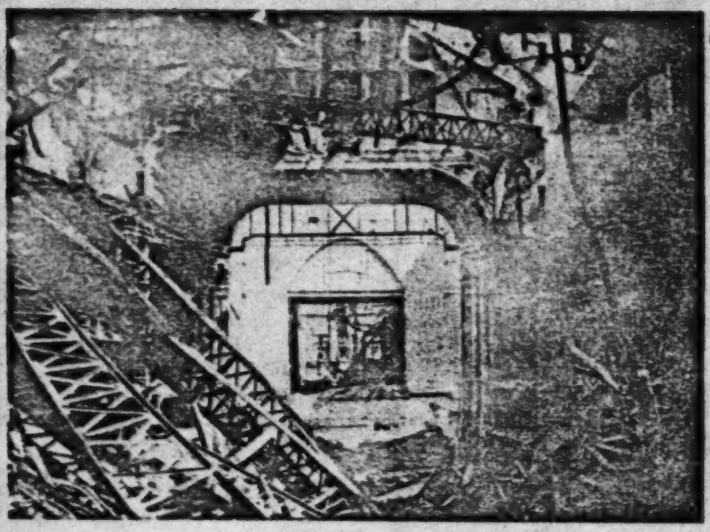
In those ominous days of March, 1938, when the armies of the Third Reich were crossing the Austrian frontier, a poster appeared on walls and the shuttered windows of shops, showing Hitler and Bismarck together. The former, of course, stood obtrusively in the foreground, while the Iron Chancellor was placed modestly behind as a forerunner who had long been overtaken.

Probably the designer of the poster had forgotten—if he ever heard of them—the words which Bismarck had spoken to Maurus Jokai in 1874: "Any German statesman who dreamed of conquering something in Austria would deserve hanging."



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The State Opera, Vienna, March 12th, 1945.

Nevertheless, Austria was annexed, and the prophetic words of another statesman, Prince Talleyrand, became bloodstained history: "To destroy Austria would be to replace order by chaos." 648

These words of the Frenchman, spoken of the great Austrian Empire, proved true enough as a political axiom applied to the small Republic. As long as Europe exists the peace of the Continent will stand or fall with Austria's independence as a State, whether the latter throws the weight of her own strength into the scale, or can only appeal to a higher law and the conscience of the world as she has done during the last decades.

When Austria was wiped off the map the great nocturne of heartless killing and soulless dying began. Hecatombs of victims have brought home unforgettably to the world what may result when the right and the liberty of the weak are trampled into the dust. Whoever instigated violence in Austria has always plunged the whole of Europe—this time it proved to be the entire world—into destruction as well. The further development of man, according to a writer's pessimistic words—from 726

CHANCELLOR RAAB OF AUSTRIA

more than he takes part in the live- 643
ly talk.

Ten years have passed since the 728
Allies, in a solemn Moscow declaration, proclaimed restoration of Austria's sovereign independence as one of their avowed war aims. Today Austria's position as a "liberated" victim of aggression is in many ways worse than that of the aggressor.

Chancellor Raab has taken the 643
activation of his country's foreign 648
policy personally in hand. Reduced to essentials his argument comes to this: Austria is not yet free only because the Allies fell out among themselves, and that is certainly not Austria's fault. After 99% agreement, the state treaty is being held up only as a Russian cold-war tactic (though, he remarked, "the cold war in Europe has never been quite ice-cold in Austria"). But why not withdraw, meanwhile, the occupation armies? Democratic Austria has proved that it can fully maintain law and order by itself, and there would still be the Allied high commissioners in Vienna to watch—no foreign armies are necessary for that.

Since last summer, relations with the Russians have greatly improved, though nobody can say whether as a reversal from Stalin policy or merely as political tactics. All the same, the belated Russian concessions do not go as far yet as those made much earlier by the Western powers. The chancellor has reacted

8:van Hoek J-3 (no date) 1954
EK1 Austria EK1

643 to them with the attitude that one
648 should meet an outstretched hand with good will: "there is no sense in pulling the Bear's tail."

In that atmosphere, he presses Austria's many remaining complaints and aims. With a shrewd appreciation of possible Soviet touchiness at losing face, he bases his reasoning on the argument that it could not be interpreted as a Russian weakness if they give a civilized, democratic and orderly nation that full sovereignty which they solemnly promised.

643 Chancellor Raab stands firmly on the side of the West. He realizes the need of continued close collaboration with the U.S. He is a firm believer in a free economy. His economic platform is that of a firm currency and of stabilized price and wage levels; of creating

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

be able to lead a healthy economic life. These are doubts which have persisted down to the present day, in spite of twenty years of an independent Austrian economy. 438

At first sight, it seems rather strange that Austria should be singled out in this way. Why is the same question never raised with regard to other small nations in Europe or South America? For Austria is in many ways far better placed than many other countries. She possesses a considerable variety of important natural resources; far more, for instance, than her wealthy western neighbour, Switzerland. There are almost unlimited sources of water-power; there is a wealth of timber, iron ore, and oil; the population contains a high proportion of skilled workers in a large number of industries; and Austria is situated at the junction of a number of major European trade routes. Thus we find that Austria is better off than any of the other eastern and south-eastern European countries, about whose viability there has been no question whatever.

Nevertheless, it is not difficult to discover why Austria was singled out for this kind of discussion. The end of the last war saw the break-up of the Habsburg Empire and the birth of a number of new national states. Now, while each of these states was faced with problems arising from the new economic set-up, Austria, above all others, was regarded as the mutilated remnant of the old Monarchy. This country, with its 6½ million inhabitants, formerly a metropolitan province of a 50 million empire and closely integrated into its economic life, had now to adjust itself to a completely new economic and political environment. Would the new Austria, impoverished by war and inflation, be able to accomplish this task smoothly and within a reasonable space of time?

As we shall see later, Austria managed, after some difficult and troublesome years, to tackle this problem and 648

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

•648 to stand on her own feet. But the doubts about Austria's viability were not silenced. On the contrary; they were raised with increasing insistence in at least one quarter: amongst the Pan-Germans in Germany and in Austria. To-day, we see more clearly, perhaps, than ever before how the arguments against Austria's economic independence were used to further Germany's imperialist designs, both before and after Hitler's access to power in Germany.

It was not without effect. The constant repetition of the same argument weakened Austria's power of political and economic recuperation and progress.

Nor, as we have seen, has this propaganda failed to make headway elsewhere. The doubts of 1920 still linger on. 121 If, in the following pages, we tell the story of Austria's economic development in her twenty years of independent existence, this is not only to show what has been achieved, and what lessons need to be drawn from the experiences and mistakes of the past, but also to destroy finally the myth of Austria's "inability to live".

727 At present, there are naturally many initial difficulties to overcome before Austria will become prosperous and 433 economically healthy. These difficulties, however, are simply consequences of a process of looting in the course of seven years during which Austria was harnessed to the German war economy, and of heavy destruction wrought during the last phase of the war. Disruption of transport and traffic, acute shortage of food and other essentials, temporary isolation from the outside world—these are consequences of war which Austria shares with all states of Europe which had been under German rule. It is absolutely clear that without large supplies of food and fuel Europe as a whole will barely be able to live through the first years of peace. Thus, in Austria, too, all available

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

READJUSTMENT AND CONSOLIDATION

Unfortunately, the tariff policy of the new Danubian states which should have offered the natural market for Austria's and Czechoslovakia's highly developed industrial capacity was by no means conducive to a high level of trade. In their very justifiable desire to industrialize their neglected and backward economies, these new governments increasingly adopted a policy of economic nationalism. They put up more and more insurmountable tariff walls which in the end harmed all the countries within the area and outside it and only benefited a few sectional interests. 439

Austria tried to meet this problem by increasingly directing her exports (and different types of exports) to other parts of the world. The following figures clearly illustrate this tendency:

DISTRIBUTION OF AUSTRIA'S EXPORTS IN 1922 AND 1924

To:	1922 %	1924 %
The Danube States *	42·1	36·8
Northern Central Europe †	23·9	23·0
Western Europe ‡	23·0	25·9
All other countries	11·0	14·3

* Czechoslovakia, Hungary, Yugoslavia, Roumania.
† Germany and Poland.
‡ United Kingdom, Belgium, Netherlands, France, Switzerland, Italy.

Attempts were also made to conclude special trade agreements. Negotiations for a preferential trade régime with Czechoslovakia in 1925 were wrecked on the rock of Italy's and Germany's objections. Germany even threatened trade reprisals. Austria also tried to stimulate trade by pursuing a very liberal tariff policy. While, by 1927, [648]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

439 was no exception and it is in this field that particularly
652 grave mistakes were made in the period under review.

As early as 1931, when Austria was still a democracy, a
648 dangerous and harmful attempt was made in the inter-
439 national field to solve the growing economic difficulties. Dr. Schober, a member of the small Pan-German group in Parliament and Foreign Minister in the Coalition Government of the day, entered into secret negotiations with Dr. Curtius, the German Foreign Minister. On March 19th, 1931, the world was suddenly informed of the intention of the two governments to form a customs union. The plan found instant and wholehearted support in Germany. In Austria there was no enthusiasm about it outside the ranks of the Pan-Germans, and many Austrian industrialists were gravely disturbed by the prospect of falling completely under German control. But it was mainly in France and Czechoslovakia that the full implications of this Pan-German move were immediately grasped. Only a few days after the scheme was announced, on March 26th, Dr. Beneš, the Foreign Minister of Czechoslovakia, explained to the members of the Foreign Affairs Committee that the customs union project raised the question of the *Anschluss* indirectly as a customs union between unequal parties was certain to destroy the independence of the weaker.

Fortunately the project did not materialize. The
457 growing financial difficulties of Austria and the need for
648 foreign help, which Germany was neither able nor willing to provide, induced the Austrian Government to give up the plan for a customs union. A few days later, on September 5th, the Permanent Court of International Justice decided by a narrow majority—eight votes to seven—that a customs union would be incompatible with Austria's obligations under the Geneva Protocols.

RECOVERY

Thus Austrian independence and European peace alike were given another breathing space. But the active part which Austrian politicians had played in this German attempt towards central European hegemony could not but harm Austria's economic relations with some of her neighbours. Suspicion about German designs in Austria grew. Czechoslovakia, in particular, turned away from Austria. Trade relations with that country were of paramount importance to Austria for both political and economic reasons. It was all the more regrettable that Czechoslovakia moved from second place on the list of Austria's foreign trade partners to fourth: between 1929 and 1937 imports from Czechoslovakia declined from 18 per cent of total imports to 11 per cent, while Czechoslovakia's share in Austrian exports fell from 14 per cent to 7 per cent.

With Hitler's rise to power, Germany's expansionist desires became naked and unashamed. It was no longer a question of a customs union; the outright annexation of Austria by Germany was put on the agenda. In these uneasy years between 1933 and 1937 Austria managed fairly successfully to escape the monopolistic domination which Germany imposed on most of the Balkan countries by commercial means. Though Germany continued to head the list of Austria's imports and exports, it never obtained a dominant position. In fact, its influence actually declined slightly during these years. Between 1929 and 1937, Germany's share in Austria's exports declined from 16 per cent to 15 per cent while imports from Germany fell from 21 per cent to 16 per cent of the total.[8]

Austria did not, however, escape the indirect effects of Germany's trade offensive. Germany's policy of monopolizing Balkan trade through bilateral agreements, bulk

[CF. CATECHOLY 116, 73 p. 77 -- ANALYST]

9; Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

648 439 purchases, accumulation of debt, etc.,[1] was, first, designed to gear the economic structure of these countries to the needs of the German war economy. But it also served to close the traditional export outlets of Austria and Czechoslovakia, and so to weaken their economies.

PERCENTAGE SHARE OF GERMANY, AUSTRIA, AND CZECHOSLOVAKIA IN THE FOREIGN TRADE OF THE SOUTH-EAST EUROPEAN AGRICULTURAL COUNTRIES (BULGARIA, GREECE, ROUMANIA, TURKEY, HUNGARY, YUGOSLAVIA)

	Imports		Exports	
	1928	1938	1928	1938
Germany	17	35	16	34
Austria	11	5	16	7
Czechoslovakia	14	7	8	6

Alternative outlets had to be found. Austria should have obviously tried to expand her trade with the Western democracies, with the Soviet Union, and with America and the Dominions. This would have created closer ties with the countries on whose active assistance Austria's security ultimately depended. And it would have enabled Austria to obtain in payment for its exports free exchange which could have been spent in the most advantageous markets. Austria's light and fashion trades offered every opportunity for expanding and diversifying her export markets in this way.[10] But Austria's fatal foreign policy in the years from 1933 to 1938 was matched by an equally disastrous foreign trade policy. The new authoritarian régime failed to establish close and friendly relations with democratic Czechoslovakia and with the other peace-loving powers. It pinned its hopes for security on the

1 [CF. CATEGORY 116 p. 77-78 — ANALYST]

promises of Fascist Italy,* and, in 1934 signed the Rome Protocols. This was an agreement signed by Italy, Austria and Hungary providing for a preferential trade régime for these countries. Hungary was to find improved outlets for her agricultural exports while Austria and Italy would obtain preferential treatment for their industrial products. Behind all this, however, loomed Italy's attempt to obtain a dominant position in central Europe. 648 439

The economic results of the Rome Protocols were anything but satisfactory as far as Austria was concerned. There was no great expansion of trade with Hungary. Exports to Italy increased quickly, it is true, particularly after the outbreak of the Abyssinian war and the imposition of sanctions in which Austria failed to join. Italy moved from fourth to second place on Austria's export list. In 1936, 14 per cent of Austria's exports went to Italy, as compared with 10 per cent (out of a much smaller total) in 1932. But Italy was neither able nor particularly willing to pay for these exports. Austria's export surplus to Italy amounted to no less than 70 million schillings in 1936 and 93 million schillings in 1937. Thus Austria, herself in sore need of capital investment in her industry, was compelled to make loans to Italy. The same applied to a slighter extent to Germany, where the clearing agreement also led to the accumulation of a credit balance in Austria's favour.[11] 1/1

It was not until 1936, when Italy's incapacity to pay became obvious and when the Italian Government tried to change the terms of the agreement in its favour, that an effort was made to re-direct Austria's trade. A preferential treaty was concluded with Czechoslovakia, in spite of severe opposition from Germany. Other attempts for 457 439

* Instead of helping Austria, Mussolini, in the event, congratulated Hitler on his successful annexation of the country.

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1/1 [CP. CATEGORY 11b, P. 78 -- ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

CHAPTER VI

THE SHADOW OF GERMANY

ECONOMIC PENETRATION

AFTER the annexation of 11th March, 1938, Austria's economy became completely subordinated to Germany's war requirements and to the German preparations for a "New Order" in Europe. But it must not be assumed that Austria's economy had ever been able to develop freely and without interference from its powerful neighbour. Indeed, to understand fully the economic and political events in Austria the long-standing and baneful German influence must be constantly borne in mind. 648 • 457

Long before the last war German imperialism exerted a powerful influence on Austria's economic policy. After the creation of the German Reich in 1870 German industry grew at a rapid pace and Germany became the leading economic power in Europe. She soon took third place, after Britain and France, as a foreign investor. After a short period of all round lending in response to purely economic incentives, the loan policy of the German banks and industrial concerns was increasingly brought into line with wider political aims.[1] The *Drang nach dem Osten*, a prime feature in Germany's expansionist designs since the days of Bismark, came to determine the direction of her capital export. Large sums were invested in the Near East, in the Balkans and particularly in the Austro-Hungarian Empire. German investments in the Empire totalled RM. 3,000 million in 1913, more than the value of British and French investments taken together. There

1 [Cf. Category 116, p. 91 -- Analyse]

648 457 was also much direct participation in the Empire's industry and banking.

In those days free economic relations were still the rule. But Germany's lending policy was quickly used to help carve out political and economic spheres of influence. Loans were frequently granted only on condition that their proceeds should be spent on German products. By this means, the big German concerns obtained a dominant influence in these areas and trade was often diverted from its natural channels. Not less than 40 per cent of Austro-Hungary's foreign trade thus came to depend on Germany. The economic penetration of the Monarchy contributed greatly to its conversion into a junior partner in Germany's foreign policy and into a willing tool in the First World War.

As a result of that war Germany lost most of her foreign investments and eventually became herself largely dependent on foreign capital. Consequently, she was no longer of any importance as a source of capital supply for Austria and in foreign trade, too, she lost her predominant position, accounting for no more than about one-sixth of Austria's foreign trade.

But Germany did not therefore abandon her attempts at economic penetration in Austria. If anything, her efforts in that direction were greatly increased to compensate at least in part for the areas and opportunities lost in the war. The aim remained the same, though the methods were changed.

648 471 While Germany ceased to make loans to Austria she continued to maintain a close grip through her shares in Austrian companies. The total amount of these holdings was moderate but they were of major strategic significance. German concerns had managed to obtain full or partial control over important firms in most of Austria's

[CA. CATEGORY 116, P. 91 — ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

key industries. German capital was conspicuous in the spheres of banking and insurance, the iron and steel industry, heavy and electrical engineering, the chemical industry, textiles, hydro-electric works, and in the film industry. In many cases, of course, German capital opened up new opportunities, with benefits to all concerned. But more often German control resulted in the complete subordination of the policy of the Austrian firm to the interests of the German parent concern or to the political aims of the German expansionists. 648 471

In the electrical engineering industry, for instance, which was dominated by the German controlled Oesterreichische Siemens Schuckert Werke A.G., Siemens-Halske A.G., and the A.E.G.—Union Elektrizitaets—Gesellschaft, the goodwill which Austrian industry possessed in south-eastern Europe was exploited by using the Austrian establishments for exports to these areas. But the development work was invariably carried out in Germany. Austrian research workers and technicians were sent to the Berlin laboratories, and Austrian shareholders deprived of their dividends in order to strengthen the financial reserves of the parent concern. Accordingly, the Austrian establishments became increasingly dependent on German patents and finance while Austria's social and economic requirements were completely neglected. 648 393 471

Many similar examples could be given from other industries. One case, which deserves special mention is that of the biggest single Austrian combine, the Alpine Montan A.G. The Alpine owned all the important iron mines in Styria and Carinthia, all Austrian blast furnaces, a great number of steel works in southern Austria, lignite and magnesite deposits and railways. It controlled the bulk of Austria's metallurgical resources. 648 471 327

G. Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

648 The Alpine had been the offspring of a merger of many small companies in the days of the Monarchy. After the 327 war the majority of shares was acquired by the Government, but in 1919—during the most critical period—they 471 were sold to a group of Italian financiers. From there, in 1921, they passed into the hands of the notorious German inflation profiteer, Hugo Stinnes. When his meteoric rise came to a sudden end the majority of shares (56 per cent) were acquired, in 1926, by a member of the German Steel Cartel, the Vereinigte Stahlwerke of Duesseldorf, a combine headed by the Nazi promoter Fritz Thyssen.

From then on this most important combine in Austria's heavy industry was run exclusively in the interests of the German Steel Trust. All the important positions and research facilities were reserved for adherents of "Pan-German" convictions. The workers were forced to leave 469 their free trade unions and to join the *Heimwehr*, an armed, anti-democratic body, whose Styrian branch was heavily subsidized by the Alpine Montan. As early as 1931, the Styrian *Heimwehr* organized an unsuccessful *coup d'état* against the Austrian Government. A number of directors of the Alpine Montan were behind this *putsch*. They were again involved, and actually arrested for a short time, when the Nazis made an abortive *putsch* in July, 1934, in the course of which Chancellor Dollfuss was murdered.

648 On the outbreak of the great economic depression the German steel magnates decided to concentrate production 327 in Germany. All Austrian blast furnaces were closed down 457 and the industrial districts of Styria were thus converted into one of the worst-depressed areas in Europe. After Hitler's rise to power, the Alpine was completely harnessed to the German armament programme, regardless of Austria's political or economic needs. In 1937, when

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Austria was in great need of "free currency", the Alpine refused orders from England and other countries, and sent its whole output to Germany, in spite of the clearing debts which had accumulated there. Ultimately the behaviour of the directors became so hard to distinguish from high treason that the Austrian Government put a Government Commissioner in charge of the firm. But it was too late. A few weeks later the policy which the directors of the Alpine had backed all along was fulfilled—Austria was occupied by Germany.

Direct ownership and control were not the only means by which the Germans exerted their influence in the economic affairs of Austria. Recent investigations by the American Anti-Trust Division have shown how, over a long period, German combines used international cartels in order to increase Germany's economic war potential.[1] If powerful monopolistic concerns in Britain and the United States could be induced to act against the interests of their own nation it is clear that the Germans had much easier play as far as Austria was concerned.

Cartelization was a widespread feature of Austria's industrial structure. The wide ramifications of industrial investments of the major banks greatly smoothed the way for trade agreements, mergers, etc. Many of these cartels worked in close agreement with their German counterparts. Owing to their much greater financial strength the German firms had the decisive say in directing cartel policy. In their desire for high and safe profits the Austrian cartel members not only damaged consumers through their restrictionist policies; they also betrayed the economic and political interests of their country in favour of Germany.

These direct economic influences were supplemented by other, more subtle, methods. From the day of the

[1] [CR CATEGORY 116, P. 91 — ANALYST]

•648 668 establishment of the Austrian republic onwards, German circles and their Pan-German friends in Austria conducted a propaganda drive against the country's independence, mainly on the argument that it "could not live". Diplomatic pressure was also used to prevent close economic co-operation between Austria and the Danubian states. Finally, there was the abortive attempt to establish a customs union in 1931.

On Hitler's rise to power the political and economic pressure on Austria was greatly intensified. Germany's trade drive in south-eastern Europe, for instance, was not only directed towards the economic and political domination of that area but also served to deprive Austria and Czechoslovakia of their natural export markets. There were also a number of direct attempts at injuring Austria's economy, among which the "Tausend Mark Sperre" was an important example. In 1933, a tax of RM. 1,000 was levied on every German wishing to go to Austria. This move was to deprive Austria of an important source of income and to spread discontent among certain sections of the population. Actually, the attack failed completely as the absence of the German tourists was more than made good by the huge increase in visitors from other countries.[4]

There were many other "subversive" economic activities designed to undermine Austria's independence and power of resistance to the Nazis. Austrian films, which largely depended on the German market, could be exported there only if they were produced in conformity with German racial legislation. Authors could get their books published in Germany only if they held pro-Nazi views. German-controlled firms in Austria employed salesmen whose job it was to spread Nazi propaganda in addition to selling their goods. In short, the economic

[CA CATEGORY 116, p. 91 -- ANALYST]

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Fifth Column was a powerful weapon in Germany's arsenal for her attack on Austria's independence. 668 648.

AFTER THE ANNEXATION

The economic implications of the occupation of Austria were as little appreciated at the time as its political and strategic significance. In fact, Germany's war potential was greatly strengthened as a result. Austria's iron ore, magnesite, timber, electric power, etc., afforded valuable relief to Germany's war industry which was beginning to run short of raw materials. Austria also provided a source of skilled manpower which could be harnessed to the growing efforts of the German war economy. 728 648 439

Moreover, the gold and foreign exchange reserves found in the Austrian National Bank were of great immediate importance in helping Germany to build up emergency stocks for the coming war. Heavily indebted to her clearing partners, Germany had found it increasingly difficult to obtain foreign exchange for even the most essential raw material imports. The gold reserve of the Reichsbank had fallen to the extremely low level of RM. 76 million. They were now able to lay their hands on a gold reserve of more than 420 million schillings, or roughly RM. 200 million. Moreover, Austria had at that time some 200 million schillings of clearing balances to her credit (mainly from Germany and south-eastern Europe). Thus Germany was, at one stroke, rid of the problem of paying Austria and was able, with the help of Austria's claims, to settle her long-standing debts in the Balkans.

Finally, the occupation of Austria enabled Germany to outflank Czechoslovakia's strategic defences, and opened the road towards the east. The economic encirclement of eastern Europe was also complete. The Balkan countries had become dangerously dependent on trade with

728 Germany which had swallowed up one of their important customers and suppliers—Austria had up till then occupied the third or fourth place in the foreign trade of most of these countries. Politically and economically Germany had become the complete master of the whole area.

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471 For Austria, of course, the occupation meant far more than a dangerous shift in Europe's economic balance. Her economy ceased to exist as a separate entity; within a very short time it was completely absorbed into Germany's war economy and her "New Order".[5]

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The Germans were able at once to lay their hands on all Austrian State property. The railways were incorporated into the German railway system, the State forests taken over by the German State. The State monopoly in salt was given to the Deutsche Bank, and the tobacco monopoly taken over by a private German company. Far more important, however, were the shares of the Credit-Anstalt which were owned, at that time, by the Austrian Government. After the reorganization of the Credit-Anstalt in 1931, 49 per cent of its shares were taken over by the Government. These, together with some others, were now transferred to the Deutsche Bank. Since at the same time the only other important bank, the Zentraleuropäische Länderbank, came under the control of the Dresdner Bank, practically the whole of Austria's banking and insurance business had passed into German hands.

471 It must be borne in mind, in this connection, that the Central-European banks held a key position in the industrial life of their countries. It has been estimated that the Credit-Anstalt controlled almost 90 per cent of Austria's industry and agriculture. Moreover, the Austrian banks and financial institutions still possessed considerable investments in the Balkan countries, particu-

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[CA p. 91, CATEGORY 116 -- ANALYST]

larly in banking, and in the textile, chemical, and food-processing industries.[7] All these controlling positions now passed into the hands of the German banks. Vienna became Germany's launching ramp for south-eastern Europe, and Austrian economic quislings greatly helped the Germans to advance their economic penetration of the Balkans.

But the indirect control of Austrian industry through the banking system was only a first step. Within a very short space of time all the more important Austrian firms passed either partly or wholly into German hands. This was achieved either by methods of outright robbery, as in the case of "aryanization" (the confiscation of Jewish property), or by exploiting the financial difficulties in which many firms had been landed as a result of the occupation and incorporation of Austria; or through a skilful handling of the financial control which had been gained in the first instance. In this way all important industrial enterprises were absorbed into the big German combines like the I.G.-Farben, Krupp, Henschel, Vereinigte Industrie—A.G., and particularly the Hermann-Goering Works, which acquired the control of the largest part of Austria's heavy and allied industries.[8] Altogether, it has been estimated, a share capital of about 380 to 400 million schillings (of industrial, commercial, and banking firms) passed into German hands. This compares with a sum of about 710 million schillings which was the total value of all shares admitted for quotation on the Vienna Stock Exchange in August, 1938.[9]

While the big Austrian firms were being subjected to German control a process of decline took place among the smaller firms. Many small business men were ruined by the policies of rationalization, concentration, and above all by the extension of war production at the cost of the

1 [CF CATEGORY 116., P. 91-92 -- ANALYST]

471 typically Austrian high-quality consumer goods industries. Between 1938 and 1942, the number of business enterprises in Austria declined from about 21,300 to 16,300, while the corresponding number in Germany increased from 337,000 to 353,000 over the same period.

648 423 167 728 The changes were less spectacular in agriculture. But many of the large estates belonging to the Church and the monasteries as well as State-owned land came into German ownership. Farmers who were in difficulties were not assisted but bought out and German "hereditary farmers" (*Erbhofbauern*) were settled in Austria. At the same time the sons of Austrian peasants were sent to Poland, Russia, and even to Bohemia and Moravia in order to "colonize" these areas. However, the changes in property relations were of less importance in the sphere of agriculture than the extreme regimentation of production and the system of forced deliveries which reduced the peasants to a state of serfdom.

728 471 It is too early as yet to give an exact picture of the effects of seven years of German domination on Austria's economy. Some major results are, however, clearly discernible.

648 433 First, it is clear that the Germans completely changed the economic structure of Austria. Austria's economy was wholly adapted to suit the needs of the German war machine. And since Austria, like Czechoslovakia, was for a long time the safest place from air attack in Hitler's *Festung Europa* it became one of the most important centres for the production of armaments. Heavy industry was greatly expanded. In Linz alone the Hermann Goering concern erected 320 coke ovens and 6 blast furnaces. In 1943, it was estimated that about 25 per cent of Germany's war industries had been concentrated in Austria.

On the other hand, many of the specifically Austrian

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

industries producing high-quality goods such as electrical equipment, precision instruments, food products, leather goods, arts and crafts, the fashion industry, etc., were either completely ruined by the dearth of raw materials, or they lost their identity by being absorbed into some German concern. Many smaller firms with a high reputation had to close down, and their carefully built up personnel was drawn into the army or into the armament industries. A considerable effort will be required to restore these enterprises which are of great importance for Austria's exports, particularly in her trade with Britain and the United States.

In agriculture, too, the many promising developments before 1938 were brought to an end and production was devoted to the sole purpose of yielding as great a surplus for Germany as possible. In particular, the output of vegetables, staple foods and industrial crops was greatly stepped up.

While Austria's economic structure has been altered, total production was greatly increased. Between 1938 and 1944 steel output, for instance, was doubled; the production of aluminium rose from about 4,000 to 72,000 tons, and the generation of electricity increased from 2½ million kW.h. to almost 10 million kW.h.

The upward trend in war industries was accompanied by considerable shifts in the location of industry. In particular, the Linz-Wels-Steyr area in Austria was greatly expanded and converted into a huge centre of heavy industry. Motor roads and inland shipping facilities were also greatly extended.

These increases were achieved through a considerable reduction in the output of the consumer goods industries, by neglecting the replacement of worn-out machinery, by moving German capital equipment and German and

648 foreign labour to Austria,[10] and also by making much
728 fuller use of Austria's resources than ever before. Indeed,
433 the organization of a war economy has revealed the
471 potential wealth of Austria—as of other countries—showing what could be achieved in peace time if only proper use were made of existing opportunities.

The increase in production, however, was also achieved by eating deeply into Austria's resources. In many cases it will take years before the damage can be repaired, if indeed it can be repaired at all. In the case of timber, for instance (an extremely important export commodity in Austria), a reckless policy of exploitation has undone many years' work of careful afforestation. The intensive cultivation of the soil and the lack of artificial fertilizers and of animal feeding-stuffs has had the most damaging effects on agriculture. Up to the middle of 1942 harvests and herds of livestock were maintained at the pre-war level; but the position has greatly deteriorated since then. 1943, in particular, was a bad year and large numbers of livestock had to be slaughtered.

The increase in the output of oil in Zistersdorf from about 30,000 tons in 1937 to something like 1 million tons (which is considerably more than Austria's total peace-time requirements) may, it is feared, have dangerously exhausted these valuable resources. Similarly, the rate of exploitation of the iron ore deposits reached an undesirably high level.[11]

727 Our provisional economic balance sheet would not be complete without remembering the tragic destruction of manpower: the thousands of Austrians killed in Hitler's war and the many brave men and women done to death in concentration camps and at the hands of the executioner.

[CR CATEGORY 116, P. 92 — ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

CHAPTER VII

FUTURE PROSPECTS

AUSTRIA is to-day faced with economic problems similar to those of the other liberated countries of Europe. The damage caused by air-raids, fighting, sabotage, and destruction by the Germans will have to be repaired. Large arrears of repair and replacement in building and capital equipment will have to be made good, while the transition from a war economy to peace production is presenting formidable problems of its own. 727

The damage which Austria's economy suffered in seven years of German occupation and six years of war is, of course, very considerable. Nevertheless, the chances for recovery and a relatively short transition period are in many ways better now than they were in 1918. First, the lightning speed with which the Red Army descended on Vienna and the important industrial districts surrounding it, have allowed Austria and Vienna to escape the disastrous destruction experienced by Budapest, Warsaw, and many German towns. Secondly, Austria is not, this time, faced with the tremendous task of changing the economic structure of the metropolitan province of a great empire into that of a small, independent state. There is now no overgrown state apparatus and no heavy burden of pensions on that score. Thirdly, there are new opportunities for firm bonds of friendship between Austria and her neighbours, Czechoslovakia and Yugoslavia, and also with the other nations in south-eastern Europe, and there is every promise of fruitful economic co-operation between them. 648.

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

AUSTRIA'S ECONOMIC DEVELOPMENT

•648 The suspicions of 1918 against Austria as the centre of Habsburg power has given way to a feeling of common interest after the common experience of German oppression. Fourthly, the destruction of Germany's political and economic power will, for the first time, allow Austria to re-build and develop her economy freely and without the defeatist and destructive interference of German business and its Pan-German friends in Austria. Last but not least, Austria's prospects of recuperation are better than in 1918 because Austrians themselves have changed. The experience of twenty years—not very easy ones, to be sure—of an independent Austria and of the subsequent catastrophe of seven years of German occupation have cured them of such *Anschluss* ideas as they may have had. They are firmly determined to have their own independent country and to maintain its independence. A healthy and constructive Austrian nationalism has developed in place of the defeatism and lack of confidence of the inter-war period. The active part which many Austrians took in the liberation of their country, and the speed with which Austrians of all parties came together and formed a Provisional Government of national unity is a hopeful sign for the future. Austrians have started to learn to take their fate into their own hands and not to rely solely on foreign help for their salvation. This change of outlook, if it can be preserved and fostered, cannot but greatly assist the reconstruction of the country.

727 186 642

600 In spite of the extreme seriousness of the present position, then, the outlook for the transition period is quite hopeful. In the first stages a certain degree of foreign help for relief and rehabilitation is, of course, absolutely essential. But if it is given speedily, without the delays and political interference which were such an unfavourable feature of the Hoover Mission in 1919, and

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

schillings, half of each account was to be blocked for six months, and a quarter for a further three months.

Some attempt was made to distribute the burden in accordance with capacity to pay. Those in need were allowed to retain limited amounts from their blocked accounts up to a maximum of 3,500 schillings, and under this provision payments amounting to about 500 million schillings were in fact made in monthly instalments to 300,000 people. A capital levy was also announced, for which the necessary legislation was passed the following July. It imposed graduated taxes on capital and capital increment which were to be spread over a number of years.

The essence of successful currency legislation is that it should be introduced unexpectedly and implemented immediately, so that no one should have time to take evasive action. Such procedure was not possible in Austria in 1947 owing to the provision of the Allied Control Agreement which laid down that laws went into effect, if not vetoed, thirty-one days after they had been submitted to the Allied Council. Nevertheless, the Austrian Government might have handled the situation with greater skill. In the end, it secured Soviet approval of the Defence Protection Law at the heavy price of accepting the Russians' terms for the settlement of their 1945 'loan'. With Allied consent the law then went into effect ten days ahead of the normal time. It would have been worth paying an even heavier price to obtain Russian approval in advance, so that the three weeks' delay between the publication and execution of the law could have been avoided.

As it was, the situation during the three weeks' interval was grotesque, and the effectiveness of the law itself was seriously diminished. Evasive action was carried out on the widest scale, the most quick-witted and unscrupulous coming off best. Nobody was anxious to sell anything for money that was about to be devalued, and, in spite of Government regulations to the contrary, many shops could not be persuaded to remain open. People revealed a sudden enthusiasm for paying debts, and creditors could hardly refuse payment in a currency in

458 originally anticipated, due to the prolonged interval
652 between the publication and the enforcement of the law, the following months nevertheless did produce some economic results (lowering of prices, elimination of black markets and a general slackening of the purchasing psychosis).

727 In the meantime the occupation powers,
648 particularly the American and the British elements,
457 had introduced relief measures ameliorating need and want among the Austrian population. One of the first was initiated by UNRRA, whereby, in connection with a number of special credits, a "subsistence level" was achieved. Additional assistance measures followed. On June 26, 1947, an agreement between the United States and Austria provided a new form of assistance, substituting for the UNRRA aid which was ending. For this Austria Assistance" about 85 million dollars were provided. With these contributions of foodstuffs, commodities and machines, it was possible to start the reconstruction of the ruined communication system and to restore a modest production line.

Additional alleviation was obtained from a credit granted by the British Government for purchase of consumer goods. In October 1947, the Export Import Bank at Washington, D. C., granted Austria a credit amounting to 13 million dollars, of which amount 8 million dollars were placed at the disposal of the heavy and metal industry, 4 million dollars at the disposal of the chemical industry for purchases of raw materials and as equipment, while the remaining 1 million dollars served other purposes (freights, etc.).

652 Of particular importance was the establishment
727 of a regular budget. The first federal estimates (1946-1947) were, in view of conditions, only of an emergency nature.

The item of occupation costs was from the start a rather burdensome one. Until May 1946 these costs were covered by an additional issuance of bank notes. Beginning June 1946, all expenditures not covered by current incomes (including occupation costs as well as costs arising in connection with the welfare of displaced persons) were paid for with short-term treasury bonds, taken by banks, or with cash reserves. Later (July 1948) the expenditures of the occupation costs were
651 met fiscally by an additional tax (occupation cost tax) to the income and wage tax.

1.) Most of the enterprises nationalized under the terms of the first nationalization law represent "German Property," the definite settlement of which is left to the signing of a state-treaty; 471 655

2.) The "German Property" located in the American zone of Austria has been transfered in trust, whereby, in accordance with the terms of the trust agreement, no changes of proprietor status are permitted without prior consent of the United States occupation element;

3.) There is a binding contract of the federal government to enforce the nationalization laws covering enterprises belonging wholly or partly to citizens of the United Nations after settlement of compensation claims.

A decision about compensations also had to be left pending. Despite the written undertaking of the Austrian federal government to compensate the prior proprietors, it has not as yet been possible to fix such compensations for the following reasons:

1.) The three aforesaid reasons prevent, for the time being, a settlement of this question;

2.) The definition of the conception "German Property," as yet not clear, does not permit the definite fixing of the scope and the amount of such compensations;

3.) In consideration of the prevailing uncertainties of the nation, the date under which a calculation of the values of the confiscated enterprises has to be effected is still open and likewise the compensation form;

4.) Legal prerequisites, especially with regard to enterprises partly administered by an occupation element and partly by an Austrian authority, have not as yet been established.

The nationalized enterprises are continuing business under their former legal status, i.e., as corporation and limited companies and under the same regulations covering enterprises of the private sector. Thus, for instance, the nationalized industrial enterprises are not accomodated with special credit terms for reconstruction purposes by the large nationalized banking institutions. They are subjected to the same controls and regulations as enterprises of the private sector, enjoying no privileges with regard to taxations, etc. They are exempted only from the payment of the property-tax. With regard to competition, they are further required to adhere to the same principles and 475 471 [651]

652 schillings in the same period. Of the occupation
727 costs the Soviet occupation force absorbs more than half of the total amount. Up to the fall of 1950 Soviet Russia received from current Austrian production about 1,094 million dollars as occupation costs and confiscation of Austrian properties abroad. (Help from the Western powers, especially the USA, has amounted to about 986 million dollars since 1945.)

655 Of the profit-making state-owned enter-
652 prises, which produced a surplus before the war, now only those which actually constitute a state monopoly (salt, spirits) produce a surplus, while other state enterprises, the "Bundesbetriebe" (such as postal service and theaters) and the Federal Railways have a deficit. The deficits, however, are being decreased since 1946 by means of higher tariffs, dismissal of personnel and progressive rationalization (investments), from 17.7 per cent of expenditures in 1946 to 6.5 per cent in the budget estimate of 1950.

651 Out of the total revenue (based on the princi-
[652] ple of net income) 80 to 85 per cent came from taxes levied since the end of the war. If one includes the income from various revenues similar to taxes (such as contributions to unemployment insurance, fees to child-welfare, etc.) the amount of taxes increases from 90 to 95 per cent, the remainder consisting of fees, interest and contributions from corporations and the income of the Postal Savings Bank (Postsparkasse).

The main support of the whole tax system since the end of the war is formed by direct taxes. Their part in the total tax income, in the years 1946-50, ranged between 44 per cent and 53 per cent as compared to 29 per cent in 1937; accordingly indirect taxes decreased in importance as compared to the prewar period. The income from the turnover-tax and from customs duties decreased from 42 per cent in 1937 to 24 per cent in 1950 as a consequence of structural changes in the system of taxation since 1938.

652 The Austrian treasury endeavors, in accordance with the bilateral agreement of July 2, 1948, to keep up the balance of the state budget and of the budgets of the federal countries (Länder) and municipalities, in spite of the enormous demands on public funds.

The main economic aim of the financial policy is to secure the highest possible employment and to continue the extension of all investments pertaining to economic productivity.

435 656 [651] 3. The tariffs of the public corporations (Federal Railway, Posts, Tramways) as well as the prices for current were increased from 20 per cent to 100 per cent to keep pace with[1] the prices on the world market which had increased due to increases in cost (especially the price of coal); the trend toward a deficit in the Federal Railway and public service enterprises had to be checked. In spite of these considerable increases, these price rises were only three to five times as high as the level of 1937.

[1465] 4. On the basis of the newly calculated producer and import tax prices, new retailer prices were worked out; to balance this rise every receiver of gross wages received an additional income of from 10 per cent to 12 per cent per month, but at least a minimum of 140 schillings. For persons in the public service, special measures were taken on the ground of the so-called "Gehaltsüberleitungsgesetz."

[651] 5. Finally, in immediate connection with this agreement a number of taxes and duties were altered: progression of the taxes on wages and incomes; a change in the rates of the mineral tax; a change in the contributions of the employers to the balance funds for charitable relief; a change in the turnover-tax; on the grounds of the law of adjustment of social insurance of 1951, the basis of the maximum contributions to social security were changes.[2]

[648] [654] The most remarkable progress within the scope of this agreement, however, was (as already mentioned) the reduction of subsidies. As is known, the individual ERP countries obligated themselves in the bilateral economic agreements (Austrian agreement, August 2, 1948) toward the USA to pay the full value of the American relief deliveries in the currency of the recipient country on a special account (counterpart accounts). These accounts should be disposed of by the individual governments in accordance with the approval of the ECA to cover, as a rule, the financing of productive investments and to support currencies. The utilization of these means for financing for consumer goods should be limited as far as possible, although this had been tolerated in the beginning to raise the general standard of living. The purpose of this limitation was not to prolong the dependence upon foreign aid which was to end toward the end of June 1952.

457 652 With regard to the necessary balancing of the balance of payments (the special measures to achieve

1 [i.e., in July, 1951. Cf. cat. 116, p. 97, for rationale--Analyst]
2 [sic.,--Analyst]

PROVISIONAL REVENUES OF PUBLIC TAXATION IN 1951

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Federal Finance Law "Public Taxes" 1951, Chapter 17	Provisional Revenues 1951	Federal Budget 1951 (including supplements)	Difference (including supplements)
	(In Thousands of Schillings)		
Direct Taxes:			
Assessed Income Taxes	1,804,126	1,800,000	↑ 4,126
Wage Taxes	1,637,415	1,433,000	↑204,415[a]
Corporation Taxes	599,489	532,000	↑ 67,489[b]
Property Taxes	66,231	53,600	↑ 12,631
Business Licenses	1,000,832	886,000	↑114,832[c]
Occupation-cost Contributions	515,043	448,086	↑ 66,957[a]
Other Direct Taxes	20,857	17,700	↑ 3,157
Total of Direct Taxes	5,643,993	5,170,386	↑473,607
Turnover-Tax	2,303,551	2,214,000	↑ 89,551[d]
Added Charge to Turnover-Tax	1,152,596	1,107,000	↑ 45,596[d]
Customs Duties	305,013	300,000	↑ 5,013
Consumer Taxes:			
Tobacco Tax	1,069,513	1,050,000	↑ 19,513
Other Consumer Taxes	504,721	490,760	↑ 13,961
Total Consumer Taxes	1,574,234	1,540,760	↑ 33,474
Duties and Traffic Taxes	886,115	844,400	↑ 41,715
Extra Fees, Fines and Damages	67,098	64,000	↑ 3,098
TOTAL INCOME	11,932,600	11,240,546	↑692,054
Deductions:			
Transfers to Federal Countries and Municipalities	3,563,849	3,492,393	- 71,456[e]
Remaining Net Income	8,368,751	7,748,153	↑620,598[e]
Contributions to the Reconstructions of Dwellings out of the Revenues	383,250	f)	f)
Contributions under the Law of Reconstruction of Dwellings	39,363		

a) A surplus caused by the higher employment and by wage increases under the fifth Wage and Price Agreement. b) Surplus based on carry-over from the preceding year. c) A surplus from back-payments on 1950 assessments. d) Higher turnover. e) In addition, the federal countries will get about 270 million schillings. f) Not assessed in the federal provisional budget, since these amounts flow directly into reconstruction funds for dwellings.

SOURCE: Mitteilungen des Direktoriums der österreichischen Nationalbank, January, 1952.

*The surplus serves to finance investment expenditures of about 560 million schillings which is not provided for in the Federal Finance Law of 1951 and which are not covered by ECA releases; they also are to cover surplus expenditures of the Federal Railways caused by price increases.

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of 8 warehouses, 258 tobacco distributors and 15,253 tobacconists' shops, thus providing a large number of Austrians with a secure livelihood. As the Tabakregie is a valued customer in the tobacco-producing countries compensation transactions are made possible for other home industries through its foreign dealings. Even during the first months of reconstruction (April to December, 1945) the Tabakregie contributed in taxes about 10 per cent of the total state revenues. In 1946 it provided about a third of these revenues (corporation taxes about 30 per cent and customs duties over 40 per cent), despite decreased production. A rise in output will certainly mean a considerable increase in these figures. It must also be mentioned that Tabakregie exports brought in over 55 million schillings in the year 1933, and that they should therefore play an important rôle in stabilising finances as soon as foreign markets are reopened.

The staff of the Tabakregie varies according to available supplies of raw materials and depends on the preferences and satisfaction of the smoker. In the year 1937, the concern employed 5421 workers, including 3912 women, and at the end of 1947, 2930 workers, of whom 1581 were women. The dwindling of the number of workers is only in a minor degree due to the effects of the war. The main reason must be sought for in the decrease in cigar consumption which has been in progress for some time. The smoker of today is turning more and more to the cheaper type of cigarette which is quickly consumed. The cigar is one of the victims of our hustling and mechanical age. Cigar production, which depends mostly on manual labour, is on the decline, while the cigarette, which is produced entirely by machinery, is becoming more popular. This explains the reduced number of employees. It may increase one day again, if people find time in more leisured days to blow heavy smoke rings from fat cigars.

At all events, the Austrian Tobacco Monopoly is doing its best to see that the smoker is well supplied at all times with his needs, which are those of so large a section of the community.

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9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

trative staff of a 50 million empire—and a very bureaucratic empire at that—but this staff had been considerably swollen in war time and was further enlarged by the absorption of all those Austrian officials who after the war returned from their posts in the "Succession States". To reduce this number of officials was one of the problems of readjustment which Austria had to solve; and in fact a drastic reduction was carried out later. But little was done in the first post-war period and salaries—inadequate as they were with the increasing depreciation of the Crown—were a heavy drag on the Exchequer. In other lines, too, expenditure continued to run in an unplanned and uncoordinated manner. This was perhaps an effect as much as a cause of the inflation; but it was also symptomatic of the Government's fatalism; for they considered all this as the natural expression of Austria's doom.

The Government's weakness also showed itself on the revenue side. Expenditure, however carefully planned, is bound to be high in any post-war period. The social and economic upheavals of modern wars call for a high degree of State control and interference so as to facilitate an orderly return to a peace-time economy. But if inflation is to be avoided this high level of expenditure must be matched by an equally high level of revenue—at any rate under conditions of more or less full employment. This, however, the governments completely failed to achieve. The years 1919 to 1922 were years of continuous budget deficits, as is shown by the table on page 24.

The failure of revenue to come anywhere near expenditure was due to a number of reasons. First, the rapid depreciation of the crown implied that every time lag between assessment and payment caused a reduction in the real value of the tax. This opened the way to tax evasion on a grand scale; for even the incidence of stiffer nominal rates

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AUSTRIA'S ECONOMIC DEVELOPMENT

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Budgets	Receipts	Expenditure (Mill. of Crowns)	Deficit	Deficit in per cent of Expenditure
Jan. 1– June 30, 1919	1,339	4,034	2,704	67
July 1, 1919– June 30, 1920	6,295	16,873	10,579	63
July 1, 1920– June 30, 1921	29,483	70,601	41,117	58
July 1– Dec. 31, 1921	24,075	49,496	25,421	51
Jan. 1– Dec. 31, 1922	209,763	347,533	137,770	40

651 of taxation could be avoided by simply delaying payment
435 for a little while. It was not until much later that the
458 Government introduced "tax units" of a stable value to put a stop to this. Secondly, stronger measures, such as a capital levy and a compulsory loan, which were intended to bring some relief in this extraordinary emergency, were greatly watered down through endless delay and the strong pressure from vested interest. By the time they were finally introduced they were in fact quite ineffective. Thirdly, the Government was slow in adjusting the prices of State-owned enterprises to the rapidly rising price level, and considerable losses were incurred as a result.

458 Expenditure thus rose with rising prices while receipts
435 lagged behind. The gap had to be filled. A loan was out of the question for nobody was willing to lend money which would probably be worthless by the time of repayment. So the printing press, which had proved a convenient servant in war-time, had to continue its work. More and more notes were printed, prices went up and with it the State's expenditure and deficit. The vicious spiral was set in motion.

The following table indicates the course of the inflation.

2: MacDonald S-4 (no date) 1946 EK1 Austria EK1

sented by eighteen members, while thirty-six members should represent the professions and industries.[1] However, as Schober pointed out, a reform of such magnitude could not be hurried through in a few days—particularly as it would mean a further increase in the number of officials.[2] It was anticipated, however, that another constitutional law would be passed dealing with this matter. In the meantime the composition of the Federal Council remained unchanged.[3]

A further step towards centralization was taken by extending the control of the Court of Audit not only over provincial finances but over districts which comprised more than twenty thousand inhabitants.[4] Hitherto the control of the Court of Audit had only been exercised in those Provinces which had not independent control organs of their own.[5] This change brought the finances of the city of Vienna under the control of the Court of Audit, and in consequence was bitterly opposed by the Social Democrats.

The right of appeal in matters dealing with provincial administration was somewhat extended.

The powers of the State police were considerably extended at the expense of those of the Provinces.[6] As a result of this legislation, the special municipal police force instituted in Vienna after the 1927 riots had to be disbanded. All State police were to be given an autonomous ordinance right, in virtue of which they could, under special circumstances, issue ordinances, which would have temporary validity, provided

[1] *The Times*, 15 October 1929. [2] *Reichspost*, 20 October 1929.

[3] But although no new legislation was introduced, a later paragraph referred to members of the Upper House as enjoying immunity in their capacity as members of Provincial Councils (Article 58, (1)). But the old Federal Council members, although they had to be eligible for election, could not themselves be members of local assemblies (Article 35, (2), 1920).

[4] Smaller districts could be included if the Provincial Government concerned so requested (Article 127).

[5] B. G. Bl. Nr. 268, 30 July 1925, Article 127, (1).

[6] Kelsen, *Jahrbuch des öffentlichen Rechts*, vol. xviii, p. 132. 'So gut wie die gesamte Sicherheitspolizei ist der Zuständigkeit der Länder entzogen, und dem Bunde übertragen. Diese Monopolisierung fast des gesamten Polizeiwesens beim Bund bedeutet, wenn man beachtet, dass auch das ganze Militärwesen u. die ganze Gerichtsbarkeit von allem Anfang an beim Bund lagen—einen Grad von Zentralisation, der mit dem Typus des Bundesstaates kaum mehr vereinbar ist.'

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

In making up their minds with regard to the Nazi legacy, the planners were influenced by all the various considerations that have just been described: the iron and steel works and the nitrogen plant at Linz, the aluminium works at Ranshofen were all in Western Austria and in the American zone; they were large nationalized industries, and their products were in great demand under post-War conditions. In addition, they were modern, they represented a large capital outlay, and they employed between 10,000 and 15,000 men. Closing them down, therefore, in deference to any long-term economic theory, could not seriously be considered. In determining the lines on which they should be developed, however, the future balance of the Austrian economy would have to be borne in mind.

Austria benefited under the European Recovery Programme in three different ways: through 'direct aid', 'indirect aid', and the use of the 'counterpart fund'. Every year the United States Government allocated to Austria a sum of money in dollars to cover the import of essential goods against dollars from the Western hemisphere. This was known as 'direct' or 'unconditional aid'. In special cases, dollars allotted in this way could be used for obtaining goods from countries not taking part in the recovery programme—for example, coal from Poland. Secondly, Austria was granted drawing rights to import goods from other European countries with which she had an unfavourable balance of trade, on the understanding that the country concerned would obtain payment in dollars from the United States. This was known as 'indirect' or 'conditional aid'. Its object was to stimulate trade between the participating countries and enable them to resume commercial contacts with their traditional suppliers and customers. Thirdly, goods brought into Austria with the aid of ERP dollars were paid for by the recipients in Austrian schillings, which were handed over to the Government and paid in to a special 'counterpart' account with the National Bank. The schillings that accumulated in this way could be used for two purposes only: productive investment for the benefit of the Austrian economy

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

and measures for the stabilization of the currency. Proposals were put forward by the Austrian Government, but required the approval of the Economic Co-operation Administration, the highest administrative authority controlling the European Recovery Programme, which had its headquarters in Washington.

Under this whole system the greater part of the dollars made available by the United States were used to provide Austria with essential food and raw materials. At the same time a large proportion of the schilling equivalent of the dollars could be devoted to long-term projects that would strengthen the country's economy.

In dealing with the recovery programme in detail, it will be convenient to divide up the Austrian economy under eight main headings and treat each of the following separately: (i) agriculture, (ii) forestry and dependent industries, (iii) heavy industries, (iv) other manufactures, (v) fuel and power, (vi) minerals not covered under (iii) and (v), (vii) communications, (viii) the tourist industry. The division is rough and arbitrary, and the headings imply some overlapping, but it is an over-simplification convenient for dealing with a large and complicated subject in a limited space.

As has been seen, Austrian agriculture was in a lamentable state when Marshall Aid began. If food production could be increased and Austria became less dependent on imports, a considerable contribution would be made to improving her trade balance. Yet for several reasons agriculture was not a branch of economy that could easily be improved by foreign assistance. The great majority of the farms were small. The peasants were conservative and difficult to influence. Two of their main problems were lack of labour and the low level of agricultural prices, and these were problems that had to be solved by the Austrian Government itself.

The target was set, however, of restoring production to the pre-War level by 1953. Seeds, farm machinery, and feeding-stuffs were to be supplied. Above all, a much greater use of artificial fertilizer was to be encouraged. Before the War

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

Austria was clearly not in a position to pay for her essential needs without foreign help, and it was of vital importance that she should not be subjected to economic strain that would threaten her political stability. The United States Government therefore decided to continue its assistance, though on a reduced scale. Direct Aid amounting to $70 million was promised in two instalments for the financial year 1952–3. The release of funds from the counterpart account was made conditional on the Austrian Government taking adequate measures to balance the budget and check inflation.

At the same time a growing body of expert and informed opinion in Austria was becoming convinced that the situation demanded a new outlook and a new policy. Austrians had acquired the habit of looking abroad for their economic salvation and blaming the Allies for the lack of a State Treaty. But the continuance of the occupation, which was the result of the conflict between Russia and the West, was Austria's heavy share of a burden borne by many countries. Against it could at least be set the sustained moral and material support of three of the occupying Powers. In the circumstances the only healthy attitude was to take energetic steps to strengthen Austria's economy and free it from dependence on foreign help that was being progressively reduced and could not last indefinitely. Such a policy would not have been feasible in the early post-War years, but conditions had so much improved after four years of Marshall Aid that there was now no real alternative for a people with pride in its past and faith in its future.

There were three aims about which there was little controversy: to stabilize the currency and prices, to encourage private saving, and to strengthen the competitive power of Austrian consumer goods in world markets.

There had at first been good reasons for the policy of controlled inflation on which the Austrian Government embarked after the War. But the reasons became progressively weaker the longer the policy was pursued, and, as has been seen, the fifth Price-Wage Agreement in 1951 had serious effects on

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65 185 Austrian exports. The continuous devaluation of the schilling discouraged private saving. It also prevented stabilization of prices, because producers, who had to count on increasing costs of production, were reluctant to part with their goods. To restore faith in the schilling strong measures were required.

454 185 Private savings must be encouraged owing to the country's need of capital. The investment rate of the Marshall Aid years could certainly not be maintained, but in a highly competitive world Austria's industrial plant would have to be modernized and renewed, and hydro-electric development and the electrification of railways were vital to her future. International loans and foreign investment could be relied on to some extent, if conditions remained stable, but a high proportion of capital needs must be provided by the Austrian people themselves. In addition, the possibility of saving without loss would be an incentive to effort and increased efficiency.

185 Opinions differed as to the extent to which the consumer-goods industries had been neglected since the War, but there was general agreement that they deserved more attention in future. Austria's characteristic industrial asset is the quality, taste, and variety of her craftsmanship and the finished goods it produces. As the world returns to normal, the demand for these specifically Austrian products will grow and foreign countries' requirements of investment goods will be satisfied where they can be most cheaply produced.

Two further aims were subjects of considerable controversy: to economize drastically in State expenditure and to encourage competition in Austrian economic life.

On the one hand, it was maintained by the Right-Wing parties and the majority of professional economists that the budget should be rigidly examined and controlled, the whole administration overhauled, and the number of civil servants reduced. These measures, some held, should be combined with giving greater scope to the competitive elements in industry and reducing the influence of vested interests of all kinds. This last point of view was greatly stimulated by the issue in December 1951 of a Report by Mr. H. W. Johnstone

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645 Minister, was a financial and economic expert who believed
665 that the budget could only be balanced satisfactorily by stringent economy in national expenditure. The new Minister of Trade, Herr Böck-Greisau, was an experienced industrialist, with a special interest in export problems, who believed in free enterprise, and shared Dr. Kamitz' view on the need for economy. Both men were convinced exponents of the new policy of self-reliance and self-help.

453 Before the end of 1951 the Coalition Government's efforts to establish financial stability had already met with success. To restrict credit expansion the bank-rate was raised from 3½ to 5 per cent on December the 6th, while the trade unions and the employers collaborated to keep prices down. During the
454 first four months of 1952 savings-bank deposits rose by 538 million schillings, compared with an increase of only 77 million schillings during the whole of 1951.

645 One reason why the People's Party appointed the new
665 Ministers was that it wished to strengthen its representation in the Cabinet. But it believed also that their policy was what Austria needed at the time. A natural result of its action, however, was that the policy tended to become a party issue, although it had virtually been started before the Cabinet changes took place.

645 The new Ministers were energetic and uncompromising in carrying out the measures in which they believed. Within a
652 few months of his taking office Herr Böck-Greisau was with
665 difficulty dissuaded from relinquishing his post on a question of principle. During the autumn party differences came to a head over Dr. Kamitz' proposals for an economy budget. The People's Party was mainly interested in a deflationary policy to maintain the value of the schilling. The Socialists wanted bigger expenditure on public works and new housing projects in order to keep up employment. No agreement could be reached, and so, as has been seen, the Government resigned. Pending the elections a temporary compromise budget was accepted by both sides.

652 Before the elections took place the new economic policy

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had achieved considerable success. The currency had been stabilized. Between December 1951 and December 1952 wholesale prices had dropped 6·4 per cent and the cost of living 1 per cent. With unimportant exceptions wages had remained constant. Total savings during 1952 amounted to over a billion schillings, compared to the 77 million in 1951. Although the gross national product only just kept up to the level for the previous year, the foreign trade position improved substantially. Figures available in February 1953 showed a drop in the balance-of-trade deficit from 4·3 billion schillings in 1951 to 3·1 billion in 1952, while the balance-of-payments deficit fell from $176 million to $100 million.

The Ministers of Trade and Finance deserved great credit for this achievement. But it must be remembered that they were members of a coalition government and that the policy of stabilization had begun before their appointment. Furthermore, the policy depended for its success on the voluntary action of both industrialists and trade unions in keeping down prices and wages.

During the election campaign a large measure of agreement on economic and financial policy was revealed between the Socialists and the People's Party, but the gap between the two points of view, which had made elections necessary, could not be closed entirely. The serious deterioration in the employment situation accentuated the differences on this vital issue. At the end of 1952 there were nearly 100,000 more unemployed than there had been in December 1951, and throughout 1952 the average number of unemployed had been 158,000, compared with 117,000 the previous year.

The deadlock that followed the elections and delayed the formation of a new Government for more than five weeks was proof of the stubbornness of the differences. The replacement of Figl by the industrialist Raab made it clear that a long-term compromise could not be expected: the Coalition survived, but for external, not for internal reasons. It was, nevertheless, encouraging that Austria's two main political parties should have

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VIII

Currency, Prices, and Wages

FOR those with no personal experience of rapid and uncontrolled inflation the full significance of the Austrian Government's post-War measures to regulate currency and prices is not easy to appreciate. The average Austrian found them complex and even mysterious, but he had no doubt about their importance. Between 1945 and 1951 the Government passed three major laws dealing with the currency and approved five agreements regulating wages, prices, and cost of living. Apart from their financial and economic results, these measures had considerable social and political implications. In fact, their effects on political life and society are likely to be the more lasting.

Immediately after the liberation Austria was faced with two major financial problems: she had no national currency of her own and the banks were virtually empty. The need to establish an Austrian currency was urgent. The country was being flooded with German mark notes from Czechoslovakia and Hungary, where they were considered valueless, and the occupying Powers were temporarily printing their own money, which soon reached a total of about a billion schillings. Almost all the banks' cash had been removed by the Russians, and their main 'assets' were in the form of valueless German Government Bonds. It was for this reason that the Provisional Government was unable to pay any public servant more than 150 marks a month. It was only able to do as much because the Russians made available as a 'loan' 600 million marks taken very largely from the sums that they had seized.

The Government decided that it could take no steps to establish an Austrian currency until the country was united. But on the 3rd of July 1945 the so-called *Schaltergesetz*, or Counter Law, was passed, covering withdrawals from banks.

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652 454 This law amounted to a modified moratorium and was restricted to the area occupied by the Russians, in which the Provisional Government's authority was recognized. In the Western zones monetary transactions remained free.

Holdings were to be divided into two categories, funds deposited before the 5th of July being known as 'old accounts' and those deposited from the 5th of July onwards becoming the 'new accounts'. The latter were to be completely free, whereas 60 per cent of the 'old accounts' were to be blocked, the remaining 40 per cent being available under certain conditions. If the need were proved, 150 marks a month could be drawn per household as a subsistence allowance from either the blocked or the unblocked portions of the 'old accounts'. So far as the unblocked 40 per cent were concerned, transfers between banks could be made without permission, and the money could be used with a permit for a number of essential purposes, such as payment of wages, salaries, rents, insurance premiums, and maintenance during sickness. With the Finance Ministry's special approval, funds from the blocked 60 per cent could be employed for particular projects, such as economic enterprises of urgent importance to the country.

Complaints were afterwards made that during the next two years the Ministry allowed too many releases of blocked funds and that certain favoured and influential individuals were able to utilize the whole of their 'old accounts'. A number of officials were accused of partiality and corruption in consequence.

The Counter Law catered for the poor by its provision of subsistence allowances. It also laid down conditions under which the well-informed and the ingenious could employ at least a proportion of their funds for their own purposes. Those who came off worst were the thrifty, the aged, and the lonely, who were dependent on their savings, were unacquainted with the details of the law, and were not fortunate enough to have active and altruistic advisers. This weakness is no doubt characteristic of most currency legislation. It was certainly common to the three main currency laws passed in post-War Austria.

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The recognition of the Provisional Government by the Western Allies in October 1945 and the elections in November cleared the way for the re-establishment of an Austrian national currency. On the 30th of November the interim Government, without waiting for the formation of the Figl Cabinet, announced its approval of a 'Schilling Law', and one of the first acts of the new Parliament on the 21st of December was to pass this measure. 652 436

The law replaced the German mark and pfennig by the Austrian schilling and groschen at the rate of 1 for 1. All German currency except for denominations lower than ten marks was to be exchanged for the new Austrian schillings, and the same applied to the Allied Military Schillings which had been issued as a temporary currency. Everyone received 150 schillings in cash and the rest was credited to his account. Marks in lower denominations were exchanged for schillings during February and March 1946.

The second main purpose of the Schilling Law was, in general terms, to extend the provisions of the Counter Law from the area occupied by the Russians to the whole of Austria. The details were inevitably complicated owing to the different situations in each part of the country and owing to the decision to place in a separate category funds deposited between the 1st and the 22nd of December 1945. Roughly, however, the division of accounts continued into 60 per cent that was blocked and 40 per cent that was conditionally free, although minor alterations were made in the conditions under which the free funds could be used. Deposits made after the 22nd of December 1945 could be used without restriction. 652 454

Some disappointment and bitterness were felt in Russian-occupied Austria that 60 per cent of the 'new accounts' were now blocked, as the people had been given to understand that deposits made on or after the 5th of July 1945 would be freely at their disposal. On this assumption, after the Counter Law was passed, the public had confidently continued to use the banks for their savings.

Subject to Allied supervision, the Schilling Law gave back to 652

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Austria her financial independence. It also acted as a stimulus to trade and a check, though a purely temporary check, on inflationary tendencies. Dr. Renner has described how the legislation re-establishing the schilling lay for weeks in his drawer awaiting the re-unification of the country. So long as uncertainty regarding the currency continued, merchants preferred to hold on to their limited stocks of goods, and trade was restricted. So long as Austria continued to use German money, marks flowed across the frontier and prices were inflated. An immediate result of conversion was a substantial fall in the black-market prices of commodities and foreign currencies.

The provisions of the Counter and Schilling Laws blocking 60 per cent of the 'old' and 'new accounts' were interim, in so far as no indication was given as to the final fate of the blocked credits. This question was settled by the Currency Protection Law of the 19th of November 1947.

By the autumn of 1947 serious inflationary tendencies had begun to reveal themselves. There was a growing belief that currency reform was necessary, and rumours that it was imminent made the situation worse. Goods were hoarded, prices rose, and holders of capital showed anxiety to invest at any cost. In introducing the Currency Protection Law the Government's main purpose was to stabilize the schilling by reducing note circulation and finally liquidating the blocked accounts, from which there had been increasing demands for releases during recent months.

The law in its full details was very complex. But its main provisions were as follows. The existing currency was to be replaced. Every individual could exchange his note-holdings on the basis of three old schillings for one new, although each person was allowed 150 schillings at the rate of 1 for 1. Blocked accounts were forfeited to the State, and the unblocked portions of the 'old accounts' were converted into 2 per cent Government bonds. All free accounts, which included deposits made between the 23rd of December 1945 and November 1947, retained their full value, but, in so far as they exceeded 1,000

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schillings, half of each account was to be blocked for six months, and a quarter for a further three months. 65-454

Some attempt was made to distribute the burden in accordance with capacity to pay. Those in need were allowed to retain limited amounts from their blocked accounts up to a maximum of 3,500 schillings, and under this provision payments amounting to about 500 million schillings were in fact made in monthly instalments to 300,000 people. A capital levy was also announced, for which the necessary legislation was passed the following July. It imposed graduated taxes on capital and capital increment which were to be spread over a number of years. [651]

The essence of successful currency legislation is that it should be introduced unexpectedly and implemented immediately, so that no one should have time to take evasive action. Such procedure was not possible in Austria in 1947 owing to the provision of the Allied Control Agreement which laid down that laws went into effect, if not vetoed, thirty-one days after they had been submitted to the Allied Council. Nevertheless, the Austrian Government might have handled the situation with greater skill. In the end, it secured Soviet approval of the Defence Protection Law at the heavy price of accepting the Russians' terms for the settlement of their 1945 'loan'. With Allied consent the law then went into effect ten days ahead of the normal time. It would have been worth paying an even heavier price to obtain Russian approval in advance, so that the three weeks' delay between the publication and execution of the law could have been avoided. 652 727

As it was, the situation during the three weeks' interval was grotesque, and the effectiveness of the law itself was seriously diminished. Evasive action was carried out on the widest scale, the most quick-witted and unscrupulous coming off best. Nobody was anxious to sell anything for money that was about to be devalued, and, in spite of Government regulations to the contrary, many shops could not be persuaded to remain open. People revealed a sudden enthusiasm for paying debts, and creditors could hardly refuse payment in a currency in 652

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which the debts themselves had been incurred. The Government received payment not only for taxes that were already due but for taxes that were to be levied during the coming year, though it naturally gave notice that it could not accept payments in advance. The Austrians appreciated the comic side of the situation, but many realized that the comedy was being played at the expense of their country's interests. It was estimated that evasion and manipulation reduced the deflationary effect of the law by over a billion schillings.

Apart from the way in which it was introduced, the Defence Protection Law was no final solution of the inflationary problem. It was not accompanied by the strong financial measures necessary to ensure financial stability and restore full confidence in the schilling. Little or no inducement was given to the Austrian people to resume the habit of saving. But in the winter of 1947–8 the time had not yet arrived for a more comprehensive settlement. Austria's political situation was uncertain; her economic position still precarious. It is probable that the law, though a half-measure, went as far as was reasonable at the time.

The immediate result was a decisive check to inflationary tendencies. On the 7th of November the note circulation and the free accounts at the National Bank amounted to 9 billion schillings in all. Immediately after the law went into effect the combined total had fallen to 5·6 billion schillings, and at the end of January it had only risen by 100 million schillings. For many Austrians the currency reform marked the beginning of real recovery, in spite of the financial sacrifices it had imposed. Goods became more plentiful and prices fell. By Easter 1948 new signs of hope could be seen in the faces of the long-suffering Viennese. The following October, less than ten months after the reform became effective, black-market food prices, which in November 1947 had been about twenty-three times as much as the official prices, were only three to five times as high. In the case of luxuries, such as cigarettes, the black-market and official prices were very close to each other. These developments brought new confidence and had a

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stimulating effect upon trade. There is no doubt that the currency reform made a substantial contribution to the economic revival associated with the beginning of Marshall Aid.

The social results of the reform were less fortunate. The law, as has been seen, made limited concessions to the needy, but they were of small help to many who were dependent on their savings and whose earning days were past. On the other hand, the treatment of the well-to-do was very uneven. The holders of large bank balances came off worst, while the owners of real estate and valuables, in spite of the capital levy, were more fortunate. The most unfair feature of all was that industrialists, who were in the best position to renew their wealth, could retain it most easily in the form of stored goods. When currency adjustments become necessary, they are always accompanied by injustice, and the results mentioned were, to some extent, the inevitable consequences of inflation. But more might have been done by the Government to help those least able to make their influence felt and to help themselves.

Throughout the years from 1945 and 1951 the Austrian economy was subject to persistent inflationary pressure. It was checked very temporarily by the Schilling Law and restrained for the best part of two years by the currency reform. But the forces making for inflation were never absent, and the political and economic climate was such that the Government did not consider itself in a position to attempt a fundamental cure. The schilling steadily lost value, until in 1951 it was worth about one-seventh of what it had been in 1945. The following table[1] shows the rise in the cost-of-living index between 1945 and 1951:—

1945 April	100·0
1946 April–December	125·7
1947 " "	248·1
1948 " "	378·0
1949 " "	484·3
1950 " "	547·7
1951 " "	700·1

[1] Prepared by the Austrian Institute of Economic Research.

INTRODUCTION

121 In my capacity as Foreign Consultant to the Library of Congress, I attempted to provide in this study a report on Austria's postwar economic problems accompanied by a short survey of the Austrian economic theory and related literature.

The survey deals with the reconstruction of Austria in the period from 1945 until 1952, and the major economic elements and features sponsoring the reconsolidation of the country are considered. 647 The ideological reflections elaborated therein are the result of those basic decisions which had been shaped within the scope of the Ministerial Committee for Economic Questions, which is a sub-committee of the Federal Austrian Government. The Ministerial Committee for Economic Questions is a joint bipartisan committee consisting of representatives of the Austrian People's Party and of the Socialist Party of Austria and functions in accordance with the constitutional rules of the Austrian Federal Government. Consequently, resolutions made by it require in each case unanimous vote of its members. Built up on this fundamental basis are the big investment programs of the Austrian Federal Government, which have been carried through during the last years, particularly after the ERP Program started. These programs are set up by the ERP Central Office of the Federal Chancellory in permanent consultation with the competent Ministerial Departments and the interested parties of industry, trade and commerce before a definite decision is taken by the Ministerial Committee for Economic Questions, whence they are reforwarded to the respective sections of the ECA Service.

465 As regards the five agreements about wages 435 and prices reached in the years from August 1947, 652 they were negotiated and passed as a result of common deliberations between the various interested economic associations (Federal Chamber of Industrial Activities, the Chamber of Agriculture, Labor and Trade Union), whereby, in this sector which is so important to the whole economy of the country, a middle line was maintained and the political interests coordinated as far as possible. In this connection it might be considered that all political parties agree in the view that the real wages and salaries of the workers and employees should be maintained, thus

435 preventing a disastrous decline in the buying power
465 of the broad classes of the population. The unavoid-
652 able adjustment of certain distortions in prices as well as the entire stabilization of wages and prices was undertaken on the basis of the economic, budgetary and credit policy. This applied also to the coordination of prices of specified agrarian products which, in the general development, have to a large extent re-
457 mained below an adequate level. These adjustments were
652 intended chiefly to insure an utmost favorable development of savings deposits and the initiated investment program without intensifying inflation. The promotion of capital accumulation, thereby encouraging the influx of new savings capital to the banks and institutions, and the systematic consolidation of capital reserves of the insurance companies and of the social insurance institutions will, particularly in Austria, gain special importance in the coming years. As a consequence of the elimination of the counterpart funds and of the relative slow reflux of the means invested, resulting in limited possibilities of rediscount with the National Bank, the necessarily long-postponed replacement of the long-term and expensive bank credit to the capital investment market has been initiated. Expressed in other words this means that the reconstruction of the capital basis of economy, by opening the cheaper sources of financing offered by the capital market, should facilitate new short and middle-term credits and consolidate long-term credits which had previously been granted (especially investment and reconstruction credits). It should also contribute to an improved competition of Austrian products on the world markets through an adequate reduction of one of the chief factors of the basic cost price, i.e., credit procurement.

185 All measures of an economic-political nature
652 which are taken, however, are not applied in a purely dogmatic way. They are effected within the ideology of the two big political parties of Austria and thus of the Federal Government, which is sustained by the coalition in power. It might be explained that the economic political measures described in the following survey are approved in principle by both of the leading political parties, though it may be that they differ somewhat as to the means and methods of reaching determined aims of political economy.

185 The problem of increasing economic productive-
433 ness receives particular attention from the Austrian Federal Government and the Austrian Productivity Center. Labor and management are equally represented in this

In comparison to prewar times a definite lowering of 727
individual performance efficiency had set in among
the rest of the population caused by years of under- [46]
nourishment and poor general physical condition
aggravated by a series of psychological strains up to [433]
1947. Another thing to be taken into account was the
reorientation of the entire European economic
structure in the wake of political changes, particu-
larly the solution of certain problems of large in-
dustrial enterprises (the iron and steel industry).
Last but not least were the great economic and
political changes which had taken place in the areas
of Austria's traditional markets, eastern and south-
eastern Europe.

The destruction of capital substance weighed [454]
particularly heavy. It was obvious that the greater
part of savings capital, accumulated prior to 1945,
was economically no longer covered. Within the scope
of a planned war economy that money had either been
invested in weapons and war material which became
valueless, or it was originally invested in profitable
enterprises which were destroyed or diminished through
the effects of the war, e.g., plants, equipment, razed
woodland, etc. On the other hand, in accordance with
instructions of the German finance administration,
great parts of the liquid assets and reserves of banks,
the premium reserves of large insurance companies,
etc., had to be invested in bonds of the German Reich
(especially Reichsschaftsanweisungen), whose value be-
came as questionable as savings deposits.

In view of these circumstances the Austrian 652
federal government faced difficult problems. For the
sake of simply existing it was necessary to reestablish
the financial foundation, a task impossible to ac-
complish without a proper Austrian currency (to be
newly created), without gold or foreign exchange re-
serves to cover this currency, without a national bank
of issue, without reconstruction of a banking and credit
apparatus, and particularly without first straightening
out the balances essential to large banking institutions.

Not any less difficult to solve, in relation 433
to the previously mentioned conditions, was the second
problem: the revival of production and trade. Apart [438]
from incurred losses in plants, machinery and raw
materials, the disorganization of communication and the
dislocation of great parts of the population, valuable
components of the production apparatus as well as other
natural assets of the Austrian economy, classified as

493 so-called "German property," were lost to Austrian control and thus lost to the economy.

652 [927] In the foreground, however, was the organization of the currency and credit structure. Until November 1945, Allied Military schillings and the Reichsmarks of the former German administration formed the currency basis of the country. Approximately 7.7 billion Reichmarks and 1 billion Allied Miliary schillings were in circulation, representing an inflation of 850 percent above the 1937 level. This circulation, compared with the almost negligible volume of goods and the low production capacity, made the money practically worthless. Here, therefore, was where the first measures of reform had to be effected.

In 1945 the provisional government provided the first legal foundation for the reorganization of currency and the credit system by the law covering payments by banks (Schaltergesetz), the law covering public and private credit extension (Kreditlenkungsgesetz) as well as the "Notenbanküberleitungsgesetz," which reestablished the Austrian National Bank. It created therewith the preliminaries for an orderly banking and payment service, for the time being still under the statutory power of the then provisional government. With the "Schillingsgesetz" of November 30, 1945, introducing the first currency reform and establishing the schilling as legal tender, the three aforementioned laws were extended to cover the three western occupation zones, the country as a whole received a uniform currency and banking system.

The "Schillingsgesetz" and the conversion decreed reduced currency in circulation (paper) from approximately 7.7 billion Reichsmarks and 1 billion Military schillings to 3.3 billion schillings and the aggregate circulation (banknotes plus contingent liabilities of the National Bank) to about 7 billion schillings. Parallel with this--the first control of all deposits having been effected by the previously mentioned "Schaltergesetz"--occurred a further appropriate blocking of deposited means to restrict purchasing power and inflationary price rises.

652 453 Beginning March 7, 1946, the issuance of bank notes was subjected to Austrian control, the legal basis ensued through an amendment of the "Notenbanküberleitungsgesetz," June 30, 1946, which also promulgated the statutes of the Austrian National Bank as a bank of issue. With the enactment of June 25, 1946, the Austrian National

With the enactment of June 25, 1946, the Austrian National Bank was authorized to control foreign exchange transactions. For the time being the rate of exchange had been fixed at the rate decreed by the occupation powers: 1 dollar = 10 schillings and 1 pound = 40 schillings. 652 453 457

A gratifying step towards free foreign exchange relations was the release of blocked Austrian assets in the USA in 1946, and later on, the return of the gold reserve of the Austrian National Bank which had been transferred by the German administration. As a first step the United States had returned to the Austrian Federal Government 4,450 kg gold, representing a part of the gold reserve, which in 1938 amounted to 78,000 kg. On November 4, 1947, the Austrian envoy to London signed a protocol. According to its terms Austria was awarded an additional 26,187 kg fine gold by the Reparation Commission in Brussels. 457

With this substantial gold reserve on hand the Austrian Federal Government progressed a step further with its currency policy and enacted the Währungsschutzgesetz (a measure to protect currency), reducing the aggregate currency circulation almost 40 percent. For the intended reform, aimed at reducing currency in circulation as well as funds deposited with bank and credit institutions, the cited federal law of November 19, 1947 (confirmed by the Allied Commission for Austria on December 4, 1947, and enforced on December 10, 1947), was important in the following three points: 652

(a) Through a reduction of the aggregate currency volume (money in circulation plus deposited funds) a corresponding reduction of prices, and, last but not least, a restriction of black market trades could be accomplished;

(b) The general business moral could be improved; and,

(c) Through a cancellation of the old blocked accounts (in accordance with the first laws covering currency policies in 1945) an elimination of economically untenable positions, and therewith, the first step towards a reconstruction of the credit system in the interest of the entire economy could be undertaken.

With the enforcement of this law a new trend in financial matters developed. The inflationary influences prevailing until then were curtailed while, financially, the prerequisites necessary for the reconstruction of the Austrian economy were set up. Although the circulating means did not become scarce to the extent 458 652

458 originally anticipated, due to the prolonged interval
652 between the publication and the enforcement of the law, the following months nevertheless did produce some economic results (lowering of prices, elimination of black markets and a general slackening of the purchasing psychosis).

727 In the meantime the occupation powers,
648 particularly the American and the British elements,
457 had introduced relief measures ameliorating need and want among the Austrian population. One of the first was initiated by UNRRA, whereby, in connection with a number of special credits, a "subsistence level" was achieved. Additional assistance measures followed. On June 26, 1947, an agreement between the United States and Austria provided a new form of assistance, substituting for the UNRRA aid which was ending. For this Austria Assistance" about 85 million dollars were provided. With these contributions of foodstuffs, commodities and machines, it was possible to start the reconstruction of the ruined communication system and to restore a modest production line.

Additional alleviation was obtained from a credit granted by the British Government for purchase of consumer goods. In October 1947, the Export Import Bank at Washington, D. C., granted Austria a credit amounting to 13 million dollars, of which amount 8 million dollars were placed at the disposal of the heavy and metal industry, 4 million dollars at the disposal of the chemical industry for purchases of raw materials and as equipment, while the remaining 1 million dollars served other purposes (freights, etc.).

652 Of particular importance was the establishment
727 of a regular budget. The first federal estimates (1946-1947) were, in view of conditions, only of an emergency nature.

The item of occupation costs was from the start a rather burdensome one. Until May 1946 these costs were covered by an additional issuance of bank notes. Beginning June 1946, all expenditures not covered by current incomes (including occupation costs as well as costs arising in connection with the welfare of displaced persons) were paid for with short-term treasury bonds, taken by banks, or with cash reserves. Later
[651] (July 1948) the expenditures of the occupation costs were met fiscally by an additional tax (occupation cost tax) to the income and wage tax.

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regulations as privately owned enterprises.

If companies or enterprises, under the regulations of the corporation law, were for any reason not as yet able to install the required responsible executive managements (executive officers, board, stockholder meetings) the competent authority, in accordance with the terms of the federal law of July 26, 1946, installed public administrators. The privilege, however, does not apply to enterprises and plants working under their legally installed executive managements; such an existing status permits the government to introduce motions, by its delegated board members, only within the scope of legal corporate requirements.

[647]

According to the federal constitutional law of June 16, 1948 (Rechnungshofgesetz), all nationalized enterprises are subjected to the accounting and business policy control of the Oberster Rechnungshof (superior accounting office of the government), which in turn is responsible to the parliament for rendering account.

By these means parliament wanted to prevent red tape in the commercially managed establishments.

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c) The reconstruction of the Austrian credit institutions.

Following the loss of Austrian sovereignty in 1938, changes within the great Austrian banking organizations occurred. The Austrian National Bank disappeared as bank of issue, its Vienna organization became a branch office of the German Reichsbank, the substantial gold and foreign exchange holdings as well as other assets were transfered to the latter, so that from 1938 to April 1945 no independent money and currency policy was possible.

Likewise, the nationalized banking institutions were confronted with structural changes which, after 1945, brought about problems of balance adjustments. Therefore, if the entire question complex and the enforcement of relative measures are to be ascertained, it is necessary to become acquainted with the developments which have occurred. Austria, having been reestablished as a sovereign nation at the end of the war, faced a greatly changed situation in comparison with 1937. The prior assimilation into the economically and organically different economy of the German Reich, caused a far

reaching reorganization of the Austrian economic structure. What was needed after the political and economic disintegration of 1945 was, therefore, a basic recreation of the entire economic system, including (for reasons of monetary policy) the liquidation of the previously war-influenced German financial policy. In addition, it must be noted that in Southeastern Europe, previously representing a traditional Austrian interest and marketing sphere, political changes had occurred, making necessary write-offs of participations and accounts and a reorientation of previous relations. By having been made a part of the German Reich there occurred within Austria, because of the German methods in financing war expenditures, a substantial discrepancy between the amounts of money and goods available. On the asset side of the ledgers of the credit institutions special consideration was required for the so-called "Reichswerte" (bonds of the German Reich, treasury notes, treasury certificates), liabilities of the German Reich, its states and countries as well as of central and monetary clearing offices, the holdings of which increased rapidly during the first war years. They represented, as far as bonds, treasury notes and treasury certificates were concerned, mostly counterparts of deposits which had to be transferred to Berlin for conversion into such securities. That was done on instruction of German authorities in order to finance German war expenditures. At the cessation of the conflict these deposits, from a national-economic point of view, could no longer be considered covered, inasmuch as their counterparts became valueless or at best dubious as collateral. For reasons of the occupation zone division, at that time strictly applied, the "Schaltergesetz" was enforced only within the Russian zone, Vienna included.

From a monetary point of view the war's heritage consisted of an oversized volume of money and, for the time being, of losses to owners of securities of the German Reich, i.e., the banks and industrial enterprises.

The first legal enforcements (the "Schaltergesetz" of July 5, 1945, as well as the "Schillinggesetz" of November 30, 1945) were primarily construed to reestablish orderly monetary conditions, i.e., the setting of an ultimate money volume, the establishment of a new currency and the elimination of excess purchasing power.

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453 The "Schaltergesetz" decreed the reopening of the banks, closed since April 1945, and, for the time being, a blocking of 60 percent of old deposits (i.e., funds deposited prior to the reopening of banks). The remaining 40 percent could be used, within restricted limits, for vital economic purposes. The "Schillinggesetz" went a step further. Extending the variously applied monetary measures, enforced within the Russian zone, to Austria as a whole, it established the basis for the Austrian (schilling) currency under the sole control of the Austrian National Bank and blocked 60 percent of all deposits accumulated prior to December 22, 1945. This was a monetary measure to [458] effect a diminution of the upwards trend of prices through a curtailment of money in circulation. The remaining 40 percent were disposable, partly free, partly non-negotiable andpartly restricted to certain uses. Funds deposited after December 22, 1945, were free of any restrictions.

The third and most important step towards a currency consolidation occurred with the enforcement of the "Währungsschutzgesetz," which had to accomplish a two-fold task. One was the diminution of currency in circulation (notes in circulation plus free contingent liabilities) amounting to 9 billion schillings prior to the enforcement, by a skimming-off process of notes in circulation and by a cancellation (diminution of deposited currency) of blocked funds, accumulated with banks as a result of prior enactments. The other task was to prepare a settlement of the unbalanced statements of banking institutions, reflecting the war and postwar losses. Thus the prerequisites for a reorganization of the entire credit apparatus were created.

Particulars about the technical procedure of the curtailment of the currency circulation, in accordance with the "Währungsschutzgesetz," will not be discussed here. With regard to deposited funds, all blocked accounts established in accordance with the "Schaltergesetz" and the "Schillinggesetz" of 1945 were cancelled. The remaining, restricted disposable 40 percent balances, were converted into demands against the federal treasury. [To cover the demand against the federal treasury, following the skimming of accounts, the federal ministry of finance was empowered to issue "Bundesschuldverschreibungen" (treasury bonds) or to enter these demands into a newly created "Bundesschuldbuch" (record of federal obligations).] The various

categories of accounts were simplified and the skimmed amounts transferred to new accounts which, excepting temporary limitations, were free of restrictions. 652 453

The diminution of deposited funds (skimmed-off and therefore economically non-covered deposits) as well as of the contingent liability account of the Austrian National Bank (details are not being mentioned) took effect immediately. The banking institutions were required by law to proceed at once with the skimming off of the accounts involved and to transfer the skimmed-off amounts to a special account of the Federal Treasury. In this connection there occurred a shift within the liability items of the bank balances, whereas the actual balance sheet settlement was to be effected after enforcement of the authorization, empowering the federal government (paragraph 22 of the "Währungsschutzgesetz") to stipulate the time, the manner and the amounts to be written off and credited to the Federal Treasury. The enforcement of this authorization has been promulgated with the approval of a draft submitted by the Federal Minister of Finance, covering the third and final regulation with regard to the delivery of values as per paragraph 22 of the "Währungsschutzgesetz" of November 19, 1947.

In accordance with the terms of this regulation the banking institutions are required to deliver such assets of the Federal Treasury to the Ministry of Finance, whereby, to relieve their balance sheets, they are permitted to deliver instead of money the aforementioned "Reichswerte" at their book or par value. The demands against central clearing institutions are of importance to savings banks and cooperative credit associations.

The enforcement of this regulation did not solve the reconstruction problem even if, for the time being, a welcome settlement of balance sheets was achieved. The complex of remaining problems required a great deal of further deliberations. The range of the compensation as well as the details of the technical execution are not being explored here.

As stated before, the scope of reconstruction requires that additional considerations be taken into account. They are sketchily indicated below.

While the first reconstruction phase, in compliance with the "Währungsschutzgesetz," brought about the definite elimination of blocked accounts transferred

652 to the Federal Treasury and written off against an
453 offset of securities of the German Reich, the second phase will comprise the elimination of the remaining odd lots of such German securities. In addition, it will be necessary to establish the sources of loss in connection with the war. This includes losses incurred mainly through sequestration of cash on hand as booty, securities and participations devalued to nil (excepting German securities) and, finally, through general losses incurred in accounts receivable. (Losses incurred in connection with credit lines guaranteed by the Reich assume a special significance.) All of these represent values which at several institutions comprise a special block of "domestic and foreign assets" to be settled within the scope of pending reconstruction endeavors.

[451] It remains understood, and this has been pointed out by the Federal Minister of Finance, that the settlement of the whole complex requires the establishment of true reconstruction balance sheets, a prerequisite to be accomplished only after enforcement of a law decreeing the execution of "Schillingseröffnungsbilanzen" (initial balance sheets in schillings). As a result of the yet unsolved problem of the so-called "German Property," the computation of final figures will certainly meet with difficulties, especially with respect to the large banking corporations. This follows because (1) a clear definition of the term "German Property" has not as yet been established; (2) it is impossible to compute the participation values of the enterprises concerned without knowledge of the exact computation date in the absence of a state-treaty; (3) in some cases the prerequisites as to the corporate status, especially with regard to enterprises administered partly by Austrians and partly by an occupation power, still need clarification.

Noteworthy, furthermore, is the varied handling of "German Property" within the various occupation zones. Besides the contemplated settlement of balances within the scope of the first phase, the compensation of the remaining "odd-lots of German securities" and the general settlement (since the enforcement of the "Schillingsgesetz") of blocked but not written-off deposits, only relative estimates will be obtained which ultimately, after the elimination of evaluation difficulties, will find a correction.

Although a settlement method covering the "odd-lots" of German securities and subsequently the

block of "domestic and foreign assets" has not been 652
designed as yet, some means to assure the functioning 453
of the various credit institutions undoubtedly will
be forthcoming.

The banking institutions, besides effecting a settlement of their balance sheets, will also be required to establish additional provisions in order to complete their economic as well as social-political tasks. In this connection the creation of a sufficient liquidity, the securing of an adequate capital structure and, last but not least, provisions for a corresponding amount of reserves to meet pension obligations towards their employees are more important. All these problems require generally and individually special solutions if the institutions are to accomplish their tasks satisfactorily within the national economy.

Thus, for example, with respect to international economic relations, the banking situation requires a settlement of balance sheets according to international procedures so that the liquidity of the banks and the coverage of accepted deposits be self-secured, inasmuch as the banks could be called upon to correct market fluctuations so as to assure continuity of work within the economic sphere. However, such a policy will only prove successful if they have disposal over sufficient means. Furthermore, with Marshall Plan assistance terminating in 1952, questions concerning capital and credit correlations will form the main aspect of European and international collaboration. Still greater tasks will develop internationally and foreign trade acceptance credits will find an ever increasing use. Such a development requires that the banks, more so than other enterprises, have available corresponding capital to serve as a basis for credit extensions. In comparison with other business enterprises, which have invested their means in commodities or other goods, the banks, as a result of war and postwar occurrences, sustained larger capital losses. Thereupon shifts occurred which created a situation in which the relationship between means and deposits were no longer in conformity to internationally set standards (generally amounting to at least 10 - 15 percent of the balance sheet total). The procurement of these necessary means will be of great importance. Since prevailing conditions in the capital market do not permit the procurement of capital in the customary manner, the capital needed will have to be accumulated out of profits of the banking institutions, provided certain tax exemption measures are enacted.

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453 Closely connected with the procurement of capital is the problem of liquidity upon which, internationally, the repute of a banking organization rests. Therefore, considerations about reconstruction measures will have to include the problems covering the organic cohesion of public and private credit extensions and also currency essentials.

The problematical scope of the entire reorganization of Austrian credit institutions is an extended one containing, besides questions of the budget and currency problem, the problem of capital procurement. In addition to the tax-exempting provisions, it will be necessary to effect certain changes in corporation law. The credit institutions, especially the banks, progressively liquidating relics of a past era, will eventually reestablish their previous traditional business relations with the world's financial centers in the interest of Austrian economy and by doing so, as agents for a progressive productivity, provide the necessary means. The purpose of the entire reconstruction, last but not least, strives towards an increase of the national income.

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457 B. Marshall Plan Assistance as the Material Basis of the Austrian Economic Policy.

1. The Legal Foundations of Marshall Plan Assistance.

a) Austria's position prior to Marshall Plan aid.

[433] The first two years following the establishment of the Second Austrian Republic permitted arranging a basis for the progressive development of the economy. However, the country's position remained precarious due to insufficient agricultural and industrial output. Domestic agriculture at that time provided only 36 per cent of the "subsistence level" needed to feed the population not engaged in agriculture. Industry, which prior to the war achieved export excesses, was unable to finance its raw material requirements. This caused a need for imports, primarily of food and mineral fuels, which caused a deficit in the payment balance amounting to 2 billion schillings.

However, this deficit was entirely covered by relief shipments and credits. Below is a breakdown of the most important deliveries and credits received during 1947:

648 the USA included: 45,000 tons of grain, 3,000 tons
457 of edible fats, 5,000 tons of sugar, and 200,000 tons of other essentials. To cover the period up to July 1, 1948, Austria received an additional amount of $70,000,000 in interim aid.

b) The inception of the Marshall Plan and its terms.

The second Paris Conference of the European nations participating in the reconstruction program (ERP) took place on March 15 and 16, 1948, while a third conference followed on April 16, 1948. At the latter the organization for cooperation was initiated and implemented by the signing of a covenant and additional protocols. The aim of these agreements was the achievement of a sound, stable and independent economy by 1952. Article IV of the Paris covenant for cooperation on April 16, 1948, also contains provisions for mutual endeavors to create principles of payment which were to lead to a free (multilateral) clearing system. These endeavors led to the signing of a limited compensation and payment agreement (October 16, 1948) effective October 1, 1948 to June 30, 1948. It was later extended to June 30, 1950.

The ERP program for the 16 nations which signed the Paris covenant of April 16, 1948 (plus the German Tri-Zone represented by the military commanders and the Free Territory of Trieste), began on July 1, 1948, in accordance with the stipulations of the "Foreign Aid Act of 1948" adopted on April 3, 1948 (Public Law 472, 80th Congress, 2nd session, chapter 169, p. 2002). The assistance itself depended upon bilateral economic agreements between the USA and the participating countries (for Austria by the agreement of July 2, 1948).

[652] With the signing of this covenant the Austrian government (like all participating countries) obligated itself to increase, within the scope of Austria's possibilities, her industrial and agricultural production and to submit proposals relative to the implementation of projects to be executed under the provided assistance program. The government was further required to enact measures stabilizing the currency and balancing the budget and to cooperate with the participating countries in achieving an elimination of barriers to interstate trade.

457 These means were expended as follows: after
457 deductions for foodstuffs (direct aid: $68,000,000, drawing rights: $2,710,000), for agriculture ($14,390,000, drawing rights $7,300,000) and for tobacco (direct aid: $2,500,000), there remained for the industrial economy funds amounting to $66,260,000 out of the direct aid and $75,190,000 out of the indirect aid (total of $141,450,000).

457 Of this remaining total of $141,450,000,
648 $82,300,000 covered coal imports, of which $43,400,000 (or more than 50 per cent) were financed under drawing rights; $2,250,000 were taken from direct aid for a corner transaction to get coal from Poland. Imports of hides amounted to $11,300,000 ($4,000,000 were financed by direct aid allotments and $1,400,000 under drawing rights). Of these imports almost 50 per cent were financed with ERP funds.

For imports of raw materials and semi-finished goods (excluding coal), approximately $182,000,000 were set aside in the payment balance 1949-1950. ERP grants amounting to $55,000,000 covered 30 per cent of these imports. Including imports of coal, the percentage amounted to 38 per cent.

Of great importance were the imports in the investment sector. During the first year of the Marshall Plan only $12,000,000 (or less than 4 per cent of the allotted amount of $283,600,000) was provided for investment purposes. (During this period the need for foodstuffs was still great and represented 44 per cent of the total allotment.) The second Marshall Plan year, however, brought about an increase to more than 16 per cent, i.e., to $40,450,000 (direct aid: $31,600,000; drawing rights: $8,850,000) despite a reduction of 11 per cent in the total allotment ($252,200,000).

2. The Financing of the Reconstruction.

a) Counterparts and their use.

648 According to Article IV of the bilateral
652 agreement between the United States and Austria of July
457 2, 1948, covering economic cooperation, schilling proceeds derived from domestic sale of imported Marshall Plan goods must be deposited with the Austrian National Bank in a special account (in favor of the Federal Ministry of Finance). The government has utilization of these funds only with the approval of the ECA in Washington. In accordance with the Foreign Aid Act, No. 472 of the

80th Congress, such counterpart funds, however, can be released only for purposes of currency stabilizations or promotion of investments. 652 [648] 457

The development of the special counterpart accounts, as a result of payments for ERP shipments, up to December 31, 1950, is tabulated as follows. [Not to be confused with special accounts established prior to the Marshall Plan assistance (Congressional Aid, British credit, etc.) which are classified as non-ECA accounts.]

	Million Schillings
I. To special account as per ECA instructions (counterpart value of ECA shipments).	8,140.8
II. Processing results (proceeds account of the Federal Ministry of Finance deposited with the Austrian National Bank).	
a) Proceeds of sales	6,035.1
b) Price-gap and time-lag, covered by treasury bonds of the government	2,105.7
Total of II	8,140.8
III. Charged to proceeds account (II)	
a) Released for monetary purposes	775.0
b) Released for the financing of the Austrian investment program	3,536.5
c) Other releases	49.9
d) 5 per cent reserved for U. S.	368.2
Total of III	4,729.6
IV. Balance of the proceeds account (I minus III--including price-gap and time-lag).	3,411.2

Not included in these figures are the U. S. assistance actions for the period July 1, 1947-December 31, 1947 as follows:

		Million Schillings
I. Proceeds of sales		449.1
II. Charged to special account:		
a) Released for monetary purposes	75.0	
b) Released for the financing of the Austrian investment program	363.1	
c) Other releases	3.6	441.7
III. Balance of the special account (ECA account)		7.4

In carrying out the program the Austrian Federal Government, upon request of the ECA Mission, is required to deposit to a special account (Post I) the counter value of ECA dollar expenditures at the prevailing rate of exchange. This deposit is made by the Austrian National Bank for the account of the Austrian Federal Government. The Austrian National Bank, which credits the deposit to a special account of the Federal Ministry of Finance (Post II), later receives reimbursement upon receipt of sales proceeds. However, since some of the imported commodities are sold at cheaper price levels than prevailing domestic market prices, the amounts thus deposited to the proceeds account (Post II) are insufficient to reimburse the Austrian National Bank for its advance to the Austrian Federal Government (Post I). Furthermore, since the imports and the sales of procured commodities never occur simultaneously (time-lag), the deposited sales-proceeds usually amount to less than the counter values. The difference (Post II b) between the original Government deposits (Post I) and the sales proceeds (Post II) therefore represents partly a subsidy (price gap or ERP subsidy) and partly an advance (time-lag deposits) against later proceeds deposits. Although the advances are being repaid currently and no advanced amounts will be outstanding shortly after termination of the ERP, this will not be the case with regard to price-gap amounts. The latter represent Government subsidies advanced by the Austrian National Bank (covered by Federal Bonds). The financing of the Austrian National Bank cannot result in inflationary tendencies since the amounts, blocked in the counterpart account, are not considered in release provisions. Therefore, not being released, they do not return to circulation. At the termination of ERP it will become necessary to stipulate provisions covering the

remaining government deposits of the special account (Post I). 652 457

The following periodic schedule shows the amounts released and the purpose of expenditure: 652 454

1948: Total releases amounted to 2.088 million schillings of which 396.7 million were released from ECA counterpart accounts. They were released to cover expenditures for investments of the extraordinary budget, industrial investments and housing constructions.

1949: Total releases amounted to 1.575 million schillings of which 1.425 million schillings were released from ECA counterpart accounts. They were expended to cover investments within the scope of the extraordinary budget and industrial investments.

1950: During the four quarters of 1950 releases amounted to 2,881.5 million schillings. The following amounts were released from ECA counterpart accounts:

	Million Schillings
1st Quarter 1950	none
2nd " "	951.5
3rd " "	1,230.0
4th " "	700.0
Total	2,881.5

This amount of 2,881.5 million schillings was expended as follows:

	Million Schillings
Federal investment program (extraordinary budget)	377.0
Industrial investments	1,681.0
Special reconstruction program	660.0
Others	97.5
Not yet specified	66.0
Total	2,881.5

Tabulated according to expenditures, the amounts withdrawn during 1950 from ECA counterpart accounts were expended as follows.

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	Millions of Schillings	
I. Federal Investment Program (extraordinary budget)		365.
Railroads	210.	
Post	60.	
Roads and bridges	60.	
Public Buildings	17.	
Federal theaters	18.	
II. Industrial Investments		1,231.048
Hydro-electric power	443.	
Coal mines	50.	
Other mines	2.	
Iron and steel production	264.7	
Metal industry	40.	
Electrical industry	13.	
Chemical industry	50.	
Iron and metal works	65.023	
Glass industry	14.12	
Textile mills	90.2	
Woodworking industry	33.03	
Paper mills	149.99	
Foodstuff industry	.25	
Construction industry	.435	
Extractive industry	4.2	
Leather and shoe industry	4.6	
Various other industries	1.5	
Crafts	5.	
[654] **III. Special Reconstruction Program (funds)**		524.3
Agriculture	225.	
Forestry	56.	
Tourism	109.3	
Construction of workers apartments	34.	
General housing construction	100.	
IV. Others		40.75
Measures to step-up productivity	6.	
Export promotion (Chicago Fair)	1.25	
Exportfund Company	25.	
Technical Assistance	1.5	
Sawmill-school Kuchl	2.	

Of the total amount of 2,161.098 million schillings, 2,143.098 schillings were released from ECA counterpart accounts and 18 million schillings (for Federal theaters) from non-ECA accounts. 652 454

It should be explained that during the last [451] part of 1950 a change in the accounting procedure of releases occurred. While previously the actual debit of the account immediately followed the publication of the release, this was no longer the case during the second half of 1950. The charging of the account and the payment of amounts now occurs in installments, partly for reasons of administration and partly for reasons of currency policies. Thus, for example, at the end of the first half of 1950, 100 million schillings were released for the construction of buildings. However, payments were effected only during the third (75 million schillings) and fourth (25 million schillings) quarters. Of the amount of 1.2 billion schillings released during the first few days of September 1950 only 88 million schillings had been charged at the end of the third quarter. Of the funds released in September some were not charged to the account even at the end of the year. The December release amounting to 700 million schillings (published before Christmas) was still on account at the end of 1950. Therefore the published releases are limited releases needing special "Release Letters" to receive payment.

b) Money and capital market.

The essential part which counterpart funds (Marshall Plan aid) play in financing reconstruction and replenishment needs becomes especially obvious if the Austrian capital market conditions, which is slowly gaining momentum after capital losses sustained during the last decade, are duly taken into account. The 1950 annual report of the Vienna Stock Exchange indicates that the expectations held at the opening of the exchange in 1948 were only partly achieved at the end of 1950. The turnover in 1950 amounted only to slightly over 654.5 million schillings (at traded prices) of which 191.3 million schillings represented trading in government bonds, 282.2 million schillings in various other bond issues and not quite 179 million schillings in shares. Thus the market in stocks (the following detail reflects the necessity of interim financing of industrial monetary needs) developed a bearish trend although most of the corporations resumed dividend payments (depreciations averaging 25 per cent). Under pressure especially were the shares of "nationalized"

454 434 With the gradual diminution of the ERP aid, the raising of new capital gains significance. It is a question made particularly difficult inasmuch as prices rose on the world markets during the last half year and the decline in the purchasing power of the schilling caused by the lag in wages. (Running parallel is the sharp decline of the value of savings deposits.) A number of other factors retard the creation of savings capital: the lowered real wages, the long pent-up consumer demand of the broad masses, the lack of investment-seeking capital from insurance institutions which, as holders of collective saving, normally placed substantial amounts at the disposal of the capital market, the use of retained profits for self-financing of investments and, last but not least, the stress of fiscal necessities.

Naturally, Austria shares these developments with other European nations. Even France, the country of savers, according to latest reports has experienced a decline in savings to 4.3 per cent of the national income.

458 [652] Despite progressive credit extension (which is, qualitatively as well as quantitatively, being held under control by measures adopted during the first quarter of 1951), in contrast to other economically stronger nations, there seems to be no dangerous monetary development even though the political situation in the world in the fall of 1950 caused an increase in the volume of money and payments.

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Development of the Currency Circulation at the End of 1950 (in millions of schillings)

[Calculation of the currency circulation in accordance with American standards: money in circulation plus contingent liabilities of the Austrian National Bank plus checking account deposits with banks, minus inter-banking and savings deposits.]

	Money in Circulation	Contingent Liabilities excl. Inter-Bank Deposits with the National Bank	Checking Deposits with Banks	Total of Currency Circulation
End of December 1949	5,721.0	1,221.6	5,987.5	12,930.1
End of September 1950	5,862.9	1,283.8	6,949.3	14,096.0
Increase during the first three quarters 1950	† 141.9	† 62.2	† 961.8	† 1,165.9
End of September 1950	5,862.9	1,283.8	6,949.3	14,096.0
End of December 1950	6,348.8	987.7	7,271.1	14,607.6
Increase or decrease during last quarter 1950	† 485.9	- 296.1	† 321.8	† 511.6

During 1950, currency in circulation increased 1,677.5 million schillings (from 12,930.1 to 14,607.6); 627.8 million schillings of this amount represented an increase of circulating money (37.4 per cent) while the so-called "Release Program" originally estimated an increase of only 300 million schillings. This overdraft had its cause in lower receipts of ERP accounts as shown by the following figures.

In 1950 about 2,884 million schillings were received in ERP counterpart accounts. The disposals (releases of 95 per cent plus 5 per cent ECA administration costs) amounted to 2,330 million schillings so that the actual increase in ERP accounts

652 totaled only 454 million schillings. In accordance
[436] with the original "Release Program" it should have amounted to 800 million schillings to neutralize other money-increasing factors. The minus-difference is based on the fact that the anticipated decrease of the price-gap subsidies was delayed, as a consequence of changes in world markets, in order to avoid too sudden changes in the price and wage structures.

[457] To summarize: in spite of and mindful of the world-wide economic fluctuations affecting her economy, Austria is carrying out reconstruction within the scope provided by ERP facilities. Aside from scheduled reductions any decrease in the real value of this assistance makes the accomplishment of her programs more difficult (especially the balancing of her balance of payments).

c) Prices and wages, elimination of subsidies, adjustment of exchange rates, increase of economic productivity.

652 With the progressing consolidation,
[448] resulting from ERP procedures, the Austrian Federal Government faced a number of problems. Aside from the
185 aspect of the stipulated gradual decrease of foreign aid, these problems gained importance when Austria signed the European Payment Union (EPU) agreement in September 1950. She had entered upon obligations which could be met only if her economic policy was directed towards certain external economic goals (expansion of direct and indirect exports). This required certain measures aimed internally (balancing of prices and wages) as well as externally (adjustment of exchange rates).

The measures to be adopted within the framework of economic relationships had the following points in view.

1) Counteract inflationary tendencies according to timely needs;
2) Decrease step by step the system of subsidies for essential commodities, like edibles, coal and agricultural products, in order to achieve, besides a budgetary relief, "genuine" prices;
3) Bring prices gradually in line with world market levels;
4) Establish an equilibrium between prices and wages, in order to guarantee, in relation to prevailing prices of manufactured goods, an equitable

wage level. This goal will be achieved:

a) by means of an appropriate currency policy, primarily through a gradual unification of the exchange rate system (surrender of multiple exchange rates and adaptation of the schilling rate to the international purchasing power parity); 652 185
b) restriction of compensation trades;
c) adjustment of the price structure and adaptation of wages according to agreements of political and economical interest;
d) increase of labor productivity (i.e., the produced quantity of goods per capita or working hour) to achieve a suitable relation between the costs of raw materials, accessories, plants, machineries and manpower, and the proceeds of goods and services.

Following the development of domestic price and wage dynamics the exchange rate of 10 schillings to 1 United States dollar, established by the Allies at the end of the war, became untenable in the early part of 1948. Despite the exceptional exchange rate to gain a larger share of export trade, compensation deals, made mostly at higher rates of exchange, were tolerated. Later, exporters were permitted to sell part of their foreign exchange holdings, which they were allowed for imports of raw materials, at an officially fixed premium. A private super premium was usually added, depending on import productiveness. 457 652

This resulted in a complicated system of exchange rates which varied from deal to deal. In addition, goods imported under ERP terms, insofar as they were not reckoned at domestic price levels, were sold at officially fixed prices. Thus the difference in the exchange relation between commercially imported goods and ERP imported goods became an import subsidy financed with ERP means, favoring partly the consumer and partly the dealer or the processing manufacturer. It delayed the shifting of needed imports to commercial channels and furnished in certain sectors the impression of an export ability which, however, was solely the result of the cheaper purchase price commodities imported through the ERP.

It was clear that this system of differentiating exchange rates had to be replaced by a "uniform" rate of exchange. The international devaluation wave sweeping Europe during September 1949, however,

457 created a new situation. As a result of this de-
652 valuation process, the Federal Government, in November 1949, decreed a reorganization of the foreign exchange market. This was intended to be the first step towards the establishment of a uniform exchange rate system. The official rate of exchange, henceforth called the basic rate, was increased from 10 to 14.40 schillings per 1 U. S. dollar (in accordance with the devaluation of the English Pound Sterling). At the same time a variable premium rate of exchange, presently fixed at 26 schillings to 1 U. S. dollar, was established. Exporters were required to give up 40 per cent of their foreign exchange proceeds at the basic rate. The remainder they could retain for payment of their imports within a period of 60 days or could offer to the Austrian National Bank at the premium rate. Goods to be imported were classified into three groups. Those listed in schedule A were imported at the basic rate of exchange, those listed in schedule B at a mixed rate (21.36) and those appearing in schedule C at the premium rate. Goods imported within the scope of the ERP, commodities to be disposed at prevailing cheaper price levels, were grouped with the mixed rate. Service charges and capital transactions were dealt in at the premium rate.

457 There remained, however, a conspicuous dis-
435 crepancy in the import exchange rates which introduced
465 disturbances into the cost-price structure of the eco-
652 nomy, and these in turn influenced living costs and wages.

[649] Upon recommendation of the International Mone-
tary Fund, a unification of the exchange rates had been considered at the time the multiple exchange rate system was promulgated, i.e., during November 1949. At the
[654] same time, and in order to ease budgetary strains, the system of subsidizing essential commodities like food, coal and agricultural necessities (which up to now had been sold at cheaper levels because of the ERP imports or imports financed under the basic rate of exchange) had to be substantially curtailed. Since any increase in the prices of grains and grain products was likely to impair living costs and wages, difficult situations arose. As a result of the changed price and wage relations, certain price and wage adjustments as well as a partial reduction of subsidies (covering sugar, coal and agricultural products) had already been promulgated in 1947, 1948 and 1949. After due consideration between political representatives and economic interests, a fourth price and wage agreement was enacted on September 27, 1950.

Consequently, the Austrian Federal Government in collaboration with the Austrian National Bank decreed, effective October 5, 1950, a uniform rate of exchange for the traffic in goods (with the exception of some food items). This rate was identical to the mixed exchange rate of 21.36 schillings to 1 U. S. dollar. The basic rate of exchange was discontinued. For tourist traffic, traffic in capital and for certain kinds of services, the premium rate of exchange (26 schillings to 1 U. S. dollar) remained in force. Simultaneously, compensation deals in goods were prohibited, excepting a few to avoid losses of foreign trade interests. 653 467

In addition the Austrian National Bank effected, according to newly published bid-rates, a revaluation of its foreign exchange holdings and increased the price of gold to 22,834. schillings per 1 kg fine. Thus, the Nationalbank's holdings of foreign exchange were brought in line with the uniform rate of exchange in force for the traffic in goods while its gold holdings were revaluated as mentioned before. (The revaluation of the gold and foreign exchange holdings brought about a surplus value. Since, in accordance with the Notenbanküberleitungsgesetz, the weekly statement of the Austrian Nationalbank has to contain only gold and foreign exchange holdings necessary as cover, the excess holdings thus derived have been eliminated together with other heretofore not published assets. Meanwhile, until a decision about their employment is found, these excess holdings are accounted transitorily.)

A further development, this time upon an international platform, occurred with the signing of the agreement establishing the European Payments Union (EPU) on September 19, 1950, at Paris, within the scope of which Austria received from the ECA an amount of 80 million dollars to cover her trade deficit with other EPU member countries for the period July 1, 1950, to June 30, 1951. [648]

Although the preceding years had resulted in remarkable economic reconstruction, the Austrian authorities, nevertheless, were aware of the fact that a step-up of economic productivity was necessary to come as close as possible to the mark set by the ECA for 1952. In estimating Austria's endeavors one must take into account her heavy losses of national wealth, so that the effect of ERP assistance became visible only in 1950. This makes the balancing of her payments balance within the limits of the ERP program rather doubtful. 457 433

plant managements, can be achieved only through 433
accumulation of an adequate yearly (savings) invest- 439
ment percentage (during 1950 investments in plants, 454
structures, rolling-stock, equipment, etc., amounted to 20 per cent of Austria's national income, against 6 per cent in 1937; the 1950 investments were to a large extent the result of foreign assistance), as well as technical progress, rationalization of plant operations and adoption of modern psychological working principles.

Only such a procedure assures a genuine in- [434]
crease of the real income. However, whether an increased production output is followed by a decrease of prices or by an increase of wages (raising the living standard) or whether necessity demands a combination of both is problematical.

On the basis of a favorable world-wide po- 433
litical scene it is hoped that Austria will realize her economic program as worked out with the help of international experts. Better technical equipment will lower the individual wage quota, thereby establishing a more favorable competitive basis. Thus, together with a transfer of skilled labor to production of export goods, the desired adjustment in the balance of payments will be achieved. In this connection the resettlement drive, initiated by the ERP, furnished a possibility to shift needed manpower to plants short of help. The higher real wages, resulting from an increased productivity, will then provide a basis for the accumulation of savings capital needed for additional investments. However, considering the special position Austria occupies, it will be necessary to grant her a breathing spell for achieving her economic aims.

d) Budgetary developments.

Within the scope of combined reorganization 652 ●
procedures, special attention is directed towards the 727
balancing of the budget. Due to the large expenditures covering the reconstruction of public enterprises and administrative organizations damaged by the war and the increase in economic tasks of the government, e.g., occupation costs and the expenditures in connection with "Auslandsfürsorge" (welfare of the DP's, expellees, refugees), the consolidation of the budget (in spite of a rising national income) was only partly possible in 1949 and 1950 inasmuch as fluctuating demands exceeded narrow tax receipts.

652 While the regular budget of 1946 closed with a deficit of 736.8 million schillings as a result of high occupation costs, it achieved a surplus of 572 million schillings in 1947 due to larger tax-receipts. The balance in 1948 showed a deficit of 930 million schillings reflecting the burden of subsidies for food stuffs, while that of 1949 resulted in a surplus of 95 million schillings because of higher taxes and tariffs resulting from the third price and wage agreement. There was a positive development in the first half of the year 1950, resulting once more in a surplus of 705 million schillings up to August with a total revenue of 5.1 billion schillings. In the second half of 1950, however, the fourth price and wage agreement (end of September, 1950) burdened the overall situation by approximately one billion schillings.

The budget, including all expenditures for investments in the extraordinary budget, showed a deficit in all postwar years. This deficit was covered partly by the issuance of treasury bonds (up to the end of 1949 treasury bonds in the amount of 2.1 billion schillings were issued mainly to cover the occupation costs), partly out of the counterpart funds, and partly out of funds-on-hand. In addition to these a 5 per cent reconstruction loan (the first since the end of the war) was levied in 1949 which brought in cash receipts totaling 324.6 million schillings, out of which 136.1 million schillings were allotted for state subsidies. (In connection with the reconstruction loan of 1949 it was possible to cash in the 1938 State Loan bonds--which bore 4 1/2 per cent interest, second issue--in payment for new bonds, but only under the condition that no obligations should result for Austria out of loans which were raised by the German occupation forces.)

On the basis of currency considerations the expenditures of the extraordinary budget were separated into two parts: investments and extraordinary expenditures. In 1946 and 1947 a difference was made between these two categories so that "new" investments, such as electrification of the state railways or extension of the telephone network, were included under "investments." On the other hand, all reconstruction work, whether productive or unproductive (such as burdens of the transition period), was designated "extraordinary expenses." In budget estimates for 1948 and subsequent years a transition was proposed to prewar budgeting techniques (current ordinary budget plus the investment program); in this way the current budget distinguished between investments and extraordinary expenses, in accordance with whether they

were classified productive or unproductive. The extraordinary budget centered, therefore, on the budget for investments. Since 1948 all remaining items (with the exception of reconstruction of war-damaged buildings and requirements of agriculture) were included in the current budget. 652

State expenditures have increased sharply since the end of the war through inescapable obligations (occupation costs and "Auslandsfürsorge") as well as through growth of investments. The much-critized overstaffing of the State administrative agencies, which was higher in 1949 by 23.6 per cent than in 1937, was caused by the increasing work of administration which could be reduced only gradually after economic consolidation. [727]

Non-personnel expenditures (Sachausgaben) kept pace with the expenditures for personnel since 1947; they have increased not only because of higher prices, but also have experienced a "real" increase. Among these expenditures, the so-called "social transfer payments"--pensions, unemployment insurance, rents, and child-welfare payments--have played a large role. The remarkably high amount in these categories may be explained by losses caused by the war. Approximately 169,700 disabled war veterans and about 340,700 dependents of war victims receive aid.

The costs of the State debt are comparatively low; no interest was paid up to 1947. Since 1948, however, the expenses for the state debt have increased more rapidly, reaching 309.7 million schillings in the budget of 1950, i.e., 5.1 per cent of current expenses as compared to 13.7 per cent in 1937. The German loans issued to finance the war were not recognized by the Austrian state; also, no interest has been paid for pre-war loans. Interests and amortizations are paid only on loans issued since the end of the war in Austria itself (bonds, reconstruction loan, state treasury bonds of 1947) and abroad (surplus credits, war asset credits, export-import bank credits).

The occupation costs, an item of heavy burden to the budget, were diminished due to the liberality of the USA in demanding no occupation costs since 1948 (paying for all their own expenses); the other occupation forces reduced the occupation expenses from 836.4 million schillings in 1946 to approximately 400 million schillings in 1950. But "Auslandsfürsorge" increased from 69.5 million schillings to 105 million 652 727

652 schillings in the same period. Of the occupation
727 costs the Soviet occupation force absorbs more than half of the total amount. Up to the fall of 1950 Soviet Russia received from current Austrian production about 1,094 million dollars as occupation costs and confiscation of Austrian properties abroad. (Help from the Western powers, especially the USA, has amounted to about 986 million dollars since 1945.)

655 Of the profit-making state-owned enter-
652 prises, which produced a surplus before the war, now only those which actually constitute a state monopoly (salt, spirits) produce a surplus, while other state enterprises, the "Bundesbetriebe" (such as postal service and theaters) and the Federal Railways have a deficit. The deficits, however, are being decreased since 1946 by means of higher tariffs, dismissal of personnel and progressive rationalization (investments), from 17.7 per cent of expenditures in 1946 to 6.5 per cent in the budget estimate of 1950.

Out of the total revenue (based on the princi-
651 ple of net income) 80 to 85 per cent came from taxes
[652] levied since the end of the war. If one includes the income from various revenues similar to taxes (such as contributions to unemployment insurance, fees to child-welfare, etc.) the amount of taxes increases from 90 to 95 per cent, the remainder consisting of fees, interest and contributions from corporations and the income of the Postal Savings Bank (Postsparkasse).

The main support of the whole tax system since the end of the war is formed by direct taxes. Their part in the total tax income, in the years 1946-50, ranged between 44 per cent and 53 per cent as compared to 29 per cent in 1937; accordingly indirect taxes decreased in importance as compared to the prewar period. The income from the turnover-tax and from customs duties decreased from 42 per cent in 1937 to 24 per cent in 1950 as a consequence of structural changes in the system of taxation since 1938.

652 The Austrian treasury endeavors, in accordance with the bilateral agreement of July 2, 1948, to keep up the balance of the state budget and of the budgets of the federal countries (Länder) and municipalities, in spite of the enormous demands on public funds.

The main economic aim of the financial policy is to secure the highest possible employment and to continue the extension of all investments pertaining to economic productivity.

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Preliminary Results of Transactions in 1950 as compared with the State Budget Estimate

Item	Preliminary Results of Transactions in 1950	State Budget Estimates for 1950	Difference
CURRENT TRANSACTIONS			
Expenditures			
State Administration	6,434a	5,849	- 585
Monopolies	321	210	- 111
State-owned enterprises	1,327	1,236	- 91
Federal Railways	2,525	2,322	- 203
Total Expenditures	10,607	9,617	- 990
From these:			
Wages and salaries	4,216	3,927	- 289
Discounts	2,791	2,632	- 159
Pensions	1,425	1,295	- 130
Non-salary expenditures	6,391a	5,690	- 701
Income			
State Administration	7,137b	6,096	†1,041c
Monopolies	517	354	† 164d
State-owned enterprises	1,172	1,115	† 57e
Federal Railways	2,252	2,052	† 200
Total Income	11,078	9,617	†1,461
From public expenditures exclusive of occupation costs	5,284	4,517	† 767
Occupation costs	472	420	† 52
Other income	5,322	4,680	† 642
CURRENT TRANSACTIONS SURPLUS INVESTMENTS	471	0	† 471
Expenditures			
State Administration	942	304	- 638
Monopolies	7	7	
State enterprises	170	160	- 10
Federal Railways	507	607	† 100
Total Expenditures	1,626	1,078	- 548
Income			
ERP-Special Funds	550	0	† 550
Allotment for Federal investments	377	0	† 377
Other income	18	0	† 18
Total Incomes	945	0	† 945
Investments: Deficit	681	1,078	† 397
Deficit of the Budget	210	1,078	† 868

a) Of which 383 million schillings occupation cost; 122 schillings for Ausländerfürsorge; 200 million schillings subsidies for foodstuffs.
b) Of which 472 million schillings occupation cost.
c) Of which 61 millions surplus income from unemployment insurance and 52 millions from occupation-costs contributions
d) Of which 126 millions from the State lotteries.
e) Of which surplus income of 41 millions from the Post and Telegraph Administration.

652 To this should be added that the surplus in expenditures for investments pertains exclusively to the extension of agriculture and forestry, tourist traffic facilities, the building of apartments for workers and the reconstruction of war-damaged dwellings. The expenditures for investment in institutions of state administration were lower by 2 million schillings than foreseen in the budget estimate for 1950. Of the 1,076 million schillings spent for the institutions of state administration only 377 million schillings were covered by ECA funds; the remaining 699 million schillings were covered by the surplus of current transactions (471 million schillings), other extraordinary revenues (80 million schillings) and from cash-on-hand. The consequence of this important diversion of state funds to cover investments, caused mainly by delays in alloting 70 million schillings from the ECA funds in the fourth quarter of 1950, was the creation of a long severe strain on the State's funds.

[654] The investments of 550 million schillings for the extension of agriculture and forestry and for tourist traffic, as well as for workers' dwellings and the reconstruction of war-damaged apartment houses, have been covered in full from ECA funds. For these investments there were only proposals in the 1950 estimated budget, but no credits had been provided since these investments were to be carried out only in accordance with allotments from ECA funds. The expenditures for these investments appear, therefore, as overdrawing on the estimated state budget for 1950.

e) Scope of the tasks of the Austrian banks in fulfilling the Marshall Plan. Financing of Marshall Plan deliveries.

In the technical execution of the Marshall
459 Plan the Austrian banks have a very important role.
457 They are obliged, in the first place, to give advice
652 on the financial feasibility of individual transactions before the applications of Austrian importers are presented for endorsement to the Federal Chancellory-ERP-Central Bureau, Vienna (Bundeskanzleramt-ERP-Zentralbüro, Wien). Moreover, they are in charge of opening letters of credit for single transactions which are covered by letters of commitment. They cash the schilling counterpart on the basis of documents which have been sent to and cleared by New York banks and notify the Federal Chancellory-ERP-Central Bureau on the carrying out of single transactions.

The stagnation of the capital market, which makes the financing of comprehensive investments on the open market difficult now, made special forms of interim-financing necessary for Marshall Plan deliveries. This task the banks and the Nationalbank undertook through their financing techniques. 652 454

Agreement has been reached by the former Ministry of Properties and Economic Planning, the Ministry of Finance, the Nationalbank and credit institutions for the financing in schillings of Marshall Plan deliveries. Inasmuch as outside means (credit) were required, the following categories of credit have been set up with regard to the different currency policies: 652 457 439 452 453

1) Credits for the import of raw materials (wool, cotton, hides, leather, metal, chemicals, etc.);
2) Credits for financing the cost of manufacturing (Umwandlungs kredite);
3) Credits to cover investment needs (Aufbaukredite).

For the first two categories the applicant for credit has to prove that all deliveries will take place within the scope of the Marshall Plan. To cover credits for raw materials provision is made for payments in goods with terms of three months, which may be extended three times to a maximum twelve months. (A special priority was provided originally for the delivery of textile raw materials of any kind and, furthermore, for hides, leather, furs and tannic acid, as long as the accounts were settled prior to June 30, 1949. This measure aimed to spare the buyers of goods losses in interest caused by delays in carrying out the Marshall Plan. As a concession a 60-day delay in payment of the amount in schillings was fixed so that in these special cases the validity of the credit was prolonged up to a maximum of 14 months.) The rate of interest for raw material credits has been fixed at 5 per cent net. The deliveries of semi-manufactures are treated in the same way if they are further processed by Austrian industrial plants. These letters of credit may be refinanced by the Nationalbank.

The covering of manufacturing costs (Warenumarbeitungs- und Umwandlungskredite) is provided for by ninety day drafts which may be extended twice, i.e., a maximum of nine months, if the buyer of goods can prove that these larger deliveries of Marshall Plan goods to be manufactured by him cause a sharp increase in the production so that additional means of production are necessary. The rate of interest is 6.5 per cent net. These drafts may also be refinanced at the Nationalbank.

452 652 453 [454] The financing of credits for investments (Aufbaukredite) is likewise provided by different types of drafts (three-months validity) until such time as definite solutions (consolidation) will be possible in the form of obligations on the money market. The rate of interest is 4.5 per cent net. The examination of such credit applications lies with a commission consisting of representatives of the Federal Chancellory-ERP-Central Bureau, the Austrian Nationalbank, and representatives of those banks which grant the credits. Final approval rests with the "Kreditlenkungskommission," an advisory committee of the Federal Government and created by the federal law of July 3, 1945, to direct public and private credits. Members are nominated by the Federal Government.

453 The following banks are presently handling reconstruction credits: Creditanstalt-Bankverein, Vienna, Innsbruck; the Bank for Carinthia, Klagenfurt; the Bank for Upper Austria and Salzburg, Linz; the Oesterreichische Länderbank AG, the Hypotheken- und Creditinstitut, Vienna; the Bankhaus Schoeller and Co., Vienna; the Arbeiterbank AG, Vienna; the Genossenschaft-Zentralbank AG, Vienna; the Girozentrale der österreichischen Sparkassen, Vienna; the Gewerbe- und Handelsbank AG, Vienna.

439 457 652 With the activation of the multilateral balance within the framework of the European Payments Union after October 1, 1950, some changes took place in the financing of Marshall Plan imports. They, however, refer to the mobilization of the so-called "Initial Credit Position" which serve to cover the total deficit against all ERP countries. The carrying out of goods exchange on the basis of direct aid was not influenced by these changes.

To avoid difficulties in financing raw material imports from Marshall Plan countries, and in order not to restrict the potentialities of financing which the importers had been allowed up to this date, the Austrian Nationalbank decided, instead of refinancing goods imported out of the indirect aid (Drawing Rights), to discount ninety-day drafts of the banks. This forms the foundation of the means for financing goods imported from ERP countries. These drafts are issued by credit institutions and are drawn against the importer. The refinancing of these drafts takes place if the payee, in the opinion of the Austrian Nationalbank, possesses sufficient credit standing, and if the imports, as alread

explained, come from ERP countries and comprise such goods as were, up to this date, to a considerable extent under indirect aid and were refinanced previously by the Nationalbank. There were special lists for all goods in question. 439 652 457

The cashing of these drafts takes place under the same conditions which apply to imports of semi-manufactures out of ERP funds; the Nationalbank discounts the incoming drafts at the prevailing bank-rate (now 3 1/2 per cent); other banks have a rate 1 1/2 per cent higher.

The total amount which all credit institutions can present in such drafts does not exceed the amount of the refinancing granted for financing imports out of indirect funds.

3. The Structure of Production.

a) Principles of industrial investment.

In accordance with the principles of ECA, ERP funds are used only to finance investments which serve to balance payments in the shortest possible time, that is, investments which: 1) bring in foreign currencies (by starting new or extending existing production of export goods); 2) save foreign currencies (production of goods important to internal supply, which previously had to be imported from foreign countries, or by improving their competitive position); 3) cause an essential increase in the total economic productivity, i.e., a reduction of production costs and increasing the ability of the Austrian economy to compete with foreign countries. 652 454 457

When hostilities ceased in 1945, most of the industrial enterprises showed great impairment. This was due to: 1) extensive destruction during the actual fighting; 2) confiscation through which valuable equipment for production was removed after the end of the fighting, whereby functional coherence of production was disrupted; 3) changes in economic aims. Before 1945 (not considering the aims of wartime economy) a large number of enterprises were structurally organized on a broader economic territory; after the war, therefore, the industry of Austria had to return to the more specialized industrial capacities of the pre-1938 period; 4) an acute shortage of capital caused by amounts necessarily written off as war losses, funds lost as outstanding claims, etc. 433 727

727 311 In other fields too there were noticeable losses and a decline in real capital. One might observe in agriculture, for example, a deterioration of soil owing to the shortage of fertilizers and cultivation during the war years, a lack of seeds, fodder and agricultural machinery as well as declining yields in forestry due to overcutting of trees, obsolescence and lack of means of transportation from the forests to the mills. The robbing of coal mines, failure to introduce rationalization and the forcing of unrealistic work in other mines (metals) give us a full picture of a declining economy.

652 433 185 454 Reconstruction of a productive national economy could be successful only if the economic forces specifically characteristic of the country were activated and coordinated to secure an optimum of the whole economic productivity. This presupposes a knowledge of possibilities based on an inventory of the internal economy and lining up problems according to their importance (to avoid mistakes in investments or overextension). It also presupposes establishing a time schedule for the financial fulfillment of individual projects with a view to the existing shortage in capital. The reconstruction of primary production, as well as the most important industries, have been carried out according to special plans which were worked out by government authorities in cooperation with interested industrial circles. Planning covered, in particular, production of energy, coal mining, the iron and steel industry, and ore mining and the metal industry.

These plans are not limiting as to quantity or time but are a type of structural plans without time limitations, the realization of which is bound to certain financial or material possibilities. With the maximum supplying of internal requirements of energy, coal, iron, metals, etc., they intended to assure lower prices in the finishing industries. In this way a sufficiently high quota of exports should be obtained for a balance of payments. These plans form the theoretical basis for those investment programs which the Austrian government presents to the ECA in Washington and which are realized step by step with the help of the ERP funds.

Just as with other ERP participants it is Austria's primary aim in its investment policy to make the utmost use of all possibilities offered by the Marshall Plan up to 1952. In addition to the development of primary industry, the greatest effort is being made

to bring the capital goods industry to the highest technical level. The direction of this policy is determined not only by the high demands for reconstruction within the country itself, but also by the rapid tempo of industrialization of European and non-European regions. If Austria is to be able to compete on the world market after the end of the ERP, it must not only close the gaps in its production but also provide for further undisrupted technical developments. It is clear that Austria has to divert annually from its national income a sufficiently high quota for investment (now about 21 per cent with the help of the ERP) in order to keep pace with other developments.

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In view of the time limitations and the gradual reduction of Marshall Plan aid, it will be the principle of the investment policy from 1949-50 on to give primary consideration to those big investments (for example, in energy and iron-ore industries) whose development was pushed by high capital expenditures and to have them achieve an economically and technically sound condition, if possible, within the period of the duration of the ERP. Basically, the counterpart funds are used for those investments from which payments are expected on the shortest terms so that, along with big projects, numerous smaller and medium sized projects which increase exports get under way. In disposing of counterpart funds, however, those enterprises which demand ERP-financing are forced to cover part of their planned investment out of their own funds (profits, private credits and various deductions).

The main items of the investment policy for future years, excluding the arrangements of the so-called "Long-term Program," have been fixed by the Reconstruction Program 1950-52, which was presented to ECA in the summer of 1950 and amended in the late fall of 1950, owing to price alterations. Based on the 1949 price level, the investments for the three year program had been set originally at 24 billion schillings. This figure was revised to 27 billion schillings in accordance with the change in prices and wages which occurred in October 1950. It was the aim of the partly transferred investments to create such conditions as to obtain an increase of production of domestic raw materials, to save foreign currency and to set at the disposal of the domestic economy those raw materials which can be found to a suitable extent in the country itself. As part of this plan, for example, the construction of four more power plants will be started, the output of coal shall be increased to 6 million tons from the present 4 million

652 tons, the production of iron and steel to 1 million
[185] tons annually, the output of rolling mills to ap-
433 proximately 750,000 tons. Further increases in pro-
454 duction will be provided in: bauxite mining, aluminum production, production of cellulose, paper and pulp. In the same manner the export capacity of nitrogen plants (Sticksstoffwerke in Linz), one of the most important producers of foreign currencies in the Austrian economy, will be increased by 50 per cent. In the chemical industry additional investments will make it possible to start production of sulfuric acid and phosphate fertilizer. The single projects will be discussed in detail in another connection.

b) The renovation and rationalization of the primary industries.

The Austrian government holds to the principle (insofar as none of the theoretical considerations in the preceding chapter interferes) that in building up its program of investments cheap primary products lower the production costs in the finishing industries and this allows them to compete in the sharp competitive battle with other highly industrialized
[655] European countries. Certain focal points of investments have been formed, encompassing especially coal, iron and steel, ore mining, and the smelting industry as well as electrical power. These are mainly nationalized enterprises. For investment purposes in the years 1948 and 1949 they received a total sum of 1,627.4 million schillings out of public funds. Of this amount, 958.5 million schillings were reconstruction credits, 481.6 million schillings were capital payments of the Federal government, 31.2 million schillings were federal loans and 156.1 million schillings were credits guaranteed by the state. In 1950 a sum of 30 million schillings was provided in state capital contributions; in the same year (fall of 1950) the funds released from the ERP for the above-mentioned branches of industry totaled 133 million, 283 million and 418.5 million schillings used essentially as follows.

316 (1) Investments in coal-mining.

During the war the coal mines (predominantly
1/54 brown coal in Austria) suffered greatly in their development because of overproduction and neglect of needed renovation as well as delay in planned expansion. Within the scope of the Marshall Plan the necessary renovation and rationalization of operation, mining improvements, shaping of daily operations, deep mining,

327 Judenburg, on the other hand.

While the annual production of raw steel amounted to 650,000 tons in prewar years, there must be an increase in this amount to 1 million tons annually by 1952 (that is, after the end of the Marshall Plan). This takes into consideration demands and the total demand of Europe for steel. Accordingly, the investments were balanced as follows:

(a) The increase of iron-ore production to approximately 2.2 million tons a year at the Erzberg (Styria), at the Radmer near Hieflau and at Hüttenberg (Carinthia). (This project is one of the biggest in the investment programs.)

(b) The renovation and modernization of steel works. To secure the full utilization of raw-steel production, gross rolling mills and tin plate works were established or renovated. To mention only some of the big projects: the renovation of the worn-out Block-Trio rolling mill at Donawitz (Alpine Montan-Gesellschaft) by a continual billet-rolling mill; the building of a cold-band rolling mill at Krieglach (Alpine Montan-Gesellschaft); the plate works, the building of a five-sectioned broad band rolling mill, the coal rolling mill at the Vereinigte österreichische Eisen- und Stahlwerke AG at Linz; the refined steel rolling mill at the Schoeller-Blackmann Stahlwerke AG in Hönigsberg near Mürzzuschlag (where also a plant for the production of railway materials will be renovated); the extruding press and wrought-iron press at Turnitz; a plant for the production of deep mine drilling tools and equipment, the new sheet rolling mill and the rod mill at Kapfenberg (Gebrüder Böhler und Co. AG). (The new plant in Donawitz began operations in 1950. It is valued at $7,380,000. For the rest of the [652] iron and steel industry 274.7 million schillings were allotted from ERP funds. This represents 37.8 per cent of the 700 million schillings ear-marked for the investment program for 1950-52.)

(3) Investments in the metal industry, ore mining and smelting.

This branch of industry was partly war-damaged, 327 partly confiscated "German Property" by the occupying 316 powers or dismantled as war industries. Thus a complete 328 renovation was necessary in which not the least concern was the regard for supplying the required raw materials for the industries of finished and final products. Another aim was to defend these industries, which depend so much

328 316 It is thought that in the light-metals sector (production of aluminum) the bauxite mines at Unterlaussa (on the frontier between Styria and Lower Austria) will be extended to obtain at least the necessary raw materials for production. In accordance with the increase in the total European aluminum production required by the OEEC, Paris, Austria will endeavor to increase aluminum production in the smelting plants of the Vereinigte Aluminum Werke Ranshofen and in the plants at Lend of the Salzburger Aluminium Gesellschaft m.b.H. (up to 30 and 10,000 tons a year, respectively).

The production of non-finished metal products shall be extended by the completion of a light-metals plant of the österreichische Metallwerke A.G., the construction of which is already far advanced and by the project of a heavy-metal plant of the same firm. These plants are designed to overcome the bottle-neck created by the loss of the plants for non-finished metal products (Krupp in Berndorf and the Enzesfelder Metallwerke). For the Metallwerke Plansee Gesellschaft m.b.H., Reutte (Tyrol), the erection of a plant for the production of molten molybdemum has been planned; in addition, the erection of heavy presses, granulating and sharpening machines for the production of heavy metals as well as of special electrolytical methods for the production of hard metal alloys (Diamantmetal-legierungen) is proposed.

[652] In the scope of the investment program 1950-52 investments, 131.3 million schillings have been mobilized from counterpart funds for these industries. Of this amount approximately 40 million schillings (30.5 per cent) already has been allotted.

c) Investments in the electric industry.

377 [127] A large number of machinery units and steam-power plants were destroyed or lost by the war. The Austrian economy, therefore, could recover only very slowly in the years 1945, 1946 and 1947, particularly because the supply of energy was definitely insufficient in the months of water shortage. Since 1948, supported by the Marshall Plan, remarkable progress has been made in supplying energy within the economic planning for electricity. Austria tries to overcome the existing difficulties, which arise out of the rapidly changing demand for current on the part of industry, in two ways: (1) by the extension of storage facilities and of caloric

installations insofar as there are secure and sufficient supplies of coal (or insofar as new supplies can be exploited, such as those at St. Stefan im Lavanttal/Carinthia); and (2) by the extension of running water plants, or by stream diversion for the better utilization of existing storage facilities as well as by the reconstruction of war-damaged steam power plants (such as at the Vereinigte österreichische Eisen- und Stahlwerke A.G., Linz). The water power facilities; which are capable of extension, are estimated at 25 to 30 billion kwh (or even more). 377

In the course of carrying forward the development of water-power plants and of caloric-power plants since 1937, their capacity has increased by more than seventy per cent. The annual production amounted to 1,962 million kwh in 1946, 3,310 million kwh in 1949, and 3,717 million kwh in 1950.

Of the 1,410 million schillings provided in the investment program for 1950-52, 571.5 million schillings (40.5 per cent) was allotted to the development of energy in 1950. [652]

Important huge projects in the hydro-electric field which are now under construction and already far advanced are: the Ennskraftwerke, the Draukraftwerke, and, most important, the Tauernkraftwerke where progress on the Limberg-Sperre proposed for 1949-50 exceeded plans. The latter is one of the largest dams in Europe to cost approximately 250 million schillings. It is to be finished in 1952 and will be the main dam of the Kaprun-Tauern system. Part of the storage dam was made ready as early as 1949 and, with the installation of the second set of machinery in the power plant of the main dam, brings about an essential means for overcoming the exceedingly high winter demands for electricity. In 1950 alone 180,000 cubic meters of cement were poured into the construction of the Limberg-Sperre, thus making it possible to store approximately 61 GwH in the winter of 1951-52. The stages contemplated up to 1952-53 foresee in hydraulic water power an additional capacity of 346.5 megawatt as compared to a capacity (in million kwh) of 612.6 in winter and 1,071.4 in summer--a total of 1,684.0 for the whole year. The caloric power plants under construction are expected to bring an increase in capacity of 156.2 megawatt in the same period. The single projects are distributed over the whole federal territory with the bulwark located in the western federal countries. In addition, there is an extension of overland lines and high tension installations and other energy facilities.

d) Other industrial sectors.

652 Thirty million schillings were allocated
[393] in 1950 to the investment program of the electro and cable industry. However, only 13 million have been disbursed, while the rest was carried over to 1951. Although the program could not be fully carried out, it was possible to make some necessary improvements and modernizations in this branch.

[387] Of the means provided by counterpart funds (73 million schillings) the chemical industry was allocated 23.1 million schillings as late as December 1950. The major part of investments in this industry was allotted to the nitrogen industry (the nationalized Stickstoffwerke A.G., Linz) which is scheduled to receive a total investment of 45 million schillings. In the last quarter of 1950 a fertilizer bin with a capacity of 50,000 tons was made ready and put into operation. Moreover, an installation for the production of ammoniated-sulphate with a capacity of 95,000 tons annually will be constructed and put into operation in the summer of 1951. The nitrogen industry is one of the most important earners of foreign currency in Austria.

[289] The Austrian pulp and paper industry (one of the oldest and most efficient of Europe) is to receive a total of 490 million schillings for modernization according to the investment program 1950-52. Of this, 220.2 million schillings (70.2 million schillings, however, as late as in December) were allocated out of ERP funds in the year 1950. The counterpart funds and the plants' own funds were used to extend existing boiler rooms and work space and to build new ones. In the same way boilers, bleaching machines and installation of new paper mill machinery to replace old units were provided. Paper and pulp production has reached the prewar level and can compete in the export market despite sharp competition.

[288] The Austrian textile industry received 90.2 million schillings in 1950 from ERP funds. It was used together with its own funds to provide new machinery.

323 For the extension of the glass industry a
652 total of 95 million schillings was provided out of counterpart funds. The glass industry received 14.1 million schillings in 1950 and, within the scope of the release for December (which, however, will be effected as late as in 1951), 8.4 million schillings.

Part of the proposed projects have been completed and remarkable results obtained already. This industry was bolstered greatly by refugees from Czechoslovakia. 323 652

Within the scope of the investment programs 100 million schillings were allotted in 1950 to the erection of general dwelling units. In addition to a sum of 11 million schillings provided out of public funds, 34 million schillings were allocated for erection of workers' dwelling units. (The proposed amount in the three year period for workers' dwelling units was 85 million schillings.) [362]

e) Investments for agriculture and forestry.

Damages caused by the war to this important source of supply (through exhausting the soil, lack of fertilizers and pest control, overcutting, etc.) can be restored only gradually. Because of the increased use of tools of production, financed by ERP funds, it was possible to reach a higher gross production value in the years 1948 and 1949. However, it still lagged behind the volume of industrial production which by 1949 had exceeded the prewar level. The higher production in agriculture in 1948 and 1949 made available bigger supplies of foodstuffs for city dwellers and also made it possible to increase the decimated livestock and improve it. Thus, gaps in supplies of milk, meat and fats could be filled in. [241] [362] [231]

These improved results would not have been impossible without the ERP aid. In the first plan-year, Austria had at its disposal a total of 156 million dollars (or 57 per cent of the total amount of the ERP aid) to increase the production in agriculture, small business and industry. A sum of 18.7 million dollars was allotted to agriculture and supplied 139,000 tons of fodder, 189,000 tons of fertilizers, 4,200 tons of seeds, as well as agricultural machinery and veterinary supplies amounting to 1.1 million dollars. In the second year of the plan agriculture and forestry received approximately 25 million dollars for the import of tractors, caterpillars, threshing machines, reapers, motorized plows, disk harrows, replacement parts, milk separators, and machinery for soil treatment (and also to finance means of conveyance and facilities for forestry). [648]

Up to the end of 1949 approximately 9,000 agricultural machines, with a total value of 31.5 million schillings, could be bought out of counterpart funds. Through the formation of agricultural machine cooperatives (about 33) even medium and small-sized farms were able to share in the advantages of technical modernization. The progress of electrification in rural areas supplied light and current to 4,800 farms. Storehouses and freezer lockers have been built in fruit producing areas. In addition, dairies and cheese making plants have been erected from ERP funds.

Further investments in the agricultural sphere are being carried out in accord with the investment program of 1950-52. For these purposes 270 million schillings were released from counterpart funds in 1950 (i.e., 43.6 per cent of the 620 million schillings provided in the agricultural priority program, or 34.6 per cent of the total of 780 million schillings provided in the whole program).

In forestry (exports), which is of paramount importance to Austria, the approximate prewar level of wood and timber output and supply has been achieved through various rationalizations and especially better means of transport and better roads. In 1948 the timber output was 8.24 million cubic meters (Festmeter); in 1949 already it was 9.24 million cubic meters; in 1950 the output could be increased to slightly over 10 million cubic meters.

The increasing production of timber and the stoppage of exports of undressed timber made it possible to supply sawmills and timber finishing plants with bigger quantities of wood in 1949 and 1950 than prior to the war. In 1949, 2.50 million cubic meters of whole timber were planed. In 1950 the amount was 4.41 million cubic meters as compared to 3.14 million cubic meters in 1937. The paper, cellulose, wood fiber and pulp industries could be provided to an increasing extent with all necessary raw materials (especially wood pulp); thus, covering not only the domestic needs but also enabling Austria to gain a foothold in former export markets.

The forestry and sawmill industry received 90 million schillings in 1950 out of counterpart funds and, in addition, 22.5 million schillings in December 1950 to be carried forward for use in 1951.

(271 million schillings), cotton goods (204 million schillings), fireproof bricks (200 million schillings) and glassware (201 million schillings). 439

The total index of import prices in 1950 was 627, that of export prices 531 on the basis of 1937 = 100. The corresponding figures for 1949 were 407 and 387. The increase of prices for import goods, therefore, were on an average far higher than was the case with exports (54 per cent as against 37 per cent).

A comparison of the commercial imports with exports for 1950 shows an unfavorable balance of 576 million schillings (as against a balance of 1.2 billion schillings in 1949). Including gratis deliveries within the scope of the ERP, the deficit, however, increases to 2.7 billion schillings (in the previous year the deficit of the total exchange of goods was 3.7 billion schillings). The deficit in the exchange of goods with foreign countries was covered in the first half of 1950 by drawing rights and in the second half of 1950 by using up the Austrian credits at the Bank for International Payments after the agreements with the European Payments Union had gone through.

Further betterment of the Austrian economy is intended through the following. The Export Advancement Law (Ausfuhrförderungsgesetz) provides granting medium and long-term credits up to a limit of 500 million schillings under state guarantee. [Up to March 23, 1951, the Nationalbank received applications for credits totaling 174.5 million schillings; 79 million schillings of which represented refinancing. As the state guarantee comprises only 80 per cent of the export credit, 77.6 million schillings (80 per cent of the 97 million schillings) were tied up on the key-date in accordance with the Exporterförderungsgesetz, i.e., 15 1/2 per cent of the maximum of 500 million schillings.] The Austrian Export Funds A. G. (Oesterreichische Exportfonds A.G.) will support exports of craft goods to hard currency countries through credits. They will start with 25 million schillings. [The first interim balance of the corporation shows credits amounting to 16.4 million schillings, i.e., about two-thirds of the export funds (25 million schillings) at the end of March, 1951.] On October 5, 1950, an agreement was reached for simplification of exchange rates together with measures for 652 [433] 457

457 raising the productivity of the whole economy.
652 Toward the end of the year a change in the problems concerning the whole economy could be observed owing to increasing tension in the balance of foreign currency and payments.

B. The Austrian Contribution to Freer Intra-European Trade.

439 Although exports increased in the last few
652 years, they could not, as the preceding figures have shown, cover the total imports in 1950. The dif-
457 ference was covered again through foreign aid (ERP grants) and through credits, as was the case in earlier years. Thanks to foreign aid, which financed the biggest part of the imports of foodstuff, raw material and coal, the Austrian economy had a total import which, by 1949, exceeded the prewar level in volume and covered the demand of imports most urgent for reconstruction purposes.

In spite of this fact, the balancing of foreign currencies, with regard to the United States as well as to most other countries, could not be attained by means of market transactions. In contrast to the progressive relaxation of state controls in the domestic economy, the demand for imports had to be limited by import licenses and allotments of foreign currencies to the amount available for the import of goods. Regulations and procedures of this control of the foreign trade were determined by the law of Foreign Trade Traffic (Aussenhandelsverkehrsgesetz). (This law was amended in April 1951 owing to special developments caused by the necessary laws of economic policy.) The partial lifting of intra-European trade barriers [hereafter referred to as "liberalization" by the author] started in the fall of 1949, brought problems of trade policy and of foreign currencies.

In September 1949, the council of OEEC (Organization European Economic Cooperation), in Paris, decided to liberalize 50 per cent of the foreign trade between the European ERP countries in order to create a simplified economic area. Austria agreed with the principle. But it had to be very careful in abolishing import restrictions in view of developments in its balance of foreign currencies, otherwise the balance aims would have been endangered. Thus, for

liberalized goods, a number of administrative simplifications in the import precedures were created (exclusion of the obligations for a license by the "Aussenhandelskommission"). The import of these goods is dependent upon the momentary availability of foreign currency. Austria's special situation was also recognized by the OEEC, Paris, which agreed that the measures taken corresponded to the actual situation. In spite of this, Austria made a reasonable contribution toward the integration of the whole European trade policy as proof of its goodwill. For example, in the foodstuff sector, goods with an import value of 10.5 million dollars, i.e., 32 per cent of the commercial imports from ERP countries, were liberalized in October 1950. In liberalization the emphasis lies with the raw material sector, in which 45.5 million dollars (or 84 per cent of the imports from ERP countries) were liberalized. With regard to the accentuated investment policy, moreover, a number of items of the finished goods category were freed from import restrictions. In volume the liberalization represents goods amounting to almost 86 million dollars, i.e., a liberalization of 60 per cent of the imports from ERP countries. 439 652 457

From the standpoint of the economic policy, liberalization measures are characterized as follows: in the foodstuffs category, 70 per cent of those foodstuffs used for human consumption were liberalized, whereas agricultural products or those which are produced in sufficient quantities in the country itself were excluded from liberalization.

Furthermore, to increase the productivity of agriculture, almost 100 per cent of fertilizers and chemical products for agricultural use were liberalized. The very important fuels were freed from import licenses up to 80 per cent and iron alloys almost up to 100 per cent. In the same way, almost 100 per cent liberalization was made for non-iron metals and concentrates and raw alloys therefrom, as well as the important demand for raw materials by the textile industry, which cannot be supplied from the country itself (80 per cent).

A high quota of liberalization is shown in the category of finished goods, especially of chemical finished products (with about 70 per cent) and of synthetic fibers (with about 90 per cent). With regard to the extensive demand for investments, machine tools for metal production were liberalized up to 90 per cent and the demand of various industries by more than 75 per cent.

439 In order to make the liberalization fully
457 effective it is necessary to abolish foreign currency
652 restrictions for goods which have been liberalized and that is where the difficulties arise. Although the Initial Position in the value of 80 million dollars granted within the scope of the European Payments Union supports this effort through a relaxation in the foreign currency situation, it did not effect a general solution of these problems. The so-called dollar problem still exists in a very real sense.

[648] The European Payments Union, of which Austria is a full member, was put into force on July 1, 1950. It is the logical continuation to the reorganization of the European Payments system, started by the OEEC with the "off-shore" and drawing rights system. Above all, it was to further the lifting of trade barriers between the ERP countries and to carry out the principle of non-discrimination, the equal treatment of all parties within ERP Europe.

These measures, however, did not solve the precarious dollar problem for the ERP countries and Austria since it was not the aim of the European Payments Union to promote European exports to the USA and other hard currency countries outside the ERP. Also the currencies of the EPU countries are interconvertible but not against the dollar. For Europe, therefore, the dollar remained a very rare and hard-to-obtain currency.

A certain relaxation was caused by the new developments in the second half of 1950. The relaxation of the dollar shortage was not caused by the combination of the individual elements: the European Payments Union, liberalization and integration. Rather, due to external causes, it was a consequence of world economic changes which, owing to the conflict in the Far East, opened new markets of peacetime demands to those countries not directly involved in defense measures. (The dollar shortage is essentially a special structural problem of world economy, the causes of which go far back into the war years and are above all connected with the loss of southeastern Asia and the establishment of synthetic production processes in the United States.)

A change in the general aims of economic policy had also taken place because of the European Payments Union. While in the first phase of economic planning by the ERP the investment plans were stressed, now the primary target within the scope of the European Payments Union was the currency system. The ERP was not only a preliminary stage to the free exchange rates between the currencies of ERP countries and the dollar, but it was also to help prepare the possibility for the functioning of international currency funds on the broadest scale. As far as Austria could fulfill these tasks it made a contribution to the whole European currency order by the simplification of its exchange rate system and the fixation of the existing exchange rate of 21.36 schillings to one U. S. dollar for all traffic in goods. (This regulation of October 5, 1950, has been mentioned previously.) 457 652

In the meantime, alterations in the structure of world trade in the early part of 1950 (shortages on the raw material market, increases in prices) caused a change in the commercial policy toward the whole problem. Thus, the discussion of a number of special tasks and principles became necessary (this was also true for Austria). Up to this time the center of gravity in trade policy always lay with the exports, but this shifted to imports considerably toward the end of the year. Comparing quantities became more or less unimportant; the question of "what" in exchange of goods became more important than the question of "how much." The problem now is: what type of goods should be exported and which imports are desirable to make these exports possible? Can the domestic economy, under the given conditions, do without those export goods and does it receive instead of them such goods as it really needs? Or, will the domestic economy lose, by export, such materials that it really requires to maintain its own capacity? Perhaps goods will be imported which, although pleasant and useful, are not really necessary. Such are the questions which were the center of all deliverations concerning trade policy toward the end of 1950. 439 652

In the course of this development one can observe elements of retrogression to the compensation system in trade among the nations (or, to be more correct, among the ERP countries) around the end of the year 1950. Although business is carried out in principle in accordance with the clearance system, 439 457 652

439 many a business transaction is again of the barter
457 type. At present these do not lie in the sphere of
652 private business transactions but are at the level of state control. If one bears in mind the whole European trend under the system of liberalization and of the EPU, this is a typical retrogression which tends toward bilateralism instead of multilateralism. No doubt the system of compensation will prevail again since the factual renunciation of multilateralism in favor of the clearing transactions has to face, at the present time, quite different conditions than existed at the time when those changes, disputed as they were, offered the only possible solution.

Certain signs of a crisis in the policy of liberalization constitute a further problem which influences the trade policy of single states in recent developments. Confined at first to only a few states, this crisis engulfed a still larger number of European trade partners toward the end of the year, since a liberalization without guaranteed payment (foreign currencies) does not at all fulfill the aim of increasing trade relations. The payments traffic on the clearing accounts which, in last analysis, reflects the traffic of goods between the participating states shows a debit tendency.

Under these conditions, Austria faces a number of special tasks in trade policy, the solution of which, however, is not Austria's responsibility alone. Above all, the task is to reach agreements in which the Austrian economic potential can be fully utilized and which afford the possibility of adapting to developments rather contrary to the agreement terms. Austria offers its partners goods (such as timber, magnesite, steel and iron) which are needed all over the world. At the same time, there must be readiness to accept finished goods for deliveries of these vital goods. Problems of prices and of competition (aside from the increase of productivity in the total economy) must be solved in a way which diminish the disadvantages of the non-elastic clearing traffic without producing, on the other hand, unbearable consequences in the policy toward foreign currencies. It must be the most important task of the Austrian trade policy to secure the import of such goods as Austria needs to maintain full employment and, thereby, social stability

IV. AUSTRIA'S ECONOMIC POSITION IN 1951

452 The following points are characteristic of the economic trends in 1951.

1. In the monetary field: the tendency in the world economy toward forcing reductions in the credit policy; the figures will be rounded-up by an increase of the bank rates toward the end of the year;

652 435 2. In the budgetary field: the approaching end of ERP aid makes it necessary to reduce the price supports still existing;

454 3. In the field of investment policy: a reasonable balance between the investments of the production goods sector and the consumer goods sector is to be prepared; by increasing the offer of goods ready for consumption and export the imbalance in the balance of payments will be overcome as rapidly as possible;

439 4. In the field of foreign trade: the shortage of raw materials and the existing discrepancy between the trade and foreign currency balance (deterioration of the exchange rates) make special laws and measures necessary to promote exports;

435 465 5. In the field of prices and wages policy: certain discrepancies in prices, especially in the agricultural sector, make necessary adequate adjustments as well as improvements of real income of wage earners to the level of higher prices;

6. In the field of production and productivity: a general increase of the capacities and the extent of capacities, is necessary between the social partners and the abolition of burdens which prevent an increase in production. Adequate relations should be created.

A. International Economics and Austria's Reaction

000 A glance at the representative statistics prove that international development proceeded along quite different lines in 1951 than was expected at the beginning of the year. The steep rise of prices for raw materials, especially those of wool, tin, rubber, which started from the beginning of the Korean crisis have created an ever-increasing inflationary tendency.

aid which wat granted.) The result was not only a very early claim upon direct aid (in the third ERP year, i.e., from July 1, 1950, to June 30, 1951--8.81 million dollars) but also an exhaustion to a very considerable degree of the Initial Position supplied by the EPU in the amount of 80 million dollars. To ease the precarious situation, the OEEC was asked to increase the direct aid and to extend the Initial Position. This was granted by ECA after complicated discussions with regard to the special situation in Austria; at last, amounts of 18.2 and 10 million dollars, respectively, were granted for the period up to June 1951. 457

B. Credits, Wages, Prices and Subsides (Measures and Agreements).

The higher prices of foreign raw materials, their shortage, and the reactions which followed the fourth price and wage agreement reached between the Chambers of Economy (Wirtschaftskammern) in September 1950 led eventually to an actual transfer of the single cost elements, thus endangering the potential exports of Austria designed for the international market. In 1950 the center of gravity in the foreign trade policy lay with the foreign currency policy and was the main concern of the Nationalbank. The existing international shortage of raw materials shifted this center to the planning of quantities of imports and exports. The Austrian Federal Government, therefore, had to coordinate Austrian economy with world economic conditions. A number of economic-political proposals were introduced in the National Assembly, which, limited in time to June 30, 1952, were enacted in the last session of the Fall Convocation 1950-51 (ending in February 1951). These were the laws enacted: 652 [439]

1. The law concerning the creation of an economic directorate (Wirtschaftsdirektorium) consisting of members of the Federal Government; it has as its task coordination in the fields of production, prices, food supplies and foreign trade policy. 1656

2. An amendment to the price control law (Preisregelungsgesetz) to exercise a rein upon prices; [435]

3. An amendment to the raw materials allocation law (Rohstofflenkungsgesetz) which is supposed to channel raw materials of which there is a shortage toward those goals which are most urgent economically; [433]

652 4. An amendment to the foodstuffs control law (Lebensmittelbewirtschaftungsgesetz) which aims at assuring a basic amount of food for the people;

5. The foreign trade law (Aussenhandelsverkehresgesetz) aiming at providing a legal groundwork for the coordination of the procedures and decisions of the Economic Directorate with the activities of those officers who were entrusted with handling problems of foreign trade.

Moreover, it became necessary (as was already the case in other countries) to take certain measures in money and credit policy against the progression of inflationary forces.

652 458 One of the first results of internal measures was an agreement reached between the Austrian Nationalbank and the Association of Austrian Banks and Bankers on March 16, 1951, concerning the procedures for a qualitative selection of credits. Its aim was to prevent the extension of credits which could not be reasonably justified. A new definition of the economically non-justifiable credits stipulated a sharper selection of the individual applications. In extension of this agreement, another agreement was reached between the Ministry of Finance and the abovementioned group of credit institutions, sanctioned also by the Austrian Nationalbank, as of April 6, 1951. A quantitative control of credits was provided exceeding the items of the former agreement. The credit institutions which made this agreement accordingly obligated themselves to maintain, for the beginning, a liquid reserve of 25 per cent in foreign means. An increase of this reserve to 30 per cent toward the end of 1951 was anticipated, with the condition that then 10 per cent liquid means of first grade and 20 per cent of such means of the second grade must be kept on hand. (Liquid means of the first grade are: cash, deposits at the Austrian Nationalbank and at the Oesterreichisches Postsparkassenamt. Liquid means of the second grade are: negotiable federal savings bonds at the Austrian Nationalbank, checks, payable coupons, deposits which may be used as collateral at the Austrian Nationalbank, deposits payable daily at the Austrian credit institutions.)

435 652 After rising prices had relaxed somewhat in May, prices in general rose again after June (partly seasonal). The indices of wholesale and retail prices as well as of the living cost were rising again thereby

bringing new problems of adjustment. These were solved by a new general agreement of the Chambers of Economy (in July 1951), in which the main considerations were: the out-of-line prices in agriculture, the necessity of decreasing the subsidies for imports still existing, and the boosting of tariffs. Special aims of the economic policy were: 652● [435]

1. To restrict the utilization of foreign aid for consumption goods in order to afford a bigger part of the total volume of goods and services for investment activities or, at least, a non-fluctuating part in the case of a decrease in foreign aid. The top aim was a change in the utilization of the gross national product. [434]

2. To balance the agricultural prices which were out of line. In this way, conditions were to be created for an optimal distribution of the available aids through the price mechanism (changes in the constitution of the gross national product). [435]

3. To effect conditions for a new distribution of income; this referred, in the first place, to agriculture and employment in public services, to persons living on state relief and pensionists (for these last two groups an adjustment of the real income was secured by the so-called "Nachziehverfahren"); the real wages of the other wage earners should be kept on the existing level (changes in the personal distribution of the gross national product). [454]

It was not easy to encompass these aims within the concept of economic policy, since automatically secondary and tertiary reactions to these changes were to be expected upon the total price structure. Be that as it may, the immediate results of this agreement were the following regulations:

1. Agriculture received higher production prices for wheat, rye and milk, by which a better market capacity might be obtained (stimulation of the production). [435]

2. The subsidies for the import of bread grains, fodder grains, and raw materials for fats were diminished. Consumer prices corresponded generally to the average (newly calculated) prices of the producer (unless fixed by special regulations). As far as import subsidies continued, they became part of the budget while the incomes from sales were kept on the same level of value as those from the ECA counterpart accounts. [654] [439]

435 656 [651] 3. The tariffs of the public corporations (Federal Railway, Posts, Tramways) as well as the prices for current were increased[1] from 20 per cent to 100 per cent to keep pace with the prices on the world market which had increased due to increases in cost (especially the price of coal); the trend toward a deficit in the Federal Railway and public service enterprises had to be checked. In spite of these considerable increases, these price rises were only three to five times as high as the level of 1937.

[646] 4. On the basis of the newly calculated producer and import tax prices, new retailer prices were worked out; to balance this rise every receiver of gross wages received an additional income of from 10 per cent to 12 per cent per month, but at least a minimum of 140 schillings. For persons in the public service, special measures were taken on the ground of the so-called "Gehaltsüberleitungsgesetz."

[651] 5. Finally, in immediate connection with this agreement a number of taxes and duties were altered: progression of the taxes on wages and incomes; a change in the rates of the mineral tax; a change in the contributions of the employers to the balance funds for charitable relief; a change in the turnover-tax; on the grounds of the law of adjustment of social insurance of 1951, the basis of the maximum contributions to social security were changes.[2]

[648] [654] The most remarkable progress within the scope of this agreement, however, was (as already mentioned) the reduction of subsidies. As is known, the individual ERP countries obligated themselves in the bilateral economic agreements (Austrian agreement, August 2, 1948) toward the USA to pay the full value of the American relief deliveries in the currency of the recipient country on a special account (counterpart accounts). These accounts should be disposed of by the individual governments in accordance with the approval of the ECA to cover, as a rule, the financing of productive investments and to support currencies. The utilization of these means for financing for consumer goods should be limited as far as possible, although this had been tolerated in the beginning to raise the general standard of living. The purpose of this limitation was not to prolong the dependence upon foreign aid which was to end toward the end of June 1952.

457 652 With regard to the necessary balancing of the balance of payments (the special measures to achieve

1 [i.e., in July, 1951. Cf. cat. 116, p. 97, for rationale--Analyst]
2 [sic.,--Analyst]

these aims will be discussed later), which becomes more and more urgent because of the decrease in ERP funds, means from counterpart funds for investment aims had to be released to an increasing degree. 457 652

The Austrian government declared, therefore, its readiness as early as the fourth price and wage agreement to abolish all ERP subsidies for imports. In the interest of keeping living costs at the lower level, also, certain quantities of vital goods were provided at lower prices in 1951. Besides fertilizers and raw materials for fats (which continued to be calculated on the basis of former prices), the prices of wheat and fodder corn were increased but they still remained far below the prices on the world market. In addition, smaller subsidies were provided to support the prices of sugar, glass, drugs, and hides. 652 435 439 654

In spite of the partial abolition of subsidies, they still amounted to approximately 1 billion schillings for the period from October 1950 to June 1951. Seven hundred and fifty million schillings went to the debit of the counterpart accounts and 250 million schillings to the debit of the budget. Further subsidies had to be faced for two reasons: a sinking of the allocated means in the last year of the Marshall Plan (1951-52) had to be taken into consideration; and further means were necessary to continue investments which already had been started.

The agreements, therefore, provided adequate increases in sale prices for the import of individual goods. In spite of these price correction measures by which the difference between the import prices for wheat, rye, fodders and raw materials for fats and the prices on the world markets could be diminished, but not fully absorbed, there still remained a considerable burden on the budget because of the existing prices on the world market and the projected quantities of imports, as well as by changes in the ways of financing (transfer of counterpart accounts to the public budget). Thus, the differences had to be covered by the next balance period, a fact which the government budget 1951-52 had to take into account. This problem will rise again with the end of the Marshall Plan aid in June 1952.

If one considers the results of these agreements as a whole, a clear success had been scored in the prevention of further increases of subsidies, in the improvement of real income of public servants. 652 434

434 pensionists and persons dependent on state relief.
652 The correction of some out-of-line prices was also effected. To achieve these results the gross income of wage earners increased by approximately 6.1 billion schillings, the tariffs by 1.5 billion schillings and the incomes of agricultural workers by 640 million schillings. A flow of money has been effected surmounting by many times the net effect of the transfers in incomes. Future regulations will provide the final easing of tensions caused by the structure of prices and wages. By the same token, the final solution of certain apparent budgetary problems (remaining subsidies) and problems of the economic policy must be postponed, especially in view of social considerations.

435 The increases of prices, wages, taxes and tariffs by the fifth price and wage agreement caused, in many respects, a considerable movement of prices even in fields other than those comprised in the agreement. The intensity of this movement, however, was diminished by the continuing high industrial production (the number of employed reached more than 2 million people in the middle of the year) and by the sinking of prices in the world markets. However, there were a number of secondary, even tertiary, reactions which could not be avoided, although these reactions raised the general level of prices as a result of increasing demands in the second half of the year.

435 The prices of raw materials, however, were
439 stable in the early summer. The wholesale trade index of the Statistisches Zentralamt sank by 0.6 per cent (from 795 to 790; based on the formula 1938 = 100) from the middle of July to the middle of August. This was caused mainly by price reductions of the most important foreign raw materials (wool, rubber, tin), while domestic raw materials and semi-manufacturers (leather, petroleum, gasoline, building materials, aluminum and cellulose, among others) brought higher prices. This backward development led to a rise of domestic prices of raw materials and semi-manufactures so that they approximated the highly increased prices in the world market after the outbreak of the Korean conflict. Special problems in the development of foreign trade became acute because the prices of domestic finished goods had to adjusted to the levels of world market prices.

C. Developments in Credit Volume.

The features which influence the volume of payments and credits in an economy come partly from without and partly from within. The impulses, as is clearly seen in 1951, came from the flow of a world-wide inflationary price (wages) development; on the other hand, they were reflected in the necessities of the domestic economy which were expressed by the lines of the investment policy. Every investment ties up the invested capital (credit) until such time as the investment becomes productive. 000

If one wishes to avoid the danger of stopping investments before they reach the stage at which they are productive (i.e., to leave them unfinished and lose them within the scope of the total economy) then it is necessary to provide the proper means for completing investment projects, even if one could prove that a deceleration of credit expansion would be the correct measure. Moreover, the extension of credits requires, in this connection, the disposal of means for operation and credits for raw materials. All these are elements which make the development of credits (as seen from the standpoint of establishing programs of investments) of a necessary character to a certain extent.

The consumption of credits caused by the war, and the lack of an efficient capital market, shifted the center of gravity in financing (excluding investments out of public funds) necessarily to credit channels (see Monatsberichte for January 1952: "Die Wiener Börse im Jahre 1951"). Among the main sources of financing there are (excluding the liquid reserves of the credit institutions themselves) the increasing savings as well as those legal measures which support the techniques of financing (guarantees by the government in financing investment--Aufbaukredit and Absicherung von Exportkrisen, or protections against export crises) and, above all, the counterpart funds for potential refinancings at the Nationalbank. It is quite clear that these refinancings at the bank of money issuance (in Austria, the Nationalbank) can be only limited interim financing which must be consolidated in due time by consumption in the capital market. 652 452 [454]

If one considers the changes in the volume of total credits in the last year, one observes (on the basis of the report of the Board of Directors of

452 the Austrian Nationalbank) an increase of the total
452 amount of credit extended from 10,677.2 million schillings (December 31, 1950) to 15,226.5 million schillings (in the end of December 1951).

The total volume of credit comprised in the single categories of credit is:

	Dec. 31, 1950	Dec. 31, 1951
	(in millions of schillings)	
Credits for raw materials[a]	702.0	804.6
Other commercial credits	7,707.6	10,347.6
Reconstruction credits[b]	2,267.6	4,074.4
TOTAL	10,677.2	15,226.6

[453] a) These are credits which are to finance the import of semi-manufactures (in the first place, raw materials). Promises of refinancing are given by the [457] Nationalbank and by credit institutions which have to guarantee them along with the Nationalbank. They come from direct and indirect ERP aid for carrying out of deliveries.

b) These are check-credits serving the financing of ERP investments out of ECA releases. They are guaranteed by the government according to the law of March 30, 1949 (BGBl.101/49) and by the promise of refinancing by the Nationalbank.

Listed below are the total credits according to their use as of September 30, 1951 (a later listing is not yet available).

	In Millions of Schillings		
Total credit volume	14,415	=	100.0 per cent
Commercial credits	10,908	=	75.7 per cent
ERP credits	3,507	=	24.3 per cent
From these: Industry and Mining	3,500	=	99.8 per cent
Small business	7	=	0.2 per cent

The commercial credits are listed as follows:

Industry and mining	4,342	30.1 per cent
Trade	2,894	19.3 per cent
Small business	934	6.5 per cent
Agriculture	759	5.3 per cent
Länder and municipalities	623	4.3 per cent
Other credit purposes	978	7.6 per cent
Reconstruction of dwellings	378	2.6 per cent

The development of Savings and Checking Accounts is shown in the following table:

	December 1950		November 1951	
	(in millions of schillings)			
Grand Total:				
Savings Accounts	2,198.1		2,320.0	
Checking Accounts	7,271.1	9,469.2	8,817.6	11,137.6
Break-down:				
Joint-Stock Banks				
Savings Accounts	484.5		537.2	
Checking Accounts	4,056.3	4,540.8	4,993.1	5,530.3
Bankers				
Savings Accounts	17.5		23.3	
Checking Accounts	250.9	268.4	207.0	230.3
Savings Offices				
Savings Accounts	965.3		954.7	
Checking Accounts	1,091.7	2,057.0	1,365.9	2,320.6
Credit Associations				
Savings Accounts	488.8		542.6	
Checking Accounts	386.4	875.2	466.6	1,009.2
Other Credit Institutions				
Savings Accounts	242.0		262.2	
Checking Accounts	1,485.8	1,727.8	1,785.0	2,047.2
		9,469.2		11,137.6

Since the beginning of the Marshall Plan up to November 30, 1951, an amount of 12,280.1 million schillings was deposited in the special fund as a schillings equivalent of ERP aid deliveries (U.S. laws 84, 389, 470 and 472). From this amount, 750 million schillings were released for monetary purposes, 6,875 million schillings for financing the industrial investment program, 54.9 million schillings for other purposes, and 579.4 million schillings for the 5 per cent quota reserved for the U.S.--a total of 8,284.3 million schillings. On the key-date an amount of 3,995.8 million schillings remained for further purposes. (These figures do not include the United States aid transactions in the amount of 478.2 million schillings for the period from July 1, 1947, to December 31, 1947, the latter amount referring to purchases.)

652 To evaluate these consequences, the changes
454 in the structure of production are of main interest.
433 According to the Austrian school of national economy, and according to the conception of competent representatives of this science in Sweden and in the Anglo-American area, the main consideration has to be given to changes in the relations between productive and consumptive utilization of capital. As in European countries other than Austria, the production indices of production goods industries increased at a higher scale than those of the consumer goods industries. This economic center of gravity becomes more clear by listing the release of the ERP funds for the total industry. Excluding public investments and means for covering special reconstruction problems, approximately 2 billion schillings out of a total of 2.8 billion schillings flowed into the production goods industry (power plant construction, coal and ore-mining, iron producing industries, etc.) and 607 million schillings into consumer goods industries (textiles, foodstuffs, paper). The distribution of these funds was aimed at affording Austria the opportunity to match the technical and industrial developments in the rest of the world, at least in the field of primary materials and semi-manufactures. The use of a big part of the credit volume, therefore, is fixed by the purposes of the official investment programs which are worked out by the Austrian government in consultation with economic circles and the ECA in Washington. Complementary credit demands (Betriebsmittelkredite) are tied to this credit as a consequence of the extension of capacity and the industries participating directly in these investments.

652 The agreement on qualitative and quanti-
453 tative credit measures reached between the Federal
452 Ministry of Finance and the joint stock banks in the spring of 1951 was followed by an additional agreement of October 10, 1951, paralleling the general international development. This later agreement allowed an increase in the total credit provided or promised by a bank, as of August 31, 1951, under certain conditions. [These are schilling credits in current amount, draft credits regardless whether the drafts remain in the portfolio of the bank or whether they are rediscountable moreover, mortgages and municipal loans (unless they already serve to cover issued mortgages and municipal obligations), as well as requirements against Austrian credit institutions which do not exceed a thirty-days' validity. Not included in the total are reconstruction credits, credits granted for financing exports and

those for financing the harvest. The allowable increase of the total amount of credits (excluding the above-mentioned restrictions) may not exceed 70 per cent of the increase of obligations, i.e., of those means which recently have flowed in. An additional increase exceeding the above-mentioned total of credits is allowed only under the condition that liquid means of the first and second grade, in accordance with the agreement of April 6, 1951, effective August 31, 1951, exceeded the necessary liquid reserves at that same date; otherwise, the credits must be restricted to the rate of prescribed reserves. Other items of the agreement refer to the regulations concerning utilization and eventual sanctions if they do not keep to the reserve rates.] 652 453 452

For the purposes of coordination, the additional agreement stipulated that representatives of the bank must meet at least once a month at the Federal Ministry of Finance or at branches of the Austrian Nationalbank. They meet in the form of regional committees to discuss problems of credit policy to establish directions of restriction credits by their own volition, to discuss their fulfillment on the basis of the material in current figures, and from time to time to provide changes in or additions to those directives. The banks are represented in these credit committees by a six-member committee to which one representative each is delegated from the three nationalized big banks (Handels-und Gewerbebank, Arbeiterbank and the Bankhaus Schoeller and Co.). A measure of greater importance to currency policy is the decision of the General Council of the Austrian Nationalbank to increase the bank rate from 3 1/2 per cent to 5 per cent as of December 5, 1951. (Corresponding to the change of the bank rate, the rates of interest for deposits were altered. Specifically, it was decided that current account deposits will be handled in the future at the rate of 1 per cent instead of 3/4 per cent used until then. The rate of interest for savings deposits and non-negotiable paper was set at 3 1/2 per cent; if left on deposit for at least six months the rate was 4 per cent, and if left longer than 12 months, 4 1/2 per cent. At the same time the limit for free disposal savings deposits was increased from 3,000 to 5,000 schillings per month.) By so doing, Austria joined a number of countries which already had raised their bank rate since the outbreak of the Korean crisis (Belgium, Denmark, West Germany, Finland, France, Great Britain, Canada, the Netherlands, Sweden, and the United States). For the first time since the end of the war the enforcement of this measure

652 453 452 in currency policy puts a special stress on the discount rate as an instrument of the policy of money-issuing banks. (The last change of bank rate in Austria had been in 1935.)

Considered from a merely economic point of view, the rise of the bank rate means a transfer of the prospects of profitableness from long-term to short-term investments. In this way those endeavors are to be supported which aim at compensating the effects of the present essentially decelerated extension of credits through a greater offer of consumption and export goods in relation to price policy. Moreover, the increase of the bank rate is a proof of the necessity to go back to measures of economic policy which are in conformance with the conditions on the market. The more the bank rate approaches the so-called "natural rate of interest of capital" the less it is necessary to take other methods for the extension of credit for every quantitative and qualitative credit selection contains elements of subjective opinion. Moreover, the limitation of the volume of credits not only constitutes fixation of a certain figure but, under the prevailing economic conditions, of a fixed relation between investments in the production goods industries to that in the consumption goods industries. This relation, which is so decisive for credit policy and, in turn, for the stability of prices, approaches its equivalent value more when the economic function of the rate of interest provides a selection among the various possibilities for the utilization of capital. The field of credit policy is the one in which it is most difficult to replace the market mechanism by typical control measures.

Of course, there can be no doubt that supporting reconstruction by a policy of "cheap money" made sense in many respects--especially when one considers the conditions which prevailed in Austria in early postwar years. With reference to continuing consolidation, one has to try to reach an economic selection even here and to adjust credit to the development that has taken place already.

According to the agreement of April 6, 1951, beginning with January 1, 1952, the banks are required to keep 10 per cent of their obligations in liquid means of first grade. This means that the cash reserves in those banks will rise substantially after that date. In addition, the discussions which were held before the October agreement was reached brought

out that the main proportion of the extension of credits (as a consequence of the first agreement) flowed out of the accounts for financing imports of vital raw materials and of credits for the support of exports. These conditions do not lie within the banks' sphere of influence (not taking into consideration the directives for credits as laid down in the public investment programs). The occasional considerable reserves of the banks, which are tied up with the allocation of foreign currencies, must be taken into consideration. 652 453 452

It is a fact that the individual measures already showed an impact toward the end of the year. According to the statistics on credits and liquid money of November 30, 1951 (i.e., one month after the enforcement of the second agreement) the volume of credit, which is under control, decreased for the first time since 1947 by 30 million schillings--a rather low amount. Even if one considers the financing of credits for exports, and the especially high financing of credits for the sugar beet harvest, there is a total decline in volume by 80 million schillings at a time when a general increase in credit demands could be observed.

There are today two methods of determining the total of the means of payment in an economy at any given date. The Anglo-American method takes into account the total volume of the means of payments in circulation, plus free obligations of the national bank, plus checking account deposits at the commercial banks, minus interim bank obligations (i.e., deposits of credit institutions at the national bank and at credit institutions). The Continental method does not take into consideration the checking account deposits at commercial banks. (Recently, the Anglo-American method has been used in Austria, too.)

If one compares the development of the volume of money (paper money in circulation, plus checking account deposits, plus free deposits not at the banks but at the Nationalbank) in the previous year, an increase is shown from 14,608 million schillings to 17,164 million schillings since the end of December 1950 to the end of October 1951 as against a credit volume of 10,677 million schillings and 14,780 million schillings, respectively. The circulation of paper money rose in this period from 6,349 to 7,326 million schillings, the checking account deposits from 7,271 to 8,939 million schillings. The free deposits of public agencies, which 436 652 453

[436] are held at the Nationalbank, sank from 988 to 800
652 million schillings in the same period. At the end of
453 December 1951 the circulation of paper money amounted to 8,023 million schillings, the free non-bank deposits to 987.7 million schillings.

The flow of the volume of money was mainly influenced by the expansion of credits as well as by the flow of counterpart accounts. Exits on the basis of releases and current payments from proceeds caused a decline in time-limited deposits of public agencies at the Nationalbank (mainly counterpart accounts) from 1,941 million schillings at the end of December 1950 to 1,290 million schillings at the end of October 1951.

Bank statements show a considerable reduction in the "Bundesnotenschuld," from 4,124 million schillings in October 1951, and 2,030 million schillings at the end of December 1951. In the first statement after the currency reform of 1947, this item was still 7,547 million schillings higher. The exits in the last four years amounted to about 5,517 million schillings. Out of this amount, 850 million schillings went to retirement of the national debt (as provided for the purpose of securing currency stability on December 31, 1948). Another approximately 4,461 million schillings went to the releases of ECA funds for ERP investments in industrial enterprises; the remaining 205 million schillings went for other economic and political-financial purposes.

Amounts increased, however, for refinancing the reconstruction credits. From December 1950 to the end of October 1951, the increase was from 2,277 million schillings to 3,612 million schillings, and exceeded by 4,042 million schillings the 4 billion limit at the end of December 1951. The subsequent treatment of these blocs of reconstruction drafts (which were no longer handled by the Nationalbank) and their transfer on the capital market has been treated in another connection.

The free endorsement deposits of the credit institutions sank with the extension of credits from 299 million schillings (at the end of December 1950) to 211 million schillings (at the end of October 1951). However, they recovered to 540 million schillings towards the end of December. This increase is very closely related with the obligations of the banks to keep 10 per cent of their credits in liquid means of the first grade.

A comparison of the Nationalbank's position as of the key-dates (December 31, 1950 and 1951) gives the following picture. 652

	1951	1950	† or -
	(In millions of schillings)		
ASSETS			
Gold	51.1	50.3	† 0.6
Foreign currencies	582.5	449.3	† 133.2
Checks	1,709.8	809.2	† 900.6
Teilmünzen (coins)	2.3	2.8	- 0.3
Reconstruction credits	4,041.9	2,227.0	†1,814.9
Bonds (under par. 27 of the Währungsschutzgesetz)	807.0	749.3	† 57.7
Bonds (under par. 2, item 1, of the amendment of the Notenbanküberleitungsgesetz)	1,402.7	1,200.2	† 202.3
Loans	34.5	34.7	- 0.2
Money debts of the state	2,029.9	4,123.9	-2,094.0
DEBITS			
Circulation of bank-notes	8,032.0	6,348.9	†1,683.1
Free banking accounts of credit institutions	539.5	428.6	† 110.9
Others	580.6	987.7	- 407.1
Closed banking accounts of credit institutions	40.3	40.3	--
Others	1,469.3	1,841.4	- 372.1

Finally, one can state that in the course of the year 1951 the total volume of the means of payments increased by 20 per cent, the circulation of bank notes alone by about 26.5 per cent. At the same time there was an increase of the general level of prices by about 40 per cent. [436] [435]

The adjustments and reactions of the last year which are shown in the first half of the year in an extension of and in the last quarter of the year in a contraction of the credit volume are, however, only one side of a total economic problem. The problem itself is characterized by achieving a balance of payments.

industries of production goods and consumer goods, will gain top importance. 434 454

During the Marshall Plan period preference was given to short-term investments within the scope of the Austrian Investment Program 1950-52. The aim was to ease the strain on the balance of payments, either by an increase of exports or by a decrease of the import demands, whether by direct or indirect means (for instance, by lower prices for semi-manufactures in industries which depend upon exports). The decisive factor for the selection of investments was the degree of contribution to the balancing of payments within the shortest time possible. This had to be coordinated with the requirements for big projects which had been started or were far advanced. In this way the projects could be completed in a technically and economically sound way. By finishing the started projects, especially in electric energy and in the iron and steel industry, Austria should be enabled to use its rich natural resources (water power, iron ore) as rationally as possible and better than was the case before. In view of the low capacity of the domestic capital market these projects had to be carried out, as far as possible, within the ERP period. In spite of the continuation of big industrial projects, the main tendency of the three-years' program (1950-52) is to give industries and crafts which need export outlets as well as the tourist traffic higher counterpart sums in the last two years than they received in 1948-49. It is self-evident for reasons of export and social policy that the investment plan tries to support, above all, small and medium-sized enterprises of the semi-manufactures category and the crafts. [457] 652 454 457

Development of the most important economic fields is on the average satisfactory. One has to consider, however, that the full results of investment projects, especially the big ones, will not show up until 1954-55. Most impressive has been the development of the iron producing industry. Thus, for instance, in 1950 about 15 times more raw iron and 5 times more raw steel and rolled products were produced than in 1946. The production of the iron producing industry surmounted that of the prewar level in 1945. Compared to 1937, by 1950 the production of raw iron was higher by 128 per cent, that of raw steel by 46 per cent, that of rolled products by 37 per cent, and that of pressed and wrought iron products by as much as 246 per cent. This development continued in 1951. Thus, the production of 433 327

457 balancing of the bilateral trade balance sometimes
648 causes considerable trouble. The trade agreement
439 with Yugoslavia was considerably extended by a credit for goods to the amount of 10 million dollars which Austria granted to that country; the goods have been almost totally delivered. The goods credit, starting with the year 1952, must be balanced by Yugoslavian counter-deliveries. The new discussions about a trade agreement with Yugoslavia were begun on January 7, 1952.

Among the overseas agreements, those with Argentina and Brazil contain very interesting new elements with regard to the techniques of agreements. Thus, for instance, the listing of the items of Austria's exports to Argentina is extremely detailed. One is certain that the establishment of a permanent Mixed Commission with its seat in Buenos Aires will be a success. It is the Commission's task to control observance of the agreement and the development of the goods traffic. In the agreement with Brazil the new method of balancing payments is most interesting because it deviates from the usual scheme. The establishment of annual accounts for the balancing is most remakable. At the end of the year in which the agreement operates, the amounts will be balanced and replaced by a new annual account for the following period of the agreement. It is equally remarkable for the regulation that a payment of a credit account will be demanded only to the extent in which import licenses actually were issued by the competent authorities after ordinary application procedures.

In the first months of the coming year further agreements with Brazil, Bulgaria, Denmark, Greece, the Netherlands, Norway, Pakistan, and Sweden are to be concluded. Existing agreements are to be renewed or prolonged.

457 The achievement of the balance of payments
652 is the aim to which all endeavors of the economic policy must be subordinated. As explained in the foregoing, these endeavors contain those measures which are to restrict the inflationary development. The craft segment of the economy under the direction of the Bundeskammer der gewerblichen Wirtschaft started various measures of material and psychological importance toward the end of 1951. Among these measures was price reduction (see Monatsberichte for November 1951 (No. 31): "Die ökonomische Bedeutung der Preissenkungsaktion").

The same aim is to be reached by an increase of the production with regard to quantities, by the balance between the production-goods and consumer-goods industries and by regard to necessities arising out of the export policy. In this connection, not only problems of an increase in productivity were discussed, but also fixed legally-based calculation principles (Eröffnungsbilanzen) were created which make it possible to strike an unassailable balance and to tax sham profits. 652 457

F. Liquidation of Marshall Plan Aid and Future Planning.

The Marshall Plan is drawing to an end; it expires, according to the Foreign Aid Law of 1948, at the end of June 1952. That the American Marshall Plan administration, the ECA in Washington, has ceased functioning and the Mutual Security Administration started its activities as of January 1, 1952, do not alter the basic principles of Austria's economic policy (see Monatsberichte for January 1952: "Vom Marshallplan zum Mutual Security Agency"). [648] 652 457

This is a fast-moving age in which we live. People almost forget that at the bottom of such a complicated program of procedures as the ERP allocations, of the releases from the counterpart funds, from the direct and indirect aid, from the drawing rights, and from the EPU, there was a relatively simple, but nonetheless, grand idea which aimed at the economic and social reconstruction of the war-torn European continent and the cooperation of the European countries in a free and comprehensive European market. Out of the 13 billion dollars supplied in the Reconstruction Program by the American taxpayer for Europe, Austria got 1 billion dollars for the purchase of bread and fodder grains, cotton, oil, and fats, for payment of overseas freight, for the extension and rationalization of its mining and industrial plants, for carrying out the enormous power-plants, for the reconstruction of its traffic network, and for its recreational and tourist traffic establishments. These dollar means, which were represented also in the counterpart accounts, served immediately or mediately in connection with aid deliveries to supplement investments and necessities in various enterprises.

652 [439] This comprehensive aid will cease in the middle of 1952. Austria will be right in stressing the fact that, owing to its far lower level of total economic well-being (as compared to the other ERP countries), the full results of all these measures and investments cannot be forthcoming earlier than 1954-55. Moreover, the further amalgamation of markets in Europe may be expected in connection with increasing competition, by which a reasonable compactness of all new investments within the European Investment Program will be provided. On the other hand, there are a number of most decisive problems of economic policy which must be solved by the beginning of the new fiscal year. The manner of mastering these problems must be of top-ranking importance for the economic and social development of the country. Although the measures taken in the sector of currency and credit policy must not be overestimated in their impact upon stabilizing money values, the increase of production and productivity is a corollary of the organic compactness of the structure of the total economy. In this way single elements may be most fully developed. Bearing this in mind, the appropriate authorities pointed out that the American aid sources, which will be available for only a short time, must be used up in carrying out those economic measures which are considered most important. To coordinate the measures concerning the total economy, the single appropriate ministries have been ordered to make proposals to the Wirtschaftsdirektorium of the government at the earliest possible date. These proposals are expected shortly. They will deal, among other things, with the necessary structural changes of the public budget which take a considerable portion of the gross national product.

Establishment of a balanced budget on the basis of the most economical use of expenditures is one of these. In connection with this, there will take place an organic reform of administration, especially with respect to not burdening the public budget with further expenditures of this kind; strict observance by the appropriate ministries of expenditure limits set in the provisional budget; liquidation of the problems of subsidies. (In relation to the preceding years the budget of 1952 tends to make the government the vehicle of a comprehensive investment policy in view of the decreasing counterpart funds. In this respect the government takes over functions which need most careful consideration from the standpoint of the

currency policy as well as that of profitableness. 652
The transfer of such assessments or of such means as may be set aside for these purposes will be one of the most urgent tasks of the economic policy.) The apparently favorable development of incomes must not deceive anyone about the precarious budgetary situation. It will lead necessarily to saving measures in the current year if the stability of the currency is to be achieved, which is the real aim of the economic policy (see following table).

PROVISIONAL REVENUES OF PUBLIC TAXATION IN 1951

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Federal Finance Law "Public Taxes" 1951, Chapter 17	Provisional Revenues 1951	Federal Budget 1951 (including supplements)	Difference (including supplements)
	(In Thousands of Schillings)		
Direct Taxes:			
Assessed Income Taxes	1,804,126	1,800,000	↑ 4,126
Wage Taxes	1,637,415	1,433,000	↑204,415[a]
Corporation Taxes	599,489	532,000	↑ 67,489[b]
Property Taxes	66,231	53,600	↑ 12,631
Business Licenses	1,000,832	886,000	↑114,832[c]
Occupation-cost Contributions	515,043	448,086	↑ 66,957[a]
Other Direct Taxes	20,857	17,700	↑ 3,157
Total of Direct Taxes	5,643,993	5,170,386	↑473,607
Turnover-Tax	2,303,551	2,214,000	↑ 89,551[d]
Added Charge to Turnover-Tax	1,152,596	1,107,000	↑ 45,596[d]
Customs Duties	305,013	300,000	↑ 5,013
Consumer Taxes:			
Tobacco Tax	1,069,513	1,050,000	↑ 19,513
Other Consumer Taxes	504,721	490,760	↑ 13,961
Total Consumer Taxes	1,574,234	1,540,760	↑ 33,474
Duties and Traffic Taxes	886,115	844,400	↑ 41,715
Extra Fees, Fines and Damages	67,098	64,000	↑ 3,098
TOTAL INCOME	11,932,600	11,240,546	↑692,054
Deductions:			
Transfers to Federal Countries and Municipalities	3,563,849	3,492,393	- 71,456[e]
Remaining Net Income	8,368,751	7,748,153	↑620,598*
Contributions to the Reconstructions of Dwellings out of the Revenues	383,250	f)	f)
Contributions under the Law of Reconstruction of Dwellings	39,363		

a) A surplus caused by the higher employment and by wage increases under the fifth Wage and Price Agreement. b) Surplus based on carry-over from the preceding year. c) A surplus from back-payments on 1950 assessments. d) Higher turnover. e) In addition, the federal countries will get about 270 million schillings. f) Not assessed in the federal provisional budget, since these amounts flow directly into reconstruction funds for dwellings.

SOURCE: Mitteilungen des Direktoriums der österreichischen Nationalbank, January, 1952.

*The surplus serves to finance investment expenditures of about 560 million schillings which is not provided for in the Federal Finance Law of 1951 and which are not covered by ECA releases; they also are to cover surplus expenditures of the Federal Railways caused by price increases.

V. TRANSITION PERIOD (First Half of 1952)

A. The General Picture.

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With the end of the Marshall Plan in the middle of this year, the 17 European ERP countries (among them Austria) will have to face a number of rather difficult decisions in the realm of economic policy. If one totals up the grants of aid which Austria got within the scope of the Economic Cooperation Act of 1949, and of the Foreign Aid Law of April 3, 1948, in the course of the last four years under the title of direct and indirect aid, and under the EPU, the allocated dollar means and goods and services altogether amount to 833 million dollars. Allocations for the single years were:

1948-49 - 270 million dollars
1949-50 - 253 million dollars
1950-51 - 190 million dollars
1951-52 - 120 million dollars

In the schilling balance, the inflowing counter-value to the ERP aid deliveries amounted (in counterpart funds) to 13,243 million schillings with the key-date of February 29, 1952 (according to the statistics of the Austrian Nationalbank). (The principles contained in the agreement and the technical procedures of carrying out these aid programs are quoted in the "bilateral agreement" between the USA and Austria on July 2, 1948.) Out of this amount 775.0 million shillings were used for monetary purposes, 7,275.0 million schillings for financing the Austrian investment programs and 682.3 million schillings for other economic expenditures. The above-mentioned grand total does not contain the counter-value of 478.2 million schillings which was granted in the period from July 1, 1947, to December 31, 1947, under U.S. Relief appropriations (UNRRA, congressional interim funds); they also do not contain such credits as the pound-sterling credit, Export-Import Bank credits, surplus credits and War Assets credits, etc.

The conditions and developments described in the preceding sections for the year 1951 were the result of these financial aids, together with legal and organizational provisions made since 1945 and the attitude of the Austrian people. It should not be forgotten that the economic level of Austria was far lower than that of the other ERP countries. Therefore, in

652 restoring Austria's living conditions a number of
457 problems had to be faced which could not be mastered by the country alone. Moreover, an economically smaller country which is about to change the whole economic structure is more sensitive toward the trends on the world market. Its economic and political possibilities are more restricted than those of big continental powers.

The above-mentioned elements, as well as the thoroughgoing changes which have taken place in the traditional pattern of Austria's trade with southeastern Europe, must be borne in mind when judging Austria's total economic situation.

652 Austria used all possibilities under the ERP as intensively as possible. It has replaced its war damages to a great extent. It has rebuilt its industrial and agricultural production within the limits of given conditions. It has again reestablished connections with European and overseas partners and restored the functional capacity of its money and credit system. Hindrances to these developments were: losses in substance, structural time-limited transfers, existing political encumbrances, and, not least, the recent impact of world economic conditions (Far East crisis). These are the reasons that the aims which were generally set forth by the ERP could not all be realized within the time provided in the program. This is a fate which Austria has in common with other ERP countries to varying degrees.

The problems which Austria has to face after the end of the Marshall Plan are the same in all other ERP countries. Although the capacity and the means may be very different, to restrict the loss of the gross national product in a socially bearable way is the main task. Now the top problem becomes the maintenance of a workable and humane order of economy and society. Various factors will play a role, among them are: a synthesis between captivity and freedom, regard for law and natural development, the cooperation of all political and social forces, the cooperation of individual markets within the framework of sound competition and real prices and the like.

000 No specific social and economic order is autonomous; it is only a part of a great network from which it receives specific impulses and on which it

B. Developments in the Field of Trade and Payments.

If one considers conditions when the laws of economic policy were issued in the spring of 1951, one will see that the discrepancy between the sharply increasing prices of imports and the lagging prices for exports led to a discrepancy between trade balances and currency balances. This was the case despite shortages of the most important raw materials and in spite of a relatively favorable trade balance. In view of this, not only the direct aid was used up in a shorter time, but the "Initial Position" supplied by the EPU was exhausted to a far greater extent in the counter-value of 80 millions. The deficit eventually was covered by additional funds for direct aid in the amount of 18.2 million dollars from EPU and a sum of 10 million dollars from the "Special Resources" of the ECA, awarded in view of the special conditions of Austria. To an extent it was also covered out of the limited reserves of the Austrian Nationalbank. 439 457 652

The later decline of the prices of raw materials made the reduction process slower. This was the case especially with finished goods because of the natural alterations concerned with the various stages of the program. A number of these goods not only reached the maximum prices in the world market, but also the amount in the following period. The total development is reflected in the table of the balance of payment. The figures for 1949 and 1950 are used for comparison.[1]

[Cf. category 116, pp. 132-133--Analyst]

439 If one examines the structure of these re-
457 sults more closely, one will see immediately that the
652 deficit of the trade balance is by far the biggest burden to the total balance, which is not covered at present by the moderate assets of tourist traffic and the surplus of the transit traffic, plus other receipts from services. This deficit was covered up to the present from ERP funds, which must be replaced in the present year (at least in the second half of the year) by other methods if the import programs are not to be seriously restricted. Any restriction, however, would be most decisive. If reduction of the imports of foodstuffs were undertaken it would result in a grievous lowering of the general standard of living; if one attempts a restriction of raw material imports the plants and factories would have their operation curtailed and partial unemployment would result; if one lowers the import of coal and fuel the general tempo of production will suffer with all the consequences this would have upon the social and economic life of the country.

435 It is clear that none of these alternatives
439 would be acceptable since normal development must be to the interest of Austria as well as the whole of Europe. But where is one to find an acceptable solution? An analysis of the figures of foreign trade gives the following picture:

To begin with, the table shows the development of foreign trade in the last two years as compared to the last year before the war. To make the figures of 1937 comparable with those of 1950 and 1951 (which are inflated owing to currency devaluation), the amounts in new schillings were reduced to the previous schillings value by dividing them by the index of wholesale prices (1950: 553 and 1951: 742).

439 deterioration of the exchange rate between imports
435 and exports (excluding the far larger import of investment goods). (The investments quota amounted to 6 per cent before the war and rose to 21 per cent of the gross national income in 1951. The comparatively high quota could be maintained, of course, only with the help of ERP funds.) These circumstances also caused difficulties in bigger and economically more powerful states because the real value of foreign aid suffered remarkably by these price developments since the middle of 1950.

439
652
454
Normalization of the trade balance must be achieved in regard to both imports and exports. This will be achieved through:

1) The increasing effect of the investments made within the scope of the Austrian Investment Program 1950-52 and by the revised investment policy. These are short-term investments which will be cheaper and more exportable by raising exports or, indirectly, by cheapening unfinished goods. Among these import saving investments only such investments shall be supported (excluding imports for agriculture) as will be justifiable within the scope of a liberalized foreign trade and in the framework of the international distribution of labor. In spite of the basic continuation of big industrial projects (in view of the end of ERP aid and counterpart funds it will not be possible to afford bigger amounts for big projects which will show their effect only after a long period because of financial and credit policy), the necessary shift in the center of gravity toward the typical export industries will remain a characteristic feature (the export industries are craft enterprises and the foreign tourist traffic, both of them real foreign currency earners). In this connection it should be remarked that part of the investments which have been carried out through public investment programs have not yet matured. Owing to the comparatively late start of real investments in Austria as compared to other ERP countries (1950), they will be fully effective only as late as 1954-55.

439 2) Exhausting all possibilities of the existing and future opportunities in the trade policy. Thus, for instance, the new German liberalization together with the new trade agreement opens the German export area to Austrian production so that, with an adequate support, a big part of the Austrian production capacity will be fully utilized. Also Belgium lowered the

restrictions on its imports in order to abolish its accounts at the EPU. There are no restrictions to the imports into Switzerland. France recently has promised to facilitate imports of Austrian goods by abolishing its assets in the trade account. Further potentialities in exports may be found in the Near East. Thus, for instance, Turkey has concluded a "classic trade and shipping agreement" with West Germany as recently as February 16, 1952, under which German participation in the industrialization of Turkey has been secured. 439

3) 1 An intensive and extensive increase of agricultural production (a step by step decrease in the import of bread, grains and sugar to the prewar level). In doing this the fact was taken into account that in 1938 almost 80 per cent of the normal consumption of wheat and rye and 98 per cent of the domestic consumption of sugar had been covered by domestic harvests. This aim can be reached in view of the more advanced techniques of fertilizing and in view of investments for agriculture. (In the Long-Term Program for 1952 provision is made for a cultivation area for bread grains of 576,000 hectare. This could not be attained because of price policy consideration. It may be possible to carry out the necessary extensions of production by the projected shift in subsidizing the proposed prices in agriculture and by stopping migration from rural areas. At present a law is under discussion pertaining to this.) [241] [652]

4) Categorizing the import goods on the basis of their importance to life; in this case the imports of sugar may be restricted and the import of colonial wares may be revised.

5) An increase of the productivity of plants in order to lower production costs and to build up a firm level of real wages.

6) A new calculation of costs as favored by lower prices of raw materials.

There is no doubt that none of these programs can actually be carried out to full extent since the economy is still in a state of flux and outside influences make current adjustments necessary. But it is most important to find a general line as a center of focus for necessary measures. It will be possible, with the continuous consolidation in certain fields, 000

1 [Normalization of the trade balance in regard to both imports and exports will be achieved through: --Analyst]

C. Reconstruction Planning.

Reconstruction of the economic policy means 457
a gradual overcoming of the crisis of the balance of payments and the securing of internal and external balance. Such a policy will create conditions which can provide a free convertibility of currencies and the real integration of the single economies. (This is among the aims of the Marshall Plan.) (The EPU is of special value. Due to expire on June 30, 1952, it will be prolonged as an instrument of overcoming crises in the balance of payments which arose as a consequence of the Korean crisis in a number of countries. Without this aid the difficulties could not have been overcome so easily. At present the problem of the quotas, of the brake on money, and of establishing currency rates is an open one, since the current rates no longer correspond to purchasing power.) However, the aim of abolishing the restrictions on foreign currencies and the free convertibility of foreign currencies cannot be achieved within a short time. It will be necessary to establish manipulation funds which serve toward overcoming short-term shifts and creating certain structural correctives.

The maintenance of financial stability as 652
a means of guaranteeing the functioning of a currency is connected with the status of the governmental balance (excluding the calculation of costs in an economy). The frame of figures for the single items (titles, chapters) of the Finance Law (Budget) must be reduced if a surplus of expenditures arises which is not covered by taxes or other possibilities (at present counterpart funds); in this way a balance can be achieved between incomes and expenditures if the foundations of a stable currency are not to be shaken by the budget. If one tries to avoid these conditions, one has to set up a system of savings on the one hand, and to take measures for the reconstruction of a capital market of high capacity, on the other. Like other countries, Austria also will have to endeavor to [454]
transfer gradually a big part of its investment demands from bank credits or counterpart credits to the capital market. This development must be considered the soundest form of long-term financing. The necessary revision of the investments policy caused by 652 457
reasons of the total economy has been dealt with in connection with the balancing of the balance of payments. (This is connected with the reduction of

457 foreign aid. While in 1951 about 200 million
652 dollars was available, this sum will be approximately 100 million dollars for 1952; the schilling counter value to foreign aid, therefore, will decline from 4.4 billion schillings to presumably 2.1
[435] billion schillings. Moreover, as the prices at the end of 1951 were higher by 12 per cent than the average for 1951, there will be about 2.7 billion schillings less out of foreign aid funds for investments than in 1951.) In addition, the budget is burdened by a number of price supports, the abolition of which will not be possible to a full extent under the present conditions. Immediate reactions on the prices for foodstuffs and new rises in wages would be the consequence. The policy of supporting prices must not be omitted when the system of subsidies is altered. [Since the fifth Wage and Price Agreement of July 1951 the existing method of financing important consumption goods was taken over from counterpart funds by the budget. Thus, there are still considerable budgetary expenditures under this title. They amount per year to about 40 million schillings for the support of domestic bread-grain prices, 366.5 million schillings for foreign bread-grains, 555.75 million schillings for fodder, 110 million schillings for fertilizers and 135 million schillings for raw materials of fats needed by the margarine industry. The term for supporting the prices of domestic bread grains (15 groschen per kilo) already has expired. The remaining subsidies will expire with the end of June. Discussions with the aim of continuing these subsidies are not yet finished. They tend, above all, to stimulate production by adequate prices.]

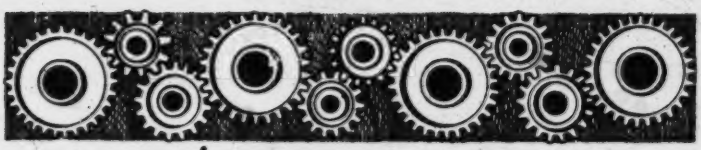
652 Already in the preceding year the stabili-
zation of the money value was prepared to a consider-
[453] able extent. Measures of this type were: the introduction of the quantitative and qualitative control of credits; the increase of the bank rate from 3 1/2
[435] per cent to 5 per cent; and the lowering of prices, started by private industry of its own volition--this latter measure applying to about 80 categories of goods. This materially and psychologically important premise of an organic policy for stabilization must be supplemented by an adequate budgetary policy. It cannot be denied that the measures which were taken in the preceding year had already brought about signifi-
454 cant results. The savings increased considerably in
652 the first two months of the present year; they rose from 2,275.1 million schillings (checking account deposits 8,898.7 million) to 2,619.5 million schillings

(checking account deposits: 8,731.9 million schillings) from December 1951 until the end of February 1952. This development must not only be evaluated absolutely, but also as a positive symptom. 652 [454]

Single measures require careful coordination as they effect a number of economic laws (foreign trade law, raw materials allocation law, price control regulations, etc.) and also, in the final analysis, international developments. (The above mentioned laws will expire on June 30, 1952.) They laid the principles for various control measures.

The decisions taken by the OEEC (of which Austria is a member) resulted in a number of recommendations to the member states; the observance of these will be of essential importance for an eventual continuation of foreign aid to single countries. They not only provide for the extension of European production by 25 per cent in the next five years but stress especially the maintenance of "financial stability." This means an increase of productivity, the balancing of the dollar balances and the expanding of agricultural potentialities. How important the establishment of a financial balance is felt to be the carrying out of the total programs is best seen by the decision of the Committee of Ministers to examine the internal financial condition of the single countries by a special committee of experts. These periodic evaluations of the total conditions in the United States and in Canada as well as in the European countries are to form the basis for adjusting the common economic policy. It is expected that the American and Canadian governments will accept the decisions of this committee; thus, for the first time the OEEC extends its activities, which were up to now restricted to western Europe, to North America, thereby introducing a new era of international cooperation. 000

The Marshall Plan is about to end. We already can see the contours of the principles of a new economic cooperation. While the ERP was based mainly on grants (gratis aid deliveries) to give European production a start, there will be in this second stage a restricted convertibility of foreign currencies through the medium of the EPU. In its third stage, trade policy liberalization will be approached with the aim of a unified European market. Thus, in a fourth stage, the principle of an international credit standing will again be achieved in



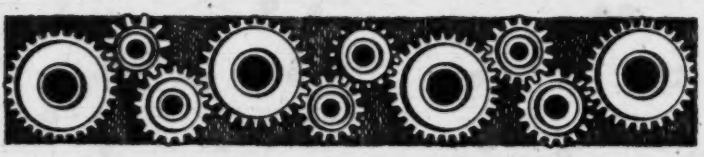
THE AUSTRIAN ECONOMY AFTER 1918.

439 The disintegration of the Dual Monarchy was immediately followed by severe economic disturbances. These were by no means small, even in comparison with the position after 1945. The heart of Austria, with its highly developed trade, was suddenly completely cut off from its former inland sources of raw products and markets. The oilfields of Galicia, like the important coal deposits in the lands of Bohemia, Moravia and Silesia, were lost, having fallen to the Succession States, and the loss of the agricultural surplus areas produced a threat of famine.

433 439 The Succession States—Czechoslovakia, Yugoslavia and Hungary—each attempted to build up a national economy, to balance its economic structure and to make itself as far as possible independent of raw and semi-manufactured materials and finished goods. A division of labour which had grown during decades into one complete organism was thus broken up, to the detriment of all peoples living within this territory. For Austria this meant that an intensive system of internal trading suddenly turned into one of foreign trade, where great difficulties had to be overcome. At first even inter-state transport communications were further complicated by barriers created by the Succession States.

728 433 458 The nadir of those days was reached with the signing of the Treaty of Saint-Germain, which revealed the full extent of the catastrophe. Austria's tragic path at that time was blocked by a series of apparently insurmountable obstacles to the procuring of essential foodstuffs, coal and raw materials. Inflation to an extent never before seen set in and led to a selling-out of national assets. The unfavourable basis of the rump economic structure as well as the instability of Austria's relations with foreign countries seemed to doom all her efforts to failure.

648 457 After difficult but very skilfully conducted inter-state negotiations, the governments of Czechoslovakia, France and Italy were persuaded to advance credits to the Austrian Republic. The Allied Powers convinced themselves that Austria, if help came from the League of Nations, would exert her own energies to the utmost in order to put her finances and trade on a sound footing. The will of the ●652 Austrian Government to stabilise the budget, demonstrated by the previous abolition of food subsidies (in December 1921), did much to assist these efforts. The Financial Recovery Plan which was signed at Geneva on October 4th, 1922, proved the turning



point. The banknote printing presses were stopped and national administration put on a firm footing through drastic measures of economy. 652

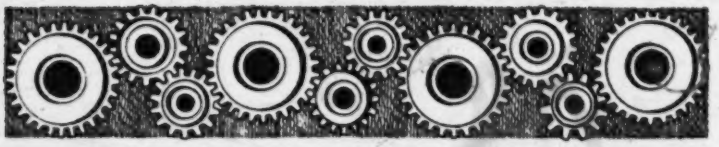
However praiseworthy the efforts which led to a balancing of the budget, the difficulties which still confronted Austrian trade remained considerable. Austria's productive capacity was far greater than its markets (which had shrunk to an eighth of their former size) could possibly absorb. As a great part of Austrian industry was devoted to manufacture, the country was dependent on the import of foreign raw materials (textile, metal and chemical raw materials, hides, furs etc.) and auxiliary materials (above all coal). On the other hand, the social services (unemployment pay, emergency aid, health insurance etc.) which were more extensive than in all the other Danube States made the costs of Austrian production comparatively high. 433 439 [745]

All Austria's efforts were directed towards export. In 1931, 25 per cent of all inland output was exported, 45 per cent of this being industrial production. If one works out the value of goods exported per head of population and compares it with the exports from other countries it will be seen that in 1937 Austria was ahead of Germany, France and the U. S. A., the comparative figures being 39 : 36 : 34 : 28.

As an industrial country, Austria was forced through the ceding of her agricultural surplus territories to rely on the import of foreign foodstuffs. These imports had to be paid for by the export of industrial goods, as had also the raw and auxiliary materials. 457

According to the balance of payment figures for the year 1934, the exchange of commodities, which amounted to 63 per cent of all listed inter-state payments was the most important item of Austria's inter-state economic transactions. Second in importance were payments under the heading of invisible imports and exports (balance of services), which amounted to 23 per cent of the total payments. Austria made a profit on these transactions of about 200 million schillings. That proportion of the goods imported which could not be covered by exports alone was therefore paid for by services in the strictest sense of the word. Of these services, the tourist trade and transit trade were the most important.

Through the loss of former markets, Austria was forced to form new export connections in the north, south, west and overseas. As the goods which had formerly been exported to the east and south-east were not automatically marketable in these 439



439 territories, Austrian producers were forced to adapt their output to these new conditions. This was of course only possible through the painful process of making certain changes in the economic structure.

439 The main bases of Austrian trade, as vital then as now, were:

135 a) the abundance of forests which ensure timber for export as well as for the furniture-making and paper industries.

b) The deposits of iron ore which form the basis of iron and steel production and the iron-working industry.

c) The wealth of water in the alpine districts, constituting an extensive source of power which is being increasingly exported in addition to supplying Austrian industry with current.

d) The recently-discovered inland oil fields (at Zistersdorf).

e) The fashion and luxury-article industry, an export factor of increasing importance.

f) The credit balance of services (tourist trade and transit trade).

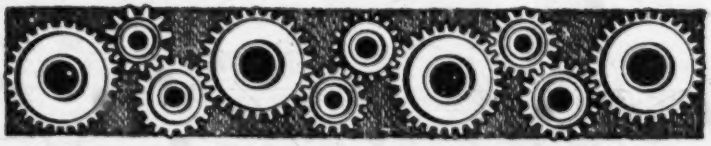
433 It is one of the characteristics of industrial-commercial production that Austria, as a result of her comparative lack of capital, should be at a disadvantage whenever it is a question of mass production. But wherever there is a chance for painstaking finishing, special skill or workmanship, as well as good taste and original ideas on the part of the producer to play a rôle, the prospects of success are excellent. It is not only, as is often mistakenly imagined, the fashion and luxury industries to which this applies, but all the many branches of manu-

472 facturing where it is the quality of the work which counts. These factors are strengthened by the prevalence of small concerns in Austria. Factories with up to 100 employees amount to 75 per cent of the total, those with 100 to 1000 employees to a little over 20 per cent, and the factories employing over 1000 persons to only 4·4 per cent.

● 652 After the stabilisation of the currency, production and export trade showed

433 a favourable increase between the years 1923 and 1929. Production rose during this time by nearly one third. Then followed the general slump, especially

458 serious for Austria on account of her great dependence on export. The development which had begun so hopefully was now brought to a standstill through the external crisis.



bank 34 and the Wiener Bankverein 29 branches outside the territory of present-day Austria.

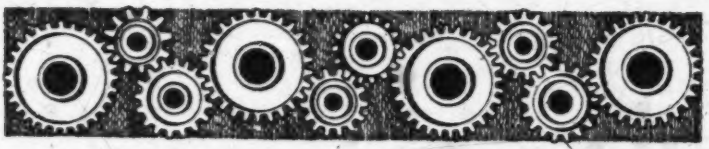
Adapting the Austrian credit system to the conditions and needs of the Austrian Republic actually took more than one and a half decades. It was not until the year 1934 that this process could be considered as completed with the fusion of the Creditanstalt and the Bankverein. The enormous difficulties involved were still further complicated by the fact that the change coincided in point of time with far-reaching international crises of trade and finance, so that certain grave reactions on the Austrian economy were unavoidable. Notwithstanding this, the latter and its credit system proved themselves strong and vital enough to survive those troubled times and to prepare the ground for the favourable development of Austrian trade in general and the Austrian banking system in particular.

This development was broken off in abrupt and catastrophic fashion through the establishment of the National Socialist regime and the outbreak of the war which soon followed. Although the end of the war restored Austrian independence—in theory, at least—it left behind chaotic conditions—both figuratively and literally a heap of ruins.

In the realm of finance, the first attempts at reconstruction had to be directed towards the re-establishment of the means of payment, a solid national currency being of course a primary condition for the normal system in foreign trade became the guiding 439
principle, the narrowing down of inter-state 648
trade relations being shortly afterwards still more strongly emphasized through currency restrictions and the clearing agreements connected herewith. The currency devaluations of the 457
gold-standard countries towards the end of the 435
year 1936 created new difficulties for Austrian foreign trade. As devaluation was out of the question and an export subsidy was not considered to be a suitable political-economic instrument, the only remaining alternative was to lower the costs of production. The difficulties of such a course have been proved by practical experience in all countries, as the questions of fixed prices and wages combine to form an insurmountable obstacle to such a development.

Nevertheless Austria still succeeded in linking 458
up with the world boom which began in 1935—
1936. In the year 1937 her figures of production 457
were 6 per cent higher than those of the last characteristic boom year of 1929. The tourist trade developed exceptionally favourably, despite the "1000 mark limit" imposed by Germany, and the volume of foreign trade was constantly on the increase.

In view of the heavy burden of debt which 652
the country had to assume after 1918, of the increasingly protectionist tendencies throughout the whole of Europe, especially among Austria's immediate neighbours and considering the severe and long-continued world trade depression, as well as the crises of international currency,



652 the budget of Austrian administration at the end of the First Republic must be considered to have been thoroughly satisfactory. The often apparently insurmountable difficulties which confronted economic policy in those days were dealt with in such a manner that the state of Austrian trade in 1937, judged by production, income and consumption, could in every way bear comparison with that of other countries. During the whole of this period the national budget was balanced and the currency was considered to be one of the most stable in Europe. The Austrian Schilling was known in general as the "Alpendollar" on account of its stability.

653 The administration of the Federal Government as well as that of the various provincial governments was developed on the basis of a balanced economy as a framework of a general working programme. In the first place road-building was started, improvements carried out and private building activity encouraged to make investments. The number of unemployed ceased to increase and even showed a slight tendency to fall from season to season through large-scale recruiting of workers for the land. The actual unemployed were able to draw on unemployment insurance funds. Weekly payments of about 28 Schillings per person meant that even during those difficult years nobody had to suffer hunger. These social measures, passed during the first ten years of the Republic, still remain in force for the

745

functioning of the Austrian credit system. This aim was principally served by the Bank Reopening Law and the Banknote Transition Law of July 1945. These were followed at the end of 1945 by the Schilling Law which restored the Austrian Schilling in place of the Reichsmark currency and attempted to combat symptoms of inflation (which in part had appeared before the fall of the Nazi Government) by the blocking of accounts. Two years later the Schilling Law was reinforced by the Currency Reform Law which declared forfeit the greater part of the frozen assets which had been created by the Schilling Law and changed the remaining accounts (then only partly free) into liabilities of the National Treasury. The stabilisation of the currency at which the Currency Reform Law aimed has been successful, and the Schilling has once again become a real standard of value as a result of this measure.

Apart from the prominent part they played in carrying through the currency measures, the credit institutions were naturally chiefly concerned with providing a basis for their primary economic function, that of collecting superfluous money and directing it to the most useful channels of general trade.

Progress made in both these directions, and future prospects are by no means inconsiderable. There is an obvious return of confidence in the banks. This is shown by the slow but steady increase in deposits, encouraged by re-adoption of the principle of the secrecy of bank transactions and by

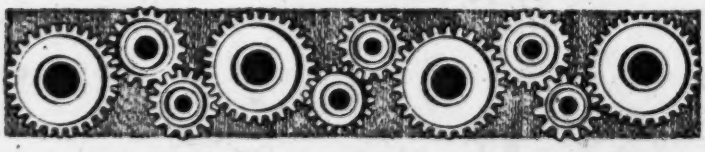
war on the country, then the occupation of Austria and its division into zones, with ensuing damage to trade, the devaluation of the compulsorily accepted German state bonds, with the complicated problem of "German property", and finally the disappearance of the basis for Austrian insurance in a number of neighbouring states.

Just as before, the Austrian insurance organizations attach the utmost importance to international connections. These have always been of the best and it was luckily possible to renew them quickly after the end of the war and the restoration of national independence. This explains why in Austria—in contrast to other European countries—there has never been any difficulty over coverage even during the first post-war hardships, rearrangement of reciprocal insurance necessary after separation from Germany being carried out smoothly and without friction. Austrian insurance firms are untiring in their efforts to consolidate their position as far as possible in the international re-insurance market. The Austrian National Bank appreciates the desirability of this and has facilitated dealings in foreign exchange within the framework of its limited powers.

Further development of life insurance business, however, will depend on problems connected with the devaluation

readjustment of Austrian commerce which had been forcibly interrupted in the year 1938. The former successes of Austrian commercial policy justify the assumption that this goal will be reached in the not too distant future. It may also be assumed that the experience which the whole world had of the results of exaggerated protection just before 1938 will have created a more favourable attitude towards free trade, thus ensuring that Austria's efforts to increase her foreign trade will fall on more fruitful soil than before. The possibilities of internal trade in Austria are not sufficient to give a nationalist economic policy a chance of success. Foreign trade will always remain a decisive factor for the Austrian economy and thus all other commercial measures can only be considered in the light of its demands and of its development.

The progress made since 1945 has shown that Austrian economic policy is not treading outworn paths, but is adequately adapting itself to the needs of the moment. Government intervention in questions of price control, rationing, foreign trade etc., which proved necessary in the year 1945 owing to the situation at that time was gradually been dropped as soon as this became possible. Financial conditions, which were in a state of complete disorder, have been so far straightened out that money is once again able to fulfil its function in commerce as a means of exchange and as a standard of values. The path which has been followed from the "Schalter-

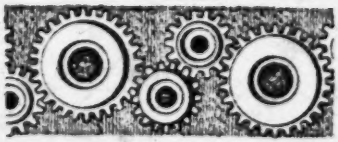


452 gesetz" (Bank Re-opening Law) to the Schilling Law, the Wage-Price Agreement and the Currency Reform Law is a perfect example of wise and experienced currency regulation worthy to be recorded in history alongside earlier Austrian success in this field, the best-known of which is the credit and currency policy of the old Austrian-Hungarian Bank.

439 A comparison of the present state of Austrian trade with the position in 1945 must tend, in view of the many obstacles with which reconstruction had to contend even though there was generous foreign aid, to arouse confidence in the commercial future of Austria and finally banish the legend of her non-liability to the realm of fable.

of the capital of existing businesses and other questions of the money and capital markets. At the moment interest is centred chiefly on the coverage of life insurance risks. The improvement in living conditions for the Austrian people is already beginning to have a favourable effect on new business in life insurance, although the social insurance system which is very highly developed in Austria leaves less margin for private insurance than in other countries.

Economy, perseverance and optimism characterise the Austrian insurance system, which is in itself a barometer of Austrian trade.



458 the disruption of production and foreign trade caused a
435 continued and increasing shortage of goods. Though rationing of essentials was not immediately abolished, wartime controls were relaxed and the rise in prices was accelerated. This rise in prices, together with the dearth of so many industrial goods, induced many peasants to resort to a system of barter. This further diminished the flow of goods to the market, and with it the value of money.

At the same time, the socialist revolutions in neighbouring Hungary and Bavaria and the revolutionary tendencies among the Austrian people led to a mass transfer of capital to other countries. The various controls of the post-war period, designed to prevent capital movements and to preserve the precious foreign exchange for essential imports, were largely ineffective and the conspiracy against the Crown (the Austrian currency unit at that time) continued openly and in the numerous black markets. Consequently, the dollar exchange which—owing to the blockade and the practical cessation of international trade—had risen from 4·95 Crowns in July, 1914, to only 14·33 Crowns in November, 1918, began to soar rapidly (see the table on p. 25). With the dependence on imported raw materials and foodstuffs this quickly led to
• 652 further price increases. The governments of the day
458 should of course have adopted drastic measures to keep the inflationary pressure in check. In fact, their policy
435 intensified the inflation. Expenditure continued to run at a high level. Food subsidies, for instance, had to be continued in view of the rise in food prices. These subsidies were often quite considerable; in December, 1921, for instance, they accounted for more than half the budget deficit. Then there was the large item of civil service salaries. Not only did Vienna inherit the central adminis-

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

trative staff of a 50 million empire—and a very bureaucratic empire at that—but this staff had been considerably swollen in war time and was further enlarged by the absorption of all those Austrian officials who after the war returned from their posts in the "Succession States". To reduce this number of officials was one of the problems of readjustment which Austria had to solve; and in fact a drastic reduction was carried out later. But little was done in the first post-war period and salaries—inadequate as they were with the increasing depreciation of the Crown—were a heavy drag on the Exchequer. In other lines, too, expenditure continued to run in an unplanned and uncoordinated manner. This was perhaps an effect as much as a cause of the inflation; but it was also symptomatic of the Government's fatalism; for they considered all this as the natural expression of Austria's doom.

The Government's weakness also showed itself on the revenue side. Expenditure, however carefully planned, is bound to be high in any post-war period. The social and economic upheavals of modern wars call for a high degree of State control and interference so as to facilitate an orderly return to a peace-time economy. But if inflation is to be avoided this high level of expenditure must be matched by an equally high level of revenue—at any rate under conditions of more or less full employment. This, however, the governments completely failed to achieve. The years 1919 to 1922 were years of continuous budget deficits, as is shown by the table on page 24.

The failure of revenue to come anywhere near expenditure was due to a number of reasons. First, the rapid depreciation of the crown implied that every time lag between assessment and payment caused a reduction in the real value of the tax. This opened the way to tax evasion on a grand scale; for even the incidence of stiffer nominal rates

AUSTRIA'S ECONOMIC DEVELOPMENT

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Budgets	Receipts	Expenditure (Mill. of Crowns)	Deficit	Deficit in per cent of Expenditure
Jan. 1– June 30, 1919	1,339	4,034	2,704	67
July 1, 1919– June 30, 1920	6,295	16,873	10,579	63
July 1, 1920– June 30, 1921	29,483	70,601	41,117	58
July 1– Dec. 31, 1921	24,075	49,496	25,421	51
Jan. 1– Dec. 31, 1922	209,763	347,533	137,770	40

651 of taxation could be avoided by simply delaying payment
435 for a little while. It was not until much later that the
458 Government introduced "tax units" of a stable value to put a stop to this. Secondly, stronger measures, such as a capital levy and a compulsory loan, which were intended to bring some relief in this extraordinary emergency, were greatly watered down through endless delay and the strong pressure from vested interest. By the time they were finally introduced they were in fact quite ineffective. Thirdly, the Government was slow in adjusting the prices of State-owned enterprises to the rapidly rising price level, and considerable losses were incurred as a result.

458 Expenditure thus rose with rising prices while receipts
435 lagged behind. The gap had to be filled. A loan was out of the question for nobody was willing to lend money which would probably be worthless by the time of repayment. So the printing press, which had proved a convenient servant in war-time, had to continue its work. More and more notes were printed, prices went up and with it the State's expenditure and deficit. The vicious spiral was set in motion.

The following table indicates the course of the inflation.

the German Steel Trust. We shall see later what ominous political and economic consequences flowed from this transfer of control. 458 471

Summing up, it may be said that the years of inflation brought a marked revival in the sphere of production and foreign trade; but that little was accomplished in the way of urgently needed structural adjustment.

One further result of the inflation should be mentioned. In Austria, as elsewhere, the internal National Debt was practically wiped out. No doubt this put a heavy burden on some classes of the population, particularly the small saver. No doubt, the inflation involved a heavier burden of external debt than would otherwise have been the case. But the disappearance of the National Debt undoubtedly relieves a government of some headaches when it comes to the point of drawing up a budget. And to balance the budget was one of the main tasks before the Government if the inflation was to be brought to an end. 458 652

THE STABILIZATION OF THE CURRENCY

We have seen that the Austrian Government pinned all its hopes of overcoming the monetary chaos on foreign help. A foreign loan would both help to balance the Government's budget and to stabilize the foreign exchange rate, the barometer of the country's confidence in the Crown. 457 652

Negotiations for such a loan had started as early as 1920; but to secure a loan was by no means a simple matter. The allied governments expected to receive reparations from Austria, not to make loans to her. They pointed to the relief credits they had already granted (but which had of course been used up for "unproductive" relief) and were unwilling to make any further advances. Private investors, on the other hand, were unwilling to

9: Rothschild E-4. 5 (no date) 1947 EK1 Austria EK1

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lend money to a country which constantly stressed the lack of a sound basis for its economic future. Only first-class guarantees would induce capital to come to Austria. The Austrian Government, therefore, proposed to guarantee such a loan by pledging some of its major sources of revenue (customs, tobacco monopoly, State forests) to its service. Unfortunately, however, all properties and revenues of the Austrian State had already been charged with guaranteeing reparations, occupation costs, and relief credits. Negotiations were therefore begun with a view to securing the agreement of all the states concerned (eighteen in number), to raise their mortgage on Austrian assets. By the time the necessary agreement had been secured—which was not until about a year later—the position had deteriorated to such an extent that the original financial plan was no longer adequate.

Finally the League of Nations decided to step in. In October, 1922, the famous Geneva Protocols were signed. The first Protocol, signed by Great Britain, France, Italy, Czechoslovakia, and Austria, re-affirmed the political and economic independence and territorial integrity of Austria. In the second Protocol the British, French, Italian, and Czechoslovak governments each guaranteed a portion of an Austrian loan of 650 million gold Crowns. In the third Protocol the Austrian Government promised to put its own house in order, to balance its budget, to stop borrowing from the Bank of issue, and to create a new and independant bank of issue, the Austrian National Bank.

The Geneva Protocols had a remarkable effect on the monetary situation. The mere fact that promising negotiations were in progress led to a return of confidence and put a stop to the panic flight from the Crown. The dollar exchange rate reached its highest point in August, 1922, when it stood at 83,600 Crowns. After that there was a

slight fall. Retail prices ceased to rise in September, 1922; after that they merely fluctuated in the normal way. The return of confidence in the currency enabled the Government to raise loans from the public once more. Between November, 1922, and January, 1923 (long before the raising of the foreign loans), 80 million gold Crowns were subscribed in domestic loans. In the summer of 1923—after some short-term credits had been granted to Austria—the guaranteed long-term loan was at last launched in the various Allied and neutral countries. The subscription was a complete success. The reorganization of Austria's finances could at last be taken in hand. Careful economy, the cessation of borrowing from the bank of issue, and the increased yield from taxation all helped to reduce the deficit. 457 652

In November, 1923, the budget for the first time showed a surplus. The operation had been clearly successful. At that time most of the other European countries, and particularly Germany, were in the throes of inflationary catastrophes which surpassed anything that had happened in Austria. In 1923 and 1924 the Austrian Crown[12] was indeed one of the most stable currencies in Europe; a fact which earned it the nickname of the "Alpine dollar". The way was now open for the more fundamental tasks of readjustment and reconstruction. Nevertheless, a more courageous policy might have achieved the same results without the aid of so much foreign borrowing, whose burden could not help but make itself unpleasantly felt at a later stage.

1 [CF. CATEGORY 116, P. 35. — ANALYST]

THE EFFECTS OF THE WORLD CRISIS

IMPORTS AND EXPORTS

Value in national currencies (000,000's omitted)

		1929	1930	1931	1932	1933	1934
Austria	Imp.	3,263	2,699	2,161	1,384	1,148	1,153
	Exp.	2,189	1,851	1,291	764	775	857
Czecho-slovakia	Imp.	[illegible],942	15,680	11,725	7,459	5,799	6,349
	Exp.	20,485	17,460	13,106	7,329	5,843	7,267
United Kingdom	Imp.	1,111	957	797	651	626	680
	Exp.	729	571	391	365	368	396
U.S.A.	Imp.	4,339	3,114	2,089	1,325	1,433	1,636
	Exp.	5,157	3,781	2,378	1,576	1,647	2,100
Germany	Imp.	13,447	10,393	6,727	4,666	4,204	4,451
	Exp.	13,483	12,036	9,599	5,739	4,871	4,167

These figures clearly demonstrate the extent and the universality of the depression.

The decline in foreign trade, which was everywhere far more severe than the decline in production, affected Austria gravely. The increasing adoption of "beggar-my-neighbour" policies greatly restricted outlets for Austria's manufactured goods. Tariffs rose to incredible heights in central and south-eastern Europe; quotas, import prohibitions, and a hundred and one forms of administrative protectionism blocked the flow of goods.

Austria was compelled, in turn, to resort to increasing protectionism and her agriculture, in particular, was increasingly cut off from the world market. Home food prices were, in fact, maintained much more than prices of manufactured goods, and this resulted in an increase in agricultural production, contrasting strangely with the persistent decline in industrial output.

The workers, of course, had now to pay relatively higher prices for their essential needs. On the other hand, the stability and purchasing power of another important

to meet its obligations without liquidating the whole concern. It appeared later that its outstanding obligations were actually considerably in excess of its own capital, which then consisted of 125 million schillings, together with a reserve fund of 40 million schillings. 453

The bare announcement of these facts had staggering effects. It set the ball rolling which knocked over the financial and monetary stability not merely of Austria but of the whole world. For the Credit-Anstalt was not just *some* Austrian bank. It was closely integrated into the world's financial structure. Its foreign debts amounted to $76 million of which 27 million were due to Great Britain and 24 million to the United States. Certain banks in other countries which had considerable interests in the Credit-Anstalt were directly affected, and so the crisis spread from the Credit-Anstalt to the German Darmstaedter and National Bank and to the Dutch Amstel Bank.

There were other less direct but even more important consequences. The failure of the Credit-Anstalt did not just mean the freezing of a number of credits; it was a symptom of the serious deterioration of the world's financial and economic stability. Loss of confidence, nervous and rapid shifts of capital, extreme economic nationalism in monetary matters, which had been raising their heads here and there, now came fully out into the open. A line is, in fact, discernible which leads from the collapse of the Credit-Anstalt to the suspension of the Gold Standard in Great Britain in September, 1931.[5] ½

Let us now return to the Austrian scene. When the position of the Credit-Anstalt became known it was clear that such an important institution could not be allowed to go bankrupt. Too large a sector of Austria's industry was dependent on the Credit-Anstalt for fixed and working 453 652

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½ [CA CATEGORY 116, p. 63 -- ANALYST]

453 capital; the country's foreign credit was too closely bound
up with the solvency of this bank. The Government
652 therefore stepped in within four days and, together with
the Austrian National Bank and the House of Rothschild,
assumed responsibility for its financial reconstruction. A
number of measures followed in quick succession. The
government guaranteed first the foreign, and later also the
domestic deposits of the Credit-Anstalt. A committee was
set up in London to represent the interests of foreign
creditors. An agreement was signed providing that 500
million schillings of foreign short-term credits were not
to be withdrawn for two years. Strict economies were
introduced. Salaries and pensions were heavily cut by
453 decree; many of the bank's employees were sacked. The
652 problem of an overgrown banking system was at last
being solved; but in a way which created much misery and
464 dislocation. No doubt, the Credit-Anstalt had somehow
to be saved. But the Government was too concerned
about the profitability of the concern and the interests of
the shareholders. Its measures contributed to the already
serious structural unemployment among the middle
classes and served to prolong the depression. Moreover,
the Government missed an unique opportunity of using
its newly gained influence over the main credit institution
to re-organize and direct the country's industrial structure
in the national interest.

453 But the collapse of the Credit-Anstalt did not only call
for far-reaching measures for the restoration of that
436 institution. It also had grave repercussions on Austria's
652 monetary system. The National Bank had been forced to
re-discount a large number of Credit-Anstalt bills, and
457 the note circulation began to swell. At the same time, in
spite of the Government's speedy assistance and guarantee,
confidence had been shaken and funds were withdrawn

from the Credit-Anstalt on a large scale. Particularly foreign short-term credits, which had already trickled outwards ever since 1929, were now called in rapidly. About 1,000 million schillings were withdrawn from Austria within a year.

This put a severe strain on the foreign exchange reserves of the National Bank. The stability of the currency, which had rested on a firm basis since the inflation had come to an end, was threatened once again.[6] Support was urgently needed and, for the second time in its short history, the Austrian Republic had to appeal for foreign help. Some welcome, but sadly inadequate, help was rendered in June, 1931, in the shape of a 150 million schillings credit from the Bank of England and 100 million schillings from the Bank for International Settlements. This eased the strain for the moment, but soon there was a renewed decline in foreign exchange reserves. Germany and Hungary suspended their foreign payments. This meant not only a loss of expected income but it also undermined confidence still further and a flight of capital set in which threw the foreign exchange market completely out of gear.

On August 7th, 1931, the Austrian Government asked the League of Nations for a 250 million schillings loan. As in 1922, this loan was ultimately granted. But again the help did not come soon enough. After prolonged negotiations and investigations the Financial Committee of the League of Nations stressed in March, 1932, that the financial strain of Austria, Hungary, Greece, Bulgaria, etc., was mainly due to world causes over which they had very little control, and that there was an urgent need for international financial help. In the summer of 1933, two years after the first appeal, the loan was finally launched.

But in the meantime the position had gone from bad

[1] [Cf. CATEGORY 116, pp. 63-64 -- ANALYSIS]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

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to worse. Action became imperative. The demand for foreign exchange increased steadily and an unofficial premium on foreign currencies developed. On October 9th, 1931, after the foreign exchange reserves of the National Bank had fallen from 856 million schillings on May 7th to 359 million schillings, exchange control was finally introduced to stop any further loss of reserves. The same measure had already been introduced by Germany, Denmark, Hungary, Greece, Czechoslovakia, and Yugoslavia. It soon spread to most of the smaller nations in Europe and South America. Further measures —above all import quotas and clearing agreements— followed for the purpose of husbanding the scarce foreign exchange reserves.

In this way the emergency was temporarily met, the further flight of capital reduced, and the "devisen" resources preserved for essential imports of raw materials and foodstuffs. But exchange control created problems of its own. Prices in Austria had tended to be higher than world prices since mid-1931 so that now, with the value of the schilling artificially maintained, imports were encouraged while exporters found it increasingly difficult to compete in foreign markets. In spite of the controls the reserves of the National Bank therefore continued to decline in 1932, and in June of that year the transfer on foreign debts had to be suspended for almost a year.

The Austrian schilling had to be brought into line with world prices. But the Government was reluctant to devalue the currency for two reasons. First, the Austrian public was still very much "inflation-minded", and considered devaluation as equivalent to inflation. Devaluation might thus raise political difficulties. Secondly, devaluation would raise the burden of the foreign debt.

These considerations, however, lost much of their force

as one country after another went off the gold standard and devalued its currency. After a period of strict exchange control, lasting from October, 1931, to the middle of 1932, the Government relaxed some of its regulations. "Private clearing" was admitted, first in a restricted field, from which it quickly expanded until it covered the great majority of Austria's imports and exports. The private clearing system consisted in permitting exporters to sell their foreign exchange directly to importers instead of requiring them to hand it over to the National Bank at the official exchange rate. In these private clearing dealings the schilling was actually devalued and found its equilibrium level so that exporters could once again compete in the world market while importers could obtain the necessary "devisen" without further formalities and delays. This *de facto* devaluation of the schilling was finally officially recognized in April, 1934, when the Austrian National Bank revalued its gold and "devisen" resources at the new parity of the schilling. This revaluation of the reserves corresponded to a 22 per cent devaluation of the schilling. 652 457

After that date Austria returned to a practically free foreign exchange market,[7] and the stability of the schilling was once again secured. This was a remarkable achievement at a time when most of the other countries in central and eastern Europe travelled in the opposite direction, viz. towards more exchange control and a greater isolation of their economies from the world market. Austria's withdrawal from all but rudimentary exchange control was indeed, as an American economist said, "a unique chapter in monetary history".[8] 1

Its importance lay not only in preserving Austria's position as a centre for transit trade and commercial and financial services; above all, it rescued Austria's foreign 652 439

1 [Cf. p. 64, Category 116--ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

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trade from Germany's trade offensive which was so catastrophically successful in the Balkan countries.

But this could not have been done had there not been a general change for the better in the whole economic position.

The ensuing period of recovery forms the subject of our next chapter.

RECOVERY

1932 League of Nations Loan to lower interest rates, 457
greatly eased the burden of Austria's foreign debt service. Interest payments fell from 282 million schillings in 1932 to 110 million schillings in 1937.

The improved position in the spheres of foreign trade 652
and foreign indebtedness, and the reorganization of banking after the fall of the Credit-Anstalt,[2] put Austria's finances on a thoroughly sound basis. The gold and foreign exchange reserves of the National Bank recovered to a comfortable level. This enabled the Government to do away with most of the exchange control introduced at the height of the crisis; and the value of the schilling was successfully maintained when, in 1936, three of Austria's neighbours—Italy, Switzerland, and Czechoslovakia—devalued their currency.[3] For the second time in her short history Austria had emerged successfully from a very difficult financial position. Confidence in her stability was restored, and in 1937 Austria was in the unique position among all the European debtor nations of obtaining short-term commercial credits on the London market.[4] There can hardly be any doubt that Austria could have solved her problems without any further foreign assistance had she been able to maintain her national independence.

Altogether, then, it may be said that Austria had passed 511
through a period of sound, if stormy, development in the twenty years of her existence. Many improvements were 434
still required, many mistakes remained to be made good. Nevertheless, Austria had reached economic standards which compared very favourably with those of most other countries in central and eastern Europe. Her economic structure was much more similar to that of the Western industrial nations, though her standard of living fell greatly short of, say, British standards. To illustrate

1 [CP CATEGORY 116, p. 77 --ANALYST]

influenced the economic structure which emerged in these last years of Austria's independence. Two factors, in particular, were of importance: the changeover from a democratic to an authoritarian régime; and the rapid growth of the German trade offensive in south-eastern Europe.

At home, the most obvious results of the destruction of democratic institutions were of course to be found in the political field. But there were also important economic concomitants. The dissolution of free trade unions and of other democratic bodies eliminated every organized force which might have safeguarded the share of the mass of the population in the national income. While production as a whole returned to and even surpassed the 1929 level, the production of consumption goods—contrary to the experience in most of the other countries—remained far below it. The trade revival came largely from increased exports, rearmament, and public works.[7] The strong cartels which covered a large part of Austria's industry (e.g. in the iron and steel trades, in electrical engineering, in chemicals, rubber processing, sugar refining, in the paper and brewery trades, etc.) absorbed a large proportion of the rising national income into profits, and the revival failed to spread to the consumption goods industries which remained depressed and were a source of unemployment.

The external effects of the changed political situation were even more marked. In the inter-war period, and particularly after 1929, when tariffs, quotas, currency wars, etc., became the order of the day, the economic relations between most countries ceased to be governed by transactions between private traders. Foreign trade increasingly became the concern of governments, and economic policy a special aspect of foreign policy. Austria

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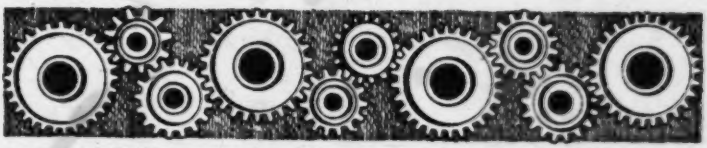
439 was no exception and it is in this field that particularly
652 grave mistakes were made in the period under review.

As early as 1931, when Austria was still a democracy, a
641 dangerous and harmful attempt was made in the inter-
439 national field to solve the growing economic difficulties. Dr. Schober, a member of the small Pan-German group in Parliament and Foreign Minister in the Coalition Government of the day, entered into secret negotiations with Dr. Curtius, the German Foreign Minister. On March 19th, 1931, the world was suddenly informed of the intention of the two governments to form a customs union. The plan found instant and wholehearted support in Germany. In Austria there was no enthusiasm about it outside the ranks of the Pan-Germans, and many Austrian industrialists were gravely disturbed by the prospect of falling completely under German control. But it was mainly in France and Czechoslovakia that the full implications of this Pan-German move were immediately grasped. Only a few days after the scheme was announced, on March 26th, Dr. Beneš, the Foreign Minister of Czechoslovakia, explained to the members of the Foreign Affairs Committee that the customs union project raised the question of the *Anschluss* indirectly as a customs union between unequal parties was certain to destroy the independence of the weaker.

Fortunately the project did not materialize. The
457 growing financial difficulties of Austria and the need for
648 foreign help, which Germany was neither able nor willing to provide, induced the Austrian Government to give up the plan for a customs union. A few days later, on September 5th, the Permanent Court of International Justice decided by a narrow majority—eight votes to seven—that a customs union would be incompatible with Austria's obligations under the Geneva Protocols.



652 the budget of Austrian administration at the end of the First Republic must be considered to have been thoroughly satisfactory. The often apparently insurmountable difficulties which confronted economic policy in those days were dealt with in such a manner that the state of Austrian trade in 1937, judged by production, income and consumption, could in every way bear comparison with that of other countries. During the whole of this period the national budget was balanced and the currency was considered to be one of the most stable in Europe. The Austrian Schilling was known in general as the "Alpendollar" on account of its stability.

653 The administration of the Federal Government as well as that of the various provincial governments was developed on the basis of a balanced economy as a framework of a general working programme. In the first place, road-building was started, improvements carried out and private building activity encouraged to make investments. The number of unemployed ceased to increase and even showed a slight tendency to fall from season to season through large-scale recruiting of workers for 745 the land. The actual unemployed were able to draw on unemployment insurance funds. Weekly payments of about 28 Schillings per person meant that even during those difficult years nobody had to suffer hunger. These social measures, passed during the first ten years of the Republic, still remain in force for the

functioning of the Austrian credit system. This aim was principally served by the Bank Reopening Law and the Business Transition Law of July 1945. These were followed at the end of 1945 by the Schilling Law which restored the Austrian Schilling in place of the Reichsmark currency and attempted to combat symptoms of inflation (which in part had appeared before the fall of the Nazi Government) by the blocking of accounts. Two years later the Schilling Law was reinforced by the Currency Reform Law which declared forfeit the greater part of the frozen assets which had been created by the Schilling Law and changed the remaining accounts (then only partly free) into liabilities of the National Treasury. The stabilisation of the currency at which the Currency Reform Law aimed has been successful, and the Schilling has once again become a real standard of value as a result of this measure.

Apart from the prominent part they played in carrying through the currency measures, the credit institutions were naturally chiefly concerned with providing a basis for their primary economic function, that of collecting superfluous money and directing it to the most useful channels of general trade.

Progress made in both these directions, and future prospects are by no means inconsiderable. There is an obvious return of confidence in the banks. This is shown by the slow but steady increase in deposits, encouraged by re-adoption of the principle of the secrecy of bank transactions and by

former minister Dr. Georg Zimmermann, and the manager of the Statistisches Institut der Universität Wien (Statistical Institute of the University of Vienna), Professor Dr. Wilhelm Winkler. The latter is the author of a number of treatises about principles of methods and economic statistics. In this field of endeavor he is being supported by F. Klezl-Norberg, vice-president of the Statistical Central Office. These two theorists share, from a national economic point of view, the ideas of the Austrian School, whereby the first named inclines more or less towards mathematics and economics. 647 816

The Ständige interministerielle Referentenkomitee zur Bekämpfung der Arbeitslosigkeit und Sicherung der Vollbeschäftigung (Permanent Inter-ministerial Committee of Department Heads to combat Unemployment and to secure Full-time Employment) also cooperates with the Institute of Economic Research. This committee concerns itself not solely with the task of enforcing immediately adequate measures, but also directs attention towards weak points in the economy which eventually could influence the intensity of work; it further prepares long-term economic measures which should be enacted. [464] [654]

The Mitteilungen (Reports) of the Oesterreichisches Kuratorium für Wirtschaftlichkeit (Austrian Board of Trustees for Economy), a board sponsored by the Bundeskammer der gewerblichen Wirtschaft, are especially concerned with rationalization problems (Manager: Consul Schmidhuber). Science of business economics is a discipline particularly taught at the Hochschule für Welthandel, Vienna, which has quite a number of experts on its lecturing staff (W. Bouffier, F. Dörfel, K. Oberparleiter). This branch of science became, via the balance theory, more and more related to theoretical economics. In this way--and this applies to the entire field of commercial science--the selection of themes, the setting of problems and the methods of presentation show the influence of the Austrian School. The science of business economics has contributed to better and more standarized forms of accounting, improvements in bookkeeping and cost accounting. Scientific handling of advertising and market research has substantially improved plant management. 874 451 816

Austria has become intensely interested lately in methods of work psychology, which have proven successful in the United States, England and other western nations. In this connection may be mentioned the 461 466 816

461 Oesterreichisches Institut für angewandte Arbeits-
466 wissenschaft (Austrian Institute of Applied Science
816 of Work), Vienna, under Dipl. Ing. Otto Korwik. Employing principles of work-psychology, this institute has undertaken research work within large plants on production increases, improvement of quality, of production, working conditions, etc. The magazine Mensch und Arbeit, published by the Arbeitsgemeinschaft für Psychotechnik in Oesterreich (Committee for Psycho-Technics in Austria), Vienna, covers this field. On the board of trustees of this committee are former minister Dr. h. c. Eduard Heinl, member of parliament and president of the Gewerkschaftsbund Johann Böhm, as well as many other prominent individuals.

654 Thanks to a release of ERP-counterpart
313 funds, it will be possible to establish an Austrian Institute for Timber Research. The lumber industry is one of the most important in Austria. This Institute shall furnish the work industry with new theoretical and practical ideas, which in turn should benefit production. The Institute will cooperate closely with the testing laboratories of the technical colleges of Vienna and Graz.

217 Scientific as well as economic endeavors
815 are being supported by large libraries. The Wiener Handelskammer (Chamber of Commerce), for instance, accumulated during the one hundred years of its existence more than 150,000 volumes, becoming thereby not only the largest library of economic science in Austria but probably also in central Europe if one takes into account the losses incurred during the last war. The latest foreign publications are in its collections and it is continuously frequented by economists as well as students of national economics. The library of the Oesterreichische Institut für Wirtschaftsforschung contains 10,000 volumes, mostly about market prospecting and foreign trade, while the library of the Institut für Wirtschaftswissenschaften an der Wiener Universität with its 30,000 volumes comprises works of theoretical economics besides international publications.

204 Austria also has a number of well-edited
815 periodicals for political economy. The oldest one in the economic field in Austria, adhering to a scientific background and serving an extended reader clientele, is Der Oesterreichische Volkswirt (The

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	Millions of Schillings	
I. Federal Investment Program (extraordinary budget)		365.
Railroads	210.	
Post	60.	
Roads and bridges	60.	
Public Buildings	17.	
Federal theaters	18.	
II. Industrial Investments		1,231.048
Hydro-electric power	443.	
Coal mines	50.	
Other mines	2.	
Iron and steel production	264.7	
Metal industry	40.	
Electrical industry	13.	
Chemical industry	50.	
Iron and metal works	65.023	
Glass industry	14.12	
Textile mills	90.2	
Woodworking industry	33.03	
Paper mills	149.99	
Foodstuff industry	.25	
Construction industry	.435	
Extractive industry	4.2	
Leather and shoe industry	4.6	
Various other industries	1.5	
Crafts	5.	
[654] **III. Special Reconstruction Program (funds)**		524.3
Agriculture	225.	
Forestry	56.	
Tourism	109.3	
Construction of workers apartments	34.	
General housing construction	100.	
IV. Others		40.75
Measures to step-up productivity	6.	
Export promotion (Chicago Fair)	1.25	
Exportfund Company	25.	
Technical Assistance	1.5	
Sawmill-school Kuchl	2.	

457 created a new situation. As a result of this de-
652 valuation process, the Federal Government, in November 1949, decreed a reorganization of the foreign exchange market. This was intended to be the first step towards the establishment of a uniform exchange rate system. The official rate of exchange, henceforth called the basic rate, was increased from 10 to 14.40 schillings per 1 U. S. dollar (in accordance with the devaluation of the English Pound Sterling). At the same time a variable premium rate of exchange, presently fixed at 26 schillings to 1 U. S. dollar, was established. Exporters were required to give up 40 per cent of their foreign exchange proceeds at the basic rate. The remainder they could retain for payment of their imports within a period of 60 days or could offer to the Austrian National Bank at the premium rate. Goods to be imported were classified into three groups. Those listed in schedule A were imported at the basic rate of exchange, those listed in schedule B at a mixed rate (21.36) and those appearing in schedule C at the premium rate. Goods imported within the scope of the ERP, commodities to be disposed at prevailing cheaper price levels, were grouped with the mixed rate. Service charges and capital transactions were dealt in at the premium rate.

457 There remained, however, a conspicuous dis-
435 crepancy in the import exchange rates which introduced
465 disturbances into the cost-price structure of the eco-
652 nomy, and these in turn influenced living costs and wages.

[644] Upon recommendation of the International Mone-
tary Fund, a unification of the exchange rates had been considered at the time the multiple exchange rate system was promulgated, i.e., during November 1949. At the
[654] same time, and in order to ease budgetary strains, the system of subsidizing essential commodities like food, coal and agricultural necessities (which up to now had been sold at cheaper levels because of the ERP imports or imports financed under the basic rate of exchange) had to be substantially curtailed. Since any increase in the prices of grains and grain products was likely to impair living costs and wages, difficult situations arose. As a result of the changed price and wage relations, certain price and wage adjustments as well as a partial reduction of subsidies (covering sugar, coal and agricultural products) had already been promulgated in 1947, 1948 and 1949. After due consideration between political representatives and economic interests, a fourth price and wage agreement was enacted on September 27, 1950.

652 To this should be added that the surplus in expenditures for investments pertains exclusively to the extension of agriculture and forestry, tourist traffic facilities, the building of apartments for workers and the reconstruction of war-damaged dwellings. The expenditures for investment in institutions of state administration were lower by 2 million schillings than foreseen in the budget estimate for 1950. Of the 1,076 million schillings spent for the institutions of state administration only 377 million schillings were covered by ECA funds; the remaining 699 million schillings were covered by the surplus of current transactions (471 million schillings), other extraordinary revenues (80 million schillings) and from cash-on-hand. The consequence of this important diversion of state funds to cover investments, caused mainly by delays in alloting 70 million schillings from the ECA funds in the fourth quarter of 1950, was the creation of a long severe strain on the State's funds.

[654] The investments of 550 million schillings for the extension of agriculture and forestry and for tourist traffic, as well as for workers' dwellings and the reconstruction of war-damaged apartment houses, have been covered in full from ECA funds. For these investments there were only proposals in the 1950 estimated budget, but no credits had been provided since these investments were to be carried out only in accordance with allotments from ECA funds. The expenditures for these investments appear, therefore, as overdrawing on the estimated state budget for 1950.

e) Scope of the tasks of the Austrian banks in fulfilling the Marshall Plan. Financing of Marshall Plan deliveries.

In the technical execution of the Marshall
453 Plan the Austrian banks have a very important role.
457 They are obliged, in the first place, to give advice
652 on the financial feasibility of individual transactions before the applications of Austrian importers are presented for endorsement to the Federal Chancellory-ERP-Central Bureau, Vienna (Bundeskanzleramt-ERP-Zentralbüro, Wien). Moreover, they are in charge of opening letters of credit for single transactions which are covered by letters of commitment. They cash the schilling counterpart on the basis of documents which have been sent to and cleared by New York banks and notify the Federal Chancellory-ERP-Central Bureau on the carrying out of single transactions.

bringing new problems of adjustment. These were solved by a new general agreement of the Chambers of Economy (in July 1951), in which the main considerations were: the out-of-line prices in agriculture, the necessity of decreasing the subsidies for imports still existing, and the boosting of tariffs. 652 [435]
Special aims of the economic policy were:

1. To restrict the utilization of foreign aid for consumption goods in order to afford a bigger part of the total volume of goods and services for investment activities or, at least, a non-fluctuating part in the case of a decrease in foreign aid. The top aim was a change in the utilization of the gross national product. [434]

2. To balance the agricultural prices which were out of line. In this way, conditions were to be created for an optimal distribution of the available aids through the price mechanism (changes in the constitution of the gross national product). [435]

3. To effect conditions for a new distribution of income; this referred, in the first place, to agriculture and employment in public services, to persons living on state relief and pensionists (for these last two groups an adjustment of the real income was secured by the so-called "Nachziehverfahren"); the real wages of the other wage earners should be kept on the existing level (changes in the personal distribution of the gross national product). [454]

It was not easy to encompass these aims within the concept of economic policy, since automatically secondary and tertiary reactions to these changes were to be expected upon the total price structure. Be that as it may, the immediate results of this agreement were the following regulations:

1. Agriculture received higher production prices for wheat, rye and milk, by which a better market capacity might be obtained (stimulation of the production). [435]

2. The subsidies for the import of bread grains, fodder grains, and raw materials for fats were diminished. Consumer prices corresponded generally to the average (newly calculated) prices of the producer (unless fixed by special regulations). As far as import subsidies continued, they became part of the budget while the incomes from sales were kept on the same level of value as those from the ECA counterpart accounts. [654] [439]

435 655 [651] 3. The tariffs of the public corporations (Federal Railway, Posts, Tramways) as well as the prices for current were increased[1] from 20 per cent to 100 per cent to keep pace with the prices on the world market which had increased due to increases in cost (especially the price of coal); the trend toward a deficit in the Federal Railway and public service enterprises had to be checked. In spite of these considerable increases, these price rises were only three to five times as high as the level of 1937.

[1465] 4. On the basis of the newly calculated producer and import tax prices, new retailer prices were worked out; to balance this rise every receiver of gross wages received an additional income of from 10 per cent to 12 per cent per month, but at least a minimum of 140 schillings. For persons in the public service, special measures were taken on the ground of the so-called "Gehaltsüberleitungsgesetz."

[65] 5. Finally, in immediate connection with this agreement a number of taxes and duties were altered: progression of the taxes on wages and incomes; a change in the rates of the mineral tax; a change in the contributions of the employers to the balance funds for charitable relief; a change in the turnover-tax; on the grounds of the law of adjustment of social insurance of 1951, the basis of the maximum contributions to social security were changes.[2]

648 [654] The most remarkable progress within the scope of this agreement, however, was (as already mentioned) the reduction of subsidies. As is known, the individual ERP countries obligated themselves in the bilateral economic agreements (Austrian agreement, August 2, 1948) toward the USA to pay the full value of the American relief deliveries in the currency of the recipient country on a special account (counterpart accounts). These accounts should be disposed of by the individual governments in accordance with the approval of the ECA to cover, as a rule, the financing of productive investments and to support currencies. The utilization of these means for financing for consumer goods should be limited as far as possible, although this had been tolerated in the beginning to raise the general standard of living. The purpose of this limitation was not to prolong the dependence upon foreign aid which was to end toward the end of June 1952.

457 652 With regard to the necessary balancing of the balance of payments (the special measures to achieve

1 [i.e., in July, 1951. Cf. cat. 116, p. 97, for rationale--Analyst]
2 [sic.,--Analyst]

these aims will be discussed later), which becomes more and more urgent because of the decrease in ERP funds, means from counterpart funds for investment aims had to be released to an increasing degree. 457 652

The Austrian government declared, therefore, its readiness as early as the fourth price and wage agreement to abolish all ERP subsidies for imports. In the interest of keeping living costs at the lower level, also, certain quantities of vital goods were provided at lower prices in 1951. Besides fertilizers and raw materials for fats (which continued to be calculated on the basis of former prices), the prices of wheat and fodder corn were increased but they still remained far below the prices on the world market. In addition, smaller subsidies were provided to support the prices of sugar, glass, drugs, and hides. 652 435 439 654

In spite of the partial abolition of subsidies, they still amounted to approximately 1 billion schillings for the period from October 1950 to June 1951. Seven hundred and fifty million schillings went to the debit of the counterpart accounts and 250 million schillings to the debit of the budget. Further subsidies had to be faced for two reasons: a sinking of the allocated means in the last year of the Marshall Plan (1951-52) had to be taken into consideration; and further means were necessary to continue investments which already had been started.

The agreements, therefore, provided adequate increases in sale prices for the import of individual goods. In spite of these price correction measures by which the difference between the import prices for wheat, rye, fodders and raw materials for fats and the prices on the world markets could be diminished, but not fully absorbed, there still remained a considerable burden on the budget because of the existing prices on the world market and the projected quantities of imports, as well as by changes in the ways of financing (transfer of counterpart accounts to the public budget). Thus, the differences had to be covered by the next balance period, a fact which the government budget 1951-52 had to take into account. This problem will rise again with the end of the Marshall Plan aid in June 1952.

If one considers the results of these agreements as a whole, a clear success had been scored in the prevention of further increases of subsidies, in the improvement of real income of public servants, 652 434

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The Wolfsanger.

by a mysterious roaring from the depths of the mountain. Soon one finds oneself within this mountain, remote from the sun even though it be at its zenith, trapped in a damp gorge, surrounded by high walls but sure of one's way on the narrow path which has been carved out of the stone. The water foams angrily through narrow passes, tearing at the rocks, wearing away the stones, swirling and growling through the hollows it has worn in the walls, leaping, tossing, screaming, as though a terrible rebellion had broken out in the usually placid element.

133 529 The next lateral valley is watered by the Gastein Ache, the healing and magical waters of which are well-known. The two Gasteins, Hof- and Badgastein, are world famous. The reputation of these health resorts has been connected for centuries with the names of illustrious visitors. These two spas which formerly slept in winter now attract crowds of visitors through their ski-lifts. They seek health in the neighbouring mountains, which vary from giants which climb to glacial heights to more gentle hills. Nearby lies the Sonnblick with a meteorogical station lying at a height of 10,000 feet above sea level. A further lateral valley serpentines in the bold curves of a car road up the gigantic bulk of the Grossglockner, providing enchanting glimpses of rushing mountain streams glittering far below and of white, foaming waterfalls which sway in the wind like the beards of ancients. Over all this, a vast sea of cloud.

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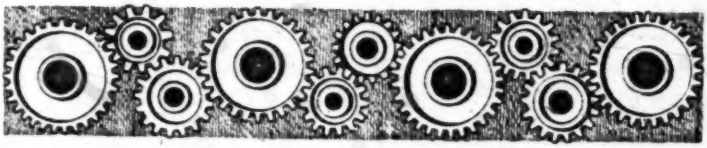
This giant world of the alps rules the emotions of man with almost painful majesty, commanding his ear, absorbing his glances, and forcing him to speak almost in whispers. One can imagine this vast mass of rock with its thin covering of arid grasses groaning under the indignity which the splendid road has imposed upon it. One can almost feel the mountain rising and falling as it breathes deeply, seeking to hurl the crawling, twisting car into the depths which make one giddy as one looks down.

In the far distance light and shade change as in a Rembrandt picture. Amidst this stupendous landscape, one experiences a feeling of liberation and lives through a whole gamut of emotions, passing from sheer amazement to a sense of com-



439 Trade stagnation lasted until the middle of the 1930s, when the armament
648 programme of the Axis Powers, Germany and Italy, was launched, to be followed gradually by an armaments race between all the world's most important trading countries. Austria was excluded from the development which led to the catastrophe of the Second World War, firstly through her political differences with the Third Reich (which answered by a cruel economic boycott in order to force Austria to her knees) and secondly on account of her economic structure, which was suited to the production of peace-time goods but not to that of armaments.

Austria had to make a tireless and purposeful search for new markets before she succeeded in forming and consolidating foreign trade connections with distant territories—the United States of America, British India, Japan, China and the Argentine. If this development had not been interrupted by the occupation of Austria in 1938, the results of Austria's successful attempts to revive her foreign trade would doubtless have soon been apparent in the growth of typically Austrian exports.

Even though the visible results of this change of direction may seem modest, it must not be overlooked that parallel with the deleterious results for Austria of the protectionist policies pursued abroad, there were serious internal problems of economic reconstruction to be solved. One of these was and still is the structure and the development of agriculture.

241 For many reasons unconnected with economics, but also in order to increase home
439 supplies of the chief articles of food, agricultural development was encouraged. The most important changes in agricultural production were brought about, particularly in the years 1930 and 1931, by radical economic-political measures. The customs tariffs for these years showed a considerable increase of duties on grain, flour, sugar, cattle and meat, the protective tariffs being even further increased in the following years. The resulting rise in prices meant an increase of cultivated areas and the production of the most important kinds of grain.

231 A further far-reaching measure affecting cattle raising was the regulation of imports
439 of cattle and meat through the setting up of tariff barriers against the most important
654 of the neighbouring States. Apart from this, in April 1932 the import of the most widely sold types of cattle and cattle products was forbidden.

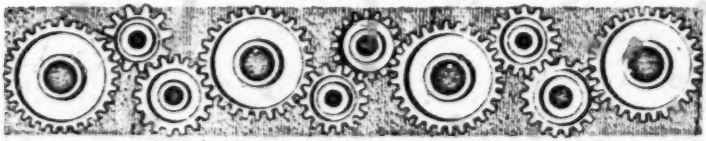
The increase in production resulting from all these measures was bound to increase the difficulties of marketing during the slump. In pig-raising it at last became necessary to resort to curtailment of output (prohibition of pig-raising for the market). An attempt was also made to increase the costs of cattle-rearing and thus limit the supply by raising the so-calledli cence fee for the import of fodder. 231 656

As a stimulant of milk production, a milk-equalisation fund was created to content with sales difficulties, through which the means for the export of dairy products at prices below production costs were raised by the imposition of a tax on fresh milk. 234 654

Thus it came about that in the 1930s Austrian products such as standard butter, high grades of cheese and cream could compete successfully on the markets with the dairy products of such leading countries as Denmark, Switzerland and Holland. The western alpine provinces especially profited by this arrangement, but at the same time a great demand was created for home milk products throughout the whole country. Gradually, in the Danube City which has been known from Roman times for its enjoyment of sweet wines, depôts were established where milk could be drunk in the busy streets and on public squares, giving the City a new attraction. 234 439 275

The doubtless necessary encouragement of dairy farming, just at this time, however, brought with it new problems which were aggravated by the effect of the world economic depression. The situation was made worse by the fact that the prices for agricultural and dairy products had sunk far lower than the prices for technical aids to agriculture. The discrepancy between these two sets of prices became still greater from 1933 to 1937. The comparative fixity of wages and the increase in public debts accompanied by sinking prices were not inconsiderable factors in bringing about general deterioration. 234 458 435

Problems of agrarian policy were bound to have a reaction on industrial-commercial economics. Austrian products had to compete with those of countries which had the advantage of considerably lower agricultural prices and thus of a lower cost of living. For a land such as Austria, which in the main can only secure the goods she needs through the export of her own products, it is essential that wages, an important factor in costs, should not be affected too unfavourably by the high price of grain. 241 439 435



2: MacDonald S-4 (no date) 1946 EK1 Austria EK1

the federal Government, or from individual members of the Government, they would be thereby removed from office.[1] It was not, however, intended that this weapon should be lightly employed against a Government, for it was stipulated that such a resolution would require a quorum of half the members of the National Council. And, if one-fifth of the members so demanded, the vote could be postponed for two days.[2] The Government, apart from this somewhat meagre stipulation, had no means of protecting itself against an adverse vote by a chance coalition in the National Council, since it could not confront the National Council with the choice between continued support and a dissolution.

As has been pointed out, the National Council had practically complete control over all legislation. It had also considerable executive functions. By Article 50, political and certain other treaties required for their validity the consent of the National Council. By Article 53, it was empowered to set up by resolution Committees of Inquiry,[3] before which all public authorities were obliged to give evidence if required. By Article 54 certain executive duties were specifically made over to the National Council, such as the fixing of the prices of such federal services as railways; the fixing of the prices of monopoly goods; and the fixing of the salaries of persons employed by the State. Apart from these specified cases, it was laid down in Article 55 that the National Council should share in the executive power of the State through its Chief Committee, to which reference has already been made. Kelsen has described this body as the most important political organ of the National Council.[4] Provision had been made for its election in the constitution of 14 March 1919. Its membership had then been fixed at eleven, whereas by the constitution of 1920

[1] It may be noted that, since it was anticipated that the dismissal of an individual minister by a vote of no confidence should not necessarily involve the resignation of the whole ministry, the cabinet system was not adopted.

[2] Kelsen comments on this: 'Dass die Wirkung des Misstrauensvotums verfassungsgesetzlich ausdrücklich normiert wird, ist eine Besonderheit unserer Verfassung' (op. cit., vol. v, p. 169).

[3] Cf. with Article 34 of the German Constitution, according to which such a committee had to be set up if one-fifth of members so demanded.

[4] *Jahrbuch des öffentlichen Rechts*, vol. xi, p. 246.

was prohibited, while the Union of the Soviet Socialist Republics decreed the transfer of such assets to a special administration created for this purpose (USIVA, later USIA). In the eastern part of the country, therefore, enterprises representing such assets became "foreign administrative and economic enclavements" within the Austrian economy. 727 471

The definite solution of this question, important to and difficult for the Austrian economy, however, is reserved to the signing of an Austrian state treaty.

b) The "nationalization legislation." 471

In connection with the question as to the scope of freedom and economic relationships to achieve the highest possible degree of national economic productivity (which had been brought up for discussion in a number of European nations), the Austrian authorities were compelled to cope also with the ideologies and trends relative thereto, whereby compulsory issues had to be considered.

With her nationalization legislation Austria endeavored to follow a middle course, which, via a transfer to the government of ownership rights with stipulated compensations, nevertheless permitted management of the various (nationalized) enterprises under the same economic requisites as those ruling the private sector.

The scope of nationalization was fixed by two nationalization laws, i.e., of July 26, 1946, and March 26, 1947. Both of these laws expressly stated the names of the enterprises concerned. However, if not specifically stipulated, only certain enterprises and not entire business sectors were nationalized. The two nationalization laws differ insofar as, under the first, the stipulated enterprises and plants became ex lege (immediately) properties of the government, while under the second the establishments of the electric power sector were transferred by order of the competent administrative authority. The second nationalization law therefore is solely an organization and omnibus bill.

While the administration of the government's participations in nationalized industrial and electric power enterprises (according to the federal law of December 16, 1949, decreeing the discontinuance of 471 655

471 some federal ministries as well as the reorganization
655 of the sphere of action of others), is being taken care of by the federal ministry for traffic and nationalized enterprises, the administration of the nationalized commercial banks falls within the competence of the Federal Ministry of Finance. The nationalization comprises:

[453] 1.) The large banks (Creditanstalt-Bankverein, Oesterreichische Länderbank AG, and Hypotheken- u. Kreditinstitut);

[327] 2.) The most important enterprises of the iron and steel industry (Oesterreichische Alpine Montangesellschaft, Vereinigte Oesterreichische Eisen- und Stahlwerke A. G., Linz, Schoeller-Bleckmann Stahlwerke A. G., Vienna, Gebrüder Böhler u. Co., A. G., Vienna);

[316] 3.) The most important coal mines (Wolfsegg-Traunthaler Kohlenbergwerke A.G., Linz, Steirische Kohlenbergwerke A.G., Vienna, Lankowitzer Kohlen-Compagnie, Vienna, etc.);

[392] 4.) A number of important enterprises of the electric and machine manufacturing industry (AEG-
[393] Union Elektrizitätsgesellschaft, Vienna; Simmering-Graz-Pauker A. G. für Maschinen-, Kessel- und Waggonbau, Vienna, etc.);

5.) The Oesterreichische Stickstoffwerke A. G., Linz;

[316] 6.) The most important non-ferrous mining enterprises (Bleiberger Bergwerks-Union, Klagenfurt; Montanwerke Brixlegg Ges. m.b.H., Brixlegg; Kupferbergbau Mitterberg, Münlbach am Hochkönig; Aluminiumwerk Mattighofen-Ranshofen);

[505] 7.) The Erste Donau Dampfschiffahrtsgesellschaft, Vienna;

[377] 8.) The large enterprises producing electric power; and, finally,

[315] 9.) The enterprises for the exploitation of crude oil.

With the enacted legislation the ownership-rights (re: corporations) or the assets and liabilities of certain enterprises (limited companies, etc.) or plants (branch establishments of enterprises located abroad) became the property of the Republic of Austria. This in turn implied also the transfer of the administration of the nationalized enterprises to the Austrian government, provided that such enterprises were not located within the Russian zone (USIA establishments) and therefore beyond Austrian control. The enforcement of the nationalization, however, is not completed because:

1.) Most of the enterprises nationalized under the terms of the first nationalization law represent "German Property," the definite settlement of which is left to the signing of a state-treaty; 471 655

2.) The "German Property" located in the American zone of Austria has been transfered in trust, whereby, in accordance with the terms of the trust agreement, no changes of proprietor status are permitted without prior consent of the United States occupation element;

3.) There is a binding contract of the federal government to enforce the nationalization laws covering enterprises belonging wholly or partly to citizens of the United Nations after settlement of compensation claims.

A decision about compensations also had to be left pending. Despite the written undertaking of the Austrian federal government to compensate the prior proprietors, it has not as yet been possible to fix such compensations for the following reasons:

1.) The three aforesaid reasons prevent, for the time being, a settlement of this question;

2.) The definition of the conception "German Property," as yet not clear, does not permit the definite fixing of the scope and the amount of such compensations;

3.) In consideration of the prevailing uncertainties of the nation, the date under which a calculation of the values of the confiscated enterprises has to be effected is still open and likewise the compensation form;

4.) Legal prerequisites, especially with regard to enterprises partly administered by an occupation element and partly by an Austrian authority, have not as yet been established.

The nationalized enterprises are continuing business under their former legal status, i.e., as corporation and limited companies and under the same regulations covering enterprises of the private sector. Thus, for instance, the nationalized industrial enterprises are not accomodated with special credit terms for reconstruction purposes by the large nationalized banking institutions. They are subjected to the same controls and regulations as enterprises of the private sector, enjoying no privileges with regard to taxations, etc. They are exempted only from the payment of the property-tax. With regard to competition, they are further required to adhere to the same principles and 475 471 [651]

652 schillings in the same period. Of the occupation
727 costs the Soviet occupation force absorbs more than half of the total amount. Up to the fall of 1950 Soviet Russia received from current Austrian production about 1,094 million dollars as occupation costs and confiscation of Austrian properties abroad. (Help from the Western powers, especially the USA, has amounted to about 986 million dollars since 1945.)

655 Of the profit-making state-owned enter-
652 prises, which produced a surplus before the war, now only those which actually constitute a state monopoly (salt, spirits) produce a surplus, while other state enterprises, the "Bundesbetriebe" (such as postal service and theaters) and the Federal Railways have a deficit. The deficits, however, are being decreased since 1946 by means of higher tariffs, dismissal of personnel and progressive rationalization (investments), from 17.7 per cent of expenditures in 1946 to 6.5 per cent in the budget estimate of 1950.

Out of the total revenue (based on the princi-
651 ple of net income) 80 to 85 per cent came from taxes
[652] levied since the end of the war. If one includes the income from various revenues similar to taxes (such as contributions to unemployment insurance, fees to child-welfare, etc.) the amount of taxes increases from 90 to 95 per cent, the remainder consisting of fees, interest and contributions from corporations and the income of the Postal Savings Bank (Postsparkasse).

The main support of the whole tax system since the end of the war is formed by direct taxes. Their part in the total tax income, in the years 1946-50, ranged between 44 per cent and 53 per cent as compared to 29 per cent in 1937; accordingly indirect taxes decreased in importance as compared to the prewar period. The income from the turnover-tax and from customs duties decreased from 42 per cent in 1937 to 24 per cent in 1950 as a consequence of structural changes in the system of taxation since 1938.

652 The Austrian treasury endeavors, in accordance with the bilateral agreement of July 2, 1948, to keep up the balance of the state budget and of the budgets of the federal countries (Länder) and municipalities, in spite of the enormous demands on public funds.

The main economic aim of the financial policy is to secure the highest possible employment and to continue the extension of all investments pertaining to economic productivity.

652 tons, the production of iron and steel to 1 million
[195] tons annually, the output of rolling mills to ap-
433 proximately 750,000 tons. Further increases in pro-
454 duction will be provided in: bauxite mining, aluminum production, production of cellulose, paper and pulp. In the same manner the export capacity of nitrogen plants (Sticksstoffwerke in Linz), one of the most important producers of foreign currencies in the Austrian economy, will be increased by 50 per cent. In the chemical industry additional investments will make it possible to start production of sulfuric acid and phosphate fertilizer. The single projects will be discussed in detail in another connection.

b) The renovation and rationalization of the primary industries.

The Austrian government holds to the principle (insofar as none of the theoretical considerations in the preceding chapter interferes) that in building up its program of investments cheap primary products lower the production costs in the finishing industries and this allows them to compete in the sharp competitive battle with other highly industrialized
[655] European countries. Certain focal points of investments have been formed, encompassing especially coal, iron and steel, ore mining, and the smelting industry as well as electrical power. These are mainly nationalized enterprises. For investment purposes in the years 1948 and 1949 they received a total sum of 1,627.4 million schillings out of public funds. Of this amount, 958.5 million schillings were reconstruction credits, 481.6 million schillings were capital payments of the Federal government, 31.2 million schillings were federal loans and 156.1 million schillings were credits guaranteed by the state. In 1950 a sum of 30 million schillings was provided in state capital contributions; in the same year (fall of 1950) the funds released from the ERP for the above-mentioned branches of industry totaled 133 million, 283 million and 418.5 million schillings used essentially as follows:

316 (1) Investments in coal-mining.
During the war the coal mines (predominantly
454 brown coal in Austria) suffered greatly in their development because of overproduction and neglect of needed renovation as well as delay in planned expansion. Within the scope of the Marshall Plan the necessary renovation and rationalization of operation, mining improvements, shaping of daily operations, deep mining,

f) Investments for the federal railways and the post and telegraph service. 655 [496]

The Austrian federal railways received 210 million schillings in 1950 to carry out planned investments. Especially mentioned should be: the Semmering tunnel financed in 1950 by ERP counterpart funds, the Prebichl tunnel, the Tauern tunnel, the Danube bridges at Tulin and Krems, the Inn bridge in Brixlegg and the Nordwestbahn bridge in Vienna. These high allocations to the federal railway system were necessary to enable the whole transport system, which was heavily damaged by war action and dismantling, to keep pace with the recovery of the national economy. Gradual renovation of the rolling stock, restoration of road beds and tracks, building of bridges, installations for freight, repair of railway shops and track installations (such as signal houses, etc.) were necessary to fulfill the requirements of the economy.

The same consideration holds true for the Austrian post and telegraph administration, which received 60 million schillings from counterpart funds in 1950 and for which another 15 million schillings were reserved by the December grant. The postal system was able to carry out most of its projected plans. In particular, the transfer of the planned coaxial cable was accomplished. Damaged district cables were changed or transferred in the course of installing the automatic telephone system. Various automatic telephone central offices were enlarged and two new trunk exchanges built. [205] [206]

435 655 [651] 3. The tariffs of the public corporations (Federal Railway, Posts, Tramways) as well as the prices for current were increased from 20 per cent to 100 per cent to keep pace with[1] the prices on the world market which had increased due to increases in cost (especially the price of coal); the trend toward a deficit in the Federal Railway and public service enterprises had to be checked. In spite of these considerable increases, these price rises were only three to five times as high as the level of 1937.

[646] 4. On the basis of the newly calculated producer and import tax prices, new retailer prices were worked out; to balance this rise every receiver of gross wages received an additional income of from 10 per cent to 12 per cent per month, but at least a minimum of 140 schillings. For persons in the public service, special measures were taken on the ground of the so-called "Gehaltsüberleitungsgesetz."

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THE AUSTRIAN TOBACCO MONOPOLY.

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The Austrian State Tobacco Monopoly ("Tabakregie") was founded in the year 1784, through letters patent of the Emperor Joseph II. It extended to all the lands of the Monarchy, thus taking in Bohemia, Moravia, Silesia, Galicia and the Bukowina, Carniola, Istria, Dalmatia and South Tyrol as well as the territory of the present Republic. At the time of its maximum expansion—about the middle of the 19th century—it also embraced Hungary, Venetia and Lombardy, as well as the principality of Liechtenstein.

The vitality of the old Austrian tobacco monopoly was evident after 1918 both through the new-born monopolies of the newly created Succession States and through the Austrian Tabakregie itself. Although suddenly confined within a territory populated by only seven million inhabitants, it survived all the shocks of the previous decade and developed into a modern and efficient industrial undertaking of the State.

After the First World War there were only 9 factories left to the Austrian Tabakregie out of 30, the whole comprehensive organisation having come to an end. Its markets which had been carefully cupped out and developed were nearly destroyed or permanently closed to it.

By the end of the second World War the number of factories had been reduced to seven. More serious still was the widespread damage done to buildings, tobacconists' shops, machinery, transport vehicles and stocks. The stock losses included 162 million cigarettes, 37 million cigars and about 1,800,000 kg of raw tobacco. The internal organisation had been thrown out of gear and cramped by external forces; important

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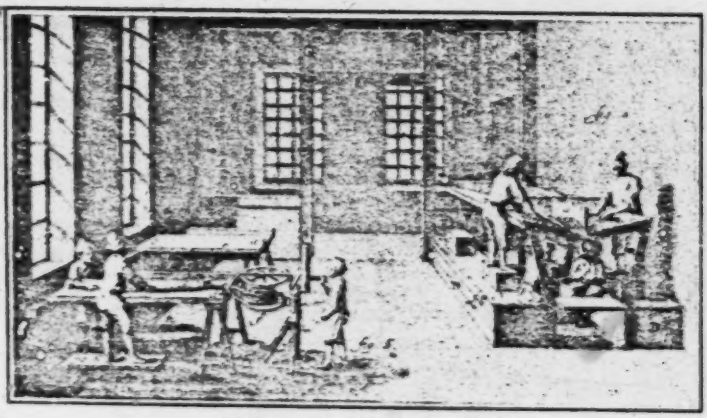

The Preparation of Tobacco in 1783.

655 foreign connections had been severed and both exports and imports had come to a standstill. Such was the difficult position which confronted those called upon to rebuild the monopoly.

Future prospects may be estimated from a comparison of the figures for the sale of cigarettes in former times and today.

276 In the year 1913, 6,349,000,000 cigarettes were sold throughout the entire Monarchy (which had then a population of 56 million), i. e. one cigarette every third day per head of population. In the year 1933, under the First Republic, 5,409,000,000 cigarettes were sold (to a population of 7,000,000), seven times as much per head as in 1913. In the year 1947, when supplies were limited and strictly rationed, 3,233,000,000 cigarettes were sold. Thus this much reduced Austria consumed a quantity of cigarettes which proportionately compares favourably with the figures for the old Empire. This will almost certainly continue to increase, as women are smoking more and more.

655 The Austrian Tabakregie is capable of coping with every increase of demand which may be expected. The elastic organisation of the concern as a modern joint stock company enables it to readjust itself rapidly to meet changing conditions. It is now only a question of obtaining supplies of raw materials, of restoring regular connections with foreign markets and of the provision of a reasonable amount of foreign currency for the Regie to be able to work to full capacity again as before the last war.

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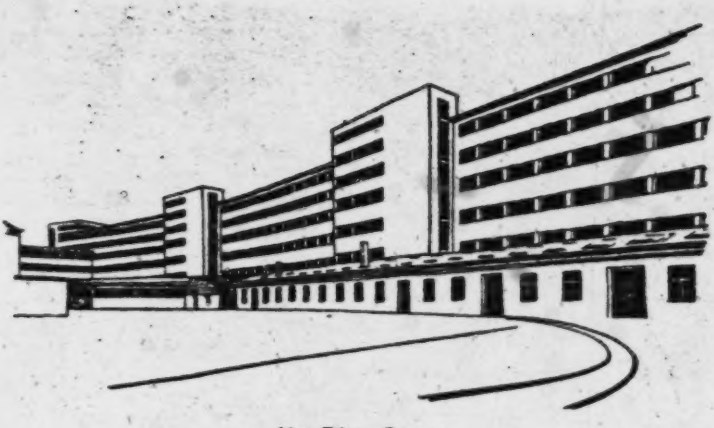

Linz, Tobacco Factory.

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277 The traditional high quality of Austrian tobacco products is due to the use of high-grade foreign materials, chiefly certain oriental tobaccos. These can never be replaced by inland tobacco, since climate and soil do not permit the growth of similar types here. Nevertheless, the inland cultivation of tobacco is encouraged as much as possible.

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439 The great importance of oriental tobacco to the Tabakregie is shown by the fact that in the course of modernisation of the concern, the important task of tobacco buying was delegated to a branch organisation, the "Austria Einkaufsgenossenschaft der österreichischen Tabakregie im Orient, G. m. b. H., Wien". Its main task was to restore severed connections with the most important tobacco producers in Bulgaria, Greece and Turkey. Hungary, North and South America and the Dutch colonies also formerly supplied raw tobacco to the Austrian Tabakregie, but here there are still difficulties in the way of a restoration of trade which arise from the foreign exchange situation.

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277 The Tabakregie is a very important factor in the Austrian economy. Firstly it acts as a big employer of home labour with an inland sales organisation consisting

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[651]

[457]

of 8 warehouses, 258 tobacco distributors and 13,253 tobacconists' shops, thus providing a large number of Austrians with a secure livelihood. As the Tabakregie is a valued customer in the tobacco-producing countries compensation transactions are made possible for other home industries through its foreign dealings. Even during the first months of reconstruction (April to December, 1945) the Tabakregie contributed in taxes about 10 per cent of the total state revenues. In 1946 it provided about a third of these revenues (corporation taxes about 30 per cent and customs dues over 40 per cent), despite decreased production. A rise in output will certainly mean a considerable increase in these figures. It must also be mentioned that Tabakregie exports brought in over 55 million schillings in the year 1933, and that they should therefore play an important rôle in stabilising finances as soon as foreign markets are reopened.

The staff of the Tabakregie varies according to available supplies of raw materials and depends on the preferences and satisfaction of the smoker. In the year 1937, the concern employed 5421 workers, including 3912 women, and at the end of 1947, 2930 workers, of whom 1581 were women. The dwindling of the number of workers is only in a minor degree due to the effects of the war. The main reason must be sought for in the decrease in cigar consumption which has been in progress for some time. The smoker of today is turning more and more to the cheaper type of cigarette which is quickly consumed. The cigar is one of the victims of our hustling and mechanical age. Cigar production, which depends mostly on manual labour, is on the decline, while the cigarette, which is produced entirely by machinery, is becoming more popular. This explains the reduced number of employees. It may increase one day again, if people find time in more leisured days to blow heavy smoke rings from fat cigars.

At all events, the Austrian Tobacco Monopoly is doing its best to see that the smoker is well supplied at all times with his needs, which are those of so large a section of the community.

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Hallein, Salt Freighters.

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THE SALT MOUNTAINS OF AUSTRIA.

Salt-mining in Austria dates back to the prehistoric times of the Celts, was developed by the Romans and is closely connected with the growth of civilisation in the country.

The Austrian salt works in Upper Austria, Salzburg, Styria and Tyrol for a long time led an independent existence until Emperor Maximilian I put an end to it in the year 1490 by uniting all the Austrian Crown Lands under his rule.

His successor, Ferdinand I, set up a model organisation for the control of salt mining in his first edict.

In the year 1835 a salt monopoly was established in Austria as part of the introduction of other monopoly administrations. Technical discoveries made and developed in the course of the 19th century were first applied to the production of salt in the latter half of that period. Pressdrills using hydraulic pressure replaced boring machines worked by hand at Bad Ischl.

Electric power was introduced into the salt mines in the 'nineties, special power stations being set up in the mines themselves. Subsequently many hydraulic boring machines were replaced by power-driven borers.

of the 18th century did Böttger of Meissen succeed in solving the great mystery. 323
Shortly afterwards, Paquier started his factory in the Porzellangasse. A bare fifteen 531
years later Vienna had developed a technique of its own—the delicate shading of the clay, the glazing, and the gilding. Through "flower and figure painting", old Vienna porcelain soon became world-famous. Flower-painting became so popular that the Chinese attempted to copy Vienna motifs, and wares produced to appeal to Viennese tastes were shipped to Europe through the East India Company. But just as "chinoiserie" is never more than an imitation of Chinese painting, so this Chinese attempt to reproduce Vienna patterns did not come near the originals.

Maria Theresia, who recognised the importance of applied art, took over the [655] ●
porcelain factory and made it a State undertaking. From this time on the manufacturers adopted the historic coat of arms of the Babenbergs as their trade-mark. The popular designation for it was "Beehive". This was the origin of the subsequently famous name for real Vienna china. The undertaking flourished, and was soon employing decorators of skill, painters in blue, rainbow-shades and gold. Orders poured in from abroad; one worthy of note was an order for 120,000 Turkish drinking vessels from Constantinople.

Motifs for decoration were taken from painting, various allegoric figures, shepherdess scenes in the French style, subjects from mythology and later designs according to rococo taste. Landscapes and the so-called mosaic patterns took the place of leaf and ribbon work. Copperplate patterns made a change in subject and technique. About the middle of the 18th century, porcelain vessels as a whole became lighter and more graceful, relief work was added and the baroque handles gradually gave way to more natural styles. Figure painting was executed with a perfection of detail, based on Watteau scenes, mounted combats, shepherds and shepherdesses, rural and hunting scenes and lovers' meetings. Then the influence of Sèvres made itself felt. This period is recalled to mind by dinner-services with rounded gold-network on a dark blue background and coloured figures on a white background.

Towards the end of the 18th century Director Sorgenthal brought new prosperity to the factory. Vienna vases were produced with pictures on the classicistic model, bowls with grotesque ornamentation and Raphaelite paintings. These designs were inspired by the antique wall paintings which at that time were being discovered in Herculanum and Pompeii, as well as the grotesque paintings by Raphael in the loggias of the Vatican, the engravings of which had made them widely known. This period was responsible for a number of charming old Vienna figurines and vessels which are among the masterpieces of ceramic art. At this time the Viennese also invented the famous "relief gold", an unequalled process for dissolving gold in oils and painting it on china.

728 Germany which had swallowed up one of their important
648 customers and suppliers—Austria had up till then
occupied the third or fourth place in the foreign trade of
439 most of these countries. Politically and economically
Germany had become the complete master of the whole
area.

471 For Austria, of course, the occupation meant far more
than a dangerous shift in Europe's economic balance. Her
648 economy ceased to exist as a separate entity; within a very
655 short time it was completely absorbed into Germany's war
economy and her "New Order".[5]

The Germans were able at once to lay their hands on all Austrian State property. The railways were incorporated into the German railway system, the State forests taken over by the German State. The State monopoly in salt was given to the Deutsche Bank, and the tobacco monopoly taken over by a private German company. Far more important, however, were the shares of the Credit-Anstalt which were owned, at that time, by the Austrian Government. After the reorganization of the Credit-Anstalt in 1931, 49 per cent of its shares were taken over by the Government. These, together with some others, were now transferred to the Deutsche Bank. Since at the same time the only other important bank, the Zentraleuropäische Länderbank, came under the control of the Dresdner Bank, practically the whole of Austria's banking and insurance business had passed into German hands.

471 It must be borne in mind, in this connection, that the
Central-European banks held a key position in the
453 industrial life of their countries. It has been estimated
457 that the Credit-Anstalt controlled almost 90 per cent
of Austria's industry and agriculture. Moreover, the
Austrian banks and financial institutions still possessed
considerable investments in the Balkan countries, particu-

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aid which was granted.) The result was not only a very early claim upon direct aid (in the third ERP year, i.e., from July 1, 1950, to June 30, 1951--8.81 million dollars) but also an exhaustion to a very considerable degree of the Initial Position supplied by the EPU in the amount of 80 million dollars. To ease the precarious situation, the OEEC was asked to increase the direct aid and to extend the Initial Position. This was granted by ECA after complicated discussions with regard to the special situation in Austria; at last, amounts of 18.2 and 10 million dollars, respectively, were granted for the period up to June 1951. 457

B. Credits, Wages, Prices and Subsides (Measures and Agreements).

The higher prices of foreign raw materials, their shortage, and the reactions which followed the fourth price and wage agreement reached between the Chambers of Economy (Wirtschaftskammern) in September 1950 led eventually to an actual transfer of the single cost elements, thus endangering the potential exports of Austria designed for the international market. In 1950 the center of gravity in the foreign trade policy lay with the foreign currency policy and was the main concern of the Nationalbank. The existing international shortage of raw materials shifted this center to the planning of quantities of imports and exports. The Austrian Federal Government, therefore, had to coordinate Austrian economy with world economic conditions. A number of economic-political proposals were introduced in the National Assembly which, limited in time to June 30, 1952, were enacted in the last session of the Fall Convocation 1950-51 (ending in February 1951). These were the laws enacted: 652 [439]

1. The law concerning the creation of an economic directorate (Wirtschaftsdirektorium) consisting of members of the Federal Government; it has as its task coordination in the fields of production, prices, food supplies and foreign trade policy; [656]

2. An amendment to the price control law (Preisregelungsgesetz) to exercise a rein upon prices; [435]

3. An amendment to the raw materials allocation law (Rohstofflenkungsgesetz) which is supposed to channel raw materials of which there is a shortage toward those goals which are most urgent economically; [438]

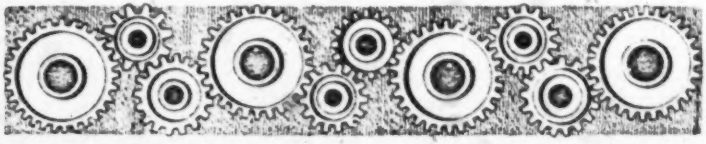
The increase in production resulting from all these measures was bound to increase the difficulties of marketing during the slump. In pig-raising it at last became necessary to resort to curtailment of output (prohibition of pig-raising for the market). An attempt was also made to increase the costs of cattle-rearing and thus limit the supply by raising the so-calledli cence fee for the import of fodder. 231 656

As a stimulant of milk production, a milk-equalisation fund was created to content with sales difficulties, through which the means for the export of dairy products at prices below production costs were raised by the imposition of a tax on fresh milk. 234 654

Thus it came about that in the 1930s Austrian products such as standard butter, high grades of cheese and cream could compete successfully on the markets with the dairy products of such leading countries as Denmark, Switzerland and Holland. The western alpine provinces especially profited by this arrangement, but at the same time a great demand was created for home milk products throughout the whole country. Gradually, in the Danube City which has been known from Roman times for its enjoyment of sweet wines, depôts were established where milk could be drunk in the busy streets and on public squares, giving the City a new attraction. 234 439 275

The doubtless necessary encouragement of dairy farming, just at this time, however, brought with it new problems which were aggravated by the effect of the world economic depression. The situation was made worse by the fact that the prices for agricultural and dairy products had sunk far lower than the prices for technical aids to agriculture. The discrepancy between these two sets of prices became still greater from 1933 to 1937. The comparative fixity of wages and the increase in public debts accompanied by sinking prices were not inconsiderable factors in bringing about general deterioration. 234 458 435

Problems of agrarian policy were bound to have a reaction on industrial-commercial economics. Austrian products had to compete with those of countries which had the advantage of considerably lower agricultural prices and thus of a lower cost of living. For a land such as Austria, which in the main can only secure the goods she needs through the export of her own products, it is essential that wages, an important factor in costs, should not be affected too unfavourably by the high price of grain. 241 439 435



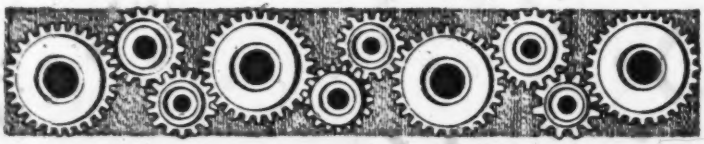
war on the country, then the occupation of Austria and its division into zones, with ensuing damage to trade, the devaluation of the compulsorily accepted German state bonds, with the complicated problem of "German property", and finally the disappearance of the basis for Austrian insurance in a number of neighbouring states.

Just as before, the Austrian insurance organizations attach the utmost importance to international connections. These have always been of the best and it was luckily possible to resume them quickly after the end of the war and the restoration of national independence. This explains why in Austria—in contrast to other European countries—there has never been any difficulty over coverage even during the first post-war hardships, rearrangement of reciprocal insurance necessary after separation from Germany being carried out smoothly and without friction. Austrian insurance firms are untiring in their efforts to consolidate their position as far as possible in the international re-insurance market. The Austrian National Bank appreciates the desirability of this and has facilitated dealings in foreign exchange within the framework of its limited powers.

Further development of life insurance business, however, will depend on problems connected with the devaluation

readjustment of Austrian commerce which had been forcibly interrupted in the year 1938. The former successes of Austrian commercial policy justify the assumption that this goal will be reached in the not too distant future. It may also be assumed that the experience which the whole world had of the results of exaggerated protection just before 1938 will have created a more favourable attitude towards free trade, thus ensuring that Austria's efforts to increase her foreign trade will fall on more fruitful soil than before. The possibilities of internal trade in Austria are not sufficient to give a nationalist economic policy a chance of success. Foreign trade will always remain a decisive factor for the Austrian economy and thus all other commercial measures can only be considered in the light of its demands and of its development.

The progress made since 1945 has shown that Austrian economic policy is not treading outworn paths, but is adequately adapting itself to the needs of the moment. Government intervention in questions of price control, rationing, foreign trade etc., which proved necessary in the year 1945 owing to the situation at that time was gradually been dropped as soon as this became possible. Financial conditions, which were in a state of complete disorder, have been so far straightened out that money is once again able to fulfil its function in commerce as a means of exchange and as a standard of values. The path which has been followed from the "Schalter-



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433 *Anschluss* took place, Austria already had a good chance of becoming a viable State.

•657 Politically the main achievement had been in the field of social legislation. Nowhere in Europe did the Socialist ideal find more impressive realization than in the legislative programme initiated by Ferdinand Hanusch, the Austrian Secretary of Social Administration between 1918 and 1920, and in 367 the housing schemes carried out between the Wars by the Vienna municipality under Social Democratic control. These improvements gave the young Republic something to be proud of, something, moreover, which was associated with the difficult present rather than with the glorious past, and which 648 directed attention to the possibilities of the future. Another political event of importance was the appeal for financial help made to the Allies by the Christian Socialist Chancellor, Monsignor Seipel, which led to the appointment of the League of Nations Commissioner. He was accused of being a traitor by his opponents, but his action established an important precedent in international collaboration. It showed that it was possible to combine patriotism with the acceptance of international control, an innovation of great significance for a small State like Austria.

517 In culture and sport the period also brought great success. The triumphs of the Austrian football team, the Vienna State Opera, and the Salzburg Festival stirred the pride and enthusiasm of the harassed Austrian people.

186 Anton Wildgans' *Rede über Österreich*, which was written in 1929, reflected the development of Austrian patriotism and Austria's sense of identity as a State. This great speech was intended for a foreign audience. But it was also a noble expression of patriotic faith. Its enthusiastic reception in Austria was a clear indication that it summed up ideas that were germinating in many Austrian minds.

648 Austria's growing self-consciousness and sense of independence were stimulated by Hitler's rise to power. Austrian Socialists had been in favour of union with a Germany in which Socialism and democracy were strong, but they had no

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were a pre-condition for the purchase of food from abroad, 433
and undernourishment stood in the way of industrial recovery. 439

The food problem remained serious for at least three years. 433
In 1947 it was often found impossible to honour the inadequate 146
basic ration scales of 1,500 to 1,600 calories, and medical inspections established that nearly 50 per cent of Viennese school children were under-nourished. Until 1948, when Austria had its first good post-War harvest, the population as a whole remained noticeably under-fed. By then most people's savings had already been spent and their mental and physical powers of resistance had been seriously weakened.

In spite of this melancholy story, great efforts were made to deal with the situation. Had this not been the case, the prolonged deprivation and distress of the Austrian people would have ended inevitably in political disaster.

In the autumn of 1945 it was decided to invite the United 648
Nations Relief and Rehabilitation Administration to organize 657
a supply programme for Austria. The way had been prepared in August, when the UNRRA Council had decided that as Austria was a liberated country there was nothing to prevent relief and rehabilitation operations being undertaken there, provided the occupying Powers approved. At the time, however, the necessary funds were not available. In November the immediate initiation of an UNRRA programme was urged, particularly by the United Kingdom, and before the end of the month an UNRRA Working Party had arrived in Vienna to obtain preliminary information regarding requirements. In December UNRRA headquarters, following a request from the Allied Council, authorized negotiations for an agreement with the Austrian Government, subject to the Council's approval. Brigadier R. H. R. Parminter, who had been serving since September as chief of the UNRRA Displaced Persons Operations in Austria, took over the duties of Chief of Mission on the 1st of January 1946 and conducted the negotiations. An UNRRA Bureau was set up in the Austrian Federal Chancellery early in the New Year to co-ordinate the transport, administration, and distribution of UNRRA supplies. On the

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648 5th of April a formal agreement covering the relief programme
657 was signed by Brigadier Parminter and the Austrian Minister for Foreign Affairs.

Although it had originally been hoped that UNRRA would be in a position to start operations on the 1st of March, this estimate proved too optimistic. It was finally decided that the organization should assume its responsibilities by three stages in April, May, and June, the beginning of June being the date on which it should be responsible for the actual delivery of supplies. To make this programme possible the Chief of Mission obtained the promise of each of the four occupying Powers to do its best to make available one month's food supply for its own zone from stocks already in the country. Even in June UNRRA had to borrow supplies from the American and Soviet Elements.

Allied help, which had first been given in the summer of 1945, was thus continued in order to tide Austria over the transition period. Throughout the whole winter and spring the country was dependent on the Allies for food and other essential supplies. At the end of 1945 the Russians agreed to the export of food from their zone into Western Austria. Coal was brought in from Germany. Raw materials, vehicles, clothes, and medical equipment were provided. Military stores belonging to the German army were handed over to the Austrian Government.

The UNRRA administration in Austria lasted from the spring of 1946 until the end of June 1947. Its main work was the supply and distribution of food. From June 1946 until October, when the Austrian harvest became available, 80 per cent of the rations of the non-agricultural population were provided or paid for by UNRRA, and UNRRA supplies formed a substantial part of the rations so long as the administration lasted. The total value of the food supplied amounted to $81,206,600, in addition to $20 million that were paid to the Allied military authorities for food provided by them.

648 The second largest item on the UNRRA budget was in
433 respect of agricultural supplies. After food itself, aid to increase

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Neither the present system nor reliance on free enterprise will be sufficient. But the following four principles might provide the basis for a successful policy: that private ownership of dwellings is no worse than any other form of private property, provided it is not abused; that such State controls over rents and housing as are necessary should be impartial, efficient, and complete; that private enterprise, including building societies, can make a valuable contribution to any building programme, and that the allocation of dwellings to the homeless on party grounds is an arbitrary and undemocratic abuse of political power. 362

Apart from this one failure, which has been tolerated owing to the low rents paid by the majority, the social services provided in post-War Austria have maintained a very high level. According to statistics prepared by the International Labour Organization, on the basis of 1949 figures, Austria devoted a higher percentage of her national income to social purposes than any other country, except the Saar and West Germany, where the high proportion of refugees made conditions exceptional. This state of affairs, together with the Price-Wage Agreements, has been responsible for the peaceful development of the country under the most difficult conditions and for the complete failure of Communism to make progress in a society which between the Wars had been strongly influenced by the doctrines of Marx. 657

A number of social changes can, however, be observed in post-War Austria, though in some cases it is not yet possible to see whether they are of permanent or temporary significance. 167

The most obvious of these was the influx of a large number of refugees and displaced persons and the absorption of a proportion of them into Austrian society. The temporary effects of their arrival, during the months immediately following the War, have already been considered. By the end of 1951 UNRRA and the International Refugee Organization, which took over this problem from UNRRA in 1947, had helped more than a million refugees and displaced persons

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545 resilience of musical life in Austria than the fact that a festival was held in Salzburg in August 1945, even before the country had been reunited under the Provisional Government. This was primarily the achievement of the Salzburg Festival's venerable President, Heinrich Puthon, to whom has largely been due the restoration of its great tradition since the War. The American Occupation Forces also assisted generously with food, fuel, transport, and accommodation. The 1945 Festival was only a shadow of the festivals that preceded and followed it. But in the circumstances it was astonishing that anything could be organized at all. Most of the artists were collected from Salzburg itself and from the villages of the *Salzkammergut* where they were living in retreat. A production of Mozart's 'Die Entführung' was staged with an excellent cast; a series of concerts was given by the reinforced orchestra of the Mozarteum and by the Vienna Boys' Choir, and the famous serenades in the Riding-School were revived. The 1945 enterprise paved the way for succeeding festivals, which gradually climbed back to the pre-War level, as conditions in general improved.

545 658 The restoration of musical and theatrical life in Austria was only possible with the aid of substantial Government subsidies, which imposed a heavy strain on the financial resources of the Second Republic. The theatre and concert boom that characterized the immediate post-War period was succeeded by a slump in 1948, when the black market and the currency reform had swallowed up savings, and more food and clothing were available. To defray part of the necessary expenditure the Government resorted to two special devices. A small extra charge was added to every cinema ticket purchased, to be devoted to artistic and educational purposes. The greater part of the receipts went to the Provincial Governments, and the remainder to the Federal Ministry of Education. The Ministry imposed a levy for the same purpose on all owners of radio sets amounting to one month's radio licence fee. The fact that the Government imposed these taxes in support of art and education and that the public accepted them as a matter

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of course reveals the attitude of the Austrian people towards cultural matters. There are countries that pride themselves on their standards of civilization and enlightenment in which the authorities completely lack the Austrian Government's sure sense of comparative values in relation to different kinds of entertainment.

The museums of Fine Arts in Austria had special need of support from public funds, because the buildings themselves had suffered more than their share of damage. Considerable expense was also involved in bringing back the State art treasures from the salt-mines in the *Salzkammergut*, where they had been concealed during the War, carrying out the repairs that were necessary, and rearranging them, first in temporary, and later in their permanent new quarters.

By great good fortune, the magnificent State Art Collection, apart from one or two minor losses, survived the War intact. With Allied help the works of art that had been removed to Germany by the Nazis were brought back to Vienna. Those that had been sent to the *Salzkammergut* were saved from destruction at the hands of fanatics by the courage and resource of members of the Resistance movement.

The museum authorities were therefore faced with the problem of what to do with an art collection for which there was no adequate accommodation. Decisions had to be made involving both temporary improvisation and well-thought-out plans for permanent reorganization. In these circumstances the Government decided to appoint a General Director of the State Art Collections to co-ordinate the planning. Its choice fell on Hofrat Dr. Alfred Stix, formerly Director of the Albertina and of the Museum of Art History, who had been forced into retirement by the Nazis as politically unreliable at the time of the *Anschluss*.

It was fortunate that Hofrat Stix had the necessary stature for the task that confronted him. For the decisions that he made, in addition to their immediate results, were likely to determine the main lines along which Austrian museums would develop for many years to come.

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543 after certain changes had been made in its composition, to England, the United States, and Canada. This was probably the greatest collection of works of art that has ever been sent on tour. Though no accurate assessment of its value can be made, it was estimated in the United States at $80 million. In European countries the impression it left was complementary to that made by the visits of the State Opera and the Philharmonic Orchestra, and it extended to North America the field of Austria's most effective achievements in cultural diplomacy. It is arguable that no avoidable risks should be taken with the world's greatest works of art and that those who wish to see them must travel, but it was a most generous gesture on the part of the Austrian Government to share with other countries some of their finest art treasures during a period when they could not be adequately exhibited in Austria.

658 346 The reconstruction of the actual museum buildings was not the responsibility of the museum authorities, but was carried out as part of the Government's programme for the restoration of public monuments and buildings. Remarkable progress was made with this programme within a comparatively few years. By 1952 the main repairs were either complete or far advanced in the case of Schönbrunn, the Belvedere, the Albertina, the Museum of Art History, and St. Stephen's and Salzburg Cathedrals, the work in some cases being finished a good deal earlier. Considerable progress had also been made in rebuilding the State Opera and the Burgtheater, though the opera was given priority and had the additional advantage of some Russian, as well as substantial ERP support.

It might well be considered that too much effort was put into the restoration of public buildings of a monumental character, in view of the acute housing shortage, and that the resources used should have been devoted to the construction of private dwellings. On the other hand, the labour and materials used for the two purposes were quite different. The vital tourist industry was stimulated by the rebuilding of the great public monuments. And the psychological effect on the

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Austrian people during a most trying period was of considerable value. 658 346

In any case, these three considerations seem to have determined the policy of the Government. Even the stately but purely ornamental 'Gloriette' in the grounds of Schönbrunn Palace, which had been badly damaged, was rapidly put in order. In 1947 the main dome of the great monastery of Melk on the Danube in Lower Austria was destroyed by fire. The British Element of the Control Commission was unofficially approached for assistance in obtaining the large amount of copper required for its reconstruction. The reply was that part of the British Government's sterling grant had been used for the purchase of copper, that copper was also urgently needed in the manufacture of electric motors for export, and that the Austrian authorities must decide for themselves as to how their supplies should be used. Within a short time the necessary copper had been found somewhere, and the noble building had been beautifully restored by skilled local labour.

Any foreigners who are inclined to criticize these actions should consider their sentiments towards their own national monuments or towards any expensive features in their own countries' public life. In a materialistic age the jealous maintenance of traditional beauty and dignity cannot lightly be condemned as a fault.

Two of the major undertakings in the rebuilding programme were the restoration of St. Stephen's and Salzburg Cathedrals. Both operations were carried out under the same supervision, but with very different results.

The main dome of Salzburg Cathedral is the central architectural feature of the very beautiful city that lies at the foot of the Hohensalzburg, the imposing rock on which the Prince-Archbishops of Salzburg once lived in their great castle. Owing to a serious error of judgement during its reconstruction, the new dome has lost the symmetry and beauty of its lovely Early Baroque predecessor, and the whole architectural effect is thus marred. In terms of needlessly damaged beauty, there can have been few more costly mistakes in the whole history

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658 346 of European architecture. Salzburg, indeed, is in urgent need of a strong and discriminating voluntary society to protect the wonderful heritage of natural and architectural beauty that belongs to the world and is too little cared for by the local authorities. For the injury to the cathedral is only one of a series of mistakes made since the War that have detracted from the city's pre-War charm. Only with difficulty has a project been quashed for erecting a large hotel in a position so prominent as to rival the magnificent dominance of the Hohensalzburg.

The restoration of St. Stephen's had happier results, although the work involved was on a much greater scale. The total cost amounted to 30 million schillings, and every province in Austria made itself responsible for some part of the reconstruction. Towards the end of 1948 the nave was reopened for public services, and by the spring of 1952 the choir was also ready for use. Though the aim of the restorers was to rebuild the cathedral, as far as possible as it had been before the fire, so far as the interior was concerned, this result could only be achieved within limits. The lovely old choir-stalls could not be replaced, and the atmosphere of the old St. Stephen's has gone for ever. But the new cathedral has a beauty and freshness of its own, and in its decorative details and general effect reveals the skill and devotion of the craftsmen and architects who were responsible for the restoration. Seen from the outside, St. Stephen's, with its fine old spire and high-pitched roof, remains the familiar centre of old Vienna, differing noticeably from the old building only in the vivid colouring of the new glazed roofing tiles.

346 The replacement of St. Stephen's great bell, known as the 'Pummerin', was the gift of the people of Upper Austria. The new bell was cast at St. Florian, and the 26th of April 1952, the day when it was brought to Vienna and the choir was reconsecrated, turned into a great public festival. Vast numbers of people turned out to see it as it passed slowly along the main road from Linz to the capital. Dr. Gleissner, the Governor of Upper Austria, handed it over to Cardinal Innitzer amidst

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642 taken in its composition. No government was ever set up that more closely deserved to be called a coalition. There were representatives of all parties at each level of the administration. Of the thirteen main posts, four went to Social Democrats, four to the Austrian People's Party, three to Communists, and two to non-party men. In addition, in all Ministries, except the Ministry of Finance, two Under-Secretaries were appointed from the parties to which the Minister did not [645] belong. Dr. Renner himself, as Chancellor, was assisted by three Secretaries without portfolio, who with him constituted the Political Cabinet Council. This body, in addition to acting as an inner Cabinet, temporarily formed the supreme executive authority and carried out the duties previously performed by the President of the Republic. Its members, apart from the Chancellor, were Leopold Figl, Adolf Schärf, and Johann Koplenig.

The whole Government, including the Under-Secretaries, formed the Cabinet in the broader sense. From the point of view of taking executive decisions, this body was inconveniently large. But, on the whole, its size was an advantage. As there was no Parliament, it was executive and legislature rolled into one, and had to perform the functions of a Cabinet and of both parliamentary Chambers. It was therefore a good thing that it should be as representative as possible. Confidence in it as a legislative body was further increased by the principle of unanimity that governed its decisions.

643 In view of the severity of the party conflict in Austria between the Wars, it may well cause surprise that the three 663 parties should have collaborated so closely and successfully during the seven months' life of the Provisional Government. It was due partly to the personality of Dr. Renner. By sheer force of character and political experience he exercised considerable influence over his colleagues in the Government. He was one of the few Austrian statesmen since 1918 who were able to combine lifelong adherence to a political creed with magnanimity and the ability to look beyond party to the needs of the country as a whole. In 1922 he wrote, 'Passion is

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a bad political counsellor', and during the remainder of his life 643
he acted in accordance with this precept. In a speech delivered
a few days before his death he spoke of the usefulness of 663
political differences, but emphasized that from the clash of opinions the right course should emerge and common action follow: party, the part, must not usurp the role of the general welfare, which is the whole.

Common suffering at the hands of the Nazis made a great 663
difference also. Political rivals came out of prison as close personal friends addressing one another by the familiar '*du*'. As Leopold Figl said, in the concentration camp a man did not ask his fellow-prisoner what party he belonged to, but whether he was an Austrian. Brave men endured hardship and torture in order not to betray other members of the Resistance, even if they did belong to another party. Adolf Schärf has described how by chance Felix Hurdes, once in a neighbouring cell to his own, was cross-examined about their contacts with each other. However strong party rivalry might subsequently become, such incidents as these could never be forgotten by those who had experienced them.

Another individual who contributed greatly to the success of 663
the Provisional Government by his action and his example was
Leopold Figl. In 1945 he was only forty-three, and he had 675
none of Dr. Renner's experience of Parliament and national politics. But he had great integrity and boundless energy. As a member of the Political Cabinet Council, President of the *Bauernbund*, and Governor of Lower Austria, he was rapidly becoming the most significant figure in the People's Party. His loyal and consistent collaboration with Dr. Renner was therefore of great importance. It meant that the leaders of the two main parties, whose rivalry had been so disastrous in the past, were now working together for the good of Austria.

Besides the strong central government that Dr. Renner and 631
his colleagues provided, the country needed a new administration. After the *Anschluss*, Vienna's functions as the administrative centre of Austria were transferred to Berlin. The city ceased to be a capital and became a province and, so far as the

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631 federal civil service was concerned, was left with neither offices nor officials. After 1918 Vienna had been compared to a heart from which the arteries had been severed: after 1945 Dr. Renner described it with good reason as no longer a breathing heart but a mere bundle of torn blood-vessels. Most of the local and provincial government offices survived, but had been largely filled with Nazis, many of German origin. They had either fled before the Allied armies, often burning the records before they left, or were suspended by the Allies after their arrival. The whole administrative machinery of the State, therefore, from the smallest village to the Supreme Court, had to be created anew.

663 The work of reconstruction was carried out in a spirit of devotion and enthusiasm under the supervision of Sektionschef Heiterer-Schaller, who was commissioned by Dr. Renner to re-organize the administration. In the early weeks it was largely a matter of improvisation and individual initiative. Personnel had to be re-assembled, premises found, and the most rudimentary equipment collected, like paper and typewriters. While the fighting was still going on, a few civil servants collected at the Chancellery in the Ballhausplatz and began clearing away the rubbish with their own hands. Then very gradually the work became more systematic. When the occupying Powers appointed committees to investigate the situation in September, it was found that a fairly adequate civil service was being built up, recruited mainly from those who had suffered under the Nazi régime and who had had previous administrative experience before the *Anschluss*.

The circumstances in which the task was undertaken could hardly have been worse. Apart from the famine and destruction, and the breakdown of all public services, the condition of the State finances was such that all officials, from the Chancellor to the office charwoman, received a salary of only 150 marks a month until the autumn of 1945. This would not have been enough to pay for the bare necessities of life, had they been available. Yet the spirit in which the task was carried out was excellent. It was a real labour of love performed from a sense

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of deep patriotism. In spite of the sordid conditions and immense difficulties, an atmosphere of happy adventure and exhilaration surrounded the whole operation. As one official who took part in it remarked: 'After all, it is not often that one has an opportunity to build up a State.' 663

In the work of political and economic reconstruction the Provisional Government received the support and assistance of the Russian military authorities. As will be seen, the Russians at this time were beginning to carry out the systematic confiscation of economic assets which was part of their post-War policy. But this was accompanied by a positive and helpful attitude towards the Government itself. It would be quite wrong to attribute to the Russians at this period the political obstruction they practised later. Buildings were made available for Government departments. There was no interference with the Cabinet's deliberations, and the laws were, with very few exceptions, given tacit approval. In fact, the Provisional Government felt free and unrestricted in the immense legislative task with which it was faced. After all, the Government was a Russian creation, and the Russians must be given credit for the selection of Renner. The fact that he turned out to be a better choice from the Austrian than from the Russian point of view is beside the point. 648

The Austrian Communists also, in their own way, furthered the work of the Provisional Government. In view of the key positions they held, this was really to be expected. With Russian support they had obtained much fuller representation in the Cabinet than their strength in the country warranted. In addition to providing Under-Secretaries and a member of the Political Cabinet Council, they held the all-important Ministries of the Interior and Education, which were responsible respectively for security and 'public enlightenment'. But the Communists also contributed to the success of the Government for another curious and surprising reason. 665

Very soon after the arrival of the Russians the chosen leaders of the Austrian Communist Party flew into Vienna in Russian aeroplanes: Ernst Fischer and Johann Koplenig from Moscow,

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642 German Government since the *Anschluss*. They could not be repealed *en masse* without causing great confusion. A further constitutional law was therefore passed, that was also to be effective from the 1st of May, stating that all laws and decrees incompatible with a free and independent Austrian State and with a genuine democracy were annulled. The Government would, after investigation, give notice of those that were invalid. The remainder would for the time being have the force of Austrian law.

With these constitutional acts as a basis, the Provisional Government proceeded with astonishing speed to issue the wide range of laws and decrees necessary for the reconstruction of the Austrian State. When the Government was recognized by the four occupying Powers on the 20th October, over 200 had been promulgated.

643 This remarkable legislative achievement was due very largely to the energy, ingenuity, and legal capacity of Dr. Renner himself. The unanimity rule made the legislative process more difficult. But the Chancellor declared on a number of occasions that he would assume a resolution had been approved, unless its opponents within the Cabinet were prepared to back their opinions by resignation. Being accustomed to night-work himself, Dr. Renner would often call Cabinet meetings for nine o'clock in the evening. The less controversial measures would be taken first, and by about midnight, when most members were suffering from hunger and exhaustion, the more difficult matters would come up for discussion. In those days lack of food was a serious consideration in the lives of all Viennese, and it was customary for wine and sandwiches to be served at the end of Cabinet meetings. Critical faculties were damped, therefore, and the democratic process was considerably eased by Dr. Renner's arrangement. The Chancellor would then sit up far into the night drafting the legislation based on the Cabinet's decisions.

• 663 The administrative tasks that confronted the Provisional Government were endless. It would take many months before anything like normal civic life could be restored.

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Nevertheless a great deal was accomplished at every level; by the Central Government itself, by the provinces, and by the municipalities. And it was not long before the results of their efforts could be seen. Following the example of Vienna, in some cases at the same time, the machinery of local government was set in motion in the villages and towns by the joint action of all parties. This work was carried out with the support of the Russian military authorities, who, however, did not attempt to exercise any undue influence. That this attitude should be taken by an occupying Power, in some cases while fighting was still in progress, is something for which the Russians deserve full credit. In Vienna, before the end of April, several tram services were again working, and gas and electricity were available in some parts of the city. At the beginning of May the first trains left Vienna for Klosterneuburg and Wiener Neustadt, and a restricted mail service was started again. At the end of the month the lighting of private houses was possible for short periods daily, and this was followed early in June by the restoration of street-lighting and a considerable relaxation of the curfew regulations that had been introduced in April. A very limited radio service had been opened in April, and on the 12th of June *Neues Österreich* announced proudly that for the first time for seven years the voice of Austria could be heard again by wireless in the outside world.

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The two most serious matters to be settled were the problems of food and security.

The famine conditions in liberated Vienna could not easily be overcome. The city's supply problem since 1918 had always been a difficulty, and the situation in the spring of 1945 made it infinitely worse. The breakdown of communications, the vast number of refugees, and the inevitability of the Russian troops living partly off the country, when they first arrived, led in May to the reduction of the ration to 350 calories a day. The Austrians made every effort to improve the situation, though with little success. Figl's improvised collection service has already been described.[1] But the previous year's stocks were almost exhausted, and the prospects for the new harvest could

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[1] [Ct. cat. 116, p. 20 — Analyst]

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665 [666] constituencies. The elector does not vote for the man of his choice but for a list of candidates selected by the leaders of his party. There is therefore no personal contact between the member of parliament and his constituents, and even the politically minded citizen usually does not know the names of the members who represent him. Once in Parliament the member feels himself to be less a representative of the electorate than an official of his party, and the discipline of the party parliamentary club is strong. The club determines how he shall vote and sometimes how he shall speak. The opportunity for the individual to influence the democratic process outside the club is small, and the occasions are very rare when a parliamentary debate develops along lines unforeseen and unplanned by the party organizers.

446 664 The impersonal nature of the legislative procedure is increased by the rule requiring certain draft laws to be referred, before submission to Parliament, to Chambers representing sectional interests of the community, such as the Chamber of Agriculture and the Chamber of Workers and Employees, in which party interests are often strong. In the case of Bills wholeheartedly approved by the interests concerned, the subsequent parliamentary proceedings tend to lose in significance.

665 The large part played by the party machines in the whole process of government accentuates political antagonism. Individuals have a greater capacity for compromise than organizations, and under the Austrian system the scope given to the human element is reduced to a minimum.

This state of affairs contributed much to the intensity and bitterness of the political conflict between the Wars. The opposing parties, with their utterly different ideologies, were so taken up with the trial of strength between them that they mistook the means for the end. They forgot that the true purpose of the democratic process is to find something out and, having come as near as possible to discovering the best course, to act upon it. Such qualities as humour, good nature, friendliness, and a capacity to live and let live make Austrians natural democrats. Yet these very qualities were squeezed

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642 And on 14 November a law was passed providing for the elec-
631 tion by local assemblies of a *Landeshauptmann* or Governor and subordinates, who were to take over all the business formerly transacted by the State officials and the Statthalter, appointed by the Emperor.[1] This meant, in effect, the abolition of the dual system, and a large measure of decentralization in administrative matters.[2]

The position as regards the relationship between the State and the Provinces throughout the first two years of the Republic was, therefore, somewhat obscure; and this state of affairs not unnaturally resulted in the strengthening of separatist feeling. Traces of this may be seen in the provisions drawn up regarding provincial legislation on 14 March 1919.[3] It was then laid down that laws passed by Provincial Assemblies required counter-signature by a Secretary of State or the Chancellor. But even if assent was refused the Provincial Assembly could, if it wished, then reintroduce and pass the bill. If, however, provincial legislation required the co-operation of the State for its implementation, the Government, acting as a whole, could refuse assent. The Government thus had a suspensive, but not an absolute veto over provincial legislation.

631 The different ~~opinions~~ which, as has been pointed out,
665 prevailed in Vienna, where the Social Democrats were in power, and the Provinces, which were for the most part Christian Socialist strongholds, came to the fore strongly at the various conferences held regarding the form of the final constitution.[4]

The main demand of the Christian Socialist party, after the withdrawal of the Emperor, was that German Austria must be a federal State, in which the member States would have relatively far-reaching rights of self-government.[5] The reasons adduced by the party in support of its federalist programme

[1] St. G. Bl. Nr. 24.

[2] Eisenmann, *La Constitution Fédérale de la Republique d'Autriche* (Paris, 1924), pp. 37–8.

[3] St. G. Bl. Nr. 179.

[4] See Appendix A.

[5] The views of the more extreme federalists, such as Dr. Ender, amounted in fact to a claim that Austria should become a federation of independent States.

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were various. Many of them were characterized by an appeal to the medieval past, when, it was asserted, each Province had had a virtually autonomous status.[1] The only link between them had been superimposed in course of time by the Habsburgs. When the Habsburg superstructure disappeared they reverted to their former position of independence.[2]

It was obvious, however, that the federalist policy of the Christian Socialists was inspired for the most part by more practical reasons. The party as a whole was animated by intense dislike of 'Red' Vienna, and feared that a disproportionate amount of power would fall to her, as the capital city, if a unitary State were established.

This antagonism, already in existence before the war, was sharpened by the events following on the Armistice. It was felt, for instance, that the Social Democrats, who were then in control of the Government, had made no attempt to protect the Provinces against the attacks of marauding bands of soldiers, although Vienna had had both the arms and the men necessary.[3] The secrecy of Viennese foreign policy was also mistrusted, for it was widely believed that everything was being sacrificed to the policy of *Anschluss*, a policy which the Christian Socialists regarded with increasing misgiving after the Spartacist rising of 1918 in Germany, and the subsequent Communist disturbances.[4] The economic policy of Vienna was also much disliked, and the socialization projects were strenuously resisted. Opposition in the Provinces to the requisitioning system, which had to be continued even after the Armistice, amounted at times to economic blockade.

[1] Speech by Dr. Ender at the Salzburg Provincial Conference, February 1920, *Stenographische Verhandlungschrift*, p. 28, 'Bevor Österreich-Ungarn bestanden hat, hat Tyrol bestanden, u. wird weiter bestehen'. Also, Seipel, 'Die Absonderung der Länder', *Politische Gesellschaft*, 14 May 1919, and Seipel, *Der Kampf um die österreichische Verfassung* (Wien, 1930), pp. 74–6.

[2] It was pointed out that the Provisional National Assembly had virtually recognized this fact by inviting the Provinces, on 29 October 1918, to announce their accession to the new State of German Austria. (Speech by Ehrer at the Salzburg Provincial Conference, op. cit., p. 20.)

[3] Seipel, 'Die Absonderung der Länder', *Politische Gesellschaft*, 14 May 1919, pp. 74–6.

[4] In the Draft Constitution of 12 November 1918, which was passed as a temporary measure by the National Assembly, it was stated that "German Austria is a part of the German Republic". (St. G. Bl. Nr. 5, Article 2.)

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631 665 There were, however, men in the Christian Socialist party, as, for instance, the Prälat Hauser, who saw clearly the danger of allowing particularism in the Provinces to assume too great proportions, and who realized that the future well-being of the Austrian Republic must depend upon the breaking-down of existing barriers between the peasants and the workers. But, although the federalist policy of the Christian Socialists was probably to a large extent dictated by opportunist reasons, there was a certain positive substratum beneath these. As Herr Steidle remarked at the Salzburg Provincial Conference, federalism was a form of government particularly well adapted to the German mentality, with its love for complex organizations.[1]

The Christian Socialist party devoted much attention to the composition of the Upper or Federal Chamber. The more extreme federalists were of the opinion that each member State should have equal representation, on the Swiss model, irrespective of the size of its territory or the numbers of its population, on the ground that all the Provinces were equal and independent member States of the Federation. More moderate federalists were, however, prepared to envisage some kind of differential representation, which would take such differences into account.[2] In this case also, the views of the Christian Socialists were coloured by the knowledge that their position in the small Provinces like Tyrol and Vorarlberg was

[1] 'Die deutsche Nationaleigentümlichkeit war immer auf den Foderalismus aufgebaut. Das war seit undenklichen Zeiten so, das liegt den Deutchen im Blut.' (Steidle, Salzburg Provincial Conference, op. cit., p. 48.) Cf. Seipel, *Nation u. Staat* (Wien, 1916), and Mayr, '100 Sitzung der konstituierenden National Versammlung der Republik Österreich', *Stenographisches Protokoll*, p. 3383.

[2] The populations of the nine Provinces were as follows:

Province	Area (sq. miles)	Population
Vienna	107	1,863,783
Lower Austria	7,462	1,478,697
Upper Austria	4,628	873,702
Salzburg	2,763	222,731
Styria	6,327	977,350
Carinthia	3,684	370,432
Tyrol	4,790	313,699
Vorarlberg	1,005	139,968
Burgenland	1,586	286,299

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a very strong one, whereas it was very much less strong in the large, semi-industrial Provinces, as Upper and Lower Austria.

As regards the position of the future President of the Republic, the Christian Socialists were of the opinion that he should be directly elected. This, they hoped, would enable him to adopt a more independent position *vis-à-vis* a possible Social Democrat majority in the Lower House. This proposal was, however, strongly contested by the Social Democrats, who feared that it would be the thin end of the wedge of authoritarian government.

The Christian Socialists wished provision to be made for the direct participation of the people in the business of government, through the Referendum and the Initiative.[1]

But, if it can be said of the Christian Socialists that their views on the new constitution were occasioned for the most part by the political exigencies of the moment rather than by abstract views on the best form of government, the same can certainly be said of the Social Democrats. Their opposition to federalism, for instance, was undoubtedly largely occasioned by fear of reactionary tendencies in the Provinces. They maintained that Christian Socialist contentions regarding the historic individuality of the Provinces were illusory. Most of the Provinces, they argued, had simply grown out of the inheritances of the great feudal families, and were often quite unsuitable as economic units.[2] In any case, many of them had had their boundaries so altered in the course of the war as to make ridiculous any attempt to identify them with pre-war units. The districts which remained were often so situated as to make them quite unsuitable for maintenance even as units of common administration.[3] In any case most of the so-called rights of self-government enjoyed by the Provinces had only

[1] It is interesting to find that Seipel was a particularly strong supporter of these devices. He specially approved, for instance, of the provision that minorities in three different Provinces should be enabled to join together, if by so doing they could amass the requisite 300,000 votes for an Initiative. ('Verfassungsreform u. Wirtschaftsleben', *Reichspost*, 15 February 1920. Also, Seipel, *Der Kampf um die österreichische Verfassung*, pp. 77–9.)

[2] Resel, Salzburg Provincial Conference, op. cit., p. 22.

[3] Speech by Gruener, Salzburg Provincial Conference, op. cit., p. 16; cf. Grogger, op. cit., p. 27.

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631 been acquired in the course of the last few months. There was
665 now no reason for encouraging federalist sentiment since the nationality problem no longer existed and the duplication of administrative machinery would entail expenditure on a scale which the new Republic could ill afford.[1] Moreover, the National Assembly was itself only a *Landtag* of the German Reich.[2]

The Social Democrats were, however, sufficiently realist in their politics to admit that the federal principle would have to be to some extent incorporated in the new State organization. They therefore concentrated upon the mitigation of what they considered its most obvious dangers.[3]

They were strongly in favour of the introduction of the unicameral system for the legislature. In their view, if the Upper House had no power as against the Lower House, it was merely a piece of unnecessary machinery. If the Upper House had such power, and was indirectly elected, the democratic body would be made responsible to an only indirectly democratic body. If, on the other hand, the Upper House were directly elected, it would in all probability be merely a replica of the Lower House.[4] However, the party as a whole realized that the introduction of the unicameral system was not practical politics. They therefore concentrated on an attempt to eliminate, as far as possible, the federal character of the Upper House. It must be elected, they maintained, on a population basis, as it would obviously be

[1] Dolser, Salzburg Provincial Conference, op. cit., p. 50; cf. Preussler, 4th Sitzung, 14 March 1919.

[2] The Social Democrats feared that the development of a federal system would make the conclusion of an *Anschluss* with Germany more difficult, since Germany would not be prepared to recognize this arrangement.

[3] Herr Danneberg, for instance, in the debate on the final proposals laid before the Constituent National Assembly, urged that, since a federal constitution was to be adopted, the existing boundaries of the Provinces should not be considered as in any way sacrosanct, and that, in order to safeguard the democratic principle, it should be provided that, if a part of a Province having a population equal to or greater than that of Vorarlberg, wished to join another Province, or form an independent Province, they should, as provided in the new German Constitution, be permitted to do so. (100 Sitzung, Constituent National Assembly, p. 3386.)

[4] Speech by Grüber, Salzburg Provincial Conference, op. cit., p. 65.

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undemocratic to give equal representation to Provinces whose population figures were so unequal. The party also aimed at curtailing its power as far as possible.

The Social Democrats disliked the Christian Socialist project of a President directly elected by the people. They thought it better that the functions of a President should be discharged by the President of the National Council. Direct election of a President would, they feared, inevitably introduce an autocratic element into the Government.[1]

They were somewhat lukewarm in their support of direct legislation by the people through the Initiative and the Referendum, as these devices would tend, they thought, to undermine the omnipotence of the National Assembly. A dangerous element of procrastination would be introduced into the business of government and misunderstandings would inevitably occur as it was almost always impossible to answer 'yes' or 'no' to complicated legislative projects. It would be much better to let the people exercise their control by shortening the legislative period.[2]

The Social Democrats were emphatically of the opinion that the democratization of government and administration in the Provinces was the *sine qua non* of democratic progress, particularly if a federal system was to be introduced.[3]

The views of the German Nationalists need not be considered in detail, for they did not materially influence the drafting of the constitution. It may be noted, however, that they, like the Christian Socialists, showed a tendency to distrust the autocracy of the Lower House. For this reason, they were anxious to secure direct election for the President.[4] And they were prepared to envisage an even wider use of the Initiative and

[1] Speech by Danneberg, Stenographische Verhandlungschrift über die Länderkonferenz in Linz, 1920, pp. 22–3; and 100 Sitzung, Constituent National Assembly, p. 3390. It is interesting to note that Kelsen, one of the authors of the 1920 Constitution, was also strongly of the opinion that the direct election of the President would mean, in reality, a weakening rather than a strengthening of the democratic principle. (*Jahrbuch des öffentlichen Rechts*, 1920, vol. ix, op. cit., p. 281.)

[2] Danneberg, 100 Sitzung, Constituent National Assembly, p. 3396.

[3] Grüber, Linz Provincial Conference, op. cit., p. 9.

[4] 100 Sitzung, Constituent National Assembly, p. 3400.

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631 the Referendum than were most of the Christian Socialists.[1] Some of the Social Democrats were anxious for the establishment of an Economic Chamber which would have at least large advisory powers, side by side with the National Council and the Federal Council. In this Chamber, employers and employees should be equally represented.[2] The Social Democrats, however, wanted above all things, union with Germany.

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[1] Langoth, *Stenographische Verhandlungschrift über die Länderkonferenz* in Linz Provincial Conference, April 1920, p. 11.
[2] Ibid., p. 12.

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ties were due. The reformers of 1929 mistook effects for causes. 642

It was, for instance, widely felt that one of the great evils in the post-war Austrian state had been the politicizing of every department of public life.[1] This was certainly true. But it was not realized that the cause of this lay to a great extent in the constitution itself. The Government had been deliberately placed under the control of the National Council; and instead of being regarded as the executive committee of that body, it had come to be considered as a weak, but potentially dangerous, rival, whose powers must be curtailed at all costs.

The National Council possessed all the necessary constitutional means to enforce its authority. But it was itself controlled by the party leaders as, owing to the system of proportional representation and the closed list, these had almost absolute control over its members. Thus the proper organs of control—the electorate, the National Council, and the Government—had been in the hands of an irresponsible group of men, many of whom were possibly not even known to the Austrian public.[2] For twelve years the party system had thus run riot in Austria, and in consequence many people had come to believe that it was a system inherently vicious, and to advocate its supersession, and the substitution of some non-party form of organization in its stead. But in fact, different parties are simply the organized expression of differences of opinion among the electorate, and as such they are a necessary concomitant of any democratic government. Their abolition may temporarily hide such differences, but can hardly eradicate them. And, if differences cannot be voiced constitutionally, they may

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[1] 'Tatsächlich ergab sich auf Grund dieser Verfassung im Verlauf der vergangenen zehn Jahre eine Ueberpolitisierung unseres gesamten Lebens, eine Diktatur des Parteiwesens, dessen Einfluss weit über den politischen Bereich hinaus greift u. so ziemlich alle Gebiete des wirtschaftlichen wie des geistigen Lebens erfasst hat. (*Neues Wiener Tageblatt*, 22 September 1929.)

[2] The disadvantages of the closed-list system were, however, beginning to be understood, and the need for a closer connection between electors and elected urged. 'Tatsächlich wurden die Volksvertreter in ihrer Überzahl nichtmehr vom Volke gewählt, sondern von den Parteiführer, den Parteisekretariaten nominiert.' (*Neues Wiener Tageblatt*, 21 September 1929.) For the same reason large electoral districts were now deprecated. In the end, however, the electoral system remained unchanged.

well find a more dangerous outlet. The parties were not the villains of the piece—but the constitution, by which they were accorded a disproportionate amount of power.

Distrust of the National Council was manifested on all sides. The parties of the right hoped to undermine its power by strengthening the office of President; the Social Democrats, by a more frequent use of the Referendum.[1] In fact, it transpired in the course of the 1929 debates on constitutional reform, that the Social Democrats had revised their views on constitutional questions almost as much as their rivals, the Christian Socialists. Renner, for instance, in the debate on the first reading, remarked that the great weakness of the 1920 constitution had been the concentration of power in the Lower House, to the exclusion of all other bodies.[2] For this reason he announced his approval of the proposals made for strengthening the position of the Government and the President.[3] It is true that Renner was very much more conservative in his views than the majority of the Social Democrats. But the party leaders as a whole were well aware that they were on the defensive, and they did not therefore show themselves averse from reasonable compromise.

One result of the over-politicizing of public life, to which attention had frequently been drawn in the past by Dr. Zimmermann, had been a tendency to multiply officials, and thus to increase the cost of government.[4] Attempts to check

[1] Their proposal was that every bill taken up by Parliament should be submitted to a Referendum if one-third of the National Council advised it, or if 300,000 electors demanded it. (See *Pester Lloyd*, 10 October 1930.)

[2] 'Das ist die erste grosse u. tragische Schwäche unserer geltenden Verfassung, dass sie nicht ein Gleichgewicht hergestellt hat unter den mehreren Trägern der staatlichen Autorität, sondern dass sie alles auf eine Karte gesetzt hat, dass sie den Staat u. seine Ordnung, seine Sicherheit u. Freiheit auf die eine Säule des allmächtigen Parlaments aufbauen wollte. . . . Die Verfassungsnovelle ist vor allem charakterisiert durch das Bemühen, das alte demokratische Ideal der Gewalttrennung durchzuführen.' (*Stenographisches Protokoll*, 102 Sitzung, 22 October 1929.)

[3] 'Es soll vor allem die Bundesregierung in ihrer Position gestärkt werden. Das geschieht schon dadurch, dass der Bundespräsident sie ernennt. Der vorliegende Entwurf hält die Mitte zwischen der Präsidenten-Republik u. der Parlamentarischen-Republik; ich glaube eine gesunde u. richtige Mitte' (op. cit.).

[4] *Neues Wiener Abendblatt*, 18 September 1929. Schober pointed out that Austria, a country of seven million persons, had seven hundred members of legislative bodies, (*Reichspost*, 20 October 1929.)

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V

THE INFLUENCE OF THE PARTY SYSTEM ON THE EVOLUTION OF DEMOCRATIC GOVERNMENT

PARLIAMENTARY democracy, as a form of government, can only be successful when the parties are more or less at one in their fundamental aims, and are ready to compromise as to the methods best calculated to attain them. An attempt should therefore be made to estimate how far divergences in the political theories of the various parties in the State contributed towards bringing about the breakdown.

It is undeniable that there was an absolute divergence between the political theories of the more extreme exponents of Austro-Marxism and that of the right-wing Christian Socialists, and that no satisfactory compromise between the two creeds would have been possible.

The aim of the Austro-Marxists from 1919 on was the supersession of the capitalist-bourgeois State by a socialist proletarian one.[1] Most of the leaders, however, believed that this aim could only be achieved if Austria were joined on to Germany, because 'independence' meant that the Allies could starve her out if they disapproved of her policy; the realization of the *Anschluss* was, therefore, the first point of their programme. It is true that hatred of the Bolsheviks was always a marked characteristic of the Austrian Social Democrats. But this animosity was occasioned rather by a dislike of Bolshevik methods than by disapproval of Bolshevik aims.[2] And it was

[1] Bauer, 'Die alte u. die neue Linke', *Kampf*, July 1920: 'Die Eroberung der Demokratie stellte uns daher vor die Frage, in welche Weise u. mit welchen Mitteln wir auf dem neu eroberten Terrain den Kampf um den Sozialismus zu führen haben.' See also the Linz Programme of the Social Democratic Party, 1926. One of the points incorporated in this programme was: '. . . die überwindung der kapitalistischen, der Aufbau der sozialistischen Gesellschaftsordnung'.

[2] '. . . nicht der Kommunismus das trennende Moment, sondern der Bolshevismus, nicht also die prinzipielle Grundlage, sondern bloss die Taktik.' (Max Adler, 'Sozialismus u. Kommunismus,' January 1919, *Kampf*: Cf. *Kampf*, July 1921, article by Max Adler.) '. . . Im Willen zum Sozialismus ist die Arbeiterklasse einig. Nur um den Weg zum Ziele ist Streit.' (*Arbeiter Zeitung*, 15 March 1919.)

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stated, over and over again, unequivocally, by the party leaders, in the party press, and at party conferences from 1919 to 1934, that the aim of the Social Democrats was the establishment of a purely socialist republic, from which bourgeois influence would be entirely eliminated; although it was generally admitted that a policy of conciliation was temporarily necessary. No permanent agreement between the two classes was, however, considered either possible or desirable.[1]

For the right-wing leaders of the Christian Socialists also, parliamentary democracy was regarded as a temporary form of government. Co-operation with the Social Democrats was felt to be a necessary evil in the immediate post-war period. But in time, it was hoped, socialist wings might again be clipped, and a return made to some form of autocratic government.

This essential divergence in aim of the extremist wings was widened by the personal antagonism between the leading exponents of both creeds. Monsignor Seipel, for instance, necessarily always a Catholic first and an Austrian afterwards, thought that the triumph of the Social Democrats would mean the end of Catholicism in Austria. He saw, in Otto Bauer, the foe *par excellence* of his Church. Bauer, on the other hand, argued that Seipel had deliberately chosen to use the Church as a pawn in his political game.[2] He maintained that, if the

[1] *Arbeiter Zeitung*, 5 January 1919: '. . . die politische Revolution ist nur die halbe Revolution. Sie hebt die politische Unterdrückung auf, aber sie lässt die wirtschaftliche Ausbeutung bestehen. . . . Haben wir dazu die Allgewalt des Kaisers gestürzt, um der Allgewalt des Kapitals unterworfen zu bleiben.'

See also Linz Programme (op. cit.), 1926: 'Eine solche Kooperation der Klassen' (as in a parliamentary democracy like Austria) 'kann . . . nur eine vorübergehende Entwicklungsphase in Klassenkampf um die Staatemacht, aber nicht das Ziel dieses Kampfes sein.'

Julius Braunthal, 'Moskau oder Paris?', *Kampf*, October 1920: 'Wer die Koalitionspolitik der Österreichischen Sozialdemokratie unter einem anderen Gesichtspunkt als dem der Abwehr der Konterrevolution betrachtet, hat sie nie begriffen.'

Deutsch, 'Der Geist der Revolution', *Kampf*, 4 October 1919: 'Die Koalition ist solange keine Gefahr solange wir geistig frei bleiben, u. uns nicht auf die schiefe Bahn einer Klassen-harmonie drängen lassen.'

[2] Bauer, *Sozialdemocratie, Religion u. Kirche* (Wien, 1927): 'Der Klericalismus macht die Religion zur Parteisache der Partei der Bourgeoisie, um auf die Religion der Volksmassen, die Herrschaft der Bourgeoisie zu stützen.'

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interests of the Church were to be identified with those of the Christian Socialist party, if it became one of the main planks of the Christian Socialist platform, then the Social Democrats had no option but to fight it. The Church should be removed entirely from the arena of party politics.

It must be stated, however, in fairness to Seipel, that the cry of 'Religion ist Privatsache' was almost certainly only the thin end of the wedge, for the fact that the leaders of the Social Democrats were, for the most part, not only anti-clerical but also anti-Christian can hardly be contested. Most of them thought, however, that religion should not be actively attacked as it had been in the *Aufklärung* period. With the improvement in economic conditions which they anticipated from socialist administration, religion would, in any case, they thought, die a natural death.[1] In this, as in other cases, the Social Democrat leaders hoped to achieve their aims by peaceful, gradual methods. Bauer deprecated even the intellectual violence of the Free Thinkers. But the personal struggle between Bauer and Seipel was so fierce as to preclude the possibility of peaceful development in any direction. Every small issue which arose was turned by them into party capital.

On the Social Democrat side, the ascendancy of the left wing, represented by such men as Bauer, Deutsch, and Adler, was in part a consequence of the fact that they were intellectually very much abler than the more moderate leaders, such as Renner, Ellenbogen, and Leuthner. They were thus able to exert an influence on the policy of the party which was probably out of proportion to the extent of their following among the rank and file of the members.[2] This influence was, however, almost

[1] Speech of Otto Bauer at the Linz Conference, op. cit., 1926. Also, Otto Bauer, *Sozialdemokratie, Religion u. Kirche*: 'Die Religion ist dem wissenschaftlichen Sozialismus nicht, wofür sie der Liberalismus hielt, blosser Pfaffentrug, der durch blosse Aufklärung überwunden werden könne, sondern das Spiegelbild der wirtschaftlichen u. sozialen Lebensbedingungen der Menschen.'

[2] On the other hand, there existed a revolutionary group to the left of these leaders, for the pronouncedly left-wing view of the Social Democrats had prevented the revolutionaries from joining the Communists in any number. The fact that potentially Communist elements found their spiritual home among the Social Democrats explains in part the attacks made from time to time on the 'moderate' policy of the party.

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•665 always used to put a brake on the party when questions of practical politics arose.[1] Indeed, one of the most marked features of Austro-Marxism was its theoretical extremism and its practical moderation.

The adoption of this policy in the post-war period was largely due to the influence of Bauer, who considered that the future of Austro-Marxism depended upon the maintenance of the spirit of revolutionary fervour in the party on abstract questions of socialist doctrine, combined with a moderate policy on practical issues. Bauer hoped, by this policy, to retain within the party extreme left-wing elements, which would otherwise have drifted away towards communism, and to keep the end of the socialist society ever in view, while at the same time extending the influence of the party over the peasants and lesser bourgeoisie, by a practical policy of moderation. He saw clearly in the immediate post-war years that a policy of extremism would in practice lead to the intervention of the Allies, and the triumph, as in Hungary, of a counter-revolution. He emphasized over and over again the fact that conditions in Austria were entirely different from those in Russia, where the peasants had been willing, at first, to co-operate with the revolutionaries, because of their desire for land. It was this co-operation alone which had made the Bolshevik revolution feasible. In Austria, however, no co-operation would be forthcoming from the peasants, who had long been firmly established as landholders. Revolution was not, therefore, immediately feasible.

Bauer's policy was not, however, an entirely opportunist one, for he firmly believed that the future of socialism depended as much on the intellectual development of the workers as on their conquest of material power, and for this reason also he was not averse to a policy of gradualness.[2] On the other hand, he came to fear, after the Vienna riots of 1927, that the peaceful

[1] Both in 1927 and in 1934 the left-wing leaders were forced into action against their will, by uncontrollable extremist agitators.

[2] Bauer's speech at the Linz Conference, 1926: '. . . Ihr Sieg nicht nur davon abhängt, dass sie die Macht erobert, sondern auch davon, dass sie in sich selbst jene moralischen u. intellektuellen Qualitäten entwickelt, ohne die der Sozialismus nicht aufgebaut werden kann.'

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development which he honestly desired might be made impossible by the activities of the right-wing extremists. He saw that the nearer the party came to victory by peaceful constitutional means the more the right-wing Christian Socialists would come to rely on force for its suppression.[1] If the Social Democrats, having lost control of the army, did not defend themselves against this threat, they would probably have to submit to forcible liquidation by the fascists. If, on the other hand, they developed an armed force, they would almost certainly be beaten if it came to an open fight with the Christian Socialists, who would have control over the army and the police force, as well as the *Heimwehr* and the other armed bodies of the right. Moreover, Bauer realized that any signs of militancy on the part of the Social Democrats would react unfavourably on their position *vis-à-vis* their more moderate followers.

On the whole, the Social Democrats, confronted by this dilemma, followed the second course. But the riddle was never wholly resolved, and Bauer himself pursued an uncertain course after 1927. However, he continued, as a rule, to urge moderation on the party, and, in particular, to try to reach some agreement with the other parties as regards disarmament, for he knew that, in the last resort, the Social Democrats could never be as strong as their rivals in this respect. It is probable, however, that apart from this consideration he had a genuine aversion to the idea of physical force.[2] All his violence was of the mind. He was not, however, as Renner and Ellenbogen, on the whole in favour of a coalition, even in 1931, when the danger of the position had become apparent. But he continued

[1] Speech at the Party Conference in 1927.

[2] Speech at the Party Conference in 1926: 'Was klug ist, das sollte man dieser Generation nicht mehr erzählen mussen . . . Bürgerkrieg, das heisst also, dass der Sozialismus, selbst im Falle des Sieges für eine ganze Generation keine Verbesserung der wirtschaftlichen Lage der Arbeiter bringen kann, sondern eine Verschlechterung bringen muss, weil die Zerstörung des Wirtschaftslebens unvergleichlich mehr ausmacht als die Konfiscation des Mehrwertes.' He was also aware of the inevitable danger of the use of force: 'Wer zur Gewalt greift, der ist der Gefangene der Gewalt.' On the other hand, at the Party Conference in 1929, he expressed the view that the only way to force disarmament on the other side was to arm so effectively as to terrorize the bourgeoisie into acquiescence.

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665 to plead for strict discipline within the party, for he feared that in the last resort the decision would not rest with the Social Democrats but with the interested powers outside Austria, who would intervene in support of the bourgeois groups if it came to an actual test of strength.[1]

It became, however, increasingly difficult to combine revolutionary theory with practical moderation and, from the spring of 1933, it was apparent that the leaders of the Social Democrats were no longer in a position to control the party to whom they had preached revolution for so long.

Another reason for the ascendancy of left-wing elements among the Social Democrats was the fact that almost all the party officials, as well as the leaders, were Jews. The Jewish tendency towards extremism thus accentuated the natural tilt of the party towards the left.

Almost precisely the same forces were at work on the Christian Socialist side. Here also the ablest men were the extremists. Monsignor Seipel, as Bauer, stood head and shoulders above any of his colleagues. He shared with Bauer a belief in general principles, and a tenacity in fighting for what he believed to be right, not often found among Austrian public men. And he succeeded in inspiring Catholic policy in Austria with a fighting spirit hitherto unknown. The price which had to be paid for the rebirth of this more forceful form of political Catholicism was the alliance of the Church with the big Vienna bourgeoisie, who, far more than the Christian Socialist peasants of the Provinces, shared Seipel's hatred of the Social Democrats. Seipel was, however, undoubtedly a very great and very able man. Similarly, to take a few outstanding examples, Vaugoin, who reorganized the army after the war, Funder, the editor of the *Reichspost*, and Mataja, all men of pronouncedly right-wing views, were very much abler than Kunschak, the moderate leader of the Viennese Christian Socialists, or Hemala, the leader of the Christian Trade Unions, or the peasant leader, Reither. And it was the extreme elements who had capital behind them, in shape of support from the big Jewish industrialists.

[1] Speech at the Party Conference of 1931.

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On the other hand, it is certainly true that there were large moderate groups in both camps, who would probably have been ready to work together permanently, within the framework of a democratic parliamentary régime, had the opportunity offered. Men like Renner, for instance, from the beginning explicitly repudiated any connections with communism.[1] And Austerlitz, the left-wing editor of the *Arbeiter Zeitung* and a man of great influence in the party, protested strongly, in 1926, against the tendency of the left-wing leaders to play with the idea of a dictatorship as being the only means of achieving their aims.[2] He said that he considered it nonsense to talk of the 'dictatorship' of the bourgeoisie since the war.

The views of these moderate elements did undoubtedly have a very considerable influence over the policy of the party, and, as has been pointed out, even the extremists for the most part subscribed to them as a temporary expedient when the unrest in the country began to assume really serious proportions. Thus, in 1929, the party put forward a strong plea for the disbandment of all private armed forces and for moderation.[3] It is probable, of course, that many of the men who advocated the adoption of this policy of co-operation and moderation believed, like Seitz,[4] Bauer, and Austerlitz, that it was only the means to the end, which was the triumph of the proletarian revolution. But it is also probable that many of those who paid lip-service to the revolutionary ideal were, at heart, far from averse to a permanent co-operation with their rivals. —Men like Renner, for instance, who refused even to pay lip-service,[5] advocated not only disarmament, but also the forma-

[1] Speech at the Linz Conference, 1926.

[2] Speech at the Linz Conference, 1926: 'Wenn der Parteitag zu erkennen gäbe, dass er die Demokratie geringschätzt, dass er in ihr keine wesentliche Errungenschaft wahrnimmt, so würde das sicherlich auch zu einer Minderung unserer Anziehungskraft auf die breite Masse führen.'

[3] Report of 1929 Party Conference: 'Der Parteitag betrachtet die vollständige innere Abrüstung, die restlose Auflösung aller Wehrformationen als das wirksamste Mittel, die friedliche, demokratische Entwickelung der Volkswirtschaft u. den stetigen Aufstieg der Arbeiterklasse sicherzustellen.'

[4] Speech at the 1930 Party Conference: 'Wir wollen keinen Krieg . . . wir wollen Frieden u. Arbeit. Wir werden mithelfen, wenn ihr sie wollt.'

[5] Speech at the 1927 Party Conference: '. . . es ist eine Gefahr u. ein Widerspruch, immer von Revolutionen zu reden, u. zugleich behaupten zu müssen, dass man sie nicht machen könne.'

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665 tion of a coalition with the moderate bourgeois groups. He was acutely conscious of the dangers of the situation after 1927, when the tempo of rearmament was increasing rapidly on both sides.[1] He pointed out at the Party Conference of 1930 that the elections had shown the existence of a large democratic majority of moderate views, and the dislike of the people for the extremist groups. This democratic majority should group itself round the Social Democrats.[2] Renner did not advocate a lasting alliance with any of the bourgeois groups, but he thought that the party should agree to temporary co-operation with those who stood for democratic principles. He was more conscious than any of the other party leaders at that time of the dangers implicit in the Nazi movement.[3] He was, however, too right-wing in his views for the party as a whole, and was never in a really influential position. Bauer, however, was, by 1930, also well aware of the dangers of intransigent opposition.[4] In fact, the chances for the triumph of a policy of co-operation might appear to have been considerable round about 1930.

[1] Speech at the Party Conference of 1927: 'Rüstung u. Gegenrüstung erzeugen eine Kriegspsychose unter den Bürgern desselben Staates, die es dahin bringen kann, dass nur einmal irgendwo zufällig ein Gewehr losgeht, und der Bürgerkrieg ist da.'

[2] Renner at Party Conference, 1930: 'Diese demokratisch fühlende Mehrheit sieht in uns ihr Zentrum u. ihre Führung, an sie schliessen sich Schober Block u. Landbund an, an sie lehnt sich der demokratisch denkende Flügel der Christlichsozialen an. Das wäre ja immer als die Zweidrittelmehrheit im Parlament. Warum bildet diese Zweidrittelmehrheit nicht eine Regierung.'

[3] Speech at the 1930 Party Conference: 'Der eigentlich gefährliche Gegner, der noch nicht da ist . . . ist der Nationalsozialismus. Und dieser Nationalsozialismus ist es deshalb, weil er vom Sozialismus die Ausserlichkeiten, die äussere Form u. gewisse Einzelheiten herausnimmt u. aufpflanzt auf den reaktionären Boden wirtschaftlich verzweifelten Menschen, der es ihnen möglich macht, zugleich die grimmigsten Feinde der Arbeiterklasse, die grimmigsten Feinde des Sozialismus zu sein, u. sich doch Sozialisten zu nennen.'

[4] Speech at Party Conference, 1930: 'Unsere Aufgabe muss sein zu verhindern, dass der Fascismus wieder in die Regierung komme. Wir müssen daher die gegenwärtige Regierung, obwohl es nicht unsere Regierung ist, obwohl es eine bürgerliche Regierung ist, obwohl Reaktionäre in ihr sitzen, trotzdem zu stützen versuchen, damit der Kurs nicht wieder nach rechts wieder in die Richtung Vaugoin—Stahremberg zurückfällt.'

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Other developments, however, combined to play into the hands of the extreme elements on both sides. Economic conditions, for instance, contributed towards the growth of revolutionary tendencies, and the desire for desperate remedies, among the working classes; while among the propertied classes, increases in taxation, especially those imposed by the Vienna Socialist municipality, sharpened aristocratic yearnings for a return to pre-war conditions.

The control exercised by foreign Powers over Austrian economic and foreign policy also served to bring the whole system of parliamentary democracy into disrepute. This form of government was, as has been pointed out, in any case regarded by the extreme groups on both sides as a temporary expedient, and such an attitude grew more and more prevalent when it became apparent that parliamentary democracy was nothing more than a façade behind which Austria's foreign creditors worked their will. Again, economic conditions sharpened the already existing antagonism between the Provinces and Vienna. And, because economic necessity made imperative a modification of the federal structure of Austria, the hostility of the conservative peasants and land-owning classes forced into closer relationship with Vienna found partial expression in movements like the *Heimwehr*. The history of Austria from 1927 till 1934 is the story of force feeding upon force. Both antagonists armed because their rivals did so, although the moderates on both sides were willing to disarm if the other party would do so first.

The turning-point came with the splitting-up of the *Bürgerblock* in the 1930 elections, for with the defection of the Schober group the main body of the party was compelled to turn to extreme right-wing elements for support in its struggle against the Social Democrats. The anti-socialist front tended to split up more and more as time went on, for, after the failure of the attempted *Anschluss* in 1931, the German Nationalists began to drift right away into the Nazi camp, leaving their erstwhile allies with no alternative to the *Heimwehr*. Thus the divisions in Christian Socialist ranks, though they gave temporary encouragement to the Social Democrats, were in reality

665 the beginning of the end, for reliance on the *Heimwehr* led
669 almost inevitably to the crushing of the Social Democrats in
666 1934.[1]

The victory of the extremists was also in part a consequence of the tendency of both sides towards what may be described
665 as party totalitarianism. This was especially the case on the
668 Social Democrat side, for the tendency of the *Bürgerblock* to split up into small groups prevented this principle from working out so fully in their case. The Social Democrats, however, had from the beginning laid particular emphasis on the need for presenting a united front to the outside world, and had, indeed, been conspicuously successful in doing so.[2] They tried, with this end in view, to prevent the members of the party from coming into contact with people of other opinions who might influence them and draw them away from the Party orbit.[3] They therefore laboured to build up Social Democrat societies which would cover all a member's activities from the cradle to the grave. His intellectual and physical needs were all catered for within the party. The party provided him with his flat; built kindergartens for his children, organized sport clubs, literary clubs, political clubs, and social clubs for himself and his wife; took charge of his economic life, negotiating on his behalf with his bourgeois employers; and even provided burial clubs for his death. The organization of the Social

[1] It is interesting to note that Renner had drawn the attention of the party to this danger as early as 1929. He had urged that the Social Democrats should not make things too difficult for their opponents. 'Wir müssen mit unserem Bürgertum manchmal Geduld haben, auch in der Heimwehrsache.' (Speech at the 1924 Party Conference.) In 1930 he again drew attention, at the Party Conference, to this danger; although Seitz, on this occasion, spoke cheerfully of the approaching triumph of the Social Democrats.

[2] *Arbeiter Zeitung*, 9 January 1919. 'Es ist für das Proletariat weniger gefährlich, wenn es vorübergehend einen falschen Weg, aber diesen Weg einig u. geschlossen geht, als wenn es sich im Streit um den richtigen Weg spaltet. . . . Hundertmal lieber einen falschen Weg einig gehen—denn Fehler kann man dann wieder korrigieren—als um des rechten Weges willen, uns spalten.' (Bauer, at Party Conference, 1927.)

[3] It was even laid down, at the Linz Conference in 1926, that no member of the party could, without permission, carry on work which meant his appearance in public life with people who were members of other parties.

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Democratic party in Vienna[1] was as a state within a state. The members scarcely became acquainted with the real bourgeois standpoint because they had no opportunity of mixing in bourgeois society.

The *Bürgerblock* never succeeded in organizing themselves in this way to anything like the same extent, because the interests of their members were much less susceptible of amalgamation. It is true that the Social Democrats included both Communist and *petit bourgeoisie* elements and a certain proportion of peasant elements. But the interests of these groups were nothing like so divergent as those of, for instance, the peasants and the industrialists of the *Bürgerblock*, nor were they numerous enough or strong enough to exercise much influence within the party. None the less, the same tendency towards totalitarianism may be seen working out in sections of the *Bürgerblock*. The *Heimwehr*, for instance, made strenuous efforts to attract all the various groups into their orbit. Their avowed aim was the abolition of party government.[2] This policy was the subject of violent and bitter attack from the Social Democrats. But, in fact, the attitude of both sides was equally inimical to parliamentary democracy, the only difference being that the Social Democrats succeeded in uniting their party, while the *Heimwehr* split up theirs yet further.

It is easy to see that the extreme emphasis of the Social Democrats on party organization in effect nullified the proper working of the constitution just as much as the *Heimwehr* movement. For instance, although the constitution had provided specifically for the representation of all shades of opinion by detailed provisions for proportional representation, the Social Democrats deliberately aimed at the elimination of differences of opinion among the workers. In so doing, they not only prevented the normal working of the proportional representation system by transforming their party into a mili-

[1] Organization was naturally less complete in the Provinces, where the party was numerically very much weaker, 52 per cent. of the party members being Viennese. For the relative strength of the party in the different provinces, see the Party Protocol, 1925.

[2] See the Korneuberger Programme of 18 May 1930. (P. T. Lux, *La Leçon de l'Autriche, 1919–37*, p. 81.)

•665 668 tant and educative rather than a representative group, they almost made impossible the working of any form of parliamentary democracy, which must depend, in the last analysis, upon the possibility of people altering their opinions, compromising now on one issue, now on another, and moving from party to party. A rigid division between two or more groups in a state must make the whole system unworkable because a temporary majority thus becomes a permanent one, and the minority is faced with the alternative of permanent exclusion from power, or revolution. Moreover, the elaborate party structure necessary for the building-up of this totalitarian system almost inevitably places an undesirable amount of power in the hands of the party organizers, who become the real rulers of the state. This certainly tended to be the case in Austria.

In spite, however, of the fact that the party organizations, which were controlled by the more extreme elements on both sides, tended to separate the people into exclusive groups, the divergence in interests and outlook between the peasants and the workers, who formed the main bulk of the population, may easily be overestimated. It is true that the peasants were, in an overwhelming majority, conservative in their outlook, if by conservatism is meant adherence to private property. And it is true that the Social Democrats wished to substitute state for private ownership. On the other hand, the majority of the Social Democratic leaders realized from the start that they would only be able to put their theories into practice very slowly, and with great care, as far as the peasantry were concerned. The fact that conditions in Austria were entirely different from those in Russia, where the peasants had been willing to co-operate with the revolutionaries, because of their desire for land, was fully grasped. In Austria, there were comparatively few big estates, and the peasantry, although not prosperous, had a long tradition of semi-independence behind them. Any attempt forcibly to expropriate their property would have been, it was well understood, foredoomed to failure. A policy of peaceful permeation was the only feasible one. For this reason wholesale expropriation of privately

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owned land at no time formed part of the Social Democrats' programme.[1]

On the other hand, the party was, from the beginning, acutely conscious of the necessity of extending its influence among the peasantry.[2] In 1925 an official agricultural programme was drawn up. This programme provided for the retention of peasant ownership, although the big estates were to be expropriated.[3] The Social Democrats hoped, however, by a lavish expenditure on agricultural colleges and institutes, to educate the peasantry gradually to more scientific methods of farming, which would probably, in the end, mean amalgamation of small holdings, and a greatly increased State control.[4]

The party laid great emphasis also on the need for improving the position of the smaller peasants who had suffered from the inclosure of common land[5] and the conditions of work of the hired labourers. These latter lived, as a rule, in the peasant houses—or rather, in the stables—and their standard of living

[1] Article in the *Arbeiter Zeitung*, 26 March 1919, 'Arbeiter u. Bauern'.

Bauer's speech at the Party Conference, 1925: 'Nicht mit Gewaltakten, nicht mit Gesetzen, sondern mit einem organischen Anpassungsprozess an die sozialistische Umgebung wird sich die Bauernschaft in die neue sozialistische Gesellschaft eingliedern.'

Also Bauer, *Der Kampf um Wald u. Weide*, 1925. See speeches made at 1927 Party Conference, on agricultural policy.

[2] Bauer, 'Leitsätze zur Agrarpolitik', *Kampf*, July 1921: 'Jeder weitere Fortschritt der proletarischen Revolution setzt die Eroberung stärkerer Machtpositionen in den Dörfern u. auf den Gutshöfen voraus.'

[3] The policy had been put forward in the *Arbeiter Zeitung* as early as 10 January 1919: 'Der Sozialismus will das Ausbeutungseigentum überwinden, nicht das Arbeitseigentum. Der Grund u. Boden des Adels, der Kirche, u. der Kapitalisten soll vergesellschaftet werden; der Grund u. Boden des Bauern soll sein Privateigentum bleiben.'

[4] 'Über die Tatsache, dass von einer Expropriation der Bauernschaft keine Rede sein kann, war nie ein Zweifel.' (Bauer, Party Conference, 1925.)

On the other hand, in the Linz Programme of 1926, it was envisaged that if amalgamation of property was required in the public interest, and if it was impossible to get the parties concerned to agree to it, amalgamation might be forced upon them. However, it was again laid down that 'der Sozialismus bekämpft das Raubeigentum der Herrenklassen, nicht das Arbeitseigentum der Bauern'. The peasant would, in fact, be in a stronger position than ever, after the liquidation of his capitalist creditors.

[5] The *Kleinbauernverband* was founded in 1923, and held its first Party Conference in Vienna in 1925. Membership was strongest in Lower Austria (3,500) and Kärnten (1,330).

was extremely low. The Social Democrats regarded them with great interest, as a potentially socialist element in the population, and agitated constantly for the building of separate houses for them, and for better working conditions, etc.[1] In those Provinces where hired labour formed a considerable element in the working population, the Social Democrats made good headway, but it cannot be said that their agricultural programme on the whole met with any considerable measure of success.

On the other hand, although the peasants showed a lack of interest in the abuses of women's labour, the problem of alcohol, the fate of the hired labourer, and other questions which exercised the Social Democrats, they were by far the most staunch supporters of democratic government.[2]

The hostility of men like Dr. Ender to the Viennese socialists after the war was not so much based on dislike of their democratic proclivities as on opposition to their policy of centralization. The *Bauernbund*, led by Dr. Reither, frequently protested against the reactionary politics of the Christian Socialist party leaders. And although it is true that a considerable number joined the *Heimwehr*, and later a very much larger number the Nazis, it is probable that the rank and file of the Austrian peasantry remained to the end supporters of the democratic principle.

Again, although it is true that the peasantry were, on the whole, Catholic in outlook, while the workers had drifted away from the Church, and were for the most part indifferent, if not hostile, in their attitude towards it, this divergence must not be overestimated. The lower clergy, who worked among the peasants, were very much more democratic in their views than their ecclesiastical superiors. The overwhelming majority were themselves of peasant stock and tended, therefore, to share the outlook of their flocks.[3] There were indications in 1932, for instance, that many of them strongly disapproved of the attitude adopted by their superiors towards the *Heimwehr*.

[1] See Bauer's speech on the Agrarian Programme of the Social Democrats at the 1925 Party Conference.

[2] Tyrol and Vorarlberg, in particular, looked back proudly on a centuries-old tradition of self-government.

[3] The higher clergy were also, for the most part, men of humble origin, e.g. Monsignor Seipel, Cardinal Innitzer.

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In any case, the extent of clerical influence among the peasantry can easily be overestimated. The Austrians were not prone to take their religious life too seriously; and attempts made by the Church to extend its influence outside purely religious matters were not regarded with approval.[1] Anti-clericalism had its roots far back in the past, and had antedated by many decades the challenge of the socialists and the emergence of the Nazi party.

But if the clericalism of the conservative peasantry can easily be overestimated, so can the anti-clericalism of the Social Democrats. It is true that the party were prepared to fight what may be termed 'political Catholicism' because this was considered to be a force dangerous to the party.[2] But the Free Thinkers, who were actively hostile to the Church, were very small in number, and were strongly discouraged in their activities by Bauer, Renner, and most of the other leaders.[3] And, while it is true that the rank and file of the party were passively hostile to the Church, or at least, indifferent to its claims, certain leaders, as Ellenbogen and Leuthner, stated unequivocally that they considered this a source of weakness rather than of strength, to the party, and were anxious to see a revival of religion in the ranks of the Social Democrats.[4]

[1] On 20 October 1931, for instance, the *Neue Freie Presse* drew attention to the big peasant meeting, 4,000 strong, which had taken place at S. Johann im Pongau, and remarked that the peasants had demonstrated 'nicht nur gegen die Regierung u. die Parteipolitik, sondern auch gegen die politisierenden Geistlichen'.

[2] See the report prepared by the party executive for the Party Conference at Linz in 1926: 'Die römische Kirche übt ihre grosse Macht über die Seelen der breiten Massen, die ihrer Klassenlage nach, zu der Arbeiterklasse gehören, dazu aus, um sie von der Teilnahme an dem Befreiungskampf der Arbeiterklasse fernzuhalten, u. diese Massen in der Gefolgschaft bürgerlicher Parteien zu erhalten. . . . Dadurch stützt die römische Kirche die Herrschaft der Bourgeoisie.'

[3] Speech by Renner at the 1925 Social Democratic Party Conference, when the whole question was discussed: 'Ich möchte aber das eine betonen: es ist auch in dem Staat nicht Sache der Sozialdemokratie Partei, Religion u. Kirche zu bekämpfen.'

[4] Speech by Leuthner at the 1926 Party Conference: 'Im tiefsten Grund entstehen Religionen aus dem eingebornen, ewigen, unsterblichen u. durch nichts zu unterdrückenden Drang des gesamten Menschheitsgeschlechtes nach Erklärung der letzten Ursachen der Dinge.' He registered a strong protest against the attempt of the Free Thinkers to make acceptance of their creed the *sine qua non* of socialism. Cf. with speech of Preis: 'Seine Apostel'

Otto Bauer,[1] a simple workman, organized a group within the party known as the 'Religious Socialists'. He succeeded in establishing some contacts with the more sympathetic of the clergy.[2] The hostility of the Church, however, prevented the movement from achieving any considerable success.[3]

The policy of the Church itself was not, however, at any rate for the first seven years of the Republic, as reactionary as is sometimes supposed. After the breakdown the Bishops professed unequivocally their loyalty to the Republican régime[4] and there seems no reason to question the sincerity of this declaration. In 1925 they issued a Pastoral Letter which showed marked sympathy with the claims of the working classes,[5] although they were not prepared to tolerate any compromise with the Social Democrats.[6]

After 1927, however, conditions changed for the worse in this, as in so many other respects. The episcopate had been aroused by the anti-clerical programme which had been decided on by the Social Democratic Party Conference at Linz in 1926 (in spite of protest from the moderate element

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(Free Thinkers) 'haben an Intoleranz ungefähr dasselbe geleistet wie die Vertreter aller übrigen Religionen zusammen.' And Mentasti pointed out that opposition to alcohol and opposition to the churches meant opposition to the only forms of relaxation open to the peasants.

[1] Not to be confused with his famous namesake, one of the greatest of the Social Democrats.

[2] e.g. with Prof. Fliegler.

[3] It was condemned by the Bishops in 1930 (see Kungebung, *Des österreichischen Episkopates zur sozialen Frage*, January 1930.)

[4] See pronouncement made by Cardinal Piffl, 4 November 1918: 'Treue gegenüber der Republik.' Pastoral Letter of the Bishops and Archbishops, 23 January 1919, in defence of democracy. (Knoll, A. M., Von Seipel zu Dollfuss, 1934, pp. 44–7.)

[5] See Knoll, op. cit., pp. 48–59. 'Uber Politik, Volkswirtschaft u. Moral. Demokratie u. Neue Staatsform.' The letter inveighed against the evils of capitalism in the strongest terms, because of the lack of regard shown by its leaders for the natural rights of the workers, and their attempt to dominate public life. 'Bei Gott ist kein Unterschied zwischen der Seele der Fabrikarbeiters u. der Seele des Fabrikherrn.' In April 1926, further instructions were issued to priests, urging them to inveigh against the usurious exploitation of the workers.

[6] In April 1926, Roman Catholics were forbidden, except under special circumstances, to join Social Democratic Trade Unions, or to vote for Social Democrats. (Knoll, op. cit., p. 135, 'Instructio pro clero in re soziali'.)

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in the party). And the fighting in Vienna in 1927, which, partly owing to the drastic measures taken to repress the rioters by Seipel's Government, resulted in thousands of people leaving the Church, and deflected episcopal policy decidedly to the right. Seipel, for his part, turned to the anti-working-class big industrialists for support against what he conceived to be the danger *par excellence*. The hostile attitude of the Church towards the Schober Block at the November elections of 1930 occasioned much scandal.[1]

It would, however, probably be a mistake to regard the Church as the villain of the piece even after 1927. It continued to evince great interest in social problems.[2] And although the higher clergy, and perhaps the majority of the lower clergy, regarded the *Heimwehr* movement with favour, as being a useful weapon for curbing socialist influence, they could not be very enthusiastic about a movement so deeply tinged with Nazi anti-clericalism.[3]

Although it is true that in the two main groups, the Social Democrats and the Christian Socialists, the balance of power tended to pass to the extreme wings, other important groups existed who were much more moderate in their outlook, and who stood unequivocally for democratic government. The *Landbund*, for instance, an organization supported chiefly by the more wealthy peasants led by Herr Winkler, inveighed constantly against the fascist proclivities of the Christian Socialists and the *Heimwehr*. Even in 1929, when it supported a reorganization of the state on a corporative basis, hoping thereby to secure a better representation of agricultural interests, its members emphasized the fact that the movement

[1] *Stellungnahme zu den österreichischen Nationalratswahlen*, 9 November 1930, 26 October 1930. (See Knoll, op. cit., pp. 167–77.)

[2] Lent Pastoral Letter, 1928, inveighing against low wages of women and bad housing. *Fasten Hirtenbrief der Erzbischöfe u. Bischöfe Österreichs*, 1928. (Knoll, op. cit., pp. 150–3.)

[3] In January 1930 a declaration was issued declaring that the Church could not consecrate the flags of political parties—'Politischen Vereinen ist mit Rücksicht auf die überparteiliche Stellung der Kirche die Weihe der Fahnen nicht zu bewilligen'.

See also the Lent Pastoral Letter, February 1932, issued by all the Bishops, warning the people against the Nazis.

wanted a genuine, democratic organization, not fascism of the Italian variety.[1]

The *Bauernbund* was another peasant organization strongly democratic in its views. It represented a different section of peasant opinion, and was distinguished from the *Landbund* chiefly by the fact that it was strongly clerical in tone, whereas the *Landbund* was anti-clerical. But it was, if anything, even more staunch to the democratic principle and, from 1929 on, protested frequently against the authoritarian leanings of its wealthier counterpart.[2] Most of the peasants were organized in one or other of these groups.

The Viennese counterpart of the *Bauernbund* was the *Freiheitsbund* of Herr Kunschak. This organization was much more decidedly democratic in outlook than either of the peasant organizations, and emphasized constantly the dangers of right-wing extremism.[3]

This movement was closely associated with the Christian Trade Union movement, led by Dr. Hemala. But it was in the nature of things difficult for a Christian Socialist workingmen's organization to offer attractions to the workers comparable with those of the very much larger and wealthier Social Democratic organization. The group was on the whole disliked by both parties, and never achieved a strong position. Herr Kunschak's reiterated warnings to the Christian Socialists for the most part fell on barren ground.

Finally, reference must be made to the Schober Block, which appeared in 1930 as a group of moderate bourgeois parties, united by opposition to the fascist proclivities of the *Heimwehr* and the Social Democrats.

From this brief analysis of the structure of opinion in Austria in the post-war years, it is clear that, although forces were at work which made the successful working out of democratic

[1] At a later stage, the *Landbund* lost many members to the Nazis. And the attitude of the whole group towards this question was somewhat equivocal.

[2] Some of the local *Bauernbund* groups, however, supported the *Heimwehr*, and it is not easy to discover what proportion of the peasants were behind them. It is probable that opinion was fluctuating a good deal between 1928 and 1932.

[3] The views of this group were represented in Herr Kunschak's paper, the *Weltblatt*, a pronouncedly democratic organ.

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665 government difficult, its roots among the people were strong.
668 And it is just possible that had the Nazi party not appeared on the scene, and forced the Christian Socialists into a position of dependence on the *Heimwehr*, some compromise with the Social Democrats might have been found possible. But the fact that the *Heimwehr*, the only element wealthy and strong enough to provide a defence against the Nazis, was in a position of financial dependence on the Italians, who were thus in a position to dictate their terms, made the destruction of the Social Democrats almost inevitable.

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should be incorporated in the German Republic, in the event of the peace treaty permitting such a development. The Provincial Assemblies of Salzburg and the Tyrol decided to hold plebiscites on the subject, both of which resulted in overwhelming majorities in favour of union with Germany. In the Tyrol 144,342 votes were cast for the *Anschluss* and 1,794 against. In Salzburg the figures were 103,000 for and 800 against. 648

In spite of these clear indications of popular opinion, the victorious Powers opposed any increase in German territory. The Treaty of St. Germain, in September 1919, established Austria as an independent State and forebade any modification of its independence without the consent of the League of Nations. In 1931, when the economic crisis led the Austrian and German Governments to plan a Customs Union between the two countries, the project was forbidden as contrary to the treaty terms. C. A. Macartney's laconic statement that French fear of the Germans on the Rhine was 'an insufficient reason for condemning Austria to be alive' summed up the feelings of many Austrians.

In addition to its fundamental weaknesses, the Austrian Republic lacked the required conditions for successful democratic government. 641 665

A prerequisite of sound democracy is a sense of common purpose. Party rivalry is essential to the democratic system, but it must take place within the framework of loyalty to the State. On the whole, in the First Austrian Republic party sentiment was stronger than patriotism. Of the two main political parties, the Social Democrats were convinced, though moderate, disciples of Marx, believing in the international character of Socialism and not uninfluenced by Marx's theory of class dictatorship. The Christian Socialists, though made up of peasants and industrialists as well as clericals, were predominantly Catholic and traditionalist in sympathy, many of them with monarchist leanings. Both sides tended to attach more importance to realizing their political ideals than to establishing effective government in the new State.

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642 The Republican Constitution approved in October 1922 was itself a handicap. It was drawn up by a coalition government, in which the different views and mutual suspicions of the two parties did not make for clarity or simplicity of structure. Neither side could be described as experts in democratic practice, and the Social Democrats had an exaggerated fear of a strong executive. So the formidable political and economic problems facing the young State had to be tackled by a succession of weak governments which had no power to dissolve Parliament. As the system of proportional representation made for an even balance between the parties, a state of chronic instability prevailed. No real improvement was made in the Constitution until 1929, and even then reforms were limited to those on which the two main parties could agree, owing to the rule that any constitutional change required approval by a two-thirds majority.

665 The situation in the new Republic called for a concentration of political forces. But party feeling was such that the coalition lasted for only two years, and in the autumn of 1920 a long period of bitter and uncompromising conflict began. Attempts made on both sides to renew collaboration all ended in failure, and Dr. Renner, a consistent exponent of co-operation and compromise, had comparatively little influence.

665 668 Although universal suffrage had been introduced in the Habsburg Empire in 1907, the democratic immaturity of the Republic was revealed by the prevalent political methods. The Social Democrats first tried to establish control of the official army. When this attempt had failed, both parties organized private armies of their own, and thus showed that in the last resort they were prepared to use force as well as argument. The bad habit developed of using mass demonstrations for political purposes, an undemocratic technique, because it appeals to emotions and mass suggestion rather than to reason. Its full dangers became clear under the Nazis, but before then it had done great harm to Austrian political life. A mass demonstration in 1927 led to riots and savage repression and accentuated party antagonism. By 1934 Parliament had

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665 668 been suspended by the Dollfuss Government and the country was on the verge of civil war. The Government's harsh and ill-considered decision to turn artillery on to the workers' dwellings may have cut short the conflict and suffering, but it was a final betrayal of democracy that no considerations of expediency can excuse.

721 In spite of the serious internal difficulties, it was in the end to external force that the Austrian Republic succumbed. On the 11th of March 1938 Hitler sent an ultimatum to Dr. Schuschnigg, the Chancellor. Within a few hours German troops had occupied the country and the *Anschluss* was a fact. The Austrian political parties have accused each other of preparing the way for this tragedy, but there were deep-lying causes for the growth of National Socialism and Fascism that were beyond their power to prevent. In the diplomatic circumstances of the time, even had Austria been a model democracy, it would have had no more chance of withstanding Hitler than had the courage, patriotism, and democratic example of the Czechs. As the only German country outside the Reich, Austria was the first object of Hitler's ambition. The opening page of *Mein Kampf* contains the sentence: 'German-Austria must return to the great German Mother Country'.

186 648 In fact, by 1938 the attitude of Austrians towards union with Germany had changed considerably. Inside Austria nearly twenty years of enforced independence had inevitably left their mark: the people were acquiring a sense of pride in their achievement and hope for the future. Recent developments in Germany also had had a decisive effect.

433 Economically Austria had made important progress. In 1918 its position seemed hopeless. But the Austrian Government and people gradually accustomed themselves to the idea that their fate was in their own hands. By 1937 the country was producing three-quarters of its food. Valuable oil-fields had been discovered at Zistersdorf, north-east of Vienna, and oil production had risen from 73 tons in 1932 to 32,849 tons in 1938. The tourist industry had developed rapidly and covered over 80 per cent of the country's trade deficit. When the

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of deep patriotism. In spite of the sordid conditions and immense difficulties, an atmosphere of happy adventure and exhilaration surrounded the whole operation. As one official who took part in it remarked: 'After all, it is not often that one has an opportunity to build up a State.' 663

In the work of political and economic reconstruction the Provisional Government received the support and assistance of the Russian military authorities. As will be seen, the Russians at this time were beginning to carry out the systematic confiscation of economic assets which was part of their post-War policy. But this was accompanied by a positive and helpful attitude towards the Government itself. It would be quite wrong to attribute to the Russians at this period the political obstruction they practised later. Buildings were made available for Government departments. There was no interference with the Cabinet's deliberations, and the laws were, with very few exceptions, given tacit approval. In fact, the Provisional Government felt free and unrestricted in the immense legislative task with which it was faced. After all, the Government was a Russian creation, and the Russians must be given credit for the selection of Renner. The fact that he turned out to be a better choice from the Austrian than from the Russian point of view is beside the point. 648

The Austrian Communists also, in their own way, furthered the work of the Provisional Government. In view of the key positions they held, this was really to be expected. With Russian support they had obtained much fuller representation in the Cabinet than their strength in the country warranted. In addition to providing Under-Secretaries and a member of the Political Cabinet Council, they held the all-important Ministries of the Interior and Education, which were responsible respectively for security and 'public enlightenment'. But the Communists also contributed to the success of the Government for another curious and surprising reason. 665

Very soon after the arrival of the Russians the chosen leaders of the Austrian Communist Party flew into Vienna in Russian aeroplanes: Ernst Fischer and Johann Koplenig from Moscow,

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and Franz Honner and Friedl Fürnberg from Yugoslavia. They came with a well-thought-out programme which was followed consistently during the lifetime of the Provisional Government. Two themes were to be stressed repeatedly: the idea of Austria and its national tradition and the need for democratic solidarity and a united front. As a result, Communist leaders were to be found saying and writing some unexpected things during the following months. At an all-party meeting in the middle of April the question of education in Vienna was discussed. Ernst Fischer spoke with such enthusiasm of the need for instilling patriotism and an appreciation of the great achievements of such historic figures as the Empress Maria Theresa and Prinz Eugene that Leopold Kunschak remarked drily to a friend afterwards that he thought at any minute Fischer might spring up and start singing 'Gott erhalte unsern Kaiser', the old Imperial national anthem. Many efforts were also made by the Communists to persuade the other parties to collaborate in the foundation of joint democratic or supra-party organizations, in which they hoped to exercise the controlling influence. The Socialists and the People's Party did not respond to these overtures. For example, on one occasion Dr. Schärf and Dr. Hurdes discovered that a poster had been printed without reference to them announcing the formation of an all-party youth movement, known as the 'Free Austrian Youth'. At the bottom of the poster their names appeared by the side of that of the Communist leader concerned. Their reply was to proceed with the formation of youth movements for each of their own parties. The 'Free Austrian Youth', however, now a Communist organization, still retain as their flag the Red-White-Red of the Austrian national colours, which their founder had hopefully given them.

The real implications of this programme can only be understood in connexion with the post-War record of the Communists in Central and Eastern Europe. But it had the temporary advantage of facilitating their co-operation with the Provisional Government's efforts to rebuild and re-unite

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the Austrian State. Certain Communist utterances at the time had a considerable appeal to Austrian sentiment. To the first number of *Neues Österreich* Ernst Fischer, who was the editor, contributed an article entitled 'With United Strength'. It ended as follows:— 665

And something more is necessary: that we Austrians awake to true national self-consciousness, that we have confidence in our own strength, as we have not always had in the past. . . .

Hard work lies ahead of us, but it is work for ourselves. After long years of servitude, we can work for ourselves again, for the happiness of our children, for the welfare of our people, for a free independent Austria. With united strength we will overcome all the accumulated difficulties and make of our homeland what it deserves to be: a land of peace, freedom and creative human endeavour. And when the drab needs of everyday life get a hold on us, our ardent faith in Austria will rouse us again to action.

Our great composer, Schubert, has bequeathed us his ever beautiful unfinished symphony. Everything around us now is unfinished: fragments, ruins, the sadness of destruction. Nevertheless we hear more clearly than ever before the urgent, admonishing notes of the unfinished symphony—Austria. We shall finish it.

It was an inspiring call. But there are no signs now that the symphony will be finished in the way Ernst Fischer had in mind.

The legal situation that faced the Provisional Government when it took office was very complex. The most urgent need was to define the constitutional position of the Government. This was done with the help of two constitutional laws that were approved on the 13th of May and made effective from the 1st of May 1945. The first of these declared that the Austrian constitution of 1929, as it stood on the 5th of March 1933, was again in force, and the second modified the first by stating that until the formation of a government based on free elections the Provisional Government was to exercise the supreme executive power in the State and the legislative authority previously held by the Federal Parliament and the provincial assemblies. It was of immediate importance also to settle the question of the legislation and decrees issued by the 642

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666 Europe after the War, the fairness of the Austrian elections has caused some surprise, but this is largely due to a misunderstanding of Austrian conditions at the time.

In the first place, the influence of the Western Allies was exerted wholeheartedly in favour of freedom and impartiality, and, supported by them, the Austrian Government made sensible and efficient arrangements, including precautions against possible malpractice. A special commission was set up to supervise the elections, comprising two members of the People's Party, two Socialists, and one Communist, with Dr. Sommer, a Right-Wing Under-Secretary in the Ministry of the Interior, as Chairman. Polling day was fixed for November, before mountainous districts were likely to be snowed up, and the procedure was simplified so that ballot boxes, as far as possible, could be collected for counting before dark. Free expression of opinion during the campaign was possible through the newspapers of the three main political parties that had been started early in August.

Secondly, the Russians and the Austrian Communists cooperated to carry through the elections with reasonable fairness and had little temptation to do otherwise. There is every indication that the Austrian Communists were more optimistic than the outcome warranted and that the Russians were confident of a fairly favourable result from the Communist point of view. Some were convinced they would obtain 40 per cent of the votes. For several months before the elections senior Russian officers invited the leaders of the People's Party and the Socialists separately to meet them at the Imperial Hotel, when, amongst other matters, the election prospects were discussed. On one occasion the People's Party representatives pointed out that the Communists had the advantage of motor fuel from Russian sources; whereupon they were asked to name their party's needs and obtained an allocation of two tons the next day.

666 The elections resulted in the People's Party obtaining
665 1,598,444 votes and 85 seats, the Socialists 1,428,441 votes and 76 seats, and the Communists 174,387 votes and 4 seats. This

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was a striking proof of the persistence of party loyalties in Austria, in spite of all that had happened during the previous twenty-five years. Both in 1919 and 1930 the Right Wing had obtained the most votes and the Socialists had followed quite closely behind. In 1930 the Socialists had obtained just over 41 per cent of the votes, and the Communists, without the moral support of a strong occupying Power, less than 1 per cent.

For the victory of the Austrian People's Party there were three main reasons. The great majority of peasants were conservative; the party appealed to the country's growing patriotic sentiment, in contrast to the Socialist tendency towards Marxist internationalism, and the majority sympathized with Dollfuss and Schuschnigg in their insoluble dilemma and did not look upon them as Fascist betrayers of democracy.

On the other hand, the Social Democrats had as much reason to be satisfied with the result of an election, in which they had appreciably increased their proportionate strength. Their improved position was due to their strong party discipline and loyalty, the lasting value of their social achievement, and the fact that their party had never compromised in its opposition to Fascists and Nazis.

The Communist failure was of great significance. The Russians themselves were bitterly disappointed and offended by the election result and have never quite forgiven the Austrian Communists either for their failure or for their mistaken estimate of the position. But the Russians had only themselves to blame. There is no doubt that the Austrian workers, after their experiences under Dollfuss in 1934 and during seven years of Nazi domination, were ready for a complete change and genuinely welcomed the Russians as liberators. But the harsh and arbitrary record of the Red Army, the looting and bestial behaviour of some of the Russian troops, especially towards women, completely changed their attitude. If such things were the result of the Communist experiment, it was an experiment the Austrian people had no wish to make. Dr. Renner once remarked that Stalin had made only two mistakes: he had shown Central Europe

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first decisions of the new Parliament, therefore, when it met on the 19th of December, was to adopt the constitution of 1929. Dr. Renner, in his New Year's Eve broadcast to the Austrian people, emphasized that the laws issued by his Government had been dictated by the force of circumstance and must now be verified by the people's representatives. 642

There were compelling reasons for having a coalition. In times of great emergency it is a healthy democratic instinct that brings political parties together to work in the common cause. Britain resorted to coalitions in both World Wars, and the First Austrian Republic had done so in the first two years of its life. The problems facing the country in 1945 were as difficult, if not so fundamental, as those that presented themselves in 1919. There was still an acute shortage of food and fuel. Although the country had gained a measure of unity since the recognition of the Central Government by the occupying Powers, the zonal frontiers remained, and each Power had special rights in its own zone. Moreover, seven years as part of the German Reich had left Austria no contacts of her own with the outside world. While his Government was still in process of formation, Leopold Figl summed up its main tasks as ensuring the necessities of life for the people, creating a unified Austria, and restoring her relations with foreign countries, especially with her neighbours. As gradual progress was made in the solution of these problems, a fourth objective of increasing urgency emerged which held the two main parties together in joint endeavour: the signature of a State treaty that would bring an end to the occupation and re-establish Austria as a sovereign State. [185]

Though these exacting tasks were sufficient to justify the existence of a coalition, there were other reasons for it which arose out of the nature and previous record of Austrian democracy.

The elections had shown that the two main political parties were closely matched in strength. The probable alternative to an alliance between them, therefore, would be tense political strife, which, in the circumstances of national emergency, 665

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665 would be suicidal. In 1950, after nearly five years' experience of the Coalition, Oskar Pollak, the Socialist editor of the *Arbeiter-Zeitung*, a man of the strongest party convictions, wrote:—

> When a democratic country owing to the class division of its people . . . is split into two great camps, two parties of approximately equal strength, this country cannot be governed by democratic methods against the will of one of the two parties. . . . History has shown that every attempt to rule such a country through one half of the population against the wishes of the other must lead to the jeopardizing and even to the annihilation of democracy.

Pollak, of course, had in mind the history of his own country between the Wars.

665 642 Memories of the bitter political conflict and division between 1920 and 1938 had a powerful influence on the course of post-War politics. After the First World War the coalition experiment had lasted for only two years, and it was clear in retrospect that this had been a mistake and that the statesmen who had worked to renew collaboration had been on the right lines. A particularly sinister aspect of Austrian party cleavage was the geographical aspect that has already been mentioned, Vienna since 1918 having been predominantly Socialist and the provinces mostly Right Wing in sympathy. Giving free rein to political rivalry, therefore, would have involved accentuating the division between the provinces and the capital that was already a serious danger.

Finally, the Coalition solved, as far as was possible, the problem of maintaining good relations with Russia and the other occupying Powers. Russian disappointment with the election results went deep, but it was some compensation that the Communists were given not only a seat in the Cabinet but membership of the parliamentary Main Committee as well. Figl described his new Government diplomatically as a 'government of concentration', and this point was seized on as something of a forlorn hope by Ernst Fischer, who in an article in *Neues Österreich* on the 18th of December 1945 emphasized the difference between a mere parliamentary

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'coalition' and a 'concentration of democratic forces' that applied to every level and category in the life of the State. 665 642

As the Austrian Coalition has survived for so long, it is important to understand its nature. It differs considerably from coalitions to which other democratic countries are accustomed, and the difference results from the special characteristics of the Austrian party system and the Austrian form of democracy.

In France the numerous political parties are distinguished from one another in some cases by almost imperceptible shades of political opinion. In the United States the two great political parties could simultaneously hope to win Eisenhower as their leader; while in Britain moderate leaders from opposite sides, like Baldwin and MacDonald, Eden and Bevin, can follow each other with little noticeable break in continuity. But the record of the Austrian Republic has, on the whole, been very different, though the contrast is in process of modification. On the one side are the Socialists, with their radical idealism, their materialism, and their admiration for the Marxian analysis; on the other side, the Right Wing, with its Catholicism, its respect for tradition, and its varying forms of nostalgia for the past. They differ from each other not only in temperament and in their views on the speed and method of political advance but, in many cases, in their whole attitude towards life and its purpose and towards the nature of society and the State. This fundamental contrast in *Weltanschauung*, or philosophy of life, has been one of the main reasons for the stability of party loyalties in Austria through the years. People are much less likely to change their allegiance if religious conviction and deep-rooted social attitude are involved, than if the alteration merely concerns the method of approach to a broadly similar ideal. 665

The contrast is sustained, and tends to be increased, by the dominance and rigidity of the party organizations in Austrian politics. Voting is according to the system of proportional representation and the party list, the whole country being divided into no more than twenty-five electoral districts or 665 666

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665 [666] constituencies. The elector does not vote for the man of his choice but for a list of candidates selected by the leaders of his party. There is therefore no personal contact between the member of parliament and his constituents, and even the politically minded citizen usually does not know the names of the members who represent him. Once in Parliament the member feels himself to be less a representative of the electorate than an official of his party, and the discipline of the party parliamentary club is strong. The club determines how he shall vote and sometimes how he shall speak. The opportunity for the individual to influence the democratic process outside the club is small, and the occasions are very rare when a parliamentary debate develops along lines unforeseen and unplanned by the party organizers.

The impersonal nature of the legislative procedure is increased by the rule requiring certain draft laws to be referred, before submission to Parliament, to Chambers representing sectional interests of the community, such as the Chamber of Agriculture and the Chamber of Workers and Employees, in which party interests are often strong. In the case of Bills wholeheartedly approved by the interests concerned, the subsequent parliamentary proceedings tend to lose in significance.

The large part played by the party machines in the whole process of government accentuates political antagonism. Individuals have a greater capacity for compromise than organizations, and under the Austrian system the scope given to the human element is reduced to a minimum.

This state of affairs contributed much to the intensity and bitterness of the political conflict between the Wars. The opposing parties, with their utterly different ideologies, were so taken up with the trial of strength between them that they mistook the means for the end. They forgot that the true purpose of the democratic process is to find something out and, having come as near as possible to discovering the best course, to act upon it. Such qualities as humour, good nature, friendliness, and a capacity to live and let live make Austrians natural democrats. Yet these very qualities were squeezed

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out of political life by the ruthless working of the party machines. With a measure of justice Christian Socialists accused Social Democrats of putting party before country; of obstructing legislation during their long period in opposition, and of seeking to establish something like a dictatorship of the proletariat. With as much justice the Socialists accused the Right-Wing parties of the arrogant assertion of power; of undermining the democratic system, and finally of dispensing with Parliament and establishing a form of government on the Fascist model. 665

Such a party system and such a background of party strife mean that a coalition government in Austria is a very different thing from a war-time coalition in Britain or a working group of political parties in France. The Austrians learned much from the pre-War tragedy and much from the Nazi ordeal. But political memories are retentive and party differences deep-rooted, and the recollection of the between-War period, though salutary as a warning, still hangs like a curse over Austrian political life. There are very few Austrians who can speak or write of the time with anything approaching objectivity. It is therefore hardly surprising that the Coalition has had its ups and downs. There have been occasions in its existence when it has seemed on the verge of collapse. Yet its very precariousness has increased its value to the country. If politicians have a tendency to fly at one another's throats, it is all the more important, in a time of national emergency, that they should be held together to serve the common cause. 642 665

The inherent tension in Austrian political life has affected the nature of the Coalition in one particular way. There has been a common acceptance of the principle of what is called *Proporz*; that is, the principle that the proportionate strength of the parties in Parliament should be reflected not only in the allocation of Cabinet seats but in the distribution of public offices in general. Each party claims a right to a share of representation in the policy-making governmental committees, the boards of directors of nationalized industries, and even in administrative and industrial appointments at a lower level. The system has

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642 665 its advantages in a coalition where party rivalry runs high. Occasions for friction are reduced to a minimum, because every party has its due share of influence. Ministers can surround themselves with officials of their own way of thinking in the knowledge that their colleagues belonging to other parties will do the same. On the other hand, in the long run the system has serious disadvantages as well. It is the mathematical *reductio ad absurdum* of the over-organized coalition. A great strain is placed on political sincerity when party membership is known to be the key to office. Political opinions come to be the main qualifications for appointments in which technical knowledge and experience should count for most. Above all, the party aspect of political life is continuously emphasized, when it is most important it should be played down, and an atmosphere of huckstering prevails in the appointment to offices where ability and devotion to the State service are the qualities most required.

Nevertheless, in spite of weaknesses, the Coalition has succeeded and survived. On the whole, it has been a healthy influence in Austrian political life. Its dangers have been less serious than unbridled political conflict. In 1945 eleven years of authoritarian government had created a gap in Austrian political experience. Some of the new leaders had had no parliamentary experience. Those who had were mostly old and nearing the end of their careers. The new generation of politicians, however, is accustomed to compromise and collaboration. It has grown up under a Chancellor and two Presidents who put party second to the State. It has been schooled by external pressure to appreciate the value of the heritage that all political parties share.

727 642 The Coalition, however, has never had full responsibility for the government of Austria. It has been subject continuously to the authority of the Allied Control Commission made up of the four occupying Powers.

The system of supervision established on the 20th of October 1945, when the Allied Council recognized the Provisional Government, lasted for just over eight months. It involved

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Probably the most important result was to make possible greater freedom of expression during Cabinet meetings. 645

The life of an Austrian Parliament is limited by the constitution to four years. Elections were therefore due to be held not later than November 1949 and actually took place on October the 9th 1949. There were two main differences between the political situation then and in 1945. First, the number of electors had increased by over 940,000. Of these more than 400,000 were 'less implicated' Nazis, to whom the franchise had been restored the previous summer, and the remainder were either returned soldiers or persons who had acquired Austrian citizenship since 1945. Secondly, a number of new parties had entered the scene. Of these only two, the Union of Independents and the Democratic Union, succeeded in polling more than 10,000 votes, but a new fluidity and vitality in political life were indicated by the fact that at one stage during the year over forty new parties had announced their existence. 666 665

In the elections 97 per cent of the qualified voters went to the polls, compared with 94 per cent in 1945. The People's Party increased its votes by 244,354, the Socialists by 188,626, and the Communists, reinforced with some extreme Left-Wing Socialists, by 35,809. The Union of Independents obtained 489,273 votes and the Democratic Union 12,059. As regards seats, the People's Party got 77, the Socialists 67, the Union of Independents 16, and the so-called Left Block 5.

The election was significant for two reasons. It justified the Coalition Government by showing that it substantially represented the people's view. At the same time it made clear that there were about half a million people who were dissatisfied with the programme of the two main parties and the Communists. They were likely to prove an important political force in the future.

On the 31st of December 1950, Dr. Renner died, only a few days after the celebration of his eightieth birthday. His greatest achievement for post-War Austria had been as Chancellor in the Provisional Government. But while Federal President during the next five years he had been a wise and stabilizing 643

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and a greater measure of independent support than was generally expected. 643

During the first campaign efforts were made with some success to keep the party aspect of the contest under control. But the second, through no fault of the two candidates, involved a good deal of party bitterness and personal animosity. Fortunately this lapse from the best post-War political standards was made good by the example of the new President and his chivalrous defeated rival. When the election result was announced, Gleissner at once telegraphed his congratulations and good wishes to Körner. President Körner himself responded soon after his election by visiting Linz, the capital of Upper Austria. At the official ceremony of welcome he announced that he had shown his personal esteem for Dr. Gleissner by addressing him with the familiar '*du*' as they drove together from the station. 666

After its success in the two general elections, the People's Party received a severe shock from its defeat in the presidential election, all the more so because its candidate was a strong one. As a result, a thorough re-organization of the party was carried out. Changes were made in the main party officials and in the party's representatives in the Government. 665

More significant for Austria as a whole was the increase in the independent vote. Without doubt many of those who had voted for the Union of Independents in 1949 and Dr. Breitner in 1950 were disgruntled ex-Nazis, whose opposition was mainly negative. The attitude to the Nazi problem of the Austrian Government and people in general was sensible, broad-minded, and Christian. Except in the worst cases they wanted as soon as possible to let bygones be bygones. They were unwilling to drive into implacable discontent the disillusioned and repentant party members who were ready to be converted in 1945 and had only become Nazis originally through a mixture of fear and economic necessity. Dr. Koref, Burgomaster of Linz, spoke for the great majority of Austrians in July 1946 when he said: 'We are all agreed that we should not use Nazi methods to bring about the last liquidation of

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665 National Socialism. . . . No one of good will should find his way back to the democratic community barricaded.' But under the vigilant eyes of the Allied Control Commission the Austrian Government was not able to carry out its denazification in its own way. The penalties of fine, disappropriation, and exclusion from office that were imposed were not always unduly severe, but they were applied in a mechanical, inflexible way that was perhaps inevitable, but caused hardship in individual cases, both to Nazis and to some of their original victims. This produced a hardened and embittered element in Austrian society. Reinforced by German-speaking refugees from Czechoslovakia and Eastern Europe, some of whom acquired Austrian citizenship, it provided the hard core of the new opposition to Government policy.

On the other hand, it would be misleading to suggest that the opposition was mainly negative in its attitude or Nazi and refugee in its origin. The new parties contained men of patriotism, originality, sincerity, and courage. Their programmes were a stimulating influence. Even the numerically insignificant Democratic Union, with its forlorn belief in diplomatic neutrality, was directed by the fertile intellect of Professor Dobretsberger, an ex-Minister and distinguished economist. The Union of Independents included able and constructive thinkers as well as the negative and less desirable elements.

668 The most significant of the new political movements was the Youth Front, which was started by a group of young politicians sympathetic to the People's Party. It was impatient of the leadership and critical of the organization of the party, although affiliated to it. The result of the presidential election seemed to justify the Youth Front's criticisms, and its members became more outspoken. In the summer of 1951 it was repudiated by the party, and shortly afterwards came to an end.

Though the Youth Front's existence was brief it showed a phoenix-like persistence. In November 1951 its leaders joined with some of Dr. Breitner's supporters and other kindred spirits to form the 'Action for Political Renewal'. The following spring discussions started between the 'Action' and the

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more moderate and positive elements in the Union of Independents, which led to the formation of a common Working Committee and the decision to fight the next election with a joint programme. 668

This new opposition was impatient of the leadership of the two main parties. It was determined to provide an alternative programme that would rival Communism in the effectiveness of its appeal and at the same time reflect the Austrian dislike of a totalitarian society. It accused the older parties of living in the past and failing completely to win the devotion of youth. It attacked corruption, bureaucracy, political indifference, and the place-seeking of the *Proporz* régime. It favoured free enterprise, a more personal system of political representation, and a dynamic society free from privilege of birth and property. Whether its claims to provide something better than existing creeds are justified, time and its own political record will show. It was, at any rate, a healthy sign that the different groups should come together in a common constructive effort and that the purely negative elements should lose weight.

In the autumn of 1952 a serious difference of opinion arose on economic policy between the People's Party and the Socialists, and on the 23rd of October the Government resigned. At President Körner's request it consented to remain in office until the following February, when it was agreed elections should be held. 665

In these elections the Socialists gained 6 seats, 3 from the People's Party, 2 from the Right-Wing independents, and 1 from the Communists. Though they had 73 seats to the People's Party's 74, they actually obtained 36,842 more votes. The serious increase in unemployment during the winter contributed to this result, as one of the main points in the Socialist programme was the maintenance of employment. The elections were a setback for the opposition. The Union of Independents, who had fought the campaign with the Action for Political Renewal, polled some 16,000 less votes than in 1949. The Democratic Union lost its identity and many of its 665 666

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•665 more moderate adherents by merging with the Communists to form the 'People's Opposition'.

666 It was rightly held in Austria and abroad that the elections were a triumph for the forces making for stability and moderation and that the Austrian people had again expressed their confidence in the Coalition. The Federal President called on the People's Party to nominate their candidate for the Chancellorship, and Dr. Figl was asked to form another coalition government.

665 So far from solving the crisis, however, the result at first intensified the deadlock. The Socialists claimed that the electorate had pronounced in favour of their policy and demanded increased representation in the Government. The People's Party maintained that it had yielded too much influence to the Socialists in the past and that, as the parties of the Right had obtained 200,000 more votes than those of the Left, the Socialist claim was unreasonable. The party declared itself in favour of a three-party coalition, including the Union of Independents. To emphasize the parliamentary strength of its position it published a working programme that it had agreed to jointly with the Union of Independents.

642 Following weeks of hard bargaining Dr. Figl gave up his attempt to form a government just one month after the elections. The People's Party Executive unanimously chose their chairman, Julius Raab, as his successor. On the 1st of April, Raab succeeded in forming a coalition government consisting of the Socialists and People's Party only. In it the Socialists obtained two junior Ministries in addition to their previous representation. The new Coalition was based on a two-party understanding less comprehensive than in the previous post-War Governments. For example, the party truce did not extend to the provinces and the municipalities. It was significant that a provisional compromise budget that had been agreed on in the autumn of 1952 was extended to the end of the year.

During the course of the negotiations President Körner in a public speech made a surprising statement in which he implied

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of the Economics Division of the American High Commissioner's Office. This document, which was entitled 'The Restraint of Competition in the Austrian Economy', strongly criticized the various forms of restraint, such as cartels, political associations, and organized group interests, and recommended the education of public opinion on the merits of a competitive régime. 185

On the other hand, the Socialist Party, while accepting the need for economy and self-help, was opposed to any reduction in social services; preferred government, to private, investment; was more conscious of the evils than of the merits of competition, and stressed the dangers of unemployment rather than the dangers of renewed inflation.

In November 1951 Dr. Franz Nemschak, Director of the Austrian Institute for Economic Research, emphasized the significance of Austria's economic problems for the country as a whole, and recommended that in working out a solution the Government should take the advice of experts rather than allow themselves to be influenced by sectional interests. He deplored particularly the tendency for economic policy to be determined by considerations of party politics.

Dr. Nemschak's warnings and recommendation were justified. By giving full consideration to the views of independent experts, it might well have been possible to agree on an economic policy for the country. As has been seen, there was common acceptance of some of the main objectives, and on the controversial points a degree of compromise was possible. To aspire after the ideal expert solution, however, is a tendency characteristic of democracies and one that is almost invariably disappointed. The circumstances in which party considerations finally confused the issue were not free from an element of accident.

Members of the People's Party held the three key Ministries of Finance, Trade, and Agriculture. The second instalment of the Party's reorganization, following its defeat in the presidential election, took the form of replacing the three Ministers in question in January 1952. Dr. Kamitz, the new Finance 645 665

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645 Minister, was a financial and economic expert who believed
665 that the budget could only be balanced satisfactorily by stringent economy in national expenditure. The new Minister of Trade, Herr Böck-Greisau, was an experienced industrialist, with a special interest in export problems, who believed in free enterprise, and shared Dr. Kamitz' view on the need for economy. Both men were convinced exponents of the new policy of self-reliance and self-help.

453 Before the end of 1951 the Coalition Government's efforts to establish financial stability had already met with success. To restrict credit expansion the bank-rate was raised from 3½ to 5 per cent on December the 6th, while the trade unions and the employers collaborated to keep prices down. During the
454 first four months of 1952 savings-bank deposits rose by 538 million schillings, compared with an increase of only 77 million schillings during the whole of 1951.

645 One reason why the People's Party appointed the new
665 Ministers was that it wished to strengthen its representation in the Cabinet. But it believed also that their policy was what Austria needed at the time. A natural result of its action, however, was that the policy tended to become a party issue, although it had virtually been started before the Cabinet changes took place.

645 The new Ministers were energetic and uncompromising in carrying out the measures in which they believed. Within a
652 few months of his taking office Herr Böck-Greisau was with
665 difficulty dissuaded from relinquishing his post on a question of principle. During the autumn party differences came to a head over Dr. Kamitz' proposals for an economy budget. The People's Party was mainly interested in a deflationary policy to maintain the value of the schilling. The Socialists wanted bigger expenditure on public works and new housing projects in order to keep up employment. No agreement could be reached, and so, as has been seen, the Government resigned. Pending the elections a temporary compromise budget was accepted by both sides.

652 Before the elections took place the new economic policy

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had achieved considerable success. The currency had been stabilized. Between December 1951 and December 1952 wholesale prices had dropped 6·4 per cent and the cost of living 1 per cent. With unimportant exceptions wages had remained constant. Total savings during 1952 amounted to over a billion schillings, compared to the 77 million in 1951. Although the gross national product only just kept up to the level for the previous year, the foreign trade position improved substantially. Figures available in February 1953 showed a drop in the balance-of-trade deficit from 4·3 billion schillings in 1951 to 3·1 billion in 1952, while the balance-of-payments deficit fell from $176 million to $100 million. 652

The Ministers of Trade and Finance deserved great credit for this achievement. But it must be remembered that they were members of a coalition government and that the policy of stabilization had begun before their appointment. Furthermore, the policy depended for its success on the voluntary action of both industrialists and trade unions in keeping down prices and wages.

During the election campaign a large measure of agreement on economic and financial policy was revealed between the Socialists and the People's Party, but the gap between the two points of view, which had made elections necessary, could not be closed entirely. The serious deterioration in the employment situation accentuated the differences on this vital issue. At the end of 1952 there were nearly 100,000 more unemployed than there had been in December 1951, and throughout 1952 the average number of unemployed had been 158,000, compared with 117,000 the previous year. 464 665

The deadlock that followed the elections and delayed the formation of a new Government for more than five weeks was proof of the stubbornness of the differences. The replacement of Figl by the industrialist Raab made it clear that a long-term compromise could not be expected: the Coalition survived, but for external, not for internal reasons. It was, nevertheless, encouraging that Austria's two main political parties should have 642 665

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642 revealed such strong convictions about the country's economic
665 future. The contrast between this attitude and the listless indifference that was common in the immediate post-War years was one practical indication of the achievement of Marshall Aid.

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assistants. Subsequently the situation improved, as an increasing number of returned prisoners of war became available and some relaxation was allowed in the law excluding all former National Socialists from teaching.

The shortage of food was so general that the educational authorities were not in a position to make special arrangements for school-children, but, as has been seen, much was done for them by Swedish, Danish, and Swiss voluntary relief organizations. During the winters that immediately followed the War it was only possible to heat a proportion of the schools, the 'winter schools', as they came to be called; and then the already large classes doubled up or the shift system was intensified. The acute fuel shortage at the beginning of 1947 led to so-called 'coal holidays'.

The Allied cultural and educational organizations played an important part in breaking down the intellectual isolation from which the teachers had suffered so long and of which the best of them were acutely conscious. The French and British ran summer schools for teachers in Austria each year, which were also attended by teachers from France and England; and visits for Austrian teachers were arranged to England, France, Switzerland, and the United States. A limited number of Austrian school-children were also enabled to travel abroad. With the active co-operation of foreign countries, the Austrian Ministry of Education revived some of the schemes for exchanging teachers which had been in operation before the *Anschluss*.

Education is one of the subjects on which there are strongly felt differences between the People's Party and the Socialists. Since the War the differences have been accentuated by the fact that for more than five years Dr. Hurdes, the Minister of Education, was also General Secretary of the People's Party, and by the fact that the Vienna School Board was under Socialist control. The main subjects of difference are religious instruction, private schools, and the best method by which a ninth year could be added to the period of compulsory schooling. There is agreement on the principle of extending the

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871 period of schooling, but party conflict prevents the necessary
665 law being passed.

In spite of this impasse, a great deal has been accomplished in Austrian schools since the War under most difficult conditions. Both parties have been agreed on the validity of three guiding principles which were to be emphasized in the new educational era, according to a directive issued in September 1945: Austrian patriotism (*Volks- und Staatsbewußtsein*), democracy, and humanity. Their experiences between 1938 and 1945 have brought home to Austrians the value of the first two principles more clearly than ever before. The third is deeply embedded in the Austrian nature and tradition.

874 Austria's three universities and her other institutions of
727 higher learning suffered some material damage during the War, especially the University of Vienna and the Technical Institutes at Vienna and Graz. Their work after the War was also severely hampered by the shortage of fuel and food. But the most serious problems that faced them were lack of staff and lack of money.

[875] Some of Austria's finest scholars had gone into exile during the German occupation. Of those that remained many of the younger had been called up for military service, and a number of the ablest and most influential were excluded from teaching as incriminated Nazis. Germans, who had been appointed to Austrian universities under Hitler, returned to Germany. Some of the gaps could be filled by bringing back professors who had been forced into retirement by the Nazis and had remained in Austria. But there were still many vacancies for which it was very difficult to find the right men. The younger generation of university teachers had suffered severely from the War, and it was rarely possible to persuade Austrian exiles, who had settled down happily in other countries, to return to Austria under the prevailing economic and political conditions and at the low salaries that were offered. For more than two years after the War, Vienna University was even unable to fill its chair of English.

Lack of funds not only kept down salary scales; it made it

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XIII

The Communist Challenge

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AFTER their defeat in the elections of 1949 the Austrian Communists could have little hope for their future as a parliamentary opposition. But in neighbouring Soviet satellite States Communist minorities had obtained power by force, misrepresentation, and ingenuity. Such methods had possibilities for the Austrian Communists themselves. An opportunity for experimenting with them was not long in presenting itself.

In the summer of 1950 there was much discontent in Austria. The Third Price-Wage Agreement had imposed all-round sacrifices but failed to stop inflation. The cost of living was rising again, and was bound to rise still further. On the 22nd of September, after weeks of severe bargaining, the Fourth Price-Wage Agreement was approved by the Government, the trade unions, and representatives of industry and agriculture. It was a compromise that none of the negotiators liked. The people as a whole had lost faith in such agreements.

The Communists chose this time to try out their new methods and challenge the Government's authority. Two weeks of crisis and disorder were the result. The immediate aim was a general strike. The pattern of activity was everywhere very much the same. The terms of the new Agreement were grossly misrepresented, and workers were called upon to strike in protest. Force was used to undermine trade union authority and disorganize public services. Railways, roads, and tram-lines were blocked. Rumours were put about of sympathetic forces in reserve. Czech troops were said to be ready at the frontier. The Communist Party's slogan, 'It is only 60 kilometres to the People's Democracies', acquired a new and sinister meaning.

In Vienna the main disturbances occurred on the 26th of

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September, backed by unscrupulous propaganda through the radio and the Press. Tram services were obstructed, and some of the main railway lines to the provinces were temporarily blocked. Flying squads made raids on gas works, power-stations, and other vital points. The trouble culminated when thousands of strikers from USIA factories, having been taken to the centre of the city by lorry and bus, assembled with others in a crowd 6,000 strong before the Federal Chancellery in the Ballhausplatz. They listened to speeches by Ernst Fischer, Franz Honner, and other Communist leaders, and demanded that the Chancellor should receive a deputation immediately. Dr. Figl, who had remained in his office, refused to grant an interview under pressure, but agreed to see the deputation the following day. Soon afterwards the crowd began to disperse. In the course of the day there were some unpleasant episodes between the Communists and the police, and the task of the police was made much more difficult by the fact that the Soviet authorities refused to allow reinforcements to be moved from Russian districts to other parts of the city.

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On the morning of the 27th the Chancellor, in the presence of the Vice-Chancellor, received the demonstrators' deputation and promised to refer their grievances to the Cabinet and the Trade Union Federation. But after the 26th the most critical moment was past. The trade unions had had time to counter with sober facts the wild rumours regarding the terms of the new agreement. When the Viennese workers had an opportunity to consider the real issue, the great majority of them remained loyal to their chosen leaders and rejected the Communist bait.

In the provinces, apart from isolated cases in Salzburg, the main trouble occurred in Upper Austria, Lower Austria, and Styria. The chief industrial centres in Lower Austria and Styria were in varying degrees affected. In Graz a number of Communist leaders smuggled themselves into trade union headquarters and tried to organize strikes by telephone in the name of the provincial trade union authorities, until this typical piece of deception was brought to an end by the police.

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665 668 In Upper Austria the position was aggravated by the presence of a high proportion of discontented refugees and displaced persons amongst the industrial workers and by the strength of the Union of Independents in some of the Works Councils. One of the biggest and longest strikes took place in the Steyr works of the Steyr-Daimler-Puch Company. In the Works Council of VÖEST, fourteen out of twenty-eight members belonged to the Union of Independents and two more were Communists, while additional agitators were sent there at the critical moment from Vienna and Lower Austria. As a result, Linz was one of the worst trouble centres in the whole of Austria.

On the 26th of September the workers of VÖEST and five other Linz concerns, together with the tram-drivers and conductors, went out on strike. About 15,000 demonstrators assembled on the main square, and some penetrated to the Mayor's office in the Town Hall. Officials of the Communist Party and Union of Independents then made speeches from the Town Hall balcony. The next day 1,000 strikers assembled before the Chamber of Workers' building, and some forced their way inside. They seized the seventy-six-year-old President of the Chamber, pushed him on to the balcony, and forced him to resign by threatening to throw him into the street.

For a day or two the situation was really dangerous. At Linz the Danube is the boundary between the American and Russian zones, and it was clear that the proceedings were being organized from the Russian side of the river. Firm action by a joint committee of the city and provincial authorities led to order being restored. Police reinforcements were brought in from the country, and the workers' elected leaders reasserted their authority. Within a week the strikers had all returned to work. Even the Union of Independents, which had been partly responsible for the trouble, sent a representative to the joint committee's meetings.

Between the 26th and 30th of September about 120,000 workers went on strike, including 40,000 employed by USIA,

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who had little freedom of choice. This was only about 8 per cent of the total number of industrial workers. But, in spite of the failure of their first offensive, the Communists made open preparations to renew the attack. On the evening of the 27th of September, when most of the strikes had already petered out, the order was given to the workers by radio to return to work the following day but await the decisions reached by the All-Austrian Shop Stewards' Conference, which was to meet on the 30th of September.

This Conference was a purely Communist idea, and duly met in Florisdorf, a suburb of Vienna in the Russian zone. Its purpose was to give to future Communist action an appearance of approval by workers' representatives on a national scale. But it in no way represented the workers as a whole, and the Trade Union Federation called upon its members not to attend. Most of those who appeared at Florisdorf chose themselves and were adherents of the Communist Party or League of Independents, some of them shop stewards and some of them not. The conference declared that unless the Government dropped the new Price-Wage Agreement by the 3rd of October a general strike would begin on the 4th. Some seductive but quite impracticable proposals were put forward as an alternative to the Agreement.

The Government and the trade unions took their own measures to prepare for the future and settle the past. The Trade Union Federation and the Socialist Party, in announcements to their members, dissociated themselves from the Communist action and made clear that the Communist statements about the Price-Wage Agreement were deliberately untrue: the real issues at stake were democracy and freedom. The Government suspended members of the police force who had failed in their duty, threatened to expel from the country any *Volksdeutsche* who assisted the trouble-makers, and called on the police to maintain order and stand firm against threats. A call to the Austrian people issued by the Government on the morning of the 3rd of October contained the following passage:

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668 'Defend the freedom of the country. Do not allow yourself to be intimidated by acts of violence. The power of the State is sufficient to check terrorist action at the start, so no one should yield to Communist pressure.'

727 668 In the Allied Council on the 29th of September the United States High Commissioner, who was in the chair, accused the Soviet element of having contributed to the recent disorders and lawlessness by encouragement and aid. He charged the Russians, amongst other things, with the following specific acts, violating quadripartite agreements: transporting rioters about Vienna in Soviet Army vehicles; blocking a railway line by means of a Soviet tank; interfering with the maintenance of law and order by stopping the movement of police, and preventing the police from checking rioters at St. Pölten railway station through the intervention of a Soviet official. The British and French representatives supported the American charges. The Soviet Deputy High Commissioner, in rejecting them, made the curious but typical statement that the unrest had been due to the indignation and bad living conditions of the Austrian workers resulting from the Marshall Plan.

665 668 Before the 4th of October it was already clear to the trade union leaders that an overwhelming majority of workers was opposed to a general strike. The Socialist Party had called conferences of Socialist shop stewards in all parts of the country, and their opinion on the subject was almost unanimous. Outside Vienna and the Russian zone the only strikes that occurred were at Hallein in Salzburg, and at the Steyr works in Upper Austria, where the workers had been out since the 26th of September. In Vienna itself there was scarcely a single strike of importance outside the USIA organization, though the news that thirty censors had stopped work at one of the post-offices caused some unexpected satisfaction. This did not prevent the Communist Strike Committee from announcing publicly that the strike in Vienna was practically complete. More serious were the organized attempts at blocking tramways and railway lines and erecting barricades and traffic obstacles in the streets. These were only mastered

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because the great mass of the people were on the side of law and order and turned against the Communist gangs that were trying to cause trouble. On the evening of the 4th of October Burgomaster Körner called on the Russian Military Commander and complained of what was happening. The commander replied that he was against interference in Austrian internal affairs on principle and opposed to the use of force by either side.

The worst trouble occurred in the Russian zone. Even here the number of strikers was comparatively small. In fact the total for the whole of Austria on the 4th and 5th of October was about 35,000, in addition to 40,000 USIA workers, not all of whom went on strike. But in the industrial centres of Lower Austria terrorist methods were employed. The Soviet authorities interfered with the police; railway lines were blocked; public services were threatened, and gangs of Communists used force and intimidation to compel workers to strike.

The most serious events occurred in Wiener Neustadt. There the terrorist methods against industries had only a limited measure of success, some of the workers, especially in the radiator factory, showing great spirit under attack. But the situation became critical when the Communists seized the post-office and telephone exchange. The city is in the heart of the Russian zone, only twelve miles from Soviet Military Headquarters, and the local police were not strong enough to restore order on their own. After understandable hesitation, the Minister of the Interior made the bold decision to send reinforcements from Vienna, and with this strengthening the police restored order and regained control of the post-office. The local Russian commander then intervened, ordering the restoration of the *status quo* within ten minutes and the withdrawal of the reinforcements. The position was finally righted by the general course of events.

Apart from Wiener Neustadt the Communist action throughout Austria had collapsed by the evening of October the 5th. The Florisdorf Conference decided that the strike

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665 668 should come to an end on the 6th, but its decision had been anticipated by the Austrian workers.

668 727 With commendable speed and determination in defence of its rights, the Government sent a note to the Allied Council on the 5th of October, complaining of the Russian action in Wiener Neustadt. On the same day the Foreign Minister despatched a telegram in a similar sense to the Foreign Ministers of the four occupying Powers. The three Western Allies replied with notes in which they expressed their sympathy with the Austrian Government's point of view and their approval of the measures it had taken. They later made official protests to the Government of the Soviet Union.

668 The Government also issued a proclamation in which it thanked the Austrian people for defending their country by their courageous attitude and for proving to the world that Austria would never become a 'People's Democracy'. On the 6th of October a demonstration took place in Wiener Neustadt, where 20,000 people celebrated the victory over Communism and were addressed by the Minister of the Interior and the Minister of Justice, who travelled down from Vienna especially for the purpose. The following day Burgomaster Körner and President Böhm of the Trade Union Federation attended another large victory demonstration before the Vienna Town Hall.

727 668 665 There are two questions that arise in connexion with the whole series of disturbances. What was the Communists' real intention? And how far did they receive Russian support? The answer to the second question throws light on the problem raised by the first.

There is no doubt that the accusations of the United States High Commissioner against the Soviet Element were justified. At the same time there was some truth in the reply of the Russian Military Commander in Vienna to the Burgomaster's protest. That is to say, the Soviet authorities wanted to ensure that the Communists had full scope for their activities, and were prepared to take limited measures in their support, such as making vehicles available and preventing movements of the

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police. But they did not intend to give active aid to the demonstrators, and it is likely that such instances of it as occurred were due to the over-enthusiasm of individuals. Many people were injured in the disturbances and two men died of shock. Yet there was not a single case of violent death throughout the whole period of crisis. Such a result would have been inconceivable had the Soviet forces been active in support.

It is probable, therefore, that the Communist intention was to exploit popular dissatisfaction in order to bring about a general strike and, by so doing, to get control of the trade union movement. Had this intention been fulfilled, some modification in the Government might have followed, and the way would have been prepared for a further advance. The ultimate aim of the Communists, in which they could count on Russian support, was to turn Austria into a 'People's Democracy'. The 1950 action was a preliminary trial of strength.

The fundamental reason for the Communist failure was the Austrian people's attitude. But effective leadership and organization also played a vital part. Dr. Figl and Herr Helmer, the Minister of the Interior, were at their best at such a time. The Government acted with energy, courage, and persistence. The police, as a whole, were efficient, good-tempered, and loyal. The employees of the threatened public services were disciplined and reliable. Most important of all, the trade union leaders were unwavering in their attitude, and the great mass of the workers responded to their call. It was a fine proof of statesmanlike maturity that, in face of the Communist threat, the trade union movement stood staunchly by the Price–Wage compromise that none of its members really liked.

The Communist challenge had two important results. In spite of its failure, there had been a real trial of strength between two rival ideologies. The Communists had in their favour the initiative, the choice of time, and uncertainty regarding the extent of Soviet support. The victory of the Government and

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the trade unions increased the authority and confidence of both. In self-defence they took measures on which they had never ventured before, and their success strengthened their courage and resolution for the future.

Even more significant was the revelation of Communist aims and methods. The Austrian people were given a full-scale demonstration of tactics about which most of them had previously only read. The difference between Russian and Western conceptions of democracy and freedom was made clear beyond any doubt. If a small minority could cause so much trouble by employing the Communist technique, for the sake of Austria's freedom and independence it was imperative that the minority should not be allowed to grow. Since the excesses of the Russian troops immediately after the War nothing within Austria has done more than the events of September and October 1950 to bring Austria closer to the West.

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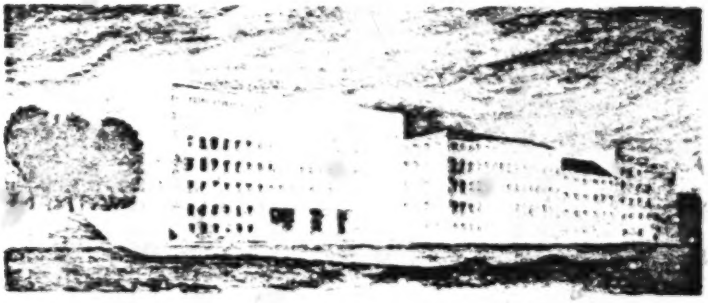

Clemens Holzmeister: Austrian Broadcasting House.

727 The end of the First World War and the fall of the Austro-Hungarian Monarchy had similar paralysing results for Vienna as did the end of the Second World War, when there was not only a collapse of the existing regime, but in addition extensive war damage to be faced. The general reorganisation of the State which took place after 1918 proved less difficult, not only because there had been no actual war damage in Vienna itself, but also because the forces released by the conclusion of the war were not hindered in their development by the pressure of an occupation. Nevertheless, it was years before the Austrian economy and the capital city had so far recovered that it was possible to go beyond efforts to satisfy the daily needs of the population and start constructive municipal schemes.

641 The political revolution of November 1918 secured the full triumph of democratic principles. Universal, equal and direct suffrage, with a secret ballot, was extended to women and, for the first time, applied to the election of members of a Vienna city council. As a result the influence of the masses of citizens which had until then been artifically suppressed now took full effect on the composition of the Council Chamber. Power in the municipal assembly consequently went to the Party of the workers, the Social-Democrats. By securing the majority in the City Council the latter found themselves in a position to put their principles into practice in various fields of municipal activity. During the 15 years after the First World War that the Social-Democrats were able to run the municipal affairs of Vienna, entirely new principles were applied to the administration of public welfare, housing, the conduct of public utility services, the educational system and to questions of personnel. As the basis and support of all these innovations a new financial policy was devised and put into practice. The successful achievements of this exceptionally fruitful period of Vienna municipal administration—it must be remembered that they were not carried out during a period of general prosperity and easy-living,

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ings of Pope Leo XIII's encyclicals. Now, in the dark postwar misery, he took an active part in Students' Help, organized by Professor of Theology Innitzer, now Cardinal Archbishop. They provided free meals and distributed clothes. Those "terrible years," as he calls them, have impregnated the conservative background of his home with a strong social consciousness. Even later, when he emerged as a leading economist, he never lost his early understanding of the struggle of the small people.

After graduating as Engineer (*Ing.* is an academic title in Germanic countries, used like our *Dr.*) Ing. Raab went into the family business. At the same time, he turned to politics, a field that interested him from early youth: his mother's brother was a distinguished member of the imperial Reichstag. In 1927, his home town elected him as their Christian Social deputy to Parliament. "For the first year," he recalls, "I sat back and listened, to learn the ropes." He had an unbounded admiration for the chancellor, Monsignor Ignaz Seipel, "the greatest statesman Austria ever had."

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Austrian politics became so bitter in those years that every big party had a military organization. Once the Socialists armed themselves, Prince Starhemberg founded the anti-Socialist *Heimwehr*. Raab joined it at the instigation of Seipel, who wanted him to work inside

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[665] 643 the Heimwehr against Starhemberg's fascist tendencies. Inevitably, Raab and Starhemberg fell out. Raab left the *Heimwehr*. The communists call Raab a fascist, but that is stupid.

After Parliament was dispensed with under the Dollfuss-Schuschnigg regime, Raab won high repute as founder, organizer, and leader of the *Gewerbebund*, a nation-wide organization of all the trades, crafts, and industries. When Chancellor Schuschnigg made his last desperate attempt to stave off Hitler, he rallied the biggest names in the land around him. He made Raab minister of trade and transport.

After Hitler annexed his native Austria to the *Reich*, Raab was, of course, out in the wilderness. He was never personally persecuted, but he could not risk the family fortune by rejoining their old firm, and he started out on his own, in Vienna. So deep was nazi hatred towards Raab that at the outbreak of the 2nd World War he was formally declared unworthy of wearing a German uniform!

727 642 645 The Russians entered Vienna in the spring of 1945. Marshal Tolbukhin ordered a provisional government in which the Catholics, Socialists, and communists had to share every ministry. Builder Raab became secretary of state in the ministry for reconstruction, but was vetoed by the Russians as a minister in Figl's cabinet.

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643 441 Once more Raab turned his talents to economic fields. He created the Austrian *Wirtschaftsbund,* which reorganized Austrian economy and constituted a federal Chamber of Commerce, of which Raab was first president.

643 665 Raab was one of the founders of the *Oesterreichische Volkspartei,* the (Catholic) Austrian People's party, a deputy since 1948 and its "strong man" from the start. His political position was consolidated when the People's party elected him as their *Parteiobmann,* or leader, in 1951.

In the 1953 general elections, the OVP did not do so well as the Socialists. The party decided that a change of prime minister was needed. A new one, it thought, would more likely get maximum concessions from the Socialists in the coalition government. As things stood, with Catholic and Socialist seats nearly balanced, the OVP could have got a majority with the aid of the small Independent party. But realist Raab holds that in the present difficult international situation, only a strong government of the two biggest parties can achieve that primordial aim, restoration of full Austrian sovereignty.

643 While I was with the chancellor, the clock in his room played a gay carillon to strike the full hour. It did not disturb him. He admitted placidly that he has no ear for music. He never goes to opera or theater, those two glories of Vienna.

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production was in a chaotic state and could not absorb the 423
men who came back from the army and from the munition 727
industries. Unemployment, which had been at a level of
about 46,000 in December, 1918, rose quickly to a peak of 727
186,000 (131,500 in Vienna) in May, 1919, at the very 464
time when the Western democracies enjoyed a short-lived
post-war boom. After that, unemployment decreased steadily until it reached its lowest level in November, 1921, when there were 8,709 unemployed on the register.

THE INFLATION

The extent of Austria's economic exhaustion after the 727
last war has been deliberately described at some length so as to indicate the level from which reconstruction had to start. No doubt, it was a tremendous job. But, with the relief credits to help out in the first period of distress, it was surely not beyond the strength of the Austrian people to build up a working economy. The tens of thousands of workers who struck work in January, 1918, in order to finish the war, the soldiers who returned disgusted with the war and the old régime, the peasants who had more than enough of the constant military requisitioning, all combined to turn out the Emperor, practically without any bloodshed; and they now looked confidently to the new Republic to lay the foundations for a new life.

There was much enthusiasm here that could have been 186
harnessed to a great crusade for the rebuilding of the
nation's life. But it was the tragedy of the situation that 665
the statesmen of the day, those of the right and those of the left alike, completely lacked the required conception of leadership. Instead of stimulating the patriotic and social aspirations of the masses and guiding them in the difficult tasks of reconstruction, the general attitude of the leading politicians, reared in a 50-million empire, was to profess

[Cf. Cat. 116, p. 34 — ANALYST]

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complete disbelief in Austria's ability to exist as an independent entity. The mistaken policy towards the national minorities in the past decades (mistakes that were shared by the German-speaking politicians of the right and the left alike) ruled out any close union with the Slav neighbours. The incorporation of Austria into Germany was therefore advocated as the only practicable solution.

"Our task was", wrote Dr. Otto Bauer, the leading figure in the Social Democratic Party and the Foreign Minister of the 1919 coalition government, "to convince the statesmen of the Entente that German Austria, if left to herself, was not capable of existence; that any attempt to form a confederation of the Succession States must be baffled by the opposition of Czechoslovakia and Yugoslavia; that union with Germany was therefore the only possible solution, and the only means of averting the complete economic collapse of German Austria and the violent social disorders and grave dangers of war which must ensue."

But the idea was not really popular.

"At the same time we had to carry on propaganda among our own people. If our appeal to the statesmen of the Entente was not to remain barren we must be able to show them that our struggle for union was based on the united conviction of the whole German Austrian people." [1]

Propaganda of this kind was obviously not designed to rouse the spirits and unleash the energies of an exhausted population. A strong and democratic patriotism, which enabled the neighbouring Czechoslovakia—though admittedly under more favourable conditions—to re-establish her economic life with very little outside help, could hardly flourish in such an atmosphere of defeatism. How could one give allegiance to a country that could not possibly exist? There was much local patriotism—for

1 [CP. CAT. 116, P.34—ANALYST]

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Vienna, for Tyrol, for Salzburg, for instance; but the cohesive force of a national conception was largely missing. Moreover, the provinces feared that an unproductive Vienna would hang like a deadweight on their economy and some of the western provinces tried to break away and to join Germany or Switzerland. In addition, the small but active Pan-German minority[5] tried to use the defeatism of the major political parties to further their own imperialist aims of a Greater Germany.

Perhaps inflation was unavoidable by the time the war ended. After all, inflations swept practically all central and eastern Europe. But the course of inflation in Austria was greatly influenced by the weakness of a government which did not believe in its own and its people's strength. This is clearly shown by the speech made by the Christian Socialist Chancellor Seipel before the Council of the League of Nations in 1922, when he tried to obtain financial help for Austria. The collapse of Austria, he said, would be "a serious blow to the Treaties of Peace, for it would afford a proof that the new Austria which they created is incapable of existence, either now or in the future".[6]

What, then, was the main sequence of the economic events of the period of inflation, and what was its significance for the further development of Austria's economy?[7]

The roots of the post-war inflation went back to the war years. The strong inflationary pressure inherited from the past would have been difficult to restrain whatever the post-war setting. Taking July, 1914, as 1, the circulation of banknotes in the Austrian-Hungarian Monarchy had risen to 13·17 in November, 1918, and the cost-of-living[8] to 16·40 in the same month.

The financial situation did not ease with the ending of hostilities. The delay in the arrival of relief supplies and

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641 suffrage. In 1907 the suffrage had been extended for State
642 elections so that all males over twenty-four years of age had an active vote, and all males over twenty-nine had a passive one. These age limits were now reduced to twenty and twenty-four years respectively; and the right to vote was extended to women.

Whereas in pre-war days no attempt had been made to regulate the suffrage in those Provinces where the old curial system, abolished for Reichstag elections in 1907, had persisted up to the war, it was now expressly laid down that the right to vote in provincial elections might never be more restricted than it was for elections to the National Council.[1] This provision is another example of a striking incursion on provincial rights in the interests of democracy.

By Article 26, (5), it was laid down that the right to elect to the National Council could only be suspended by judicial decree,[2] and that it was intended that this right should only be withdrawn for reasons of the utmost gravity is suggested by Article 142, (3), which decrees that even in the case of an adverse judgement by the Constitutional Court in a case of impeachment of an official, a temporary loss of political rights should only follow if the case were one of particularly grave circumstances. And by Article 149, (2), Article 20 of the Fundamental Law of 21 December 1867 and the Law of 5 May 1869, dealing with temporary suspension of these rights, were both expressly repealed.

641 It was felt, however, that the establishment and safeguarding
666 of universal suffrage was not in itself sufficient to ensure the
642 triumph of the democratic principle. Before the war, for instance, although a comparatively wide, direct and secret suffrage had been in force, the equality of the suffrage had

[1] Vide Article 95, (2).

[2] By this Article, the arrangement by which women under the surveillance of the police were deprived of the right to vote (Law of 18 December 1918, 139) was abrogated. Verdier suggests that Dr. Kelsen felt that no one should be subjected to the loss of so fundamental a right, 'par une simple décision administrative qui risque souvent, et en particulier lorsqu'elle est prise par la police, d'être arbitraire'. (Verdier, *La Constitution fédérale de la Republique d'Autriche*, Paris, 1924, p. 115.)

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been to a large extent illusory, because of the inequality in apportionment of mandates to the constituencies, which differed greatly in size. The introduction of proportional representation had to some extent removed these inequalities. And by a Law of 18 December 1918 mandates were redistributed over the constituencies. The new allocation was calculated on the basis of the census published in 1910. But Verdier points out that the constituencies still received mandates only in rough approximation to the number of their inhabitants.[1] And Kelsen himself admits that the weight of the individual vote varied not a little in the different constituencies.[2] However, it was considered useless to reapportion mandates until the boundaries of the State had been finally settled by the Treaty of St. Germain.[3] Meantime, the inequality of the existing arrangement had been increased by subsequent movements of population. However, by Article 26, (2), of the 1920 constitution, the principle of the apportionment of mandates to the constituencies on a basis strictly proportional to their populations was established. And the Electoral Law of 11 July 1923 laid down the method to be used for ascertaining the correct apportionment.[4]

It was felt by many, however, that the division of the electorate into constituencies in itself constituted a violation of the democratic principle, in that such a division resulted in a curtailment of the freedom of members, who then tended to act as the delegates of their constituents rather than as free representatives of the whole people. Renner, in particular, emphasized the dangers of this system. He feared that the politics of the State might come to turn upon local issues, while what should have been the essential questions, the different views of the various parties, would fade into the

[1] Verdier calculates that in Salzburg 18,116 persons were represented by one deputy, while in south-west Vienna 28,332 persons had only one deputy (ibid., p. 116).

[2] *Die Verfassungsgesetze der Republik Österreich*, vol. ii, p. 7.

[3] Verdier, op. cit., pp. 116–17

[4] It is probable that the inequalities of the previous system were somewhat exaggerated, as when fresh elections were held on 21 October 1923, in accordance with the new census of March and the Electoral Law of July, only slight alterations were found to be necessary.

641 background.[1] He further pointed out that such a state of
●666 affairs would tend to produce a deadlock in the National
642 Council, for as members would be bound by the local views of their constituents, they would be unable to negotiate the necessary compromises with their colleagues. Moreover, the candidate prepared to offer the most bribes to his constituents was likely to be elected.[2]

666 It is clearly undeniable that the division of a country into
642 constituencies must, in so far as it has any political consequence at all, tend to tip the balance of a constitution in favour of direct democracy, by encouraging control of particular members by particular territorial groups. It is, therefore, not surprising that the constituency system met with opposition, particularly from the Social Democrats, for the tendency of left-wing political theorists at that time was to revert to the nineteenth-century idea of the omnipotence of Parliament and its freedom from the electorate once it had been elected.

The constitution of 1920, in this, as in so many other instances, represented a compromise. By Article 56, for instance, it was expressly laid down that members of the National Council and the Federal Council should not be bound by instructions. But the constituency system was maintained. On the other hand, the closed list system was introduced, thus lessening the direct connection between members and their constituents.[3] And for the majority system there was substi-

[1] Speech by Renner in the Provisional National Assembly on the occasion of the introduction of the Electoral Law of 18 December 1918. 'Die Wahlkreiseinteilung gab der Landverteilung ein imperatives Mandat, u. stellte sie unter die Peitsche einer rücksichtslosen Agitation, die ihnen jede Freiheit der Entschliessung nahm . . . Dass wir bisher nicht jene grosse Parteiformation nach allgemeinen Weltanschauungen herausbilden konnten wie in anderen Ländern, geht zum guten Teil auf diese mechanische Spaltung der Wählerschaft zurück.' (Quoted by Kelsen, op. cit., vol. ii, p. 43.)

[2] In fact, however, Renner's fears proved to be groundless. The difficulty lay rather in the fact that the connection between electors and their representatives was so remote that the former could not exercise any control at all.

[3] In point of fact, the closed list system, in that it inevitably tended to make members dependent on their party caucuses, was just as liable to lead to a diminution in the authority of Parliament through the subordination of its members to extra-parliamentary groups, as was the constituency system.

This device was criticized as unsatisfactory by Adamovich (*Grundriss des österreichischen Staatsrechts*, Vienna, 1927, p. 136). In May 1927 a minis-

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tuted a far-reaching system of proportional representation which, by its provision for combinations of minorities in the various constituencies, meant that a given proportion of members of the National Council was not responsible to particular territorial groups. It was hoped that by this means the advantages of the constituency system could be maintained without what was felt to be its disadvantage—unrepresented minorities in all the constituencies.

The Austrian constitution of 1920 was riddled with provisions for the representation of minorities. No man should, it was felt, be faced with the alternative of voting for parties with whose policy he was not in complete agreement or of wasting his vote. But in fact this attempt to obviate the necessity for compromise, which is the kernel of the theory of proportional representation, cannot solve the problem, as was shown only too clearly by the later course of events in Austria. The need for compromise in a positive State composed of divergent elements cannot be evaded. The advocates of proportional representation merely shift the responsibility for the compromise from the elector to his representative. For, in a Parliament or any other body fully representative of public opinion (which will be, as a rule, a body composed of small groups), bargaining among the parties must always be necessary before a governmental majority can be formed at all. It may well be argued that the majority system, which leaves the business of compromising to the elector himself, is the more democratic of the two methods.

However, the principle of proportional representation came to be regarded at that time by almost all Austrians as the safeguard *par excellence* for democratic government.[1] Thus,

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terial declaration incorporated a scheme to give the voter more control over the nomination of candidates. The idea was again discussed at the time of the 1929 reforms, and was brought up whenever the question of a possible reform of Parliament arose.

[1] Speech by Renner in the Provisional National Assembly, on 18 December 1918 (Kelsen, op. cit., vol. ii, p. 45). The Austrian system may be compared with the automatic quota system of the German constitution. The German method has the advantage of simplicity. It also provides a stimulus to vote, since for every additional 60,000 votes a further mandate is allotted.

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666 642 although in the Electoral Law of 18 December 1918 no provisions were made for the combination of minorities in the various constituencies—provision having been made, on the contrary, for amalgamations of parties[1]—the Law of July 1920 provided that fifteen mandates should be apportioned to those parties which had unused votes in the various constituencies. No party could, however, obtain more mandates on the second count than it had already obtained on the first.[2]

The principle of proportional representation was, however, by no means restricted in its application to the apportionment of mandates and elections to the National Council. A modified system of proportional representation was, for instance, laid down for elections to the Federal Council.[3] And by Article 55 it was decreed that elections to the Chief Committee, the most important organ of the National Council, were to be on a proportional representation basis. Article 95 decreed that members of the Provincial Councils should be elected on a proportional representation basis. Article 119, (2), decreed that proportional representation should be used for elections to municipal councils. Article 119, (4), went so far as to arrange

[1] St. G. Bl. Nr. 115, Article 33. But Kelsen points out that 'Diese Einrichtung hatte schon bei der Beratung der Wahlordnung zur konstituierenden Nationalversammlung viele entschiedene Gegner gefunden u. haben nunmehr alle grossen Parteien dagegen Stellung genommen'. (Kelsen, op. cit, vol. iv, p. 134.)

[2] This restriction was largely abrogated by the Electoral Law of 11 July 1923, in which it was laid down that a party might obtain any number of seats on the second count provided that it had obtained at least one on the first. This Law, however, established four big constituencies for the second count—another instance of the tendency of Austrian constitutionalists to give with one hand while taking away with the other.

That the objections raised to the 1920 arrangement were not merely theoretical is shown by the election results of 1923 and 1930. On both these occasions the German Nationalists gained more seats by the second count than they had already obtained on the first. In 1923 they gained three by the first and seven by the second; in 1930 two by the first and five by the second. (Zurcher, A. J., *The Experiment with Democracy in Central Europe*, Oxford University Press, 1933, p. 82. He quotes figures taken from the *Statistisches Handbuch für die Republik Österreich*, 1923 and 1930.)

[3] The modifications introduced by Article 34, (3), and Article 35, (1), were occasioned in the one case in deference to Christian Socialist federalist views, and in the other by the fear of the Social Democrats that they would remained unrepresented in the more predominantly conservative of the Provinces. Cf. with Weimar Constitution, Article 61.

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that if municipal councils chose to elect special administrative committees, such committees must be elected on a proportional representation basis.[1] 666 642

Direct government by the people was provided for in the Austrian constitution.[2] It was not, however, intended that frequent use should be made of these provisions. Article 24, for instance, enumerating the various legislative organs of the State, makes no mention of direct legislation by the Initiative and the Referendum. Article 41, (2), provides that every proposal signed by two hundred thousand qualified voters, or by half of the qualified voters in each of three Provinces, must be submitted by the Federal Government to the National Council. It may be observed, however, that the quorum of petitioners is, relatively speaking, a very high one.[3] And it was unlikely that the second of the two conditions would ever be fulfilled, in view of the fact that co-operation between the various Provinces was, as in pre-war days, discouraged.[4] 646 642

The Referendum could only be set in motion by the National Council itself.[5]

Only in the case foreseen in Article 44, (2) (a complete revision of the constitution), was a Referendum compulsory; and even in this case the effect of the article seems problematical, since no definition of "complete revision" is provided.

Of the Provinces, only Salzburg, Tyrol, and Vorarlberg included provisions for direct democracy in their constitutions.

[1] Verdier, op. cit., p. 189. It may be noted also that when, in accordance with the Geneva Protocol of 4 October 1922, it became necessary to set up a Council of State endowed with special powers, the third protocol, dealing with this, set up a body composed of the Government and twenty-six councillors who were to be elected on a proportional representation basis.

[2] The provisions were, however, somewhat half-hearted. Most of the Social Democrats did not approve of proportional representation, fearing that it might undermine the supremacy of Parliament. The Christian Socialists, who had at first supported it warmly because of their control over the Provinces, became doubtful in proportion as the question of the proposed administrative reform, which they felt would weaken their hold on the Provinces, became actual.

[3] In Switzerland, for instance, only thirty thousand votes are needed. Swiss Constitution, Article 89.

[4] Cf. Law of 1860 with Article 107, 1920.

[5] Article 43.

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Other developments, however, combined to play into the hands of the extreme elements on both sides. Economic conditions, for instance, contributed towards the growth of revolutionary tendencies, and the desire for desperate remedies, among the working classes; while among the propertied classes, increases in taxation, especially those imposed by the Vienna Socialist municipality, sharpened aristocratic yearnings for a return to pre-war conditions. 665 669

The control exercised by foreign Powers over Austrian economic and foreign policy also served to bring the whole system of parliamentary democracy into disrepute. This form of government was, as has been pointed out, in any case regarded by the extreme groups on both sides as a temporary expedient, and such an attitude grew more and more prevalent when it became apparent that parliamentary democracy was nothing more than a façade behind which Austria's foreign creditors worked their will. Again, economic conditions sharpened the already existing antagonism between the Provinces and Vienna. And, because economic necessity made imperative a modification of the federal structure of Austria, the hostility of the conservative peasants and land-owning classes forced into closer relationship with Vienna found partial expression in movements like the *Heimwehr*. The history of Austria from 1927 till 1934 is the story of force feeding upon force. Both antagonists armed because their rivals did so, although the moderates on both sides were willing to disarm if the other party would do so first. [157]

The turning-point came with the splitting-up of the *Bürgerblock* in the 1930 elections, for with the defection of the Schober group the main body of the party was compelled to turn to extreme right-wing elements for support in its struggle against the Social Democrats. The anti-socialist front tended to split up more and more as time went on, for, after the failure of the attempted *Anschluss* in 1931, the German Nationalists began to drift right away into the Nazi camp, leaving their erstwhile allies with no alternative to the *Heimwehr*. Thus the divisions in Christian Socialist ranks, though they gave temporary encouragement to the Social Democrats, were in reality 665 669 666

665 the beginning of the end, for reliance on the *Heimwehr* led
669 almost inevitably to the crushing of the Social Democrats in
666 1934.[1]

The victory of the extremists was also in part a consequence of the tendency of both sides towards what may be described
665 as party totalitarianism. This was especially the case on the
668 Social Democrat side, for the tendency of the *Bürgerblock* to split up into small groups prevented this principle from working out so fully in their case. The Social Democrats, however, had from the beginning laid particular emphasis on the need for presenting a united front to the outside world, and had, indeed, been conspicuously successful in doing so.[2] They tried, with this end in view, to prevent the members of the party from coming into contact with people of other opinions who might influence them and draw them away from the Party orbit.[3] They therefore laboured to build up Social Democrat societies which would cover all a member's activities from the cradle to the grave. His intellectual and physical needs were all catered for within the party. The party provided him with his flat; built kindergartens for his children, organized sport clubs, literary clubs, political clubs, and social clubs for himself and his wife; took charge of his economic life, negotiating on his behalf with his bourgeois employers; and even provided burial clubs for his death. The organization of the Social

[1] It is interesting to note that Renner had drawn the attention of the party to this danger as early as 1929. He had urged that the Social Democrats should not make things too difficult for their opponents. 'Wir müssen mit unserem Bürgertum manchmal Geduld haben, auch in der Heimwehrsache.' (Speech at the 1924 Party Conference.) In 1930 he again drew attention, at the Party Conference, to this danger; although Seitz, on this occasion, spoke cheerfully of the approaching triumph of the Social Democrats.

[2] *Arbeiter Zeitung*, 9 January 1919. 'Es ist für das Proletariat weniger gefährlich, wenn es vorübergehend einen falschen Weg, aber diesen Weg einig u. geschlossen geht, als wenn es sich im Streit um den richtigen Weg spaltet. . . . Hundertmal lieber einen falschen Weg einig gehen—denn Fehler kann man dann wieder korrigieren—als um des rechten Weges willen, uns spalten.' (Bauer, at Party Conference, 1927.)

[3] It was even laid down, at the Linz Conference in 1926, that no member of the party could, without permission, carry on work which meant his appearance in public life with people who were members of other parties.

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727 tions should affect the validity of any Military Government
648 legislation then in force or afterwards enacted. The Allied
642 Commission also proceeded with the task of examining, and where possible approving, the laws and decrees issued by the Provisional Government since the 1st of May.

The formation of the Provisional Government in April had been Dr. Renner's first great service to Austria since his return to active politics. The Allied recognition of his Government marked the second stage of his achievement and was of incalculable importance to the future of the country. Without it the danger still remained that Austria might suffer lasting division and the fate of Germany. It is not surprising, therefore, that the British officer who went to fetch the Chancellor to the Allied Council meeting on the 1st of October noticed an unaccustomed nervousness on the part of this experienced, sophisticated, but deeply patriotic statesman.

666 The main task that faced the Provisional Government, after it had been recognized, was the organization of elections. An electoral law, after amendment by the second Provisional Conference, had been passed by the Government on the 19th of October and approved by the Allied Council on the 30th. It was based on the electoral law of the First Republic, modified to disfranchise Nazis and candidates for the Nazi Party, unless they could prove they had suffered political persecution under the Nazi régime. On the 27th of October the Government, in the name of all three political parties, issued an appeal to the Austrian people, calling on them in the traditional manner, as befitted a civilized and freedom-loving people, to cast their votes for one of the three democratic parties.

On the 25th of November the elections were held. They passed off in a most orderly manner, 93 per cent of the electors casting valid votes. It was generally agreed that the Austrian people were able to vote freely in accordance with their political opinions. By the end of the month no charges of fraud nor complaints from either parties or individuals had been lodged regarding the election. In view of the nature of some of the elections that took place in Central and Eastern

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666 Europe after the War, the fairness of the Austrian elections has caused some surprise, but this is largely due to a misunderstanding of Austrian conditions at the time.

In the first place, the influence of the Western Allies was exerted wholeheartedly in favour of freedom and impartiality, and, supported by them, the Austrian Government made sensible and efficient arrangements, including precautions against possible malpractice. A special commission was set up to supervise the elections, comprising two members of the People's Party, two Socialists, and one Communist, with Dr. Sommer, a Right-Wing Under-Secretary in the Ministry of the Interior, as Chairman. Polling day was fixed for November, before mountainous districts were likely to be snowed up, and the procedure was simplified so that ballot boxes, as far as possible, could be collected for counting before dark. Free expression of opinion during the campaign was possible through the newspapers of the three main political parties that had been started early in August.

Secondly, the Russians and the Austrian Communists co-operated to carry through the elections with reasonable fairness and had little temptation to do otherwise. There is every indication that the Austrian Communists were more optimistic than the outcome warranted and that the Russians were confident of a fairly favourable result from the Communist point of view. Some were convinced they would obtain 40 per cent of the votes. For several months before the elections senior Russian officers invited the leaders of the People's Party and the Socialists separately to meet them at the Imperial Hotel, when, amongst other matters, the election prospects were discussed. On one occasion the People's Party representatives pointed out that the Communists had the advantage of motor fuel from Russian sources; whereupon they were asked to name their party's needs and obtained an allocation of two tons the next day.

666 665 The elections resulted in the People's Party obtaining 1,598,444 votes and 85 seats, the Socialists 1,428,441 votes and 76 seats, and the Communists 174,387 votes and 4 seats. This

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was a striking proof of the persistence of party loyalties in Austria, in spite of all that had happened during the previous twenty-five years. Both in 1919 and 1930 the Right Wing had obtained the most votes and the Socialists had followed quite closely behind. In 1930 the Socialists had obtained just over 41 per cent of the votes, and the Communists, without the moral support of a strong occupying Power, less than 1 per cent.

For the victory of the Austrian People's Party there were three main reasons. The great majority of peasants were conservative; the party appealed to the country's growing patriotic sentiment, in contrast to the Socialist tendency towards Marxist internationalism, and the majority sympathized with Dollfuss and Schuschnigg in their insoluble dilemma and did not look upon them as Fascist betrayers of democracy.

On the other hand, the Social Democrats had as much reason to be satisfied with the result of an election, in which they had appreciably increased their proportionate strength. Their improved position was due to their strong party discipline and loyalty, the lasting value of their social achievement, and the fact that their party had never compromised in its opposition to Fascists and Nazis.

The Communist failure was of great significance. The Russians themselves were bitterly disappointed and offended by the election result and have never quite forgiven the Austrian Communists either for their failure or for their mistaken estimate of the position. But the Russians had only themselves to blame. There is no doubt that the Austrian workers, after their experiences under Dollfuss in 1934 and during seven years of Nazi domination, were ready for a complete change and genuinely welcomed the Russians as liberators. But the harsh and arbitrary record of the Red Army, the looting and bestial behaviour of some of the Russian troops, especially towards women, completely changed their attitude. If such things were the result of the Communist experiment, it was an experiment the Austrian people had no wish to make. Dr. Renner once remarked that Stalin had made only two mistakes: he had shown Central Europe

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'coalition' and a 'concentration of democratic forces' that applied to every level and category in the life of the State. 665 642

As the Austrian Coalition has survived for so long, it is important to understand its nature. It differs considerably from coalitions to which other democratic countries are accustomed, and the difference results from the special characteristics of the Austrian party system and the Austrian form of democracy.

In France the numerous political parties are distinguished from one another in some cases by almost imperceptible shades of political opinion. In the United States the two great political parties could simultaneously hope to win Eisenhower as their leader; while in Britain moderate leaders from opposite sides, like Baldwin and MacDonald, Eden and Bevin, can follow each other with little noticeable break in continuity. But the record of the Austrian Republic has, on the whole, been very different, though the contrast is in process of modification. On the one side are the Socialists, with their radical idealism, their materialism, and their admiration for the Marxian analysis; on the other side, the Right Wing, with its Catholicism, its respect for tradition, and its varying forms of nostalgia for the past. They differ from each other not only in temperament and in their views on the speed and method of political advance but, in many cases, in their whole attitude towards life and its purpose and towards the nature of society and the State. This fundamental contrast in *Weltanschauung*, or philosophy of life, has been one of the main reasons for the stability of party loyalties in Austria through the years. People are much less likely to change their allegiance if religious conviction and deep-rooted social attitude are involved, than if the alteration merely concerns the method of approach to a broadly similar ideal. 665

The contrast is sustained, and tends to be increased, by the dominance and rigidity of the party organizations in Austrian politics. Voting is according to the system of proportional representation and the party list, the whole country being divided into no more than twenty-five electoral districts or 665 666

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665 [666] constituencies. The elector does not vote for the man of his choice but for a list of candidates selected by the leaders of his party. There is therefore no personal contact between the member of parliament and his constituents, and even the politically minded citizen usually does not know the names of the members who represent him. Once in Parliament the member feels himself to be less a representative of the electorate than an official of his party, and the discipline of the party parliamentary club is strong. The club determines how he shall vote and sometimes how he shall speak. The opportunity for the individual to influence the democratic process outside the club is small, and the occasions are very rare when a parliamentary debate develops along lines unforeseen and unplanned by the party organizers.

646 664 The impersonal nature of the legislative procedure is increased by the rule requiring certain draft laws to be referred, before submission to Parliament, to Chambers representing sectional interests of the community, such as the Chamber of Agriculture and the Chamber of Workers and Employees, in which party interests are often strong. In the case of Bills wholeheartedly approved by the interests concerned, the subsequent parliamentary proceedings tend to lose in significance.

665 The large part played by the party machines in the whole process of government accentuates political antagonism. Individuals have a greater capacity for compromise than organizations, and under the Austrian system the scope given to the human element is reduced to a minimum.

This state of affairs contributed much to the intensity and bitterness of the political conflict between the Wars. The opposing parties, with their utterly different ideologies, were so taken up with the trial of strength between them that they mistook the means for the end. They forgot that the true purpose of the democratic process is to find something out and, having come as near as possible to discovering the best course, to act upon it. Such qualities as humour, good nature, friendliness, and a capacity to live and let live make Austrians natural democrats. Yet these very qualities were squeezed

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Probably the most important result was to make possible greater freedom of expression during Cabinet meetings. 645

The life of an Austrian Parliament is limited by the constitution to four years. Elections were therefore due to be held not later than November 1949 and actually took place on October the 9th 1949. There were two main differences between the political situation then and in 1945. First, the number of electors had increased by over 940,000. Of these more than 400,000 were 'less implicated' Nazis, to whom the franchise had been restored the previous summer, and the remainder were either returned soldiers or persons who had acquired Austrian citizenship since 1945. Secondly, a number of new parties had entered the scene. Of these only two, the Union of Independents and the Democratic Union, succeeded in polling more than 10,000 votes, but a new fluidity and vitality in political life were indicated by the fact that at one stage during the year over forty new parties had announced their existence. 666 665

In the elections 97 per cent of the qualified voters went to the polls, compared with 94 per cent in 1945. The People's Party increased its votes by 244,354, the Socialists by 188,626, and the Communists, reinforced with some extreme Left-Wing Socialists, by 35,809. The Union of Independents obtained 489,273 votes and the Democratic Union 12,059. As regards seats, the People's Party got 77, the Socialists 67, the Union of Independents 16, and the so-called Left Block 5.

The election was significant for two reasons. It justified the Coalition Government by showing that it substantially represented the people's view. At the same time it made clear that there were about half a million people who were dissatisfied with the programme of the two main parties and the Communists. They were likely to prove an important political force in the future.

On the 31st of December 1950, Dr. Renner died, only a few days after the celebration of his eightieth birthday. His greatest achievement for post-War Austria had been as Chancellor in the Provisional Government. But while Federal President during the next five years he had been a wise and stabilizing 643

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643 influence in Austrian political life and had won general respect as a dignified, impartial, and yet forceful head of the State. The tribute paid to him by the Chancellor the day after his death was of special value, coming from one whose political views differed widely from his own. During the five years of his presidency, said Figl, he was 'a teacher and friend, who stood above political parties, a man to whom one never went in vain for advice'.

643 666 In January 1951 Parliament decided unanimously that the new Federal President should be elected by the people of Austria, as laid down in the constitution of 1929, and not in accordance with the special procedure adopted in 1931 and 1945, when the election was carried out in a joint session of the two legislative chambers. The two main parties chose their candidates well. The People's Party's choice was Dr. Heinrich Gleissner, the much-respected Governor of Upper Austria, and the Socialists', General Körner, the popular and venerable mayor of Vienna. The worst criticism that could be made against each candidate was of comparatively minor importance. Gleissner had been a junior member of Dollfuss's Government. Körner was seventy-eight years old and had only accepted candidature reluctantly out of a sense of duty.

A presidential candidate requires a clear majority of votes to be elected. If in an election no candidate has the required majority, a further contest is held between the two candidates with the most votes.

For the first election, which was held on the 6th of May, the Communists put forward Gottlieb Fiala as a candidate, and Dr. Burkhard Breitner stood as a non-party independent. Breitner was a popular, somewhat eccentric Innsbruck surgeon with no real political experience and no serious claims to potential statesmanship. Gleissner obtained 1,725,695 votes, Körner 1,682,768, Breitner 662,559, and Fiala 220,012.

In the second election, on the 27th of May, Körner was elected President with 2,172,106 votes against Gleissner's 2,004,290, having evidently secured the Communist votes

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and a greater measure of independent support than was generally expected. 643

During the first campaign efforts were made with some success to keep the party aspect of the contest under control. But the second, through no fault of the two candidates, involved a good deal of party bitterness and personal animosity. Fortunately this lapse from the best post-War political standards was made good by the example of the new President and his chivalrous defeated rival. When the election result was announced, Gleissner at once telegraphed his congratulations and good wishes to Körner. President Körner himself responded soon after his election by visiting Linz, the capital of Upper Austria. At the official ceremony of welcome he announced that he had shown his personal esteem for Dr. Gleissner by addressing him with the familiar '*du*' as they drove together from the station. 666

After its success in the two general elections, the People's Party received a severe shock from its defeat in the presidential election, all the more so because its candidate was a strong one. As a result, a thorough re-organization of the party was carried out. Changes were made in the main party officials and in the party's representatives in the Government. 665

More significant for Austria as a whole was the increase in the independent vote. Without doubt many of those who had voted for the Union of Independents in 1949 and Dr. Breitner in 1950 were disgruntled ex-Nazis, whose opposition was mainly negative. The attitude to the Nazi problem of the Austrian Government and people in general was sensible, broad-minded, and Christian. Except in the worst cases they wanted as soon as possible to let bygones be bygones. They were unwilling to drive into implacable discontent the disillusioned and repentant party members who were ready to be converted in 1945 and had only become Nazis originally through a mixture of fear and economic necessity. Dr. Koref, Burgomaster of Linz, spoke for the great majority of Austrians in July 1946 when he said: 'We are all agreed that we should not use Nazi methods to bring about the last liquidation of

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more moderate and positive elements in the Union of Independents, which led to the formation of a common Working Committee and the decision to fight the next election with a joint programme. 668

This new opposition was impatient of the leadership of the two main parties. It was determined to provide an alternative programme that would rival Communism in the effectiveness of its appeal and at the same time reflect the Austrian dislike of a totalitarian society. It accused the older parties of living in the past and failing completely to win the devotion of youth. It attacked corruption, bureaucracy, political indifference, and the place-seeking of the *Proporz* régime. It favoured free enterprise, a more personal system of political representation, and a dynamic society free from privilege of birth and property. Whether its claims to provide something better than existing creeds are justified, time and its own political record will show. It was, at any rate, a healthy sign that the different groups should come together in a common constructive effort and that the purely negative elements should lose weight.

In the autumn of 1952 a serious difference of opinion arose on economic policy between the People's Party and the Socialists, and on the 23rd of October the Government resigned. At President Körner's request it consented to remain in office until the following February, when it was agreed elections should be held. 665

In these elections the Socialists gained 6 seats, 3 from the People's Party, 2 from the Right-Wing independents, and 1 from the Communists. Though they had 73 seats to the People's Party's 74, they actually obtained 36,842 more votes. The serious increase in unemployment during the winter contributed to this result, as one of the main points in the Socialist programme was the maintenance of employment. The elections were a setback for the opposition. The Union of Independents, who had fought the campaign with the Action for Political Renewal, polled some 16,000 less votes than in 1949. The Democratic Union lost its identity and many of its 665 666

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665 more moderate adherents by merging with the Communists to form the 'People's Opposition'.

666 It was rightly held in Austria and abroad that the elections were a triumph for the forces making for stability and moderation and that the Austrian people had again expressed their confidence in the Coalition. The Federal President called on the People's Party to nominate their candidate for the Chancellorship, and Dr. Figl was asked to form another coalition government.

665 So far from solving the crisis, however, the result at first intensified the deadlock. The Socialists claimed that the electorate had pronounced in favour of their policy and demanded increased representation in the Government. The People's Party maintained that it had yielded too much influence to the Socialists in the past and that, as the parties of the Right had obtained 200,000 more votes than those of the Left, the Socialist claim was unreasonable. The party declared itself in favour of a three-party coalition, including the Union of Independents. To emphasize the parliamentary strength of its position it published a working programme that it had agreed to jointly with the Union of Independents.

642 Following weeks of hard bargaining Dr. Figl gave up his attempt to form a government just one month after the elections. The People's Party Executive unanimously chose their chairman, Julius Raab, as his successor. On the 1st of April, Raab succeeded in forming a coalition government consisting of the Socialists and People's Party only. In it the Socialists obtained two junior Ministries in addition to their previous representation. The new Coalition was based on a two-party understanding less comprehensive than in the previous post-War Governments. For example, the party truce did not extend to the provinces and the municipalities. It was significant that a provisional compromise budget that had been agreed on in the autumn of 1952 was extended to the end of the year.

During the course of the negotiations President Körner in a public speech made a surprising statement in which he implied

those of Austria as of July 20, 1945. This was followed by the "Beamtenüberleitungs- und Staatsbürgerschaftsüberleitungsgesetz" (i.e., a law re-establishing the Austrian status of employees and citizens), the reorganization of municipal law as well as the "Nationalsozialistengesetz," known as NS, the law prohibiting national-socialism (Verbotsgesetz 1945 and the Wirtschaftssäuberungsgesetz). 642 727

Following the arrangement agreed upon by the powers, Austria was divided into four occupation zones and their divisioning settled during August, 1945. The supreme occupation and control authority is the Allied Commission for Austria in Vienna which retained a number of sovereign rights, but which little by little after 1946 transferred substantial shares of authority to the Austrian Federal Government. 727 631 642

At the Potsdam Conference (protocol of August 2, 1945) the powers, examining the question of extending the executive power of the provisional government (Dr. Renner) which up to then covered only the Russian occupation zone, recommended the extension of this power to cover all Austria. 728

In the federal provinces, meanwhile, provisional provincial governments were established and the federal provinces constituted, permitting the functioning of a provincial legislature within the jurisdiction of the constitution of 1929. At the same time the reestablishement of the Verfassungs- und Verwaltungsgerichtshof (i.e., a constitutional court) was prepared. On October 20, 1945, the Allied Commission for Austria finally authorized the provisional federal government, to enact laws for all of Austria (which, however, first had to be submitted to the Allied Commission for approval). 631

The elections of November 25, 1945, which had been arranged by the election proclamation of the provisional government, brought about the legalization of the endeavors of the provisional government, which resigned on November 28, 1945. 666 642

1945 Election: Tally of Votes and Seats

ÖVP (Austrian Peoples Party)	1,588,444 votes	85 seats	666
SPÖ (Socialist Party)	1,428,441 votes	76 seats	646
KPÖ (Communist Party)	174,387 votes	4 seats	
	3,191,272 votes	165 seats	

(ii) *The* 1929 *Reforms*

The period between the 1925 reforms and the very much more radical alterations introduced into the constitution in 1929, was characterized by a steady deterioration of the internal political situation. 642 668

By 1929 dissatisfaction with the existing régime had reached a climax. It had already been found necessary to introduce six minor reforms,[1] and, as the 1920 constitution was still not working satisfactorily, desire for a more radical change began to be voiced.

The demand was put forward with the greatest insistence by members of the *Heimwehr*, who openly proclaimed their intention to be the supersession of the existing system of parliamentary democracy by a dictatorship on the general lines of the Italian model.[2]

The desire for reform was not, however, confined to members of the *Heimwehr* movement. It was, for instance, energetically sponsored by the *Landbund*.[3] The movement was also warmly supported by the vast majority of the Christian Socialists, although opinion within the party differed considerably as to what precise measures should be taken. Certain sections in the Provinces, for instance, disapproved strongly of the centralist part of Schober's programme.[4] And peasant opinion feared

[1] *Jahrbuch des öffentlichen Rechts*, vol. xviii, 1930, p. 130.

[2] 'Die Heimwehren forderten, u. fordern noch jetzt, der Ersetzung der parlamentarischen Demokratie durch eine berufsständische Organisation in Verbindung mit einer Art Führerdiktatus, ohne jedoch, diese Forderung im einzelnen zu konkretisieren.' (Kelsen, op. cit., vol. xviii, p. 1930.)

[3] The *Landbund*, however, repudiated strenuously the Social Democrats' accusation that it was working for the installation of a fascist régime. See article in the *Landbund* organ, *Die Stunde*, 20 September 1929: 'Er deckt sich in keiner Weise mit jener rein fascistischen Verfassung, die im Schosse der extremen Kreise der Selbstschutzverbände ausgearbeitet wurde, u. die mit einer vollständigen Beseitigung der demokratischen Verfassung der Republik Österreich gleichbedeutend wäre. Der Landbund will keineswegs eine fascistische Regierungsform in Österreich installieren, er will nur in manchen, freilich sehr wichtigen Punkten, die gegenwärtige österreichische Verfassung im Sinne einer Stärkung der Staatsautorität abändern.' It seems doubtful, however, whether much reliance should be placed on this statement. The policy of the *Landbund* was a somewhat uncertain one. (See *Manchester Guardian*, 15 October 1929.)

[4] *The Times*, 19 October 1930.

642 that concentration on constitutional reform might deflect
668 attention from the need for energetic economic measures.[1] There was also a sharp division of opinion between the more moderate members of the party, led by Kunschak, who would probably have liked to see a *rapprochemeut* with the Social Democrats and the right-wing leaders led by Seipel.

The German Nationalists had been advocating reform for many years, as they hoped thereby to bring the Austrian constitution more into line with that of the Reich.

Most of the Social Democrats were probably not opposed to a moderate measure of reform,[2] although in their opinion disarmament was a far more pressing need.[3]

The great difficulty was, however, to reconcile the aims of the moderates of both parties with those of the extremists, who wanted rather to destroy than to reform.

642 There can be little doubt that a great deal of the disorder in the public life of Austria did lie, as Schober and his followers maintained, in the weakness of the executive. This weakness was in part the inevitable result of the particular circumstances in which the country was placed in the post-war years; economic distress, foreign control, party quarrels, certainly played their part. But all these difficulties might have been overcome, or at least would not have been felt so acutely, had it not been for inherent defects in the constitution of October 1920.

The reasons which prompted the Austrians to mistrust the power of the Government at that time have already been discussed. But, just as they did not foresee in 1920 the difficulties in which this arrangement would involve them, so in 1929 they did not fully realize to what ultimate cause those difficul-

[1] *Frankfurter Zeitung*, 14 September 1929. The Lower Austrian *Bauernbund* —one of the strongest groups within the party—was especially insistent upon this danger. The Social Democrats agreed, see *Frankfurter Zeitung*, 23 October 1929, report of a speech of Renner. 'Wir glauben nicht, aber, dass der Wirtschaft am meisten gedient wird, wenn durch einen rechtzeitigen u. raschen reformierischen Umbau unseres Staates u. unseres politischen Lebens der Keim der Unruhe u. der Spannungen entfernt wird.'

[2] *Manchester Guardian*, 9 September 1929.

[3] Renner, speech on first reading of the bill, reported in *Frankfurter Zeitung*, 23 October 1929.

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the beginning of the end, for reliance on the *Heimwehr* led almost inevitably to the crushing of the Social Democrats in 1934.[1]

The victory of the extremists was also in part a consequence of the tendency of both sides towards what may be described as party totalitarianism. This was especially the case on the Social Democrat side, for the tendency of the *Bürgerblock* to split up into small groups prevented this principle from working out so fully in their case. The Social Democrats, however, had from the beginning laid particular emphasis on the need for presenting a united front to the outside world, and had, indeed, been conspicuously successful in doing so.[2] They tried, with this end in view, to prevent the members of the party from coming into contact with people of other opinions who might influence them and draw them away from the Party orbit.[3] They therefore laboured to build up Social Democrat societies which would cover all a member's activities from the cradle to the grave. His intellectual and physical needs were all catered for within the party. The party provided him with his flat; built kindergartens for his children, organized sport clubs, literary clubs, political clubs, and social clubs for himself and his wife; took charge of his economic life, negotiating on his behalf with his bourgeois employers; and even provided burial clubs for his death. The organization of the Social

[1] It is interesting to note that Renner had drawn the attention of the party to this danger as early as 1929. He had urged that the Social Democrats should not make things too difficult for their opponents. 'Wir müssen mit unserem Bürgertum manchmal Geduld haben, auch in der Heimwehrsache.' (Speech at the 1924 Party Conference.) In 1930 he again drew attention, at the Party Conference, to this danger; although Seitz, on this occasion, spoke cheerfully of the approaching triumph of the Social Democrats.

[2] *Arbeiter Zeitung*, 9 January 1919. 'Es ist für das Proletariat weniger gefährlich, wenn es vorübergehend einen falschen Weg, aber diesen Weg einig u. geschlossen geht, als wenn es sich im Streit um den richtigen Weg spaltet. . . . Hundertmal lieber einen falschen Weg einig gehen—denn Fehler kann man dann wieder korrigieren—als um des rechten Weges willen, uns spalten.' (Bauer, at Party Conference, 1927.)

[3] It was even laid down, at the Linz Conference in 1926, that no member of the party could, without permission, carry on work which meant his appearance in public life with people who were members of other parties.

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Democratic party in Vienna[1] was as a state within a state. The members scarcely became acquainted with the real bourgeois standpoint because they had no opportunity of mixing in bourgeois society. 665 668

The *Bürgerblock* never succeeded in organizing themselves in this way to anything like the same extent, because the interests of their members were much less susceptible of amalgamation. It is true that the Social Democrats included both Communist and *petit bourgeoisie* elements and a certain proportion of peasant elements. But the interests of these groups were nothing like so divergent as those of, for instance, the peasants and the industrialists of the *Bürgerblock*, nor were they numerous enough or strong enough to exercise much influence within the party. None the less, the same tendency towards totalitarianism may be seen working out in sections of the *Bürgerblock*. The *Heimwehr*, for instance, made strenuous efforts to attract all the various groups into their orbit. Their avowed aim was the abolition of party government.[2] This policy was the subject of violent and bitter attack from the Social Democrats. But, in fact, the attitude of both sides was equally inimical to parliamentary democracy, the only difference being that the Social Democrats succeeded in uniting their party, while the *Heimwehr* split up theirs yet further.

It is easy to see that the extreme emphasis of the Social Democrats on party organization in effect nullified the proper working of the constitution just as much as the *Heimwehr* movement. For instance, although the constitution had provided specifically for the representation of all shades of opinion by detailed provisions for proportional representation, the Social Democrats deliberately aimed at the elimination of differences of opinion among the workers. In so doing, they not only prevented the normal working of the proportional representation system by transforming their party into a mili-

[1] Organization was naturally less complete in the Provinces, where the party was numerically very much weaker, 52 per cent. of the party members being Viennese. For the relative strength of the party in the different provinces, see the Party Protocol, 1925.

[2] See the Korneuberger Programme of 18 May 1930. (P. T. Lux, *La Leçon de l'Autriche, 1919–37*, p. 81.)

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665 tant and educative rather than a representative group, they
668 almost made impossible the working of any form of parliamentary democracy, which must depend, in the last analysis, upon the possibility of people altering their opinions, compromising now on one issue, now on another, and moving from party to party. A rigid division between two or more groups in a state must make the whole system unworkable because a temporary majority thus becomes a permanent one, and the minority is faced with the alternative of permanent exclusion from power, or revolution. Moreover, the elaborate party structure necessary for the building-up of this totalitarian system almost inevitably places an undesirable amount of power in the hands of the party organizers, who become the real rulers of the state. This certainly tended to be the case in Austria.

In spite, however, of the fact that the party organizations, which were controlled by the more extreme elements on both sides, tended to separate the people into exclusive groups, the divergence in interests and outlook between the peasants and the workers, who formed the main bulk of the population, may easily be overestimated. It is true that the peasants were, in an overwhelming majority, conservative in their outlook, if by conservatism is meant adherence to private property. And it is true that the Social Democrats wished to substitute state for private ownership. On the other hand, the majority of the Social Democratic leaders realized from the start that they would only be able to put their theories into practice very slowly, and with great care, as far as the peasantry were concerned. The fact that conditions in Austria were entirely different from those in Russia, where the peasants had been willing to co-operate with the revolutionaries, because of their desire for land, was fully grasped. In Austria, there were comparatively few big estates, and the peasantry, although not prosperous, had a long tradition of semi-independence behind them. Any attempt forcibly to expropriate their property would have been, it was well understood, foredoomed to failure. A policy of peaceful permeation was the only feasible one. For this reason wholesale expropriation of privately

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owned land at no time formed part of the Social Democrats' programme.[1]

On the other hand, the party was, from the beginning, acutely conscious of the necessity of extending its influence among the peasantry.[2] In 1925 an official agricultural programme was drawn up. This programme provided for the retention of peasant ownership, although the big estates were to be expropriated.[3] The Social Democrats hoped, however, by a lavish expenditure on agricultural colleges and institutes, to educate the peasantry gradually to more scientific methods of farming, which would probably, in the end, mean amalgamation of small holdings, and a greatly increased State control.[4]

The party laid great emphasis also on the need for improving the position of the smaller peasants who had suffered from the inclosure of common land[5] and the conditions of work of the hired labourers. These latter lived, as a rule, in the peasant houses—or rather, in the stables—and their standard of living

[1] Article in the *Arbeiter Zeitung*, 26 March 1919, 'Arbeiter u. Bauern'.

Bauer's speech at the Party Conference, 1925: 'Nicht mit Gewaltakten, nicht mit Gesetzen, sondern mit einem organischen Anpassungsprozess an die sozialistische Umgebung wird sich die Bauernschaft in die neue sozialistische Gesellschaft eingliedern.'

Also Bauer, *Der Kampf um Wald u. Weide*, 1925. See speeches made at 1927 Party Conference, on agricultural policy.

[2] Bauer, 'Leitsätze zur Agrarpolitik', *Kampf*, July 1921: 'Jeder weitere Fortschritt der proletarischen Revolution setzt die Eroberung stärkerer Machtpositionen in den Dörfern u. auf den Gutshöfen voraus.'

[3] The policy had been put forward in the *Arbeiter Zeitung* as early as 10 January 1919: 'Der Sozialismus will das Ausbeutungseigentum überwinden, nicht das Arbeitseigentum. Der Grund u. Boden des Adels, der Kirche, u. der Kapitalisten soll vergesellschaftet werden; der Grund u. Boden des Bauern soll sein Privateigentum bleiben.'

[4] 'Über die Tatsache, dass von einer Expropriation der Bauernschaft keine Rede sein kann, war nie ein Zweifel.' (Bauer, Party Conference, 1925.)

On the other hand, in the Linz Programme of 1926, it was envisaged that if amalgamation of property was required in the public interest, and if it was impossible to get the parties concerned to agree to it, amalgamation might be forced upon them. However, it was again laid down that 'der Sozialismus bekämpft das Raubeigentum der Herrenklassen, nicht das Arbeitseigentum der Bauern'. The peasant would, in fact, be in a stronger position than ever, after the liquidation of his capitalist creditors.

[5] The *Kleinbauernverband* was founded in 1923, and held its first Party Conference in Vienna in 1925. Membership was strongest in Lower Austria (3,500) and Kärnten (1,330).

665 was extremely low. The Social Democrats regarded them with
668 great interest, as a potentially socialist element in the population, and agitated constantly for the building of separate houses for them, and for better working conditions, etc.[1] In those Provinces where hired labour formed a considerable element in the working population, the Social Democrats made good headway, but it cannot be said that their agricultural programme on the whole met with any considerable measure of success.

On the other hand, although the peasants showed a lack of interest in the abuses of women's labour, the problem of alcohol, the fate of the hired labourer, and other questions which exercised the Social Democrats, they were by far the most staunch supporters of democratic government.[2]

The hostility of men like Dr. Ender to the Viennese socialists after the war was not so much based on dislike of their democratic proclivities as on opposition to their policy of centralization. The *Bauernbund*, led by Dr. Reither, frequently protested against the reactionary politics of the Christian Socialist party leaders. And although it is true that a considerable number joined the *Heimwehr*, and later a very much larger number the Nazis, it is probable that the rank and file of the Austrian peasantry remained to the end supporters of the democratic principle.

665 Again, although it is true that the peasantry were, on the
668 whole, Catholic in outlook, while the workers had drifted
779 away from the Church, and were for the most part indifferent, if not hostile, in their attitude towards it, this divergence must not be overestimated. The lower clergy, who worked among the peasants, were very much more democratic in their views than their ecclesiastical superiors. The overwhelming majority were themselves of peasant stock and tended, therefore, to share the outlook of their flocks.[3] There were indications in 1932, for instance, that many of them strongly disapproved of the attitude adopted by their superiors towards the *Heimwehr*.

[1] See Bauer's speech on the Agrarian Programme of the Social Democrats at the 1925 Party Conference.

[2] Tyrol and Vorarlberg, in particular, looked back proudly on a centuries-old tradition of self-government.

[3] The higher clergy were also, for the most part, men of humble origin, e.g. Monsignor Seipel, Cardinal Innitzer.

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In any case, the extent of clerical influence among the peasantry can easily be overestimated. The Austrians were not prone to take their religious life too seriously; and attempts made by the Church to extend its influence outside purely religious matters were not regarded with approval.[1] Anti-clericalism had its roots far back in the past, and had antedated by many decades the challenge of the socialists and the emergence of the Nazi party.

But if the clericalism of the conservative peasantry can easily be overestimated, so can the anti-clericalism of the Social Democrats. It is true that the party were prepared to fight what may be termed 'political Catholicism' because this was considered to be a force dangerous to the party.[2] But the Free Thinkers, who were actively hostile to the Church, were very small in number, and were strongly discouraged in their activities by Bauer, Renner, and most of the other leaders.[3] And, while it is true that the rank and file of the party were passively hostile to the Church, or at least, indifferent to its claims, certain leaders, as Ellenbogen and Leuthner, stated unequivocally that they considered this a source of weakness rather than of strength, to the party, and were anxious to see a revival of religion in the ranks of the Social Democrats.[4]

[1] On 20 October 1931, for instance, the *Neue Freie Presse* drew attention to the big peasant meeting, 4,000 strong, which had taken place at S. Johann im Pongau, and remarked that the peasants had demonstrated 'nicht nur gegen die Regierung u. die Parteipolitik, sondern auch gegen die politisierenden Geistlichen'.

[2] See the report prepared by the party executive for the Party Conference at Linz in 1926: 'Die römische Kirche übt ihre grosse Macht über die Seelen der breiten Massen, die ihrer Klassenlage nach, zu der Arbeiterklasse gehören, dazu aus, um sie von der Teilnahme an dem Befreiungskampf der Arbeiterklasse fernzuhalten, u. diese Massen in der Gefolgschaft bürgerlicher Parteien zu erhalten. . . . Dadurch stützt die römische Kirche die Herrschaft der Bourgeoisie.'

[3] Speech by Renner at the 1925 Social Democratic Party Conference, when the whole question was discussed: 'Ich möchte aber das eine betonen: es ist auch in dem Staat nicht Sache der Sozialdemokratie Partei, Religion u. Kirche zu bekämpfen.'

[4] Speech by Leuthner at the 1926 Party Conference: 'Im tiefsten Grund entstehen Religionen aus dem eingebornen, ewigen, unsterblichen u. durch nichts zu unterdrückenden Drang des gesamten Menschheitsgeschlechtes nach Erklärung der letzten Ursachen der Dinge.' He registered a strong protest against the attempt of the Free Thinkers to make acceptance of their creed the *sine qua non* of socialism. Cf. with speech of Preis: 'Seine Apostel'

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665 Otto Bauer,[1] a simple workman, organized a group within the
668 party known as the 'Religious Socialists'. He succeeded in
779 establishing some contacts with the more sympathetic of the clergy.[2] The hostility of the Church, however, prevented the movement from achieving any considerable success.[3]

The policy of the Church itself was not, however, at any rate for the first seven years of the Republic, as reactionary as is sometimes supposed. After the breakdown the Bishops professed unequivocally their loyalty to the Republican régime[4] and there seems no reason to question the sincerity of this declaration. In 1925 they issued a Pastoral Letter which showed marked sympathy with the claims of the working classes,[5] although they were not prepared to tolerate any compromise with the Social Democrats.[6]

After 1927, however, conditions changed for the worse in this, as in so many other respects. The episcopate had been aroused by the anti-clerical programme which had been decided on by the Social Democratic Party Conference at Linz in 1926 (in spite of protest from the moderate element

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(Free Thinkers) 'haben an Intoleranz ungefähr dasselbe geleistet wie die Vertreter aller übrigen Religionen zusammen.' And Mentasti pointed out that opposition to alcohol and opposition to the churches meant opposition to the only forms of relaxation open to the peasants.

[1] Not to be confused with his famous namesake, one of the greatest of the Social Democrats.

[2] e.g. with Prof. Fliegler.

[3] It was condemned by the Bishops in 1930 (see Kungebung, *Des österreichischen Episkopates zur sozialen Frage*, January 1930.)

[4] See pronouncement made by Cardinal Piffl, 4 November 1918: 'Treue gegenüber der Republik.' Pastoral Letter of the Bishops and Archbishops, 23 January 1919, in defence of democracy. (Knoll, A. M., Von Seipel zu Dollfuss, 1934, pp. 44–7.)

[5] See Knoll, op. cit., pp. 48–59. 'Uber Politik, Volkswirtschaft u. Moral. Demokratie u. Neue Staatsform.' The letter inveighed against the evils of capitalism in the strongest terms, because of the lack of regard shown by its leaders for the natural rights of the workers, and their attempt to dominate public life. 'Bei Gott ist kein Unterschied zwischen der Seele der Fabrikarbeiters u. der Seele des Fabrikherrn.' In April 1926, further instructions were issued to priests, urging them to inveigh against the usurious exploitation of the workers.

[6] In April 1926, Roman Catholics were forbidden, except under special circumstances, to join Social Democratic Trade Unions, or to vote for Social Democrats. (Knoll, op. cit., p. 135, 'Instructio pro clero in re soziali'.)

in the party). And the fighting in Vienna in 1927, which, partly owing to the drastic measures taken to repress the rioters by Seipel's Government, resulted in thousands of people leaving the Church, and deflected episcopal policy decidedly to the right. Seipel, for his part, turned to the anti-working-class big industrialists for support against what he conceived to be the danger *par excellence*. The hostile attitude of the Church towards the Schober Block at the November elections of 1930 occasioned much scandal.[1]

It would, however, probably be a mistake to regard the Church as the villain of the piece even after 1927. It continued to evince great interest in social problems.[2] And although the higher clergy, and perhaps the majority of the lower clergy, regarded the *Heimwehr* movement with favour, as being a useful weapon for curbing socialist influence, they could not be very enthusiastic about a movement so deeply tinged with Nazi anti-clericalism.[3]

Although it is true that in the two main groups, the Social Democrats and the Christian Socialists, the balance of power tended to pass to the extreme wings, other important groups existed who were much more moderate in their outlook, and who stood unequivocally for democratic government. The *Landbund*, for instance, an organization supported chiefly by the more wealthy peasants led by Herr Winkler, inveighed constantly against the fascist proclivities of the Christian Socialists and the *Heimwehr*. Even in 1929, when it supported a reorganization of the state on a corporative basis, hoping thereby to secure a better representation of agricultural interests, its members emphasized the fact that the movement

[1] *Stellungnahme zu den österreichischen Nationalratswahlen*, 9 November 1930, 26 October 1930. (See Knoll, op. cit., pp. 167–77.)

[2] Lent Pastoral Letter, 1928, inveighing against low wages of women and bad housing. *Fasten Hirtenbrief der Erzbischöfe u. Bischöfe Österreichs*, 1928. (Knoll, op. cit., pp. 150–3.)

[3] In January 1930 a declaration was issued declaring that the Church could not consecrate the flags of political parties—'Politischen Vereinen ist mit Rücksicht auf die überparteiliche Stellung der Kirche die Weihe der Fahnen nicht zu bewilligen'.

See also the Lent Pastoral Letter, February 1932, issued by all the Bishops, warning the people against the Nazis.

wanted a genuine, democratic organization, not fascism of the Italian variety.[1]

The *Bauernbund* was another peasant organization strongly democratic in its views. It represented a different section of peasant opinion, and was distinguished from the *Landbund* chiefly by the fact that it was strongly clerical in tone, whereas the *Landbund* was anti-clerical. But it was, if anything, even more staunch to the democratic principle and, from 1929 on, protested frequently against the authoritarian leanings of its wealthier counterpart.[2] Most of the peasants were organized in one or other of these groups.

The Viennese counterpart of the *Bauernbund* was the *Freiheitsbund* of Herr Kunschak. This organization was much more decidedly democratic in outlook than either of the peasant organizations, and emphasized constantly the dangers of right-wing extremism.[3]

This movement was closely associated with the Christian Trade Union movement, led by Dr. Hemala. But it was in the nature of things difficult for a Christian Socialist workingmen's organization to offer attractions to the workers comparable with those of the very much larger and wealthier Social Democratic organization. The group was on the whole disliked by both parties, and never achieved a strong position. Herr Kunschak's reiterated warnings to the Christian Socialists for the most part fell on barren ground.

Finally, reference must be made to the Schober Block, which appeared in 1930 as a group of moderate bourgeois parties, united by opposition to the fascist proclivities of the *Heimwehr* and the Social Democrats.

From this brief analysis of the structure of opinion in Austria in the post-war years, it is clear that, although forces were at work which made the successful working out of democratic

[1] At a later stage, the *Landbund* lost many members to the Nazis. And the attitude of the whole group towards this question was somewhat equivocal.

[2] Some of the local *Bauernbund* groups, however, supported the *Heimwehr*, and it is not easy to discover what proportion of the peasants were behind them. It is probable that opinion was fluctuating a good deal between 1928 and 1932.

[3] The views of this group were represented in Herr Kunschak's paper, the *Weltblatt*, a pronouncedly democratic organ.

665 government difficult, its roots among the people were strong.
668 And it is just possible that had the Nazi party not appeared on the scene, and forced the Christian Socialists into a position of dependence on the *Heimwehr*, some compromise with the Social Democrats might have been found possible. But the fact that the *Heimwehr*, the only element wealthy and strong enough to provide a defence against the Nazis, was in a position of financial dependence on the Italians, who were thus in a position to dictate their terms, made the destruction of the Social Democrats almost inevitable.

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dence with less disfavour. But the fact remains that for fourteen years, successive Austrian Governments were compelled to attempt to carry out a foreign policy which was directly contrary to the wishes of the great majority of the people by whom they had been elected. In fact, of course, the various Governments had no option in the matter; but an electorate frustrated in its dearest wish does not pause to consider the good reasons which may exist for this frustration, especially when its temper is sharpened by acute economic distress.

There can be little doubt that what the vast majority of the Austrian electorate wanted during these years was an *Anschluss* with Germany, although this desire was not always felt with equal intensity by the different sections of the population.[1]

The chief supporters of the *Anschluss* policy of 1919–22 had been the separatist peasantry of the Alpine province, who were influenced to a large extent by temporary economic considerations. After 1925 the movement derived its strength mainly from the Civil Service, the professional classes, and the industrialists. If less spontaneous, this later movement was very much better organized and, unlike its earlier counterpart, it received positive support from high places in Germany. It was the beginnings of the renascence of German nationalism.[2]

[1] In 1923 and 1924, for instance, agitations for an *Anschluss* died down, partly owing to the comparative success of the Reconstruction Scheme in Austria, partly because of the bad conditions then prevailing in Germany. After 1924, however, the agitations increased again, because, with the introduction of the Dawes Plan, conditions improved in Germany, at a time when they were deteriorating steadily in Austria, as a result of the collapse caused by the over-speculation which took place in the summer of 1924.

[2] *Le Temps*, 17 and 27 May 1925, and the *Deutsche Allgemeine Zeitung*, 26 May 1932.

The new German Nationalist movement may be said to have taken its inception from an unofficial visit paid by Dr. Dinghofer and Dr. Frank, the German Nationalist leaders, to Berlin, towards the end of January 1925. It was then decided to reorganize, on a wider basis, Professor Weitstein's committee, which had been formed in 1919, to work for the removal of the technical difficulties in the way of the *Anschluss*. The new organization, which met for the first time in Vienna on 26 February, designated itself the Austro-German Union, as the Social Democrats' Popular League had become merged in the new organization. Its members were from all parties. Various sub-committees were set up to consider such matters as the unification of teaching in the secondary schools of both countries (higher education

642 And large *Anschluss* demonstrations, attended by prominent
668 officials, became increasingly frequent in both countries.[1] Yet, at the same time, Ramek and his Foreign Minister, Mataja, continued throughout the year to pursue a League policy, although his Government depended on the support of the very German Nationalists who were most opposed to this, and who were among the staunchest of the supporters of the Austro-German Union organization.

The one more or less constant desire of this feckless people could thus find no outlet through ordinary political channels. And, since this desire was too strong to be suppressed altogether, expression was given to it in extra-constitutional ways. The movement thus gained that momentum which so often comes to forces which are suppressed. And the methods used accustomed the Austrian people to reliance upon extra-constitutional means for attaining their ends. Thus, as the *Anschluss* movement gained in strength, so respect for ordinary parliamentary government decreased.

642 This curious and unsatisfactory situation occasioned much
668 anxiety in France, Italy, and the countries of the Little Entente. But the sharp reactions of the interested Powers towards movements of opinion in Austria and Germany were bitterly resented in both countries. Dr. Mataja protested in May to a representative of *Le Matin* that the Powers appeared to have forgotten that they had themselves guaranteed Austrian 'independence'. It was, he pointed out, a grave psychological mistake to treat Austria as a pawn in the political game, to be bartered about to suit the convenience of Italy, France, and the Little Entente.[2]

As the work of *Ausgleichung* continued, however, it was found that the process of assimilation was not so easy as had been at

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had already been unified), criminal law, agrarian reform on the German model, etc. It was hoped by these means to achieve a union *de facto* between the two countries, which would in time come to be recognized as a union *de jure*.

[1] See *Le Temps*, 6 May 1925, for an account of the Rhineland celebrations held in Vienna on 3 May.

[2] 'Ein Staat, der weder das Gefühl, noch den Stolz seiner Unabhängigkeit besitzt, kann sich nicht lange behaupten.' (Speech reported in the *Deutsche Allgemeine Zeitung*, 26 May 1925.)

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642 The Republican Constitution approved in October 1922 was itself a handicap. It was drawn up by a coalition government, in which the different views and mutual suspicions of the two parties did not make for clarity or simplicity of structure. Neither side could be described as experts in democratic practice, and the Social Democrats had an exaggerated fear of a strong executive. So the formidable political and economic problems facing the young State had to be tackled by a succession of weak governments which had no power to dissolve Parliament. As the system of proportional representation made for an even balance between the parties, a state of chronic instability prevailed. No real improvement was made in the Constitution until 1929, and even then reforms were limited to those on which the two main parties could agree, owing to the rule that any constitutional change required approval by a two-thirds majority.

665 The situation in the new Republic called for a concentration of political forces. But party feeling was such that the coalition lasted for only two years, and in the autumn of 1920 a long period of bitter and uncompromising conflict began. Attempts made on both sides to renew collaboration all ended in failure, and Dr. Renner, a consistent exponent of co-operation and compromise, had comparatively little influence.

665 668 Although universal suffrage had been introduced in the Habsburg Empire in 1907, the democratic immaturity of the Republic was revealed by the prevalent political methods. The Social Democrats first tried to establish control of the official army. When this attempt had failed, both parties organized private armies of their own, and thus showed that in the last resort they were prepared to use force as well as argument. The bad habit developed of using mass demonstrations for political purposes, an undemocratic technique, because it appeals to emotions and mass suggestion rather than to reason. Its full dangers became clear under the Nazis, but before then it had done great harm to Austrian political life. A mass demonstration in 1927 led to riots and savage repression and accentuated party antagonism. By 1934 Parliament had

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665 been suspended by the Dollfuss Government and the country
668 was on the verge of civil war. The Government's harsh and ill-considered decision to turn artillery on to the workers' dwellings may have cut short the conflict and suffering, but it was a final betrayal of democracy that no considerations of expediency can excuse.

721 In spite of the serious internal difficulties, it was in the end to external force that the Austrian Republic succumbed. On the 11th of March 1938 Hitler sent an ultimatum to Dr. Schuschnigg, the Chancellor. Within a few hours German troops had occupied the country and the *Anschluss* was a fact. The Austrian political parties have accused each other of preparing the way for this tragedy, but there were deep-lying causes for the growth of National Socialism and Fascism that were beyond their power to prevent. In the diplomatic circumstances of the time, even had Austria been a model democracy, it would have had no more chance of withstanding Hitler than had the courage, patriotism, and democratic example of the Czechs. As the only German country outside the Reich, Austria was the first object of Hitler's ambition. The opening page of *Mein Kampf* contains the sentence: 'German-Austria must return to the great German Mother Country'.

186 In fact, by 1938 the attitude of Austrians towards union with
648 Germany had changed considerably. Inside Austria nearly twenty years of enforced independence had inevitably left their mark: the people were acquiring a sense of pride in their achievement and hope for the future. Recent developments in Germany also had had a decisive effect.

433 Economically Austria had made important progress. In 1918 its position seemed hopeless. But the Austrian Government and people gradually accustomed themselves to the idea that their fate was in their own hands. By 1937 the country was producing three-quarters of its food. Valuable oil-fields had been discovered at Zistersdorf, north-east of Vienna, and oil production had risen from 73 tons in 1932 to 32,849 tons in 1938. The tourist industry had developed rapidly and covered over 80 per cent of the country's trade deficit. When the

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II

Liberation

726 THE liberation of Austria was carried out from three directions very rapidly, the whole process being completed within a few weeks. On the 29th of March 1945 Soviet troops crossed the Austrian frontier from Hungary. At the beginning of May the British entered Carinthia from Italy and the Americans crossed the German frontier into the Tyrol. By the 13th of April the Russians were in control of Vienna, and before the end of the month large areas of Lower Austria and Styria had been freed. In the south and the west the British and the Americans met with very little resistance.

The speed of the liberation was due partly to the general situation. The morale of the Nazi armies was crumbling: on the 25th of April Berlin was surrounded and five days later Hitler committed suicide. But it was due also to the attitude of the Austrian people and to the work of the Austrian Resistance Movement. They made the Allied task easy and saved Austria from much damage.

727 Resistance groups had begun to form in Austria as early as 1938. During the Nazi occupation and the War the strength of
668 the opposition was shown by the large number of soldiers and civilians executed for desertion and 'treasonable' activities. The exact number will never be known, but it was probably between 15,000 and 20,000. At the Kagran rifle-range in Vienna the shooting of deserters was on the daily programme, and the number of victims reached thirty to forty a week. A chaplain who ministered to military prisoners in Vienna counted over 1,000 executions in his own area between 1940 and 1943.

These figures indicate both the strength and hazards of the resistance in Austria.

668 To organize opposition in Austria was particularly dangerous

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and difficult, owing to the language question. Austrians alone of Hitler's subject peoples spoke the same language as their rulers. Large numbers of Germans were therefore drafted into key positions, and Austrians not considered reliable, who had been spared the concentration camp, were transferred to Germany. So it was a risky proceeding to organize Resistance groups on a scale that could be attempted with a reasonable chance of success in France or Italy, where bilingualism was almost a necessary qualification for an informer. There was every chance that a large Resistance meeting organized in Austria, even in a remote place, would be followed by internal betrayal, wholesale arrests, and a series of executions.

Yet, in spite of formidable obstacles, a great deal was accomplished. It was not practicable to set up an elaborate organization and plan action comparable to that undertaken by the French Maquis. But large numbers of men and women throughout the country formed themselves into small groups, which in some areas developed into a loose informal network, with a capacity for co-operation varying with the general situation and the efficiency of the local Gestapo. This kept alive the spirit of resistance and led to the establishment of personal contacts that proved of great value during the liberation.

Members of the Austrian Resistance Movement developed a technique of their own, especially among the holders of administrative and staff appointments, and were thus able to make an important contribution to the common cause. Military doctors increased the length of convalescence for the sick and wounded and declared healthy men unfit for service. Censors of foreign mail suppressed information valuable to the Government and letters that might incriminate its opponents. Staff officers had the best opportunities of all. It was an easy matter for military bureaucrats to waste time intentionally, as well as unintentionally, and to think out simple and elaborate methods for reducing efficiency. Training programmes were deliberately upset. German instructors were replaced by Austrians whose political sympathies were known. During the last autumn and winter of the War a whole infantry

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668 division was virtually written off by staff sabotage. The division had been defeated on the Western front; its re-formation was repeatedly delayed by changes in the rendezvous and misdirection of reinforcements and equipment, and finally it was reported ready for action when its personnel was only at half strength.

668 648 Outside their own country Austrians fought with the Maquis in France and with Resistance groups in Italy. An Austrian battalion was formed as part of Marshal Tito's National Liberation Army. Many Austrians taken prisoner by the Allies asked that an Austrian fighting force should be formed to take part in the liberation of their country. But Allied consent was unfortunately delayed until April 1945, when it was too late to be of use.

During the last months of the War the enterprise and courage of a few individuals led to liaison being established between the Austrian Resistance Movement and the Allies. In the autumn of 1944 messengers with forged papers travelled to and fro between Austria, Switzerland, and North Italy. During October and November the Provisional Austrian National Committee, known as POEN, was set up in Vienna with its secret communications centre in the Grand Hotel, in order to provide a representative political organ through which the military Resistance Movement could make contacts abroad. After about four months most of its members were arrested by the Gestapo and the organization was destroyed. But not before it had fulfilled a valuable function. In February 1945 a representative of the Austrian Resistance went to Paris and established relations with the Allied General Staff, the French Foreign Ministry, American and British diplomatic representatives, and Russian liaison officers. He told them about the activities of the Resistance Movement and the existence of POEN, and asked them to give recognition to POEN, appoint liaison officers, and supply weapons and radio sets for the Resistance. The reactions of the Allies varied. The British showed caution, and the Americans were more ready to give practical assistance. Two American liaison officers were

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appointed, and two radio sets were smuggled across the frontier for use at Innsbruck and Salzburg. It was also arranged that the B.B.C. and the Voice of America should broadcast for POEN and the Austrian Resistance Movement. 668 648

In March, Fritz Molden, a young Austrian who had played a leading part in establishing relations with the Allies, visited the Allied Air Headquarters at Caserta. He took with him an appeal from the Resistance Movement, asking the Allies not to bomb civil objectives in Austria and pointing out that restraint on this point would make the task of the movement in organizing opposition easier. The Americans gave Molden, as the representative of POEN, the status of a special liaison officer with their forces in Italy.

The last Nazi effort to mobilize forces for the defence of Austria was the calling out of the *Volkssturm* in the autumn of 1944. This *levée en masse* of those that remained was doomed to failure from the start. All able-bodied men of military age had already been conscripted, and the hurried mobilization of the young, the old, and the unfit could only have succeeded had they been filled with a spirit of devotion to the cause. But this was almost entirely lacking. Drill and training in most cases were not taken seriously, often as the result of tacit understanding between officers and men. An Associated Press report from Buchs on the Austro-Swiss frontier towards the end of March 1945 estimated that 60,000 Austrians had fled to the hills to avoid the new form of service. During the liberation campaign that followed, not only members of the *Volkssturm* but whole units of the *Wehrmacht* under Austrian officers broke up and went home, changing their uniforms for civilian clothes. In these circumstances, Hitler's Wagnerian plan for a last stand in his 'Alpine fortress' at Berchtesgaden was abandoned. He chose for the final scene Berlin, where the details were less likely to escape his control. 726

In the brief battle for Vienna the general attitude of the population had a decisive influence. A group of army officers, led by Major Biedermann, who had established contact with the Russians, were betrayed and executed soon after fighting 668 726

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began. But this tragedy did not change the mood of the people. They were impatient for liberation, and many were prepared to do all they could to hasten it. Shortly before the Russians arrived, a meeting of the Resistance was held to consider the final plans, and its decisions were put into action successfully. The SS were hampered in every way; deserters were helped, and service in the *Volkssturm* was refused. Thousands of civilian suits were provided for troops, who were then given refuge in cellars. Even the Gestapo put the number of deserters at more than 10,000, and other estimates were much higher. Members of the *Volkssturm*, who were described by an observer as looking old and apprehensive, often threw away their weapons, if they could do so with safety. One army officer issued rifles from his store to members of the Resistance, who in turn opened fire on the SS at the barricades.

The Nazi leaders had planned a fanatical defence of 'fortress Vienna'. But in one of his last broadcasts Goebbels described the city as a stain on the German escutcheon. On the 13th of April, the day when the battle ended, Moscow radio announced that the Viennese had saved the honour of Austria and gained immortal merit by the part they had played in the liberation.

Apart from the few days' campaign in Lower Austria that preceded the battle for Vienna, there was much less fighting in the Austrian provinces than there had been in the capital. In Styria and Carinthia members of the Resistance took up arms at the end of March, but events in those provinces had little effect on the fate of Austria. The city of Salzburg was spared the possibility of serious damage by the action of the senior army officer in the city, who penetrated the American lines and surrendered on his own authority. In the Tyrol there was also little actual fighting, but the Resistance Movement was more highly organized than in any other part of the country.

The independent spirit of the Tyrolese had led to the formation of Resistance groups at an early stage in the Nazi occupation. The mountainous character of their countryside and its long, secluded valleys made it a comparatively easy matter for the groups to maintain themselves on a purely local basis.

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By the spring of 1945 there were more than twenty of them in existence. When Dr. Karl Gruber, the present Foreign Minister, arrived in Innsbruck from Berlin at the end of the first week in April, a number of groups chose him as their common commander, and he set about co-ordinating their activities. Gruber established his headquarters successively in a sanatorium, a café, and the premises of a mineral-water business. As he had been working as an engineer in a Berlin radio firm during the War, it was comparatively easy for him to establish wireless communication with the French and American armies. Under his unified command the Tyrol Resistance gained in confidence and strength. 668 726

A series of smaller actions culminated in the capture of a German general's headquarters on the Hungerburg, just outside Innsbruck, and in the occupation on the 2nd of May of a barracks inside the city which contained a large supply of weapons and ammunition. For about twenty-four hours before the Americans arrived, on the 4th of May, the greater part of the Tyrol was in the hands of the Resistance. This had the result of reducing destruction to a minimum and saving the all-important bridges.

With the moral support of the great majority of Austrians and the active help of the Resistance, the military task of the Allies in Austria was soon accomplished. But it was by no means the only problem that confronted them as liberators. The very speed of the campaign and the thoroughness of the Nazi defeat brought with them special difficulties. 726

Many Nazi officials left Vienna in a hurry and a spirit of reckless, indignant despair. Part of the German artillery had had no ammunition since leaving Hungary, and in spite of the exhortations of Goebbels and Himmler, those in authority realized the hopelessness of the military situation. They therefore took what they could from their stores and, when possible, destroyed or damaged what was left. Thus the Germans set an example of looting and wanton destruction, which was continued by the Russians and the Austrians themselves.

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665 National Socialism. . . . No one of good will should find his way back to the democratic community barricaded.' But under the vigilant eyes of the Allied Control Commission the Austrian Government was not able to carry out its denazification in its own way. The penalties of fine, disappropriation, and exclusion from office that were imposed were not always unduly severe, but they were applied in a mechanical, inflexible way that was perhaps inevitable, but caused hardship in individual cases, both to Nazis and to some of their original victims. This produced a hardened and embittered element in Austrian society. Reinforced by German-speaking refugees from Czechoslovakia and Eastern Europe, some of whom acquired Austrian citizenship, it provided the hard core of the new opposition to Government policy.

On the other hand, it would be misleading to suggest that the opposition was mainly negative in its attitude or Nazi and refugee in its origin. The new parties contained men of patriotism, originality, sincerity, and courage. Their programmes were a stimulating influence. Even the numerically insignificant Democratic Union, with its forlorn belief in diplomatic neutrality, was directed by the fertile intellect of Professor Dobretsberger, an ex-Minister and distinguished economist. The Union of Independents included able and constructive thinkers as well as the negative and less desirable elements.

• 668 The most significant of the new political movements was the Youth Front, which was started by a group of young politicians sympathetic to the People's Party. It was impatient of the leadership and critical of the organization of the party, although affiliated to it. The result of the presidential election seemed to justify the Youth Front's criticisms, and its members became more outspoken. In the summer of 1951 it was repudiated by the party, and shortly afterwards came to an end.

Though the Youth Front's existence was brief it showed a phoenix-like persistence. In November 1951 its leaders joined with some of Dr. Breitner's supporters and other kindred spirits to form the 'Action for Political Renewal'. The following spring discussions started between the 'Action' and the

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more moderate and positive elements in the Union of Independents, which led to the formation of a common Working Committee and the decision to fight the next election with a joint programme. 668

This new opposition was impatient of the leadership of the two main parties. It was determined to provide an alternative programme that would rival Communism in the effectiveness of its appeal and at the same time reflect the Austrian dislike of a totalitarian society. It accused the older parties of living in the past and failing completely to win the devotion of youth. It attacked corruption, bureaucracy, political indifference, and the place-seeking of the *Proporz* régime. It favoured free enterprise, a more personal system of political representation, and a dynamic society free from privilege of birth and property. Whether its claims to provide something better than existing creeds are justified, time and its own political record will show. It was, at any rate, a healthy sign that the different groups should come together in a common constructive effort and that the purely negative elements should lose weight.

In the autumn of 1952 a serious difference of opinion arose on economic policy between the People's Party and the Socialists, and on the 23rd of October the Government resigned. At President Körner's request it consented to remain in office until the following February, when it was agreed elections should be held. 665

In these elections the Socialists gained 6 seats, 3 from the People's Party, 2 from the Right-Wing independents, and 1 from the Communists. Though they had 73 seats to the People's Party's 74, they actually obtained 36,842 more votes. The serious increase in unemployment during the winter contributed to this result, as one of the main points in the Socialist programme was the maintenance of employment. The elections were a setback for the opposition. The Union of Independents, who had fought the campaign with the Action for Political Renewal, polled some 16,000 less votes than in 1949. The Democratic Union lost its identity and many of its 665 666

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XIII

The Communist Challenge

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AFTER their defeat in the elections of 1949 the Austrian Communists could have little hope for their future as a parliamentary opposition. But in neighbouring Soviet satellite States Communist minorities had obtained power by force, misrepresentation, and ingenuity. Such methods had possibilities for the Austrian Communists themselves. An opportunity for experimenting with them was not long in presenting itself.

In the summer of 1950 there was much discontent in Austria. The Third Price–Wage Agreement had imposed all-round sacrifices but failed to stop inflation. The cost of living was rising again, and was bound to rise still further. On the 22nd of September, after weeks of severe bargaining, the Fourth Price–Wage Agreement was approved by the Government, the trade unions, and representatives of industry and agriculture. It was a compromise that none of the negotiators liked. The people as a whole had lost faith in such agreements.

The Communists chose this time to try out their new methods and challenge the Government's authority. Two weeks of crisis and disorder were the result. The immediate aim was a general strike. The pattern of activity was everywhere very much the same. The terms of the new Agreement were grossly misrepresented, and workers were called upon to strike in protest. Force was used to undermine trade union authority and disorganize public services. Railways, roads, and tram-lines were blocked. Rumours were put about of sympathetic forces in reserve. Czech troops were said to be ready at the frontier. The Communist Party's slogan, 'It is only 60 kilometres to the People's Democracies', acquired a new and sinister meaning.

In Vienna the main disturbances occurred on the 26th of

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September, backed by unscrupulous propaganda through the radio and the Press. Tram services were obstructed, and some of the main railway lines to the provinces were temporarily blocked. Flying squads made raids on gas works, power-stations, and other vital points. The trouble culminated when thousands of strikers from USIA factories, having been taken to the centre of the city by lorry and bus, assembled with others in a crowd 6,000 strong before the Federal Chancellery in the Ballhausplatz. They listened to speeches by Ernst Fischer, Franz Honner, and other Communist leaders, and demanded that the Chancellor should receive a deputation immediately. Dr. Figl, who had remained in his office, refused to grant an interview under pressure, but agreed to see the deputation the following day. Soon afterwards the crowd began to disperse. In the course of the day there were some unpleasant episodes between the Communists and the police, and the task of the police was made much more difficult by the fact that the Soviet authorities refused to allow reinforcements to be moved from Russian districts to other parts of the city.

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On the morning of the 27th the Chancellor, in the presence of the Vice-Chancellor, received the demonstrators' deputation and promised to refer their grievances to the Cabinet and the Trade Union Federation. But after the 26th the most critical moment was past. The trade unions had had time to counter with sober facts the wild rumours regarding the terms of the new agreement. When the Viennese workers had an opportunity to consider the real issue, the great majority of them remained loyal to their chosen leaders and rejected the Communist bait.

In the provinces, apart from isolated cases in Salzburg, the main trouble occurred in Upper Austria, Lower Austria, and Styria. The chief industrial centres in Lower Austria and Styria were in varying degrees affected. In Graz a number of Communist leaders smuggled themselves into trade union headquarters and tried to organize strikes by telephone in the name of the provincial trade union authorities, until this typical piece of deception was brought to an end by the police.

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665 668 In Upper Austria the position was aggravated by the presence of a high proportion of discontented refugees and displaced persons amongst the industrial workers and by the strength of the Union of Independents in some of the Works Councils. One of the biggest and longest strikes took place in the Steyr works of the Steyr-Daimler-Puch Company. In the Works Council of VÖEST, fourteen out of twenty-eight members belonged to the Union of Independents and two more were Communists, while additional agitators were sent there at the critical moment from Vienna and Lower Austria. As a result, Linz was one of the worst trouble centres in the whole of Austria.

On the 26th of September the workers of VÖEST and five other Linz concerns, together with the tram-drivers and conductors, went out on strike. About 15,000 demonstrators assembled on the main square, and some penetrated to the Mayor's office in the Town Hall. Officials of the Communist Party and Union of Independents then made speeches from the Town Hall balcony. The next day 1,000 strikers assembled before the Chamber of Workers' building, and some forced their way inside. They seized the seventy-six-year-old President of the Chamber, pushed him on to the balcony, and forced him to resign by threatening to throw him into the street.

For a day or two the situation was really dangerous. At Linz the Danube is the boundary between the American and Russian zones, and it was clear that the proceedings were being organized from the Russian side of the river. Firm action by a joint committee of the city and provincial authorities led to order being restored. Police reinforcements were brought in from the country, and the workers' elected leaders reasserted their authority. Within a week the strikers had all returned to work. Even the Union of Independents, which had been partly responsible for the trouble, sent a representative to the joint committee's meetings.

Between the 26th and 30th of September about 120,000 workers went on strike, including 40,000 employed by USIA,

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who had little freedom of choice. This was only about 8 per cent of the total number of industrial workers. But, in spite of the failure of their first offensive, the Communists made open preparations to renew the attack. On the evening of the 27th of September, when most of the strikes had already petered out, the order was given to the workers by radio to return to work the following day but await the decisions reached by the All-Austrian Shop Stewards' Conference, which was to meet on the 30th of September.

This Conference was a purely Communist idea, and duly met in Florisdorf, a suburb of Vienna in the Russian zone. Its purpose was to give to future Communist action an appearance of approval by workers' representatives on a national scale. But it in no way represented the workers as a whole, and the Trade Union Federation called upon its members not to attend. Most of those who appeared at Florisdorf chose themselves and were adherents of the Communist Party or League of Independents, some of them shop stewards and some of them not. The conference declared that unless the Government dropped the new Price-Wage Agreement by the 3rd of October a general strike would begin on the 4th. Some seductive but quite impracticable proposals were put forward as an alternative to the Agreement.

The Government and the trade unions took their own measures to prepare for the future and settle the past. The Trade Union Federation and the Socialist Party, in announcements to their members, dissociated themselves from the Communist action and made clear that the Communist statements about the Price-Wage Agreement were deliberately untrue: the real issues at stake were democracy and freedom. The Government suspended members of the police force who had failed in their duty, threatened to expel from the country any *Volksdeutsche* who assisted the trouble-makers, and called on the police to maintain order and stand firm against threats. A call to the Austrian people issued by the Government on the morning of the 3rd of October contained the following passage:

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668 'Defend the freedom of the country. Do not allow yourself to be intimidated by acts of violence. The power of the State is sufficient to check terrorist action at the start, so no one should yield to Communist pressure.'

727 668 In the Allied Council on the 29th of September the United States High Commissioner, who was in the chair, accused the Soviet element of having contributed to the recent disorders and lawlessness by encouragement and aid. He charged the Russians, amongst other things, with the following specific acts, violating quadripartite agreements: transporting rioters about Vienna in Soviet Army vehicles; blocking a railway line by means of a Soviet tank; interfering with the maintenance of law and order by stopping the movement of police, and preventing the police from checking rioters at St. Pölten railway station through the intervention of a Soviet official. The British and French representatives supported the American charges. The Soviet Deputy High Commissioner, in rejecting them, made the curious but typical statement that the unrest had been due to the indignation and bad living conditions of the Austrian workers resulting from the Marshall Plan.

665 668 Before the 4th of October it was already clear to the trade union leaders that an overwhelming majority of workers was opposed to a general strike. The Socialist Party had called conferences of Socialist shop stewards in all parts of the country, and their opinion on the subject was almost unanimous. Outside Vienna and the Russian zone the only strikes that occurred were at Hallein in Salzburg, and at the Steyr works in Upper Austria, where the workers had been out since the 26th of September. In Vienna itself there was scarcely a single strike of importance outside the USIA organization, though the news that thirty censors had stopped work at one of the post-offices caused some unexpected satisfaction. This did not prevent the Communist Strike Committee from announcing publicly that the strike in Vienna was practically complete. More serious were the organized attempts at blocking tramways and railway lines and erecting barricades and traffic obstacles in the streets. These were only mastered

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because the great mass of the people were on the side of law and order and turned against the Communist gangs that were trying to cause trouble. On the evening of the 4th of October Burgomaster Körner called on the Russian Military Commander and complained of what was happening. The commander replied that he was against interference in Austrian internal affairs on principle and opposed to the use of force by either side.

The worst trouble occurred in the Russian zone. Even here the number of strikers was comparatively small. In fact the total for the whole of Austria on the 4th and 5th of October was about 35,000, in addition to 40,000 USIA workers, not all of whom went on strike. But in the industrial centres of Lower Austria terrorist methods were employed. The Soviet authorities interfered with the police; railway lines were blocked; public services were threatened, and gangs of Communists used force and intimidation to compel workers to strike.

The most serious events occurred in Wiener Neustadt. There the terrorist methods against industries had only a limited measure of success, some of the workers, especially in the radiator factory, showing great spirit under attack. But the situation became critical when the Communists seized the post-office and telephone exchange. The city is in the heart of the Russian zone, only twelve miles from Soviet Military Headquarters, and the local police were not strong enough to restore order on their own. After understandable hesitation, the Minister of the Interior made the bold decision to send reinforcements from Vienna, and with this strengthening the police restored order and regained control of the post-office. The local Russian commander then intervened, ordering the restoration of the *status quo* within ten minutes and the withdrawal of the reinforcements. The position was finally righted by the general course of events.

Apart from Wiener Neustadt the Communist action throughout Austria had collapsed by the evening of October the 5th. The Florisdorf Conference decided that the strike

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665 should come to an end on the 6th, but its decision had been
668 anticipated by the Austrian workers.

668 With commendable speed and determination in defence of
727 its rights, the Government sent a note to the Allied Council on the 5th of October, complaining of the Russian action in Wiener Neustadt. On the same day the Foreign Minister despatched a telegram in a similar sense to the Foreign Ministers of the four occupying Powers. The three Western Allies replied with notes in which they expressed their sympathy with the Austrian Government's point of view and their approval of the measures it had taken. They later made official protests to the Government of the Soviet Union.

668 The Government also issued a proclamation in which it thanked the Austrian people for defending their country by their courageous attitude and for proving to the world that Austria would never become a 'People's Democracy'. On the 6th of October a demonstration took place in Wiener Neustadt, where 20,000 people celebrated the victory over Communism and were addressed by the Minister of the Interior and the Minister of Justice, who travelled down from Vienna especially for the purpose. The following day Burgomaster Körner and President Böhm of the Trade Union Federation attended another large victory demonstration before the Vienna Town Hall.

727 There are two questions that arise in connexion with the
668 whole series of disturbances. What was the Communists' real intention? And how far did they receive Russian support?
665 The answer to the second question throws light on the problem raised by the first.

There is no doubt that the accusations of the United States High Commissioner against the Soviet Element were justified. At the same time there was some truth in the reply of the Russian Military Commander in Vienna to the Burgomaster's protest. That is to say, the Soviet authorities wanted to ensure that the Communists had full scope for their activities, and were prepared to take limited measures in their support, such as making vehicles available and preventing movements of the

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police. But they did not intend to give active aid to the demonstrators, and it is likely that such instances of it as occurred were due to the over-enthusiasm of individuals. Many people were injured in the disturbances and two men died of shock. Yet there was not a single case of violent death throughout the whole period of crisis. Such a result would have been inconceivable had the Soviet forces been active in support.

It is probable, therefore, that the Communist intention was to exploit popular dissatisfaction in order to bring about a general strike and, by so doing, to get control of the trade union movement. Had this intention been fulfilled, some modification in the Government might have followed, and the way would have been prepared for a further advance. The ultimate aim of the Communists, in which they could count on Russian support, was to turn Austria into a 'People's Democracy'. The 1950 action was a preliminary trial of strength.

The fundamental reason for the Communist failure was the Austrian people's attitude. But effective leadership and organization also played a vital part. Dr. Figl and Herr Helmer, the Minister of the Interior, were at their best at such a time. The Government acted with energy, courage, and persistence. The police, as a whole, were efficient, good-tempered, and loyal. The employees of the threatened public services were disciplined and reliable. Most important of all, the trade union leaders were unwavering in their attitude, and the great mass of the workers responded to their call. It was a fine proof of statesmanlike maturity that, in face of the Communist threat, the trade union movement stood staunchly by the Price–Wage compromise that none of its members really liked.

The Communist challenge had two important results. In spite of its failure, there had been a real trial of strength between two rival ideologies. The Communists had in their favour the initiative, the choice of time, and uncertainty regarding the extent of Soviet support. The victory of the Government and

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the trade unions increased the authority and confidence of both. In self-defence they took measures on which they had never ventured before, and their success strengthened their courage and resolution for the future.

Even more significant was the revelation of Communist aims and methods. The Austrian people were given a full-scale demonstration of tactics about which most of them had previously only read. The difference between Russian and Western conceptions of democracy and freedom was made clear beyond any doubt. If a small minority could cause so much trouble by employing the Communist technique, for the sake of Austria's freedom and independence it was imperative that the minority should not be allowed to grow. Since the excesses of the Russian troops immediately after the War nothing within Austria has done more than the events of September and October 1950 to bring Austria closer to the West.

131 democratic neighbours, is therefore an essential condition
for checking Germany's "*Drang nach dem Osten*" in the
721 future. Indeed, if the Austrian state had not existed it
might have been necessary to invent it.

721 Fortunately, no such invention is needed. The events
which have taken place in Austria in the days of liberation,
642 and since, testify to the ardent desire of most Austrians to
rebuild their country on a firm, independent, and democratic basis. Austrians from all sections of society took part in the armed expulsion of the German occupationists. The liberating armies in the east and in the west were everywhere greeted with joy. For the first time in Austria's history, there is a spirit of unity and common purpose among all democratic Austrians. This has enabled them to form in a surprisingly short space of time a truly representative government, free trade unions, a progressive youth movement, and other democratic bodies which have made a bold start in rebuilding the shattered
• [668] political and economic fabric. Remnants of Nazi cells
and of Nazi ideology have certainly survived and remain to be dealt with. But there is no doubt that the vast majority of Austrians have been cured of any illusions they may have entertained about the necessity or desirability of an *Anschluss*.

433 This is a very welcome fact. It is, indeed, an essential
condition of any democratic revival. But it is not, by itself, sufficient. As the Moscow Declaration rightly indicates, the creation of satisfactory economic conditions is essential if stability and peace in that area are to be secured. And it is on this score that some people, who are otherwise entirely in favour of Austrian independence, begin to raise their doubts. They remember the prolonged controversies after the last war which centred on this very point: whether the new Austrian Republic would

THE SHADOW OF GERMANY

Austria was in great need of "free currency", the Alpine refused orders from England and other countries, and sent its whole output to Germany, in spite of the clearing debts which had accumulated there. Ultimately the behaviour of the directors became so hard to distinguish from high treason that the Austrian Government put a Government Commissioner in charge of the firm. But it was too late. A few weeks later the policy which the directors of the Alpine had backed all along was fulfilled—Austria was occupied by Germany.

Direct ownership and control were not the only means by which the Germans exerted their influence in the economic affairs of Austria. Recent investigations by the American Anti-Trust Division have shown how, over a long period, German combines used international cartels in order to increase Germany's economic war potential.[3] If powerful monopolistic concerns in Britain and the United States could be induced to act against the interests of their own nation it is clear that the Germans had much easier play as far as Austria was concerned.

Cartelization was a widespread feature of Austria's industrial structure. The wide ramifications of industrial investments of the major banks greatly smoothed the way for trade agreements, mergers, etc. Many of these cartels worked in close agreement with their German counterparts. Owing to their much greater financial strength the German firms had the decisive say in directing cartel policy. In their desire for high and safe profits the Austrian cartel members not only damaged consumers through their restrictionist policies; they also betrayed the economic and political interests of their country in favour of Germany.

These direct economic influences were supplemented by other, more subtle, methods. From the day of the

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648 668 establishment of the Austrian republic onwards, German circles and their Pan-German friends in Austria conducted a propaganda drive against the country's independence, mainly on the argument that it "could not live". Diplomatic pressure was also used to prevent close economic co-operation between Austria and the Danubian states. Finally, there was the abortive attempt to establish a customs union in 1931.

On Hitler's rise to power the political and economic pressure on Austria was greatly intensified. Germany's trade drive in south-eastern Europe, for instance, was not only directed towards the economic and political domination of that area but also served to deprive Austria and Czechoslovakia of their natural export markets. There were also a number of direct attempts at injuring Austria's economy, among which the "Tausend Mark Sperre" was an important example. In 1933, a tax of RM. 1,000 was levied on every German wishing to go to Austria. This move was to deprive Austria of an important source of income and to spread discontent among certain sections of the population. Actually, the attack failed completely as the absence of the German tourists was more than made good by the huge increase in visitors from other countries.[4]

There were many other "subversive" economic activities designed to undermine Austria's independence and power of resistance to the Nazis. Austrian films, which largely depended on the German market, could be exported there only if they were produced in conformity with German racial legislation. Authors could get their books published in Germany only if they held pro-Nazi views. German-controlled firms in Austria employed salesmen whose job it was to spread Nazi propaganda in addition to selling their goods. In short, the economic

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Fifth Column was a powerful weapon in Germany's arsenal for her attack on Austria's independence. 668 648

AFTER THE ANNEXATION

The economic implications of the occupation of Austria were as little appreciated at the time as its political and strategic significance. In fact, Germany's war potential was greatly strengthened as a result. Austria's iron ore, magnesite, timber, electric power, etc., afforded valuable relief to Germany's war industry which was beginning to run short of raw materials. Austria also provided a source of skilled manpower which could be harnessed to the growing efforts of the German war economy. 728 648 439

Moreover, the gold and foreign exchange reserves found in the Austrian National Bank were of great immediate importance in helping Germany to build up emergency stocks for the coming war. Heavily indebted to her clearing partners, Germany had found it increasingly difficult to obtain foreign exchange for even the most essential raw material imports. The gold reserve of the Reichsbank had fallen to the extremely low level of RM. 76 million. They were now able to lay their hands on a gold reserve of more than 420 million schillings, or roughly RM. 200 million. Moreover, Austria had at that time some 200 million schillings of clearing balances to her credit (mainly from Germany and south-eastern Europe). Thus Germany was, at one stroke, rid of the problem of paying Austria and was able, with the help of Austria's claims, to settle her long-standing debts in the Balkans.

Finally, the occupation of Austria enabled Germany to outflank Czechoslovakia's strategic defences, and opened the road towards the east. The economic encirclement of eastern Europe was also complete. The Balkan countries had become dangerously dependent on trade with

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Other developments, however, combined to play into the hands of the extreme elements on both sides. Economic conditions, for instance, contributed towards the growth of revolutionary tendencies, and the desire for desperate remedies, among the working classes; while among the propertied classes, increases in taxation, especially those imposed by the Vienna Socialist municipality, sharpened aristocratic yearnings for a return to pre-war conditions. 665 669

The control exercised by foreign Powers over Austrian economic and foreign policy also served to bring the whole system of parliamentary democracy into disrepute. This form of government was, as has been pointed out, in any case regarded by the extreme groups on both sides as a temporary expedient, and such an attitude grew more and more prevalent when it became apparent that parliamentary democracy was nothing more than a façade behind which Austria's foreign creditors worked their will. Again, economic conditions sharpened the already existing antagonism between the Provinces and Vienna. And, because economic necessity made imperative a modification of the federal structure of Austria, the hostility of the conservative peasants and land-owning classes forced into closer relationship with Vienna found partial expression in movements like the *Heimwehr*. The history of Austria from 1927 till 1934 is the story of force feeding upon force. Both antagonists armed because their rivals did so, although the moderates on both sides were willing to disarm if the other party would do so first. [457]

The turning-point came with the splitting-up of the *Bürgerblock* in the 1930 elections, for with the defection of the Schober group the main body of the party was compelled to turn to extreme right-wing elements for support in its struggle against the Social Democrats. The anti-socialist front tended to split up more and more as time went on, for, after the failure of the attempted *Anschluss* in 1931, the German Nationalists began to drift right away into the Nazi camp, leaving their erstwhile allies with no alternative to the *Heimwehr*. Thus the divisions in Christian Socialist ranks, though they gave temporary encouragement to the Social Democrats, were in reality 665 669 666

665 the beginning of the end, for reliance on the *Heimwehr* led
669 almost inevitably to the crushing of the Social Democrats in
666 1934.[1]

The victory of the extremists was also in part a consequence of the tendency of both sides towards what may be described
665 as party totalitarianism. This was especially the case on the
668 Social Democrat side, for the tendency of the *Bürgerblock* to split up into small groups prevented this principle from working out so fully in their case. The Social Democrats, however, had from the beginning laid particular emphasis on the need for presenting a united front to the outside world, and had, indeed, been conspicuously successful in doing so.[2] They tried, with this end in view, to prevent the members of the party from coming into contact with people of other opinions who might influence them and draw them away from the Party orbit.[3] They therefore laboured to build up Social Democrat societies which would cover all a member's activities from the cradle to the grave. His intellectual and physical needs were all catered for within the party. The party provided him with his flat; built kindergartens for his children, organized sport clubs, literary clubs, political clubs, and social clubs for himself and his wife; took charge of his economic life, negotiating on his behalf with his bourgeois employers; and even provided burial clubs for his death. The organization of the Social

[1] It is interesting to note that Renner had drawn the attention of the party to this danger as early as 1929. He had urged that the Social Democrats should not make things too difficult for their opponents. 'Wir müssen mit unserem Bürgertum manchmal Geduld haben, auch in der Heimwehrsache.' (Speech at the 1924 Party Conference.) In 1930 he again drew attention, at the Party Conference, to this danger; although Seitz, on this occasion, spoke cheerfully of the approaching triumph of the Social Democrats.

[2] *Arbeiter Zeitung*, 9 January 1919. 'Es ist für das Proletariat weniger gefährlich, wenn es vorübergehend einen falschen Weg, aber diesen Weg einig u. geschlossen geht, als wenn es sich im Streit um den richtigen Weg spaltet. . . . Hundertmal lieber einen falschen Weg einig gehen—denn Fehler kann man dann wieder korrigieren—als um des rechten Weges willen, uns spalten.' (Bauer, at Party Conference, 1927.)

[3] It was even laid down, at the Linz Conference in 1926, that no member of the party could, without permission, carry on work which meant his appearance in public life with people who were members of other parties.

Aside from world politics, the arts 814

and sciences found in this gifted ruler,[1] himself a talented writer and thinker, an understanding patron. Albrecht Dürer and Peter Fischer enjoyed his favours and humanism found a home in Vienna.

> The peasant walks behind his plough in peace,
> While in the towns the workmen ply their trade
> And industries and guilds lift up their heads.
>
> (Ottocar, Rudolf, Act III)

After the death of Maximilian, his grandchild Karl V took over a vast empire. He inherited Spain, Burgundy and the old Hapsburg possession; he was elected King in Germany and later crowned Emperor at Bologna. In 1521 he divided his Empire with his brother Ferdinand, to whom he gave the Austrian Duchies. From this time onwards one finds references to an Austrian and to a Spanish line of the House of Hapsburg. The reign of Karl V was filled with internal German conflicts arising out of the start of the reformation. Constant wars with France and Turkey left him no peace. Karl V was another of the strange, gloomy and apathetic figures to be found among the Hapsburg rulers. His plans to win back for the Imperial Crown its ancient power and splendour and to preserve the unity of the old Catholic faith were brought to naught, partly on account of the egotism of the Lutheran Princes but also because of their devotion to their faith. Karl thereupon renounced the crown and retired to the monastery of San Yuste in Spain. A lonesome and frustrated figure, he turned his back on that life which would have made him ruler of a world Empire.

1519 to 1521. The Portuguese Ferdinand Magellan first circumnavigates the world. 648 643

1526. Bohemia and Hungary pass legally into the possession of Austria.

1528. Under Henry VIII, the first steps are taken which led up to the separation of the English Church from Rome.

1536. Death of Erasmus of Rotterdam.

> There order dwells, there order has its home
> While here confusion lives and vain caprice.
>
> (Family Strife, Rudolf, Act I)

In the meantime Ferdinand was ruling prudently and ably in Austria. The new doctrines from Wittenberg quickly penetrated to Austria, where they spread rapidly. Soon appeared the first signs of a clash of beliefs which was to prove particularly significant for Austria. Efforts to bring about religious reforms brought with them social discontent, which manifested itself particularly in peasant revolts, and in the formation of the sect of the Baptists.

In 1526, Ludwig II, King of Hungary and Bohemia, lost the day and his life as well in the battle of Mohacs against the Turks. Under the Treaties

798

1540. Foundation of the order of Jesuits. [669]

1545 to 1563. Council of Trient. The Catholic Church grows more powerful and the Counter-Reformation begins. 648

1 [i.e. the Emperor Maximilian. -- Analyst]

out, the Provinces exercised a certain indirect control over the 642
appointment of their personnel). For instance, if a federal 635
minister considered that the interests of the State had been 692
injured by an erroneous decree of a provincial authority, he could bring the matter before the Administrative Court. No such provision, however, was made for appeals by provincial ministers against State decrees.[1]

Finally, the following provisions may be noted, which though 642
not themselves of great importance, none the less indicate the 635
general tendency to ignore the federal principle. By Article 41, (2), for instance, voters in three different Provinces could join in submitting an Initiative, provided that in each Province half of the qualified voters agreed to it. This was to be an alternative to an Initiative signed by two hundred thousand of the qualified voters in one Province, and was intended to safeguard the rights of minorities in the smaller Provinces. It was clearly, however, an infringement of the federal principle.[2]

Finally, the formula used in the publication of laws is "The 671
National Council has decided . . .", etc. (If the law is passed 642
635

[1] Article 129, (2). This may be compared with Article 140, (1), regulating appeals to the Constitutional Court. In this case the right of appeal is guaranteed both to the State and to the Provinces.

It may be noted that in the important sphere of finance, the control of the State was to be even further extended, by the Finance Constitutional Law of 3 March 1922 (B. G. Bl. Nr. 124). If a proposed provincial law dealing with financial matters was vetoed by the Federal Government, its re-passage by the Province concerned, with a special majority, did not settle the matter. 'In diesem Falle kann nämlich die Bundesregierung den Einspruch trotz des Wiederholungsbeschlusses aufrechterhalten. Der dadurch entstandene Konflikt zwischen Bundesregierung u. Landesgesetzgebung wird durch einen ständigen gemeinsamen Ausschuss des Nationalrates u. des Bundesrates entschieden. Dieser hat nämlich zu beschliessen, ob der Einspruch aufrecht zu bleiben hat, oder nicht. Entscheidet sich der Ausschuss für den Einspruch der Bundesregierung, erhält deren Veto einen absoluten Charakter.' (Kelsen, *Jahrbuch des öffentlichen Rechts*, vol. xi, p. 258.)

[2] This article may be compared with Article 15, (3). In this case, the Provinces must co-operate in the passage of supplementary legislation under Articles 11 and 12. If they fail to do so, the right to pass such legislation is transferred to the federal minister. These two articles might seem to conflict with Article 107. But Article 107 is probably intended to prevent a combination of Provinces hostile to the central Government (cf. with Imperial Decree of 1860). Co-operation between the Provinces was not, on the whole, encouraged. By Article 107, for instance, Provincial Councils were forbidden to communicate with one another, except in matters falling within their autonomous sphere of action.

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642 as the result of a Referendum this is noted.) No mention is
635 made of the co-operation of the Federal Council. Laws are
671 dated in the Federal Law Book from the day of their third reading by the National Council.

(iii) *The National Council*

642 The Austrian State was reorganized by the constitution of
646 1920 as a democratic, federal, and parliamentary republic. The pivot of the whole political structure was the National Council.

The sovereignty of the National Council was ensured by the almost complete absence of provisions for its control either by the people who elected it, the Federal Council, the Government, or the President.

From the first of these possible controlling bodies the National Council was virtually divorced after it had been elected. It was specifically laid down in Article 56 that members should not be bound by instructions. The people could, it is true, introduce legislation directly, by the device of the Initiative. They were not, however, encouraged to do so; the numbers of supporters required for an Initiative motion was, as has been pointed out, comparatively high; nor was the National Council bound to pass such bills. Similarly, proposals involving a complete revision of the federal constitution had to be submitted to a Referendum. But no attempt was made to define what was meant by a 'complete revision'; and again, it was not stated that the National Council was bound by the result of such a Referendum. Other measures only had to be submitted to a Referendum if the National Council so decided.[1] The National Council could only be dissolved before the end of its four-year term of office by its own decree. If it was so dissolved, it had to be reassembled by its President, if a quarter of its members so requested.[2]

But, if the National Council was not controlled by its electors, still less was it controlled by the Federal Council. The Federal Council had, as has been pointed out, in a few

[1] Article 43. [2] Article 28.

642 Article 70, (3), provided for the eventuality of a Government
646 resigning while the National Council was not in session. In this case, a new Government had to be chosen provisionally by the Chief Committee. As soon as the National Council reassembled, the election of the Government had to take place as usual.[1]

Members of the Federal Government were responsible to the National Council while in office,[2] and impeachment proceedings could be brought against them.[3] The Government could be questioned on all matters relating to the execution of the laws by members of both Houses. Both Houses could express their wishes in regard to the exercise of the executive power, by resolution.[4] And it was even laid down by Article 55 that in addition laws could be introduced providing that particular ordinances of the Government should require the assent of the Chief Committee. The presence of the Government could be demanded by either House, and by the committees.[5]

Another means of control by the National Council over the Government was the Independent Court of Audit. This court was responsible for drafting the balance-sheet of the Budget and presenting it to the National Council. It could examine the expenditure of every agency of the Federal State. It could be entrusted with the right to examine the expenditure of any enterprise in which the Federal State was financially interested.[6] And by Article 122, (1), it was expressly laid down that the Independent Court of Audit was directly responsible to the National Council.[7]

642 Finally, by Article 74, (1), it was decreed that if the National
646 Council, by express resolution, withdrew its confidence from
687

[1] This provision, safeguarding the power of the National Council, had not been included in the constitution of 14 March 1919.

[2] Article 76. [3] Article 142, (2), b. [4] Article 52.

[5] Article 75. On the other hand, members of the Government could take part in debates in the National Council, the Federal Council, and the committees (except debates in the Chief Committee, to which they had to be specially invited). They had always to be heard if they wished to speak.

[6] Article 121.

[7] The president of this court was elected by the National Council on proposal of the Chief Committee, Article 122, (3). He could be dismissed by resolution of the National Council, Article 123, (2).

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the Federal Government, or from individual members of the Government, they would be thereby removed from office.[1] It was not, however, intended that this weapon should be lightly employed against a Government, for it was stipulated that such a resolution would require a quorum of half the members of the National Council. And, if one-fifth of the members so demanded, the vote could be postponed for two days.[2] The Government, apart from this somewhat meagre stipulation, had no means of protecting itself against an adverse vote by a chance coalition in the National Council, since it could not confront the National Council with the choice between continued support and a dissolution.

As has been pointed out, the National Council had practically complete control over all legislation. It had also considerable executive functions. By Article 50, political and certain other treaties required for their validity the consent of the National Council. By Article 53, it was empowered to set up by resolution Committees of Inquiry,[3] before which all public authorities were obliged to give evidence if required. By Article 54 certain executive duties were specifically made over to the National Council, such as the fixing of the prices of such federal services as railways; the fixing of the prices of monopoly goods; and the fixing of the salaries of persons employed by the State. Apart from these specified cases, it was laid down in Article 55 that the National Council should share in the executive power of the State through its Chief Committee, to which reference has already been made. Kelsen has described this body as the most important political organ of the National Council.[4] Provision had been made for its election in the constitution of 14 March 1919. Its membership had then been fixed at eleven, whereas by the constitution of 1920

[1] It may be noted that, since it was anticipated that the dismissal of an individual minister by a vote of no confidence should not necessarily involve the resignation of the whole ministry, the cabinet system was not adopted.

[2] Kelsen comments on this: 'Dass die Wirkung des Misstrauensvotums verfassungsgesetzlich ausdrücklich normiert wird, ist eine Besonderheit unserer Verfassung' (op. cit., vol. v, p. 169).

[3] Cf. with Article 34 of the German Constitution, according to which such a committee had to be set up if one-fifth of members so demanded.

[4] *Jahrbuch des öffentlichen Rechts*, vol. xi, p. 246.

136 of wild ducks settles down here with rustling wings you may be meeting with old acquaintances again from the Wiener Stadtpark. The only difference is that there they allow themselves to be tamely fed by children, strutting like actors in the pay of the Municipality of Vienna, while here they lead a free marauder's life in the nightly-stirring reeds of the Neusiedler Lake.

133 And the centre of all this, the lake. As you will expect, it too possesses strange features. In Austria, country of Alps, it is the only lake which is typical of those found in the steppes. Flat as a pancake, it is so shallow that you can fearlessly wade across it in any direction you choose, with no need to know how to swim, exposed to no other danger than that of inadvertently crossing the Hungarian frontier which runs through it.

On what one might call Western Austria's corresponding lake, Lake Constance, you find proud steamers sailing over the bottomless depths famed in ballads, but on the lake in the Burgenland the reckless sailor must only beware that the wind does not blow away all the water from under his keel. This must not be taken too literally, yet it is a fact that when the wind blows for days in a certain direction the whole water is actually driven together in the extreme corner of the lake. This phenomenon of the bewildering "Windstaue" is only one of the many peculiarities of the lake.

Another strange thing is that nobody knows whence its waters come, for the only tributary is the Wulka, an insignificant little trickle. Four times as much water as the brook contributes is regularly lost from its wide surface by evaporation. Logically, the lake should have vanished long ago. In defiance of all the laws of hydrography, it continues to exist, leaving scientists to puzzle out from what hidden sources it manages to keep going.

[691] Occasionally the lake falls on hard times, and about once in a century it disappears altogether. This provides an occasion for the peasants on its shores to measure its bed painstakingly, and to resume the bickerings about the ownership thereof which had been dropped during the preceding century or even the one before it. About the time that the legal costs of these quarrels have so accumulated that the lawyers begin to be afraid that they will not be able to collect them, the lake quietly rises again, taking possession of its old bed as if it had never chosen to

642 their actions lay through the central authorities and not
635 through the Provincial Assemblies.

It may, therefore, be said that, although the Provinces were endowed with comparatively far-reaching administrative rights and duties, the State had extensive supervisory rights.

642 As regards judicial rights, Article 82 enunciates the principle
635 that "The whole judicial system lies within the competence of
692 the State".[1] It may, however, be noted that, although the Provinces had no influence over the election of the judges of the ordinary Courts, who were appointed on the advice of the Senates by the Federal Ministry and the President,[2] they had some control over appointments to the Administrative and Constitutional Courts. For instance, by Article 135, the nominations of the Federal Government for the posts of Vice-president, and half the members of the Administrative Court, required the assent of the Federal Council. Article 147 laid down somewhat similar provisions for appointments to the Constitutional Court.[3] But this case differed from the former in that the Federal Council had no influence over the appointment of the Vice-president.

It is clear, however, that the share of the Provinces in the working of the judiciary was even smaller than their share in legislation and administration.

642 But, while there can be no doubt that the substance of power
635 lay with the State, lip-service was certainly freely paid to the federal idea. The outstanding example of this is Article 2, (1),[4] to which reference has already been made. Another example may be taken from Article 2, (2), where reference is made to the 'independence' of the Provinces. But, as Kelsen points out, this word has no exact legal meaning.[5] Article 15, (1), refers to cases not expressly made over to the State, as remaining within

[1] Kelsen comments on this: 'Dass die gesamte Gerichtsbarkeit dem Bund vorbehalten ist, bedeutet einen, für einen Bundesstaat ungewöhnlichen Grad von Zentralisation.' (Op. cit., vol. v, p. 176.)

[2] Article 86, (1).

[3] In this case, however, the Federal Council was responsible for the actual appointments. It did not merely give its assent to proposals of the Government.

[4] 'Österreich ist ein Bundesstaat.'

[5] Op. cit., vol. v, pp. 66–7.

642 should be made in the constitution of the Federal Council
635 without its assent. And assent required a majority vote in
646 favour from the representatives of at least four Provinces. A minority of the Provinces could thus prevent an amendment.[1]

[692] Finally, by Article 132, if a Province were involved in a dispute before the Administrative Court, the case had, as a rule, to be tried by a Senate having among its members a judge who formerly belonged to the judicial or administrative service of that Province.[2]

642 But although certain actions could not be carried through
635 without the consent of the Provinces, effective precautions were taken to ensure that the Provinces should never become overpowerful.

Articles 95–120, for instance, gave the State control over the political and social structure of the Provinces. The provisions ensuring democratic government, safeguarding minority rights, and guaranteeing to the State extensive supervisory rights, guarded against the possibility of the growth of a strong, united opposition to the central Government from reactionary parties in the Provinces. The extent to which State control over the Provinces went may be seen by Article 100, which provided that a Provincial Council could be dissolved by the Government, if the consent of the Federal Council was obtained.[3] The Article provides an example of the spirit of compromise which pervades the Austrian constitution, for, while the federal principle is undermined by the provision that a Provincial Assembly can be dissolved by a State organ, it is safeguarded by the provision that the assent of the highest federal organ shall be necessary for such a dissolution.

642 The Administrative and the Constitutional Courts were
635 clearly intended as State organs (although, as has been pointed
692

[1] The provisions of this article should have been applied also to Article 34 (dealing with representation of the Provinces in the *Bundresat*). Originally Articles 34 and 35 were one. When they were separated the constitutional committee omitted to make Article 35, (4), apply to both of them, though it was clearly far more important that it should apply to Article 34.

[2] Cf. with provisions for trying cases before the Permanent Court of International Justice (Statute of the Court, Article 31).

[3] The consenting vote, however, required a quorum of one-half of the members, and a two-thirds majority.

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642 the number of members was not specified. And the President
646 of the National Council was no longer *ex officio* a member and
647 Chairman of the Committee. The Chairman was now elected by the Committee itself. The Chief Committee was elected by the National Council from among its own members, on a basis of proportional representation of all parties.[1]

642 Finally, the control exercised by the National Council over
646 the judiciary was considerable. By Article 86, (1), it was decreed
693 that the judges should be appointed upon nomination by the Federal Government.[2] The control exercised by the National Council over the Federal Government has just been pointed out. That exercised by it over the Independent Court of Audit has also been referred to. The President and half the members of the Administrative Court were appointed by the Federal Government upon nomination by the Chief Committee.[3] The President, Vice-president, and half of the members and deputy members of the Constitutional Court were elected by the National Council.[4]

It may be said, therefore, that by the constitution of October 1920, Austria was reconstructed as a democratic, federal, and parliamentary State, the pivot of which was intended to be the National Council.

(iv) *Conclusions*

642 The chief criticism that can be levelled at the 1920 constitution is the weak position in which its provisions placed the Government, the proper authority of which was deliberately undermined, mainly because of the fear of a return to the old, too powerful rule of the executive. The fact that the right to demand a dissolution was withheld from the Government, together with the fact that, owing to the introduction of pro-

[1] It may be noted that, although the National Council exercised no direct control over the Provinces, it did exercise very considerable indirect control, through its control of the Government.

[2] With regard to this article, it may be noted that although the senates were required to produce proposals for such appointments, these proposals were not, as they were in the project of 22 November 1918, made binding on the Government.

[3] Article 135. [4] Article 147, (2).

642 cases of necessity and for purposes of defence.[1] But, as Kelsen
643 points out, this safeguard was worthless from a legal point of
646 view.[2]

The President was also made head of the army.[3] But this
642 was rather a change of emphasis than an actual increase in
643 presidential power. It may be noted, however, that the re-
701 forms gave more power to the army. Hitherto it had only been empowered to restore order if so requested by the civil powers. It was now permitted to step in, in case of emergency, without being so requested.[4]

642 Another marked tendency in the 1929 reforms was towards centralization. But although it was coming to be realized with increasing clearness in responsible circles that Austria could not afford the luxury of provincialism—either from a moral or from an economic standpoint—yet as Kelsen had pointed out two years earlier, this tendency was, if anything, gaining ground,[5] in spite of the increased centralization introduced by the 1925 reforms, and in spite of the general realization that provincialism must make the possibility of an *Anschluss* ever more remote.

642 It was also intended to introduce changes as regards the
646 organization of the Upper House, which, it was generally admitted, had not worked satisfactorily.[6] The *Heimwehr*, the *Landbund*,[7] and certain other right-wing sections of Christian Socialist opinion were anxious to introduce the corporative principle, either wholly or in part. And a proposal was for a time considered by which the nine Provinces were to be repre-

[1] Article 18, (3).

[2] 'Da das Vorhandensein dieser Umstände zu beurteilen, dem Ermessen der verordnenden Instanz selbst überlassen bleibt, und dieses Ermessen auch von dem seiner Überprüfung zuständigen Gericht—dem Verfassungsgerichtshof—nicht wirksam überprüft werden kann.' (Op. cit., p. 141.)

[3] Article 80, (1). [4] Article [illegible], (2).

[5] 'Durch die politische u. staatsrechtliche Entwickelung seit dem Umsturz hat sich die Stellung der Länder so gekräftigt, haben sich die durch die Landesregierungen repräsentierten politischen Machtcentren in den ehemaligen österreichischen Krönlandern so sehr verwurzelt, dass an eine Umwandlung Österreichs in einen Einheitsstaat ernstlich nicht mehr zu denken ist.' (*Frankfurter Zeitung*, 4 April 1927.)

[6] Seipel, article in *Reichspost*, 19 October 1929.

[7] *Die Stunde*, 21 September 1929.

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Sample of Peasant Weaving from the XVII Century.

361 of "Garden City". The social problem is solved here in noteworthy fashion,
288 for although more than half the population is dependent on industry, it has no proletariat.

In grappling with its problems, the town has, of course, been helped by its
133 favourable geographical position. The winter sport resort of Bödele which is easily reached by a picturesque road brings life to Dornbirn as soon as the white carpet covers the ground. In summer its chief attraction is a beautiful and sinister gorge which is reached by a romantic artificial flight of steps—the Rappenlochschlucht. Closed in by walls of rock which tower vertically to a height of several hundred feet, crossed far above by a bridge, the turbulent mountain waters far below foam and roar through the gorge. The spectacle is well calculated to awaken a wholesome respect for the might of those forces which give shape and form to surrounding nature, and through her to our own lives.

133 From the tree-covered summit the hoary keep of Neu-Ems Castle overlooks
712 the valley of the Rhine. The steep crag commanding the town bears the ruins of Alt-Ems, before its destruction in the Appenzeller War one of the greatest castles of the German Reich, equal in size to the famous Wartburg. The palace built by Count Kaspar still stands today at the foot of the Castle Rock. A number of other buildings and historic names lend to Dornbirn that magic of departed grandeur which always lingers around historic walls and ancient monuments.

133 THE GARDEN OF VORARLBERG. In the midst of the plain through which flows the Rhine rises the Kummenberg, a witness to the activity of the Rhine Valley Glacier in the Ice Age. To the south its tree-covered

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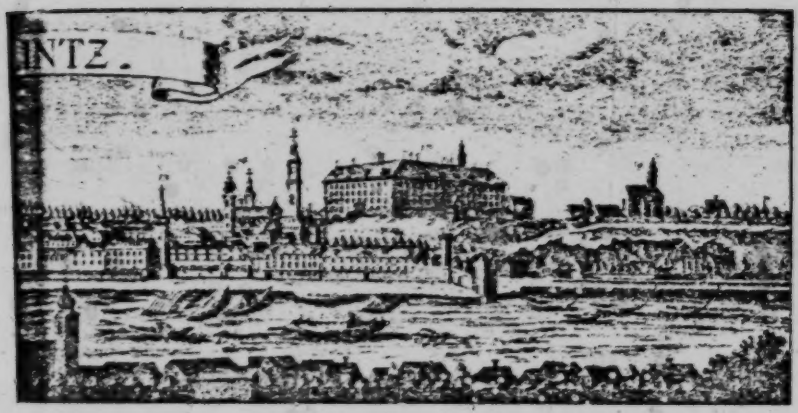

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importance to decline, but on the other hand production on a large scale was planned for the whole district. A conduit for dissolved salt in solution was constructed from Hallstatt to Ischl and later extended to Ebensee, thus laying the foundations for an industrial development, the principles of which are still valid today.

A difficulty inseparable from the recovering of salt was the considerable amount of wood required. The two salt-pans at Hallstatt in which the solution was evaporated needed 380 cubic metres of wood per week. Gradually but surely the forests disappeared, for apart from the need of fuel for the pans, building and mining timber was also necessary. In the middle of the 18th century Hallstatt had a consumption of 88,000 tons of wood per year. These proved the maximum figures for salt production. The discovery of the salt mountain at Ischl and the subsequent laying of the salt-solution conduit saved the forests of the Hallstätterseee.

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In 1750 the transport of salt underwent a great change through the regulating of the Traun. From now on the

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bleached. At Rohrbach and Neufelden the country opens out. Hops flourish on long poles and the Mühl is dammed to form a lake, the falls of which produce much needed water-power.

The wide ribbon of the Danube borders the Mühlviertel on the southern side, but the wild Urgebirge impedes the river's course, forcing it into creeks and side-arms. So were created the confined, deeply forested Danube narrows from Bavaria to beyond Lower Austria. A journey through those romantic reaches of the great river is not easily forgotten.

THE CAPITAL. Linz is a retiring town, a coy beauty. Anyone arriving from the railway station will not appreciate it. Nor will the motorist, if he follows the main road passing the iron foundry. The proper way to arrive at Linz is to land from the Danube. Then you will take it to your heart, for Linz is born of the Danube. St. Martin-über-dem-Felsen is its most ancient church.

The castle is an outpost. It has seen many changes, from monastery to castle, later to a

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princely residence and then to barracks. Since the time of Rudolf II it has stood, a massive block-house, above the town. The old town lies at the foot of the mountain, where the little houses start to rise towards larger ones. The growth of Linz dates from the establishment of its market; originally it was just a broad street adorned with lime-trees and wells, an example of the interpenetration of town and country. The middle-class houses of the square speak of old-fashioned comfort. Narrow house fronts conceal long courtyards with ornately arched entrances. The Rathaus with its baroque façade and octagonal tower is hardly more noticeable than other buildings.

Linz has always been a bourgeois town. Each stone proclaims that this is no creation of monarchs, that this is a town of self-satisfied middle-class folk. Its history is a record of industrious citizens.

The northern porch of the fine Diet Hall reminds one of the great days of the 16th century. During the Reformation Johannes Kepler taught here and wrote his first work, the "Harmony of the World". The severely monastic renaissance buildings contrast with the elaborate baroque outlines of the Jesuit Church. Ignoring the busy bustle of nearby factories, the charm of this town of free burghers lies in its quiet and dreamy atmosphere, the baroque note of the buildings on the main road and the hour when the far-famed women and girls of Linz stroll of an evening on the main square and along the Danube banks.

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UP THE DANUBE. Linz and (on the opposite bank) Urfahr are suitable points of embarkation for Danube steamer trips. The adjacent slopes of Frein- and Pöstlingberg, to which the little suburban houses on the river banks cling like birds'-nests, confine the bed of the stream at the start. The steamer passes between the impressive Kalvarienbergkirche and the slender tower of Puchenau, following the curve of the legend-haunted Kürnberg, in the forests of which are the walls of an ancient, weather-beaten refuge from invaders. Above the far-flung wall of mountains lies the Cistercian monastery of Wilhering. Built during the Crusades on an isolated strip of river bank, it was rebuilt after a disastrous fire with all the splendour of Austrian rococo.

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First let us visit the basket weavers

Basket-Weaver.

of the beautiful Rabnitz Valley and the potters of Stoob where the ancient craft of pottery is still carried on by hand. Then let us cross to Raiding. Here the small house is still standing where a great man in the world of music first saw the light of day—Franz Liszt. He was triumphant the world over, from Russia to France and England. Everywhere the smiles of lovely women welcomed him but more and more he was affected by that melancholy which is reflected in the verses of Lenau. The latter had connections with the Burgenland through his mother; his lyrics won as many friends for the land of the *Puszta* as did the Hungarian rhapsodies of Liszt.

131 Past Ritzing, where the surface belongs to the Burgenland but the coal below it to Hungary, because the tunnels of Brennberg, near Ödenburg, burrow below the frontier, our way leads us to Sieggraben. This is the home of the Semmelweis family, whose most famous son brought salvation from the scourge of puerperal fever to the child-bearing mothers of all times. From here the road climbs to the summit of the Rosaliengebirge, where a view opens towards the east across the Wulka Plain, taking in Ödenburg and the Neusiedler Lake and westwards, the Bucklige Welt, Wiener Neustadt and the Leitha.

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Village Drummer.

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On the Leitha also lies the battlefield of 1246. Friedrich the Quarrelsome, last of the Babenbergs, made the territory which had formerly belonged to the Mark of the Carolingians the subject of his first demands.

The Burgenland was long contested. Not for nothing do the many churches in its pleasant villages stand on commanding heights, surrounded by walls which give them the appearance of fortresses, and not for nothing were the many castles and fortified towers set up.

The days of the Turkish invasions brought poverty and desolation to the land, but at the same time a new population which was fleeing from the Turks and found a new home in the Burgenland—the Croats. From Kroboteck in the district of Jennersdorf through Stinatz, Punkitz, Podgoria and Kroatisch-Minihof there

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

665 been suspended by the Dollfuss Government and the country
668 was on the verge of civil war. The Government's harsh and ill-considered decision to turn artillery on to the workers' dwellings may have cut short the conflict and suffering, but it was a final betrayal of democracy that no considerations of expediency can excuse.

721 In spite of the serious internal difficulties, it was in the end to external force that the Austrian Republic succumbed. On the 11th of March 1938 Hitler sent an ultimatum to Dr. Schuschnigg, the Chancellor. Within a few hours German troops had occupied the country and the *Anschluss* was a fact. The Austrian political parties have accused each other of preparing the way for this tragedy, but there were deep-lying causes for the growth of National Socialism and Fascism that were beyond their power to prevent. In the diplomatic circumstances of the time, even had Austria been a model democracy, it would have had no more chance of withstanding Hitler than had the courage, patriotism, and democratic example of the Czechs. As the only German country outside the Reich, Austria was the first object of Hitler's ambition. The opening page of *Mein Kampf* contains the sentence: 'German-Austria must return to the great German Mother Country'.

186 In fact, by 1938 the attitude of Austrians towards union with
648 Germany had changed considerably. Inside Austria nearly twenty years of enforced independence had inevitably left their mark: the people were acquiring a sense of pride in their achievement and hope for the future. Recent developments in Germany also had had a decisive effect.

433 Economically Austria had made important progress. In 1918 its position seemed hopeless. But the Austrian Government and people gradually accustomed themselves to the idea that their fate was in their own hands. By 1937 the country was producing three-quarters of its food. Valuable oil-fields had been discovered at Zistersdorf, north-east of Vienna, and oil production had risen from 73 tons in 1932 to 32,849 tons in 1938. The tourist industry had developed rapidly and covered over 80 per cent of the country's trade deficit. When the

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

CHAPTER I

INTRODUCTION

THE IMPORTANCE OF AUSTRIA.

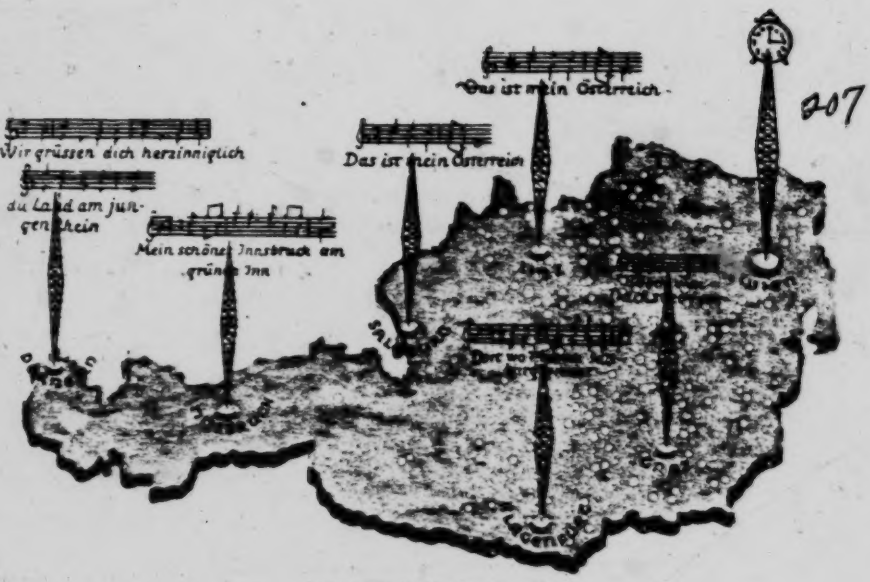
728 WHEN the Foreign Secretaries of Britain, the Soviet Union, and the United States met in Moscow in November, 1943, they issued a declaration stating that Austria, the first victim of German aggression, was to regain her independence at the end of the war; that this independence was to "open the way for the Austrian peoples themselves, as well as those neighbouring states which will be faced with similar problems, to find that political and economic security which is the only basis for lasting peace"; and that Austria's position would depend on the part the Austrians themselves play in their liberation.

131 This declaration was testimony to the importance which is attached to Austria's independence from the point of 721 view of European and world peace. A glance at the map reveals at once the central position which Austria occupies in the heart of Europe. Her frontiers border on six other countries; her capital, Vienna, lies at the junction of Europe's main east-west and south-north arteries; while the Danube is a natural gateway to the Balkans. Just as the collaboration of the Habsburgs was essential to the realization of Emperor Wilhelm's Berlin-Bagdad dreams in 1914, so the occupation of Austria in 1938 was the first prerequisite for Hitler's attacks on Czechoslovakia, Poland, the Balkans, and the Soviet Union. A prosperous and independent Austria, fully co-operating with her

131 democratic neighbours, is therefore an essential condition for checking Germany's "*Drang nach dem Osten*" in the 721 future. Indeed, if the Austrian state had not existed it might have been necessary to invent it.

721 Fortunately, no such invention is needed. The events which have taken place in Austria in the days of liberation, 642 and since, testify to the ardent desire of most Austrians to rebuild their country on a firm, independent, and democratic basis. Austrians from all sections of society took part in the armed expulsion of the German occupationists. The liberating armies in the east and in the west were everywhere greeted with joy. For the first time in Austria's history, there is a spirit of unity and common purpose among all democratic Austrians. This has enabled them to form in a surprisingly short space of time a truly representative government, free trade unions, a progressive youth movement, and other democratic bodies which have made a bold start in rebuilding the shattered [668] political and economic fabric. Remnants of Nazi cells and of Nazi ideology have certainly survived and remain to be dealt with. But there is no doubt that the vast majority of Austrians have been cured of any illusions they may have entertained about the necessity or desirability of an *Anschluss*.

433 This is a very welcome fact. It is, indeed, an essential condition of any democratic revival. But it is not, by itself, sufficient. As the Moscow Declaration rightly indicates, the creation of satisfactory economic conditions is essential if stability and peace in that area are to be secured. And it is on this score that some people, who are otherwise entirely in favour of Austrian independence, begin to raise their doubts. They remember the prolonged controversies after the last war which centred on this very point: whether the new Austrian Republic would



Austrian Broadcasting Centres.

protection of individuals who have lost their work and, of course, contribute the social security of the State.

The annexation of 1938 and the Second World War robbed the Austrian People of its freedom and the fruits of twenty years of painstaking reconstruction.

THE ECONOMIC POSITION AFTER 1945.

Austria's liberation had to be paid for by severe economic sacrifices. Compulsory incorporation into German armament production had been followed by far-reaching changes designed to increase Germany's output of war materials. The necessary investments for renewals and replacements could not be made, while machinery deteriorated more rapidly. Apart from this, Austria had been exposed from 1943 onwards to the effects of bombing, which increased towards the end of the war

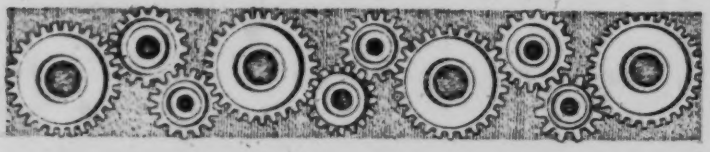
722 until in the final stage the whole country became a battlefield. Thus apart from the considerable consumption of stocks and capital goods owing to war production, there was a great deal of material damage.

727 438 In addition to the losses directly caused by the war, new restrictions arose for Austrian trade at the conclusion of the fighting. The internal trade links of the country had to a great extent been disrupted through the setting up of four zones of occupation. At a time when in view of the tremendous losses it would have been advisable to ensure the full development of all the means of production, the necessary connections between the various parts of the country could often only be established or maintained under the most difficult circumstances. It is perhaps typical of this period that the various provinces entered into barter agreements with foreign countries independently of one another, often in order to get goods which would have been available within the country itself had unhindered trade been possible.

727 During the first days after the liberation a goods vacuum arose. Transport had almost completely broken down owing to the extensive destruction of roads and bridges and the lack of the necessary vehicles. Clearance and repair work was first necessary before trade activity could develop at all, and if the Allied Forces of Occupation and UNRRA (as well as other help granted by Congress, private charity organisations and credits) had not aided in bridging the gap,

the payment of interest on deposits since the beginning of 1949. On the other hand, credit demands on the banks resulting from the economic revival are so numerous that they are hard to meet, however severely they are scrutinised. This is all the more the case since Austrian industry, owing to the extensive damage and losses suffered by it during the last stages of the war and after its end, has a great need of capital and long-term credit for investments, as well as of business credit. In such cases, where genuinely justified demands for credit are concerned, the Marshall Plan will be of assistance. The main idea of this is to permit the technical modernisation of Austria's system of production, thus increasing her ability to compete in the international field, to encourage full exploitation of her natural assets, and to provide the country with a sufficient amount of raw materials essential to production during a certain initial period. It is to be hoped that this measure will assist Austria to attain economic independence and help towards the re-establishment of her position in international commerce.

The Austrian banks have a further duty indispensable to the security of smoothly running finance in the re-establishment of the Vienna Stock Exchange as the proper market for dealing in shares, not only to serve legitimate private interests but also to prove itself a suitable medium for the State issues which must be expected.



CHAPTER II

THE BIRTH OF A NEW REPUBLIC: EARLY DIFFICULTIES

AUSTRIA'S EXHAUSTION AFTER THE GREAT WAR

727 FROM the moment of birth of the new Austrian Republic, on the 12th November, 1918, it was clear that this small country, descendant of the old 50 million Empire, was faced with a colossal task of economic and political readjustment. But this was not all. By 1918 the old Monarchy had ceased, in every sense, to be a "going concern". This rendered the resumption of normal economic life particularly formidable. For in addition to the loss of capital and of human life invariably associated with war, the cumbersome working of the Habsburg bureaucratic machine, the antagonism of the suppressed minorities, and above all the ruthless military and economic exploitation of the half-hearted Austrian war partner by the "efficient" German war machine, had all exhausted the entire economic life of Austria.

•722 It had become clear, as early as 1916, that the Empire was unprepared for a long war on two fronts and unable to cope with the growing difficulties of internal inefficiency and of the blockade. By 1917 the economic and military position was so serious as to prompt the Emperor Karl to explore the prospects of a separate peace. These attempts were however quickly frustrated by the then all-powerful Germans.

722 Shortages now appeared in every field. Owing to the
433 dearth of raw materials, the indiscriminate call-up policy

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

of the first war years, and the growing anti-war feeling of the population, production fell to utterly inadequate levels. By 1917, the yield of the wheat harvest had fallen to 47 per cent of the 1913 level, rye to 43 per cent, barley to 29 per cent, oats to 25 per cent, potatoes to 51 per cent (in 1916), and sugar beet to 43 per cent.[1] There were similar reductions in the output of practically all agricultural products, with the one notable exception of turnips, whose output increased to 213 per cent over the same period. 722 433

There is no reliable index for industrial output as a whole during that period, but figures for certain specific products may serve to illustrate the general trend. Between 1913 and 1917 the production of sugar fell to 43 per cent; of beer, to 7 per cent; of margarine, to 6 per cent. While the output of cast iron rose to 189 per cent and of the number of locomotives built to 170 per cent that of pig iron fell to 64 per cent. In textiles, the production of raw silk fell to 53 per cent and the amount of wool consumed to 20 per cent. Paper production fell to 47 per cent.[1]

In view of this catastrophic fall in production (particularly in essentials) the living conditions of the population deteriorated rapidly. Rations were constantly reduced, and even then they were not always obtainable. Universal malnutrition and actual famine conditions in some areas resulted in a great increase in disease and mortality. Clothing was defective and inadequate. Thousands of families lived in cold, dark rooms in the winter of 1917–18. Nor were the soldiers any better off. Not only was there a serious shortage of munitions: even those who were fighting under the most adverse conditions on the eastern front were short of food and clothing. One soldier might have a jacket but no shirt, the other a shirt but no jacket. Sawdust was added to the flour in order to make rations go 722

1 [CP. CAT. 116, p. 34 — Analyst]

722 further. There were cases when soldiers "deserted" from their training barracks to the front line because there rations were at least somewhat larger.

727 When finally peace came to the war-weary country, economic conditions, instead of improving, actually 453 became worse. The economy was now completely disrupted, mainly because the new Austria was suddenly cut off from all normal sources of supply. Austria had habitually had an import surplus with the other parts of the Empire. Now these channels of supply were almost hermetically closed through the newly erected national frontiers. The new countries had their own serious problems of reconstruction and were of course unwilling to export important raw materials except on a strict barter basis. But in those days there was pitiably little that Austria could offer in return.

727 The result was that everything was short—food, coal, raw materials—and many sections of economic life came practically to a standstill. The position of the population became worse; in Vienna, particularly, conditions were desperate. Not only were the usual supplies from Hungary and Bohemia no longer forthcoming; the rural provinces of Austria proper, too, withheld their produce so as to cover their own shortages. Also, war-requisitioning and the lack of industrial goods had made the peasants suspicious and hostile towards the capital. The food situation in Vienna quickly became hopeless. From August to December, 1919, the maximum obtainable per day on the bread and flour ration was 100 to 170 grammes of flour. Milk supplies (which had amounted to 900,000 litres daily before the war) dropped to as little as 30,000 litres. Even infants and invalids had to go short of milk. After more than three years of hard work and malnutrition these shortages could not but have the most damaging effects on

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

II

Liberation

726 THE liberation of Austria was carried out from three directions very rapidly, the whole process being completed within a few weeks. On the 29th of March 1945 Soviet troops crossed the Austrian frontier from Hungary. At the beginning of May the British entered Carinthia from Italy and the Americans crossed the German frontier into the Tyrol. By the 13th of April the Russians were in control of Vienna, and before the end of the month large areas of Lower Austria and Styria had been freed. In the south and the west the British and the Americans met with very little resistance.

The speed of the liberation was due partly to the general situation. The morale of the Nazi armies was crumbling: on the 25th of April Berlin was surrounded and five days later Hitler committed suicide. But it was due also to the attitude of the Austrian people and to the work of the Austrian Resistance Movement. They made the Allied task easy and saved Austria from much damage.

727 Resistance groups had begun to form in Austria as early as 1938. During the Nazi occupation and the War the strength of 668 the opposition was shown by the large number of soldiers and civilians executed for desertion and 'treasonable' activities. The exact number will never be known, but it was probably between 15,000 and 20,000. At the Kagran rifle-range in Vienna the shooting of deserters was on the daily programme, and the number of victims reached thirty to forty a week. A chaplain who ministered to military prisoners in Vienna counted over 1,000 executions in his own area between 1940 and 1943.

These figures indicate both the strength and hazards of the resistance in Austria.

668 To organize opposition in Austria was particularly dangerous

3: Hiscocks G4, 5 (1946-1949) 1953 EK1 Austria EK1

appointed, and two radio sets were smuggled across the frontier for use at Innsbruck and Salzburg. It was also arranged that the B.B.C. and the Voice of America should broadcast for POEN and the Austrian Resistance Movement. 668 648

In March, Fritz Molden, a young Austrian who had played a leading part in establishing relations with the Allies, visited the Allied Air Headquarters at Caserta. He took with him an appeal from the Resistance Movement, asking the Allies not to bomb civil objectives in Austria and pointing out that restraint on this point would make the task of the movement in organizing opposition easier. The Americans gave Molden, as the representative of POEN, the status of a special liaison officer with their forces in Italy.

The last Nazi effort to mobilize forces for the defence of Austria was the calling out of the *Volkssturm* in the autumn of 1944. This *levée en masse* of those that remained was doomed to failure from the start. All able-bodied men of military age had already been conscripted, and the hurried mobilization of the young, the old, and the unfit could only have succeeded had they been filled with a spirit of devotion to the cause. But this was almost entirely lacking. Drill and training in most cases were not taken seriously, often as the result of tacit understanding between officers and men. An Associated Press report from Buchs on the Austro-Swiss frontier towards the end of March 1945 estimated that 60,000 Austrians had fled to the hills to avoid the new form of service. During the liberation campaign that followed, not only members of the *Volkssturm* but whole units of the *Wehrmacht* under Austrian officers broke up and went home, changing their uniforms for civilian clothes. In these circumstances, Hitler's Wagnerian plan for a last stand in his 'Alpine fortress' at Berchtesgaden was abandoned. He chose for the final scene Berlin, where the details were less likely to escape his control. 726

In the brief battle for Vienna the general attitude of the population had a decisive influence. A group of army officers, led by Major Biedermann, who had established contact with the Russians, were betrayed and executed soon after fighting 668 726

3: Hiscocks G-4, 5 (1946-1949) 1958 EK1 Austria EK1

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began. But this tragedy did not change the mood of the people. They were impatient for liberation, and many were prepared to do all they could to hasten it. Shortly before the Russians arrived, a meeting of the Resistance was held to consider the final plans, and its decisions were put into action successfully. The SS were hampered in every way; deserters were helped, and service in the *Volkssturm* was refused. Thousands of civilian suits were provided for troops, who were then given refuge in cellars. Even the Gestapo put the number of deserters at more than 10,000, and other estimates were much higher. Members of the *Volkssturm*, who were described by an observer as looking old and apprehensive, often threw away their weapons, if they could do so with safety. One army officer issued rifles from his store to members of the Resistance, who in turn opened fire on the SS at the barricades.

The Nazi leaders had planned a fanatical defence of 'fortress Vienna'. But in one of his last broadcasts Goebbels described the city as a stain on the German escutcheon. On the 13th of April, the day when the battle ended, Moscow radio announced that the Viennese had saved the honour of Austria and gained immortal merit by the part they had played in the liberation.

Apart from the few days' campaign in Lower Austria that preceded the battle for Vienna, there was much less fighting in the Austrian provinces than there had been in the capital. In Styria and Carinthia members of the Resistance took up arms at the end of March, but events in those provinces had little effect on the fate of Austria. The city of Salzburg was spared the possibility of serious damage by the action of the senior army officer in the city, who penetrated the American lines and surrendered on his own authority. In the Tyrol there was also little actual fighting, but the Resistance Movement was more highly organized than in any other part of the country.

The independent spirit of the Tyrolese had led to the formation of Resistance groups at an early stage in the Nazi occupation. The mountainous character of their countryside and its long, secluded valleys made it a comparatively easy matter for the groups to maintain themselves on a purely local basis.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

By the spring of 1945 there were more than twenty of them in existence. When Dr. Karl Gruber, the present Foreign Minister, arrived in Innsbruck from Berlin at the end of the first week in April, a number of groups chose him as their common commander, and he set about co-ordinating their activities. Gruber established his headquarters successively in a sanatorium, a café, and the premises of a mineral-water business. As he had been working as an engineer in a Berlin radio firm during the War, it was comparatively easy for him to establish wireless communication with the French and American armies. Under his unified command the Tyrol Resistance gained in confidence and strength.

A series of smaller actions culminated in the capture of a German general's headquarters on the Hungerburg, just outside Innsbruck, and in the occupation on the 2nd of May of a barracks inside the city which contained a large supply of weapons and ammunition. For about twenty-four hours before the Americans arrived, on the 4th of May, the greater part of the Tyrol was in the hands of the Resistance. This had the result of reducing destruction to a minimum and saving the all-important bridges.

With the moral support of the great majority of Austrians and the active help of the Resistance, the military task of the Allies in Austria was soon accomplished. But it was by no means the only problem that confronted them as liberators. The very speed of the campaign and the thoroughness of the Nazi defeat brought with them special difficulties.

Many Nazi officials left Vienna in a hurry and a spirit of reckless, indignant despair. Part of the German artillery had had no ammunition since leaving Hungary, and in spite of the exhortations of Goebbels and Himmler, those in authority realized the hopelessness of the military situation. They therefore took what they could from their stores and, when possible, destroyed or damaged what was left. Thus the Germans set an example of looting and wanton destruction, which was continued by the Russians and the Austrians themselves.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

726 A continuous stream of refugees had been crowding into Vienna from Czechoslovakia and Yugoslavia and the Austrian countryside to the east. They not only increased the number of mouths to be fed, but added dangerously to the irresponsible element in the city.

The last act of the retreating Germans will never be forgotten, nor quite forgiven, by the Viennese. St. Stephen's Cathedral, with its high-pitched roof and magnificent steeple, has dominated the centre of Vienna for centuries. Historically and spiritually it is the heart of the city. The cathedral had survived the severe air-raids of February and March 1945 with only minor damage and the loss of glass. But between the 8th and the 13th of April it was almost entirely burnt out after a long and at first successful struggle to save it. A combination of circumstances was responsible for the catastrophe: a minor bombing attack on the 8th of April, a wooden scaffolding foolishly left round one of the towers, and a wind causing a rain of sparks from surrounding fires. But two deliberate orders given by the retreating Nazis probably decided the fate of St. Stephen's. The whole fire brigade was withdrawn from the city, and shortly afterwards, on the 11th of April, German artillery opened fire on the cathedral, hitting the tower and tearing open the roof.

727 The Russian troops entered Vienna as victors after a long and arduous campaign. They remembered what their own country had suffered at the hands of the German invaders, and many of them did not know the difference between one German-speaking person and another. An outburst of looting and excess was therefore hardly to be avoided, so long as battle conditions continued. But the disappointment came when fighting troops were replaced by the army of occupation, and the second wave of soldiery was found to be worse than the first. The primitive behaviour of the Russians was a poor advertisement for twenty-five years of Communism. The Viennese were genuinely grateful for their liberation and prepared to greet the Russians as friends. But women, who showed their gratitude openly, soon learned to stay at home, and for many

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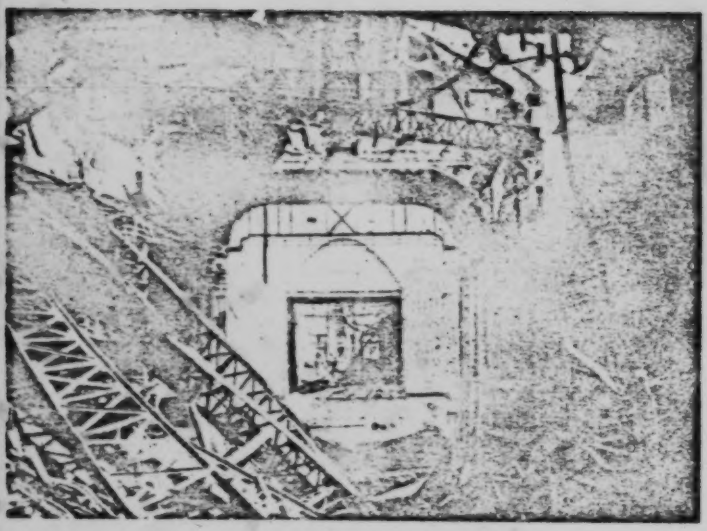

The State Opera, Vienna, March 12th, 1945.

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Nevertheless, Austria was annexed, and the prophetic words of another statesman, Prince Talleyrand, became bloodstained history: "To destroy Austria would be to replace order by chaos."

These words of the Frenchman, spoken of the great Austrian Empire, proved true enough as a political axiom applied to the small Republic. As long as Europe exists the peace of the Continent will stand or fall with Austria's independence as a State, whether the latter throws the weight of her own strength into the scale, or can only appeal to a higher law and the conscience of the world as she has done during the last decades.

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When Austria was wiped off the map the great nocturne of heartless killing and soulless dying began. Hecatombs of victims have brought home unforgettably to the world what may result when the right and the liberty of the weak are trampled into the dust. Whoever instigated violence in Austria has always plunged the whole of Europe—this time it proved to be the entire world—into destruction as well. The further development of man, according to a writer's pessimistic words—from

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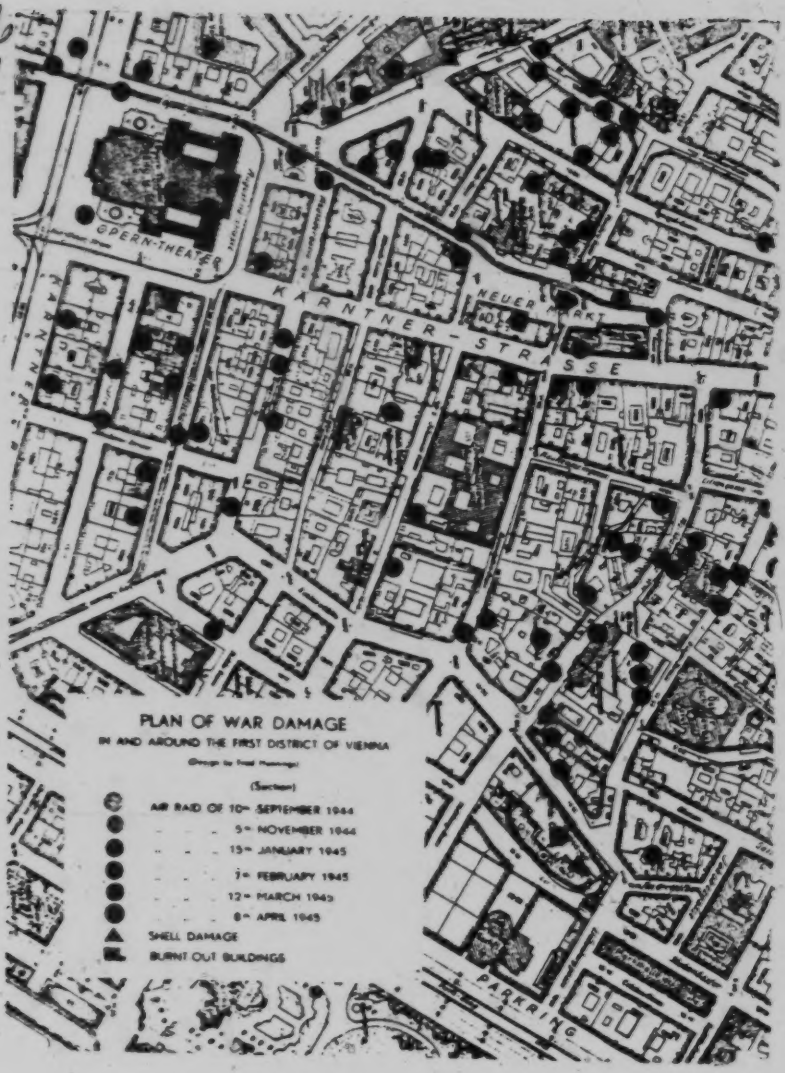
PLAN OF WAR DAMAGE
IN AND AROUND THE FIRST DISTRICT OF VIENNA
(Based on Field Hastings)
(Section)
AIR RAID OF 10th SEPTEMBER 1944
" " 5th NOVEMBER 1944
" " 15th JANUARY 1945
" " 7th FEBRUARY 1945
" " 12th MARCH 1945
" " 8th APRIL 1945
SHELL DAMAGE
BURNT OUT BUILDINGS
OPERN-THEATER
KÄRNTNER-STRASSE
NEUER MARKT
PARKRING

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GRABEN
GRABEN
STEFANSDOM
KÄRNTNERSTRASSE
FRANZ JOSEFS-KAI
FRANZ JOSEFS-PL

726 humanity to bestiality through nationality—was in full progress. The proclamation of total war by the Nazi Propaganda Minister introduced the last stage of madness. There had to be annihilation one way or the other—if not of the enemy, then of his own people.

Vienna's bitterest days had dawned. Above the city which had been forcibly embodied in Hitler's armament machinery circled the bombers. Those who were our enemies in the front line and in their hearts our friends, were obliged to destroy in order to liberate. Cruel twentieth century!

As the seventh anniversary of Austria's annexation approached, Vienna was in flames from end to end. Transport was at a standstill. The streets were filled with dust, smoke, haze and people who were feverishly digging in the debris. Suddenly a rumour ran through the city which nobody would believe: "The Opera burns!"

People forgot their own fate and rushed on to the Ring. An endless procession of spectators a day and a night long and still another day and night. So long did it take for the building to burn down.

Vienna has two hearts. This first tragedy was followed a few weeks later by a senseless piece of brutality. The SS troops fleeing before the victorious Red Army started to fire on the venerable Cathedral of St. Stephen's with artillery posted in Leopoldau. A few hours later this landmark of the city was in flames, and with it the Kärntnerstrasse, the Rotenturmstrasse and the entire length of the Kai.

Destruction through denial of the Creator, the day of the great anti-Christ. Oh you men in uniform, what have you done to Vienna?—Slowly the night fades over Austria. The flames leaping from the high roof of the Cathedral silently ring in the dawn of freedom.

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648 Hitler's phenomenal success and his massive histrionic displays had their effects on an impressionable people. But one year's close acquaintance with National Socialism was sufficient to break the spell.

727 Austria was renamed the *Ostmark*, and its interests were systematically subordinated to those of the *Reich*. The most important Austrian banks and industries were placed under German control. To most Austrians it was intolerable that Vienna should become a provincial city and each of the ancient provinces a *Gau* controlled from Berlin. The difference between Prussian totalitarianism and the Austrian spirit became clear as never before, and one Viennese spoke for many when he said it was only an accident that Germans and Austrians spoke the same tongue.

When the War ended, the disillusionment of the Austrian minority was complete. Six more years of Nazi domination had confirmed the impression of the first twelve months. Failure and disaster had discredited a movement which was built up on practical success.

[186] More important was the transformation of the Austrian people as a whole. The change that started between the Wars was completed during the German occupation. By 1945 the name 'Austria', honoured by Hitler's disapproval, had gained a new significance. The Austrian people had acquired a will for independence. They had also learned much from their political experience and failures.

So when Austria was liberated by the Allied armies and the Second Austrian Republic was formed, the restored State faced the challenge of post-War problems in circumstances quite different from those in which the First Austrian Republic had confronted the problem of its existence after 1918.

Austria's difficulties in 1945 were formidable. Like most European countries, she suffered from War damage and economic dislocation. In her case were added the political and economic effects of seven years' subjection to Germany, during which there had been a complete break in administrative continuity, and industry and agriculture had been subordinated to

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Hitler's War needs. In politics, the Left-Wing parties had been banned since 1933, and the Right Wing carried the stigma of an authoritarian experiment. Finally, there was the Allied occupation, an unknown element at first, which was to provide the pretext for prolonged exploitation and obstruction by the Russians.

Under these exacting conditions the Austrian Republic was still required to prove that it was a viable State, capable of successful democratic government. But in approaching their tasks the Austrian people had two great advantages that they had lacked between the Wars: clear common objectives and faith in their country's destiny.

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II

Liberation

726 THE liberation of Austria was carried out from three directions very rapidly, the whole process being completed within a few weeks. On the 29th of March 1945 Soviet troops crossed the Austrian frontier from Hungary. At the beginning of May the British entered Carinthia from Italy and the Americans crossed the German frontier into the Tyrol. By the 13th of April the Russians were in control of Vienna, and before the end of the month large areas of Lower Austria and Styria had been freed. In the south and the west the British and the Americans met with very little resistance.

The speed of the liberation was due partly to the general situation. The morale of the Nazi armies was crumbling: on the 25th of April Berlin was surrounded and five days later Hitler committed suicide. But it was due also to the attitude of the Austrian people and to the work of the Austrian Resistance Movement. They made the Allied task easy and saved Austria from much damage.

727 Resistance groups had begun to form in Austria as early as 1938. During the Nazi occupation and the War the strength of
668 the opposition was shown by the large number of soldiers and civilians executed for desertion and 'treasonable' activities. The exact number will never be known, but it was probably between 15,000 and 20,000. At the Kagran rifle-range in Vienna the shooting of deserters was on the daily programme, and the number of victims reached thirty to forty a week. A chaplain who ministered to military prisoners in Vienna counted over 1,000 executions in his own area between 1940 and 1943.

These figures indicate both the strength and hazards of the resistance in Austria.

668 To organize opposition in Austria was particularly dangerous

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726 A continuous stream of refugees had been crowding into Vienna from Czechoslovakia and Yugoslavia and the Austrian countryside to the east. They not only increased the number of mouths to be fed, but added dangerously to the irresponsible element in the city.

The last act of the retreating Germans will never be forgotten, nor quite forgiven, by the Viennese. St. Stephen's Cathedral, with its high-pitched roof and magnificent steeple, has dominated the centre of Vienna for centuries. Historically and spiritually it is the heart of the city. The cathedral had survived the severe air-raids of February and March 1945 with only minor damage and the loss of glass. But between the 8th and the 13th of April it was almost entirely burnt out after a long and at first successful struggle to save it. A combination of circumstances was responsible for the catastrophe: a minor bombing attack on the 8th of April, a wooden scaffolding foolishly left round one of the towers, and a wind causing a rain of sparks from surrounding fires. But two deliberate orders given by the retreating Nazis probably decided the fate of St. Stephen's. The whole fire brigade was withdrawn from the city, and shortly afterwards, on the 11th of April, German artillery opened fire on the cathedral, hitting the tower and tearing open the roof.

• 727 The Russian troops entered Vienna as victors after a long and arduous campaign. They remembered what their own country had suffered at the hands of the German invaders, and many of them did not know the difference between one German-speaking person and another. An outburst of looting and excess was therefore hardly to be avoided, so long as battle conditions continued. But the disappointment came when fighting troops were replaced by the army of occupation, and the second wave of soldiery was found to be worse than the first. The primitive behaviour of the Russians was a poor advertisement for twenty-five years of Communism. The Viennese were genuinely grateful for their liberation and prepared to greet the Russians as friends. But women, who showed their gratitude openly, soon learned to stay at home, and for many

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weeks it was considered rash to wear a wrist-watch out of doors. 727

Disillusionment was increased by the proclamations issued by the Soviet Commanding General. These emphasized that the Red Army was fighting against the German occupants of the country, not against the Austrian people, and that private property and the individual rights of citizens would be respected. They were, no doubt, sincere expressions of intention. But the contrast between the intentions of the Soviet authorities and the actions of the Russian troops was not reassuring.

During the ten days' battle for Vienna the great majority of Viennese lived in their cellars or at least remained at home behind bolted doors. But a good many Austrians also took part in the orgy of plundering that was going on at the time. In every big city there is a certain section of the population to which such behaviour comes naturally. The tragedy of the situation in April 1945 was that some quite respectable citizens, who would not normally dream of thieving, helped themselves to what they could get. This was an indication of the general demoralization of the time, the desperate want that prevailed, and the chaotic conditions that made it unlikely that the barest needs could be satisfied by ordinary means.

The position during that terrible period was made very much worse by the existence of large stocks of wine and *Schnaps*. The Russian troops soon discovered this and went round calling out for wine and breaking into the cellars, after which their behaviour became correspondingly worse. When the Viennese found out what was going on, they would have been less than human had some of them not taken part in the general scramble. The owners naturally preferred that their fellow-citizens should have what there was rather than that more and more Russians should become drunk in the vicinity. So it came about that respectable Viennese were to be seen carrying home bucketfuls of *Schnaps* and liqueur.

In such circumstances mishaps could not be avoided, and one of them led to a major tragedy. Russian troops were camping in the Burgtheater, the great State Theatre that had survived

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the War with only a small amount of damage. They lit a fire on the stage, which they failed to extinguish. The building caught alight and, in the absence of any fire service, was soon completely burnt out. Thus a great cultural centre was destroyed owing to the negligence of a few undisciplined soldiers.

These conditions led inevitably to famine. The normal system of food distribution had been interrupted by the fighting and lack of transport. The refugees had imposed a strain on existing supplies. Fire, destruction, and looting depleted the stores, while the uncertainty encouraged hoarding of what remained.

Finally the administration and public services broke down completely. The Nazi officials in charge of the city government fled with the retreating armies. The greater part of the police and gendarmerie, being Nazis, went with them, and the remainder dispersed to their homes. For some weeks there was neither gas, nor water, nor electricity; no communications and no public transport. Thousands of human corpses were left for days unburied, and the carcasses of horses lay putrefying on the streets. The fire brigade had been ordered to withdraw to the west, and abandoned fire-engines were found lying in the fields between Vienna and Linz, when the need for them in the city was greatest. In April 1945 Vienna experienced what anarchy means in practice.

In this crisis it was fortunate that the right men were available and willing to take the initiative in forming some kind of provisional administration. Since the banning of their party in 1934, a number of leading Viennese Social Democrats had been living in retirement, sometimes broken by spells in prison or concentration camps. Among them were General Körner and Dr. Adolf Schärf. On the 6th of April a group of Christian Socialist leaders were suddenly released from prison after spending weeks under the daily threat of death. They included Leopold Figl and Dr. Felix Hurdes. The only official organization that was functioning on the Austrian side was the Resistance Movement which had established its headquarters in

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and the contrast was accentuated by the fact that the capital was Socialist and the provinces largely Conservative. The isolation of Vienna from most of the provinces would therefore tend to revive an unhealthy animosity that years of common subjection to Berlin had done much to overcome. The Chancellor had every reason to fear such a development, because a movement for the formation of an Austrian government in the provinces occupied by the Western Allies had followed the liberation. This fortunately had failed. Had it succeeded, Austria might have shared the fate of Germany. Yet the attempt justified Dr. Renner's misgivings. Salzburg was the only province, outside Russian territory, that endeavoured to recognize the Provisional Government, and its overture to Vienna on the 24th of May led to a rebuke from the American Military Governor.

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Conditions made it difficult to counteract separatist tendencies. The country was divided, and there were still no normal transport services between the different zones. It was easier to travel from Russian-occupied Austria to Czechoslovakia than to the Austrian western provinces; and easier to move between the cities of Salzburg and Munich, which were both occupied by the Americans, than between Salzburg and the Austrian capital. A messenger sent by Dr. Renner from Vienna to the Tyrol in May took seventeen days to make the journey and had to swim the River Enns, when he crossed the Russian frontier. An experienced member of the Resistance, well accustomed to travelling under difficulties, took a week to cover the same distance by car during the summer.

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The Western Allies at first decided not to recognize the Provisional Government. They were suspicious of it as a Russian creation in which Communist influence was unduly strong. Fortunately events so developed that this decision was reversed.

On the 4th of July the Governments of the four occupying Powers reached an agreement in London setting up a Control Commission for Austria. It was to consist of an Allied Council, comprising the four Allied High Commissioners, an Executive Committee, and departmental staffs. Vienna was to be con-

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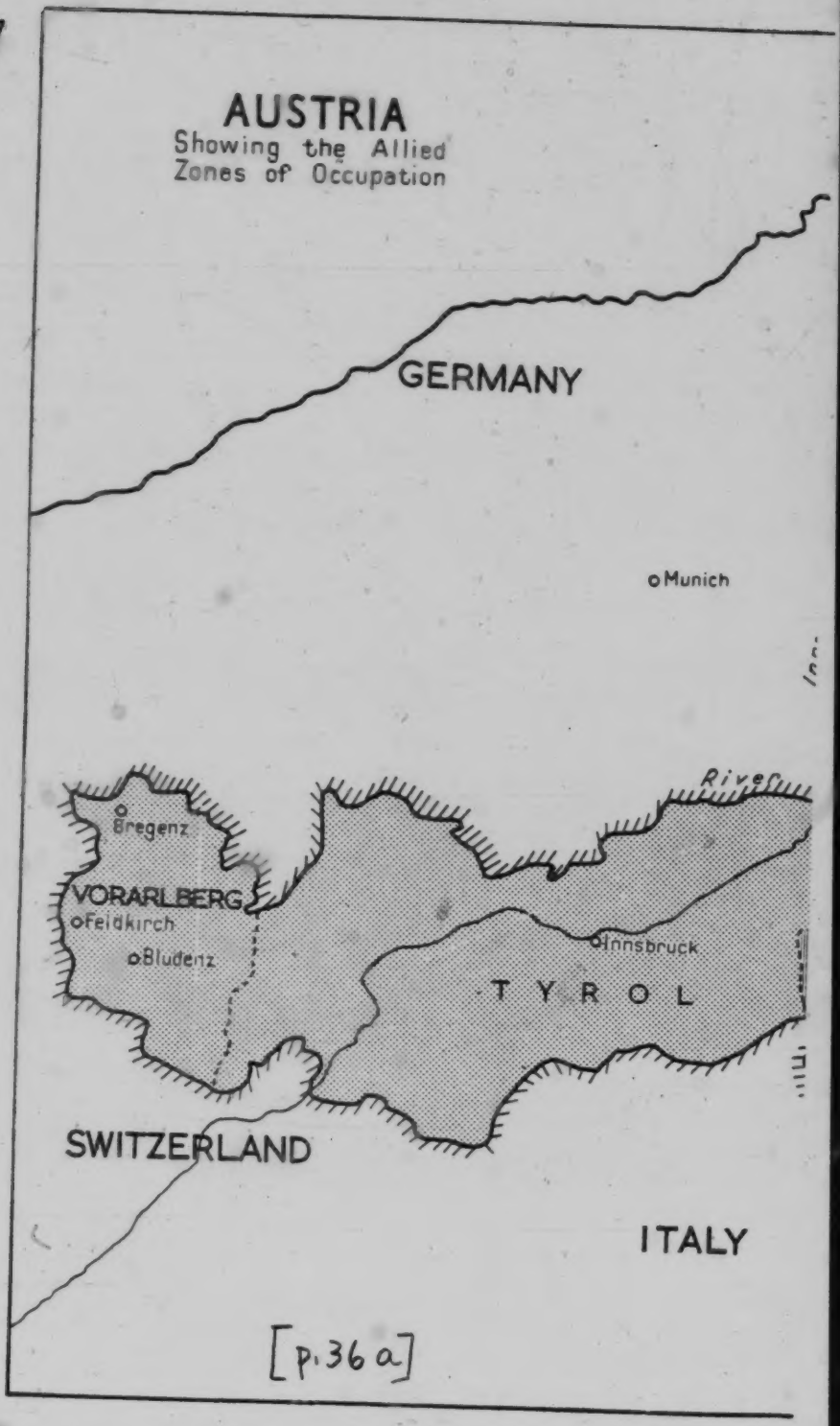

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727 trolled by an Inter-Allied Command, consisting of the four Military Commanders of the city. Thus a government for all Austria was set up, but it was not an Austrian government. More important from the Austrian point of view was the clause in the agreement describing the main objectives of the Commission. These included the establishment, as soon as possible, of an Austrian central administration and a freely elected Austrian government.

On the 9th of July a further agreement was reached defining the Allied zones of occupation and the districts of Vienna that were to be allotted to each Power. Russia was to have Burgenland, Lower Austria, and Upper Austria north of the Danube; the United States, Salzburg and Upper Austria south of the Danube; Britain, Styria and Carinthia; and France, Tyrol and the Vorarlberg. The districts of Vienna were to be divided amongst the Powers, except for the First District or Inner City. This was to be controlled direct by the Vienna Inter-Allied Command, within which, month by month, each Power was to provide the chairman in turn.

Following these agreements the Commanders-in-Chief of the Western occupying Powers arrived in Vienna during August with their staffs. After preliminary negotiations with the Russians, the first meeting of the Allied Council was held on the 11th of September and the first meeting of the Vienna Inter-Allied Command on the 19th. At the Council meeting an important proclamation was issued to the Austrian people. It announced that the Allied Council had assumed the supreme power in matters that concerned the whole of Austria. The intention of the Moscow Declaration to re-establish a free, independent, and democratic Austria was confirmed. The most pressing tasks were described as the unification and economic restoration of the country and the elimination of the consequences of war. And the Allied authorities undertook to allow the political parties freedom to make known their political views through the Press, the radio, and public meetings, as an essential preliminary to the holding of free elections.

The arrival of the Western Allies in Vienna was timely. The

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727 Russians had been in sole control for four months, and Western suspicion of their influence was growing. On the 19th of August a public ceremony took place that symbolized their position. Accompanied by the firing of hundreds of rockets, a memorial was unveiled in the Schwarzenbergplatz which represented a Russian soldier with flag and shield as the emblem of liberation. Though not objectionable in itself, its position in front of the beautiful Schwarzenberg Palace spoilt one of the finest city views in Europe. The Viennese resented its inartistic intrusion and called it the 'Unknown Plunderer'. One day, it is hoped, the Russians will transfer it to a more fitting site in the Prater, where the Red Army fought to free the city.

In spite of the proclamation of the 11th of September, the Western Allies wished to have three points settled before they recognized the Provisional Government. They wanted to be sure that it was a suitable government for the whole of Austria. They wanted to be certain it had the approval of the provinces. And it was necessary to settle between themselves and the Russians what the relationship of the Government to the Allied Council should be. Before the end of September the second point was established beyond doubt.

646 After the First World War a series of provincial conferences had been called to deal with the immensely difficult problems of the time. Dr. Renner had seen their value then, and he was convinced that they could make a valuable contribution again. Some senior Allied officers felt the same. So, with the approval of the Allied Council, whose permission was needed to allow the delegates to travel to Vienna, an all-party Provincial Conference was called for the 24th to the 26th of September. It was no coincidence that during the four previous days the People's Party held a provincial conference in Salzburg. Austrian opinion at the time was strongly in favour of country-wide co-operation.

The conference was held in the Provincial Chamber of Lower Austria in the Herrengasse. Leopold Figl, as Governor of the Province, greeted the assembled representatives by expressing the hope that they could prove to the Allies that

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727 648 When the Western Commanders-in-Chief first arrived in Vienna, the Provisional Government was not recognized by them, and they did not at first enter into official communications with it. Before long, however, the British and American Commanders interviewed Dr. Renner and apparently satisfied themselves that he was a suitable Chancellor and no mere puppet of the Russians. They were further reassured by the results of the first Provincial Conference.

Two of the conditions necessary for recognition of the Renner Government had therefore been achieved, and the Allied Council proceeded to consider what the relationship should be between the Control Commission and an Austrian Government. At its meeting on the 1st of October it decided to recommend to the Governments of the four occupying Powers that the Provisional Government's authority should be extended to the whole of Austria and recognized, subject to certain conditions. The most important condition was that some functions of government should be reserved to the Allied Council, and this was a point on which the Four Powers could not agree.

727 648 642 On the 13th of September Dr. Renner had sent a note to the Allied Council requesting the unification of Austria, the recognition of his Government, and the holding of free elections. The Allies now decided on recognition without waiting for agreement on the question of reserved functions. During its meeting on the 20th of October Dr. Renner was summoned and informed of this decision. The main conditions of recognition were that the Provisional Government should exercise its functions subject to the guidance and control of the Allied Council as the supreme authority in Austria; that certain functions of government should be reserved to the Allied Council; that one of the main duties of the Provisional Government should be to hold free elections as early as possible, and not later than the end of the year; that the Provisional Government should be empowered to enact laws applying to the whole of Austria, provided that they were first submitted for approval to the Allied Council, and that nothing in the cond-

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727 tions should affect the validity of any Military Government
648 legislation then in force or afterwards enacted. The Allied
642 Commission also proceeded with the task of examining, and where possible approving, the laws and decrees issued by the Provisional Government since the 1st of May.

The formation of the Provisional Government in April had been Dr. Renner's first great service to Austria since his return to active politics. The Allied recognition of his Government marked the second stage of his achievement and was of incalculable importance to the future of the country. Without it the danger still remained that Austria might suffer lasting division and the fate of Germany. It is not surprising, therefore, that the British officer who went to fetch the Chancellor to the Allied Council meeting on the 1st of October noticed an unaccustomed nervousness on the part of this experienced, sophisticated, but deeply patriotic statesman.

666 The main task that faced the Provisional Government, after it had been recognized, was the organization of elections. An electoral law, after amendment by the second Provisional Conference, had been passed by the Government on the 19th of October and approved by the Allied Council on the 30th. It was based on the electoral law of the First Republic, modified to disfranchise Nazis and candidates for the Nazi Party, unless they could prove they had suffered political persecution under the Nazi régime. On the 27th of October the Government, in the name of all three political parties, issued an appeal to the Austrian people, calling on them in the traditional manner, as befitted a civilized and freedom-loving people, to cast their votes for one of the three democratic parties.

On the 25th of November the elections were held. They passed off in a most orderly manner, 93 per cent of the electors casting valid votes. It was generally agreed that the Austrian people were able to vote freely in accordance with their political opinions. By the end of the month no charges of fraud nor complaints from either parties or individuals had been lodged regarding the election. In view of the nature of some of the elections that took place in Central and Eastern

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642 665 its advantages in a coalition where party rivalry runs high. Occasions for friction are reduced to a minimum, because every party has its due share of influence. Ministers can surround themselves with officials of their own way of thinking in the knowledge that their colleagues belonging to other parties will do the same. On the other hand, in the long run the system has serious disadvantages as well. It is the mathematical *reductio ad absurdum* of the over-organized coalition. A great strain is placed on political sincerity when party membership is known to be the key to office. Political opinions come to be the main qualifications for appointments in which technical knowledge and experience should count for most. Above all, the party aspect of political life is continuously emphasized, when it is most important it should be played down, and an atmosphere of huckstering prevails in the appointment to offices where ability and devotion to the State service are the qualities most required.

Nevertheless, in spite of weaknesses, the Coalition has succeeded and survived. On the whole, it has been a healthy influence in Austrian political life. Its dangers have been less serious than unbridled political conflict. In 1945 eleven years of authoritarian government had created a gap in Austrian political experience. Some of the new leaders had had no parliamentary experience. Those who had were mostly old and nearing the end of their careers. The new generation of politicians, however, is accustomed to compromise and collaboration. It has grown up under a Chancellor and two Presidents who put party second to the State. It has been schooled by external pressure to appreciate the value of the heritage that all political parties share.

727 642 The Coalition, however, has never had full responsibility for the government of Austria. It has been subject continuously to the authority of the Allied Control Commission made up of the four occupying Powers.

The system of supervision established on the 20th of October 1945, when the Allied Council recognized the Provisional Government, lasted for just over eight months. It involved

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very close control. Although the Allies could not agree on the functions to be reserved to the Council, the provision that all laws must be submitted for the Council's approval gave it the last word, so far as legislation was concerned. By the end of January 1946 nearly 300 laws and decrees of the Austrian Government had been considered and acted upon by the Allied Council, aided by its legislative committee. Of these the great majority were approved, though some were amended and a few rejected outright. A significant case of the Council asserting its authority was the demand in November 1945 that all laws and orders of the Provisional Government dealing with military matters should be annulled. The Government Declaration of the 27th of April had mentioned a modest defence force, and Dr. Renner's original Cabinet had included an Under-Secretary for Army Affairs.

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This state of tutelage and subjection was tolerable only as a temporary expedient. It was in flat contradiction to the declared intentions of the Allied Powers. At Moscow, Churchill, Roosevelt, and Stalin had described Austria as a victim of Nazi aggression. At Yalta they had declared their intention of restoring to such victims their sovereign rights and self-government in accordance with the principles of the Atlantic Charter. The Austrian Government had every right to demand that this decision should be carried out, and the occupying Powers themselves would reveal the sincerity of their diplomatic convictions by the efforts that they took to implement it.

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During the spring of 1946 a series of powerful pleas were made on the Austrian side for revising the system of Allied control. On the 5th of April Dr. Renner gave a lecture to the Austrian League for the United Nations entitled 'Austria, St. Germain, and the Coming Peace'. In it he made the comparison between Austria's position after the two World Wars to which reference has already been made. Two weeks before, Karl Seitz, the veteran Socialist leader, made a speech in Parliament in which the authentic voice of democracy was heard. He spoke of the power of veto in parliamentary history

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642 and the hesitation of even kings and emperors to make use of
727 it, because it brought them into conflict with the people. In Austria, however, laws now passed by the freely elected representatives of the people were subject to the sanction of authorities outside the State. After a great war against Fascism in Europe they could be proud that Fascism had been driven out, but the Allied champions of democratic rights were now claiming the right to approve laws passed by the Austrian Parliament. He ended:—

'We appeal to the democratic sense of the English, French, Russian and American peoples. We appeal to them: safeguard your own dignity by safeguarding the dignity of this small Austrian State and its parliament. . . . Democratic countries of Europe: protect your most important and your greatest idea, protect Democracy.'

727 Shortly afterwards the Vice-Chancellor, Dr. Schärf, accom-
648 panied by Dr. Pittermann, a fellow Socialist and member of Parliament, paid an unofficial visit to London, where they met members of the British Labour Party. Schärf took advantage of the opportunity to impress on Ernest Bevin the urgent need to improve the conditions governing the occupation of Austria. The British Government were willing listeners. The four occupying Powers were bound by their agreement of the 4th of July 1945 to decide on the new relationship that should exist between themselves and the Austrian Government after the elections had taken place. Even before the elections were held, in November 1945, the British Element of the Control Commission in Vienna had started work on a draft agreement, and early in 1946 Allied quadripartite discussions on the British draft had begun. Months of hard negotiations followed, and by June a revised occupation statute was ready for signature. It was perhaps fortunate that during that month the British, who had taken the initiative in the matter, occupied the chair in the Allied Council. The persuasiveness of Lieut.-General Steele, the new British Commander-in-Chief, overcame the final minor differences.

727 The New Control Agreement was signed by the occupying

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The New Control Agreement was signed by the occupying Powers on the 28th of June 1946. It is a document of great importance. Following the recognition of the Provisional Government in October 1945, it was the next great step forward in the rebuilding of the new Austria, and with minor modifications it has determined the nature of the post-War régime in Austria ever since. 727 642

According to the agreement the main structure of the Allied Control Commission remained unchanged. It was to consist of a Council, an Executive Committee, and departmental staffs. But the members of the Allied Council were now described as High Commissioners, and it was laid down that the departmental staffs were to be organized in divisions, corresponding roughly with the Ministries in the Austrian Government. The Allied Council had powers of supervision over the whole administration, but was to exercise it normally through the Central Government or the Austrian authorities concerned. The Commission could take measures to deal directly with the following reserved subjects: demilitarization; war criminals; security of the Allied occupying Forces; the care and restoration of the property of the Governments and citizens of the United Nations; disposal of German assets; the care and movement of prisoners of war and displaced persons, and the regulation of travel in and out of Austria, until Austrian controls could be set up.

In general, the authority and responsibility of the Austrian Government and civil authorities were substantially enlarged. The powers of the Central Government extended throughout the whole of Austria, subject only to the obligation to carry out the directions of the Allied Commission and to the reservation of the above subjects. Austria officially became an economic entity again. The function of the zonal boundaries was reduced to fixing the spheres of authority of the four occupying Powers, and in the provinces direct control of the military governments was replaced by watching briefs to ensure that the orders of the Central Government and the Allied Council were obeyed. Provision was made for the establishment of an Austrian customs and frontier control

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administration and for the transfer to it as soon as possible of such functions as would not interfere with the military needs of the occupying forces. The civil administration of the city of Vienna was to be handed over by stages from the Inter-Allied Command to the municipal authorities.

The legislative power of the Austrian Government was greatly increased. It was still obliged to submit all legislation to the Allied Council, but only constitutional laws required the Council's unanimous approval. In the case of all other legislative measures the rule applied that they went into effect if within thirty-one days the Government had not been informed of an Allied veto. As the veto had to be unanimous, this rule ensured that the great majority of laws became effective, even if they met with Russian opposition.

Agreements between the Austrian Government and one of the four occupying Powers did not have to be approved by the Allied Council, but the Council had to be informed of their existence. The Government was also allowed to establish diplomatic and consular relations with Governments of the United Nations without approval of the Council. The establishment of relations with other Governments was permitted, but only with the Council's consent.

In view of the persistent efforts of the Russians later to obstruct the legislative activity of the Austrian Government, it is surprising that they should have ever agreed to an arrangement that considerably increased the Government's legislative powers. It may be that they had not entirely given up hope of gaining control of Austria by the technique of democratic solidarity and national concentration. It is possible that Stalin was in favour of greater autonomy for the country where he himself had studied the problem of nationality, and that afterwards he changed his mind. But it is most likely that the Russian negotiators did not understand the implications of what they were doing. The original British idea was that all Austrian legislation should take effect that was not subject to unanimous Allied veto. The Russians objected to this. So a compromise was proposed, by which constitutional laws were

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

put in a separate category. It is highly probable that the Russians did not fully appreciate the difference between constitutional and ordinary laws and imagined that much of the legislation they were likely to disapprove would fall into the constitutional class. 642 727

The last article of the New Control Agreement stated that within six months of signature the Four Powers should start discussions regarding its revision. Yet they have not so far succeeded in agreeing on anything to take its place, and it has remained the statutory basis of the Allied occupation ever since. The day after the agreement was signed, in a special Cabinet meeting, Figl summed up the Austrian attitude by saying: 'To our thanks to the Allies for the New Control Agreement we add the request that they will show us further proof of their confidence and give our country full freedom.' An arrangement which was welcomed by the Austrians in 1946 has, as the years have gone by, become increasingly the formula of their country's servitude.

Because the general pattern of Allied occupation in Germany and Austria was originally similar, with the Russians occupying the eastern parts of both countries and the capital in each case an isolated island in the Russian zone, there has been a widespread tendency to identify, and therefore confuse the situations of the two countries. Actually their positions since October 1945 have been fundamentally different. There has never been a government for all Germany since the War. When differences between Russia and the West led to the union of the American, British, and French zones to form Western Germany, its capital was established not in Berlin, but in Bonn. In Austria, on the other hand, there has been a Central Government in Vienna since the four Powers recognized the Provisional Government on the 20th of October 1945, and since the 28th of June 1946 it has had considerable, if restricted, powers. The Austrian Government is subject to the supervision of the Allied Control Commission, and the system of quadripartite control, after a fashion, does work. There are frequent differences between the Western Allies and 727

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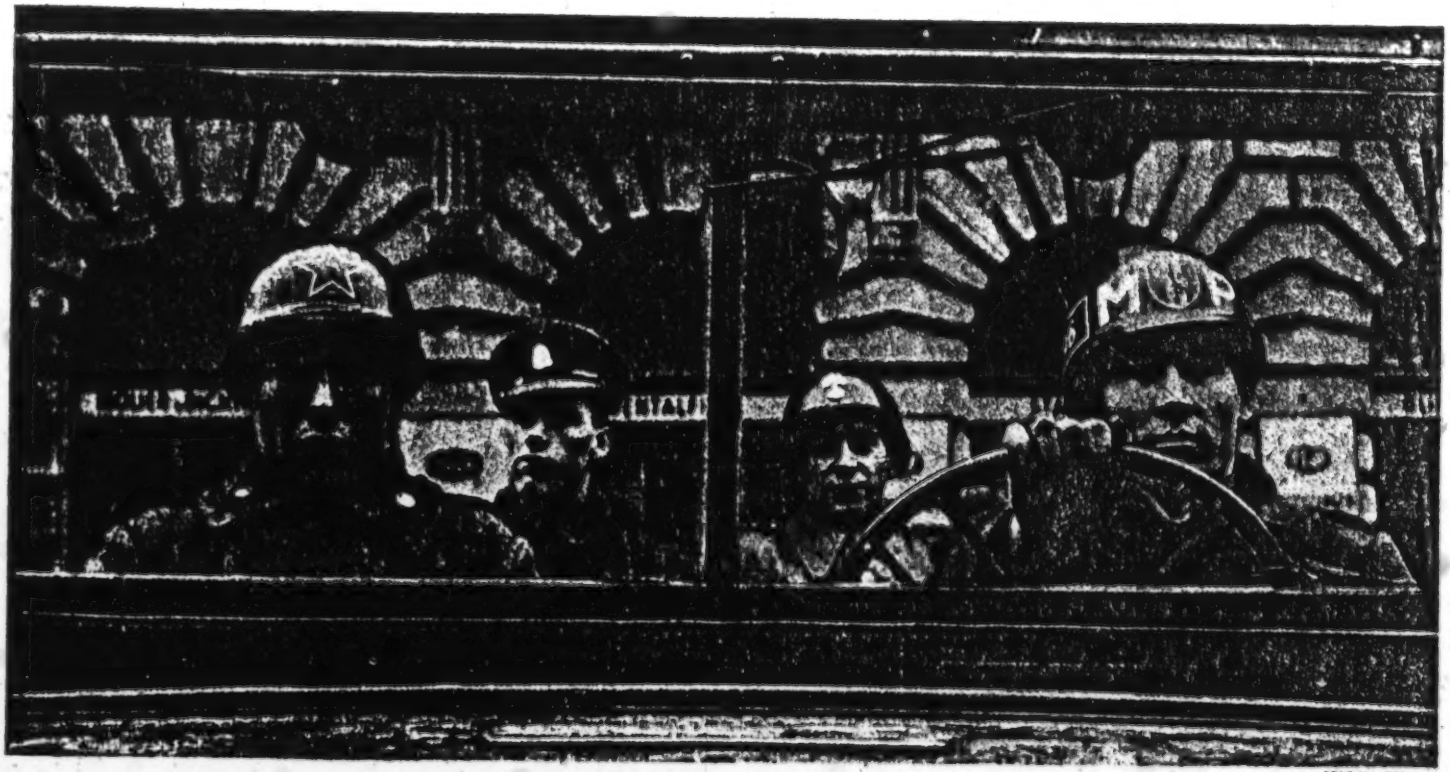

(USIS, Vienna

THE INTERNATIONAL MILITARY POLICE PATROL Facing [P.58]

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3: Hiscocks G-4.5 (1946-1949) 1953 EK1 Austria EK1

the Russians, but these mostly reflect the different views of the Russian and Western Governments regarding the rights and status of Austria. The Allied Council meets every second Friday in Vienna, with each High Commissioner taking his turn in the chair. The Vienna Inter-Allied Command retains a watching brief over the city's administration. And, as the best-known symbol of the reality of the improbable, the International Military Police Patrol carries on its duties in the capital, with American, British, French, and Russian military policemen driving 'four in a jeep' together.

Austria provides proof in practice that representatives of Russia and the West can get on reasonably well together. Members of the Allied Council exchange jokes and social conversation over tea or vodka after days spent in verbal contest. Russian officers give and attend Inter-Allied and Austrian receptions, and, though fraternization at lower levels is more rare, it does occasionally take place. A Russian band and group of dancers were reported to have been received with enthusiasm at an 'Inter-Allied sports evening' that was held in Vienna early in 1952.

The Allied occupation has dragged on for more than seven years since the War ended. To use Dr. Renner's phrase 'the four elephants in the rowing-boat' have stayed aboard and impeded the small vessel's progress. The country has been burdened financially by occupation costs and economically by Russian confiscation of so-called German assets. The continued presence of the Allied armies is a by-product of the diplomatic conflict between Russia and the West, but it is indefensible in the light both of Austria's record and of the Allies' declared intentions.

On the other hand, there has been something on the credit side, so far as the Allies are concerned. For a long time the Western Allies, in Mr. Acheson's words, have 'wanted to go home', and, although it has not been possible for the four Powers to agree on the terms of a State treaty, the three reluctant occupants have done what they could to improve the situation from the Austrian point of view.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

727 In the first place, the burden of the occupation has been progressively reduced. During the course of 1946 the total strength of the occupying forces fell, in round figures, from 700,000 to 120,000. During the spring of that year the three Western Powers proposed that the maximum strength of troops in each zone should be 25,000. The Russians refused to agree and would not even discuss a proposal for more drastic reduction put forward in 1948. But the process of reduction nevertheless went on. In the autumn of 1950 it was estimated that the combined forces of the Western Powers totalled less than 25,000, while the Russians numbered some 44,000.

Occupation costs were cut correspondingly. During the first eighteen months of the occupation its cost was estimated by the Austrian National Bank at 3,600 million schillings, more than half of which had been incurred by the Russian Army. In 1952 the total cost was 453 million schillings, though the schilling was worth less than in 1946. This meant that the percentage of the total national budget spent on the occupation was less than half of that devoted to military expenditure in 1937. In June 1947 the American Government renounced its claim to occupation costs from the Austrian Government and undertook to pay in dollars for all services and supplies furnished by the Austrian economy for the maintenance of American troops. It also agreed to pay 308 million schillings in respect of outstanding obligations. Henceforth the American forces in Austria were justly described as 'paying guests'.

In 1952 a further step was taken by the Western Powers to aid the Austrian economy with the decision to build special accommodation for their troops. This enabled them to release requisitioned houses much needed by the people and hotels urgently required for the use of foreign tourists. The example was set by the Americans, when they planned to build a military town near Salzburg. It was followed by the French at Innsbruck and by the British at Zeltweg in Styria.

727 648 The restoration of Austrian sovereignty is dependent on the signature of a State Treaty, but the Western Allies meanwhile

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have done all that they can to restore normal diplomatic relations with the Austrian Government. All four occupying Powers had agreed to exchange political representatives with Austria before the end of 1945. During the next two years the Allied representatives in Austria were given full diplomatic status, and in 1950 the Governments of the three Western Powers announced that their diplomatic representatives had been appointed High Commissioners. This meant that each of the three Powers had separated the command of its Army of Occupation from the High Commissionership, and that the Western members of the Allied Council would in future be civilians.

The United States and Britain have also contributed a great deal to the industrial and agricultural revival of Austria. This subject will be considered in more detail in connexion with the country's economic recovery. But it is something that cannot be overlooked in dealing with the positive aspect of the Allied occupation. The presence of American and British economic experts in Austria during the post-War years has been of direct and indirect value to the country. In particular, the United States' responsibilities as an occupying Power have added realism and vitality to the execution of the European Recovery Programme in Austria.

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From December 1945 until February 1953 the Coalition Government of Figl and Schärf under quadripartite control gave stability and continuity to Austrian political life. Within this constant framework, however, significant changes took place.

In November 1949 a currency reform law was approved by the Cabinet in spite of Communist opposition. It was the first occasion since the formation of the Government on which the principle of Cabinet unanimity was abandoned, and Dr. Altmann, the Communist member, resigned. The Ministry of Energy and Electrification came to an end with his membership of the Government. Communist collaboration with the other parties in the Coalition had long been formal rather than real, so his resignation had little effect on Government policy.

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V

The Economic Legacy of the Anschluss and the War

AUSTRIA lost its economic identity as well as its political independence at the time of the *Anschluss*. As the Austrian provinces and Vienna itself were subordinated to the German Government in Berlin, so Austrian industry, agriculture, and forestry were absorbed into the German economy. 433 727

In war and defeat, therefore, Austrian economic life suffered with the rest of the Nazi Empire. The damage caused by actual hostilities was relatively less in Austria than in Germany. The campaigns on her actual territory were brief, and serious air attacks were limited to the main centres of industry and communications. On the other hand, Austria was a more sensitive and vulnerable economic unit. In 1938 she had only just begun to pay her way after twenty years of effort, while Germany was one of the most powerful industrial countries. The injury inflicted on the Austrian economy by the War in all its aspects was crippling and came near to being fatal.

In spite of Austria's relative freedom from air-raids, the destruction in the target areas was severe. The loss in buildings was estimated after the War at about four billion [1] schillings with the schilling at forty to the pound. The industrial city of Linz lost nearly a third of its 44,000 dwellings. Wiener Neustadt, home of an important Messerschmidt aircraft factory and other war industries, was the worst damaged of Austrian cities. It was hit by more than 50,000 bombs. Only eighteen of its houses were left intact, and its population was reduced from 45,000 in 1944 to 860 in April 1945. 727

[1] The term 'billion' is used throughout in the American sense of a thousand million.

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727 About 400,000 Austrians were killed or missing as a result of the War, and more than 300,000 were wounded. At the end of 1945 several hundred thousand men, who were badly needed in industry and agriculture, were still prisoners of war.

Certain aspects of the Allied occupation imposed a heavy strain on the Austrian economy. The wave of looting that accompanied the fighting was inevitable and temporary in its effects. But the widespread confiscations that followed were more serious. The heavy burden of occupation costs used up limited resources that were urgently required for the work of reconstruction. The division of the country into zones was a formidable obstacle to trade revival, and the splitting up of Vienna into districts resulted in inconvenience and absurdities. No actual barriers were maintained within the capital, as there were between the zones, but the system by which the city districts were allotted to the different occupying Powers stood in the way of a return to normal economic life. Two sides of the same thoroughfare might be under the control of two different countries, and at the end of 1945 the French Military Government insisted that a permit was required for sending goods from its own district on one side of the Mariahilfer Strasse to the American district on the other.

727 A further burden on the country was the vast number of displaced persons and refugees that flooded into it, mainly from 167 Czechoslovakia, Yugoslavia, and Eastern Europe. Their presence was not an unmixed disaster. The great majority of them were responsible and law-abiding, and many were skilled and able-bodied workers, who were to make a valuable contribution to agriculture and industry. But during the early post-War months there was also a reckless and disorderly element amongst them, which complicated the task of the police and sent the murder rate up to an alarming level. In spite of organized efforts to deal with the question, there were 550,000 registered displaced persons at the end of 1946, and there may well have been another 100,000 who had escaped registration. Two years later there were still over 400,000 of them left, the majority in the stateless category, and the government was obliged to spend approximately 150 million schillings a year on maintaining them.

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Government was obliged to spend approximately 150 million schillings a year on maintaining them.

The Austrian economy under the Nazis had been geared to make a maximum contribution to the war effort. When the War ended, the whole structure collapsed. Factories that had been converted to war production at great expense needed even more spent on them in many cases to fit them for peace-time production. As this situation was common throughout the world and industrial equipment and machine-tools were in very short supply, the process of reconversion could only be carried out slowly and at a high cost. Those industries that served a purely peaceful purpose had been very largely neglected during the War. Much of their equipment and machinery was worn-out and old-fashioned, and the process of replacement involved the same difficulties as the reconversion of war industries.

The railways provide an example of the kind of problem with which Austria was faced. Over a third of the total track mileage was out of action owing to war damage, and nearly 400 bridges had been destroyed. At the same time, the greater part of the locomotives and rolling-stock that were still available were due by pre-War standards for renewal.

A good indication of the War's effect on the Austrian economy is given by the estimated figures for 1946. When the year opened, the country had already had eight months in which to recover from actual hostilities, so the figures represented an injury of more than passing significance that could not be attributed solely to the results of the fighting or to the administrative breakdown that accompanied the German defeat. The total gross national production in 1946 was approximately 45 per cent of the 1937 figure. Agriculture reached only about 50 per cent and industry only 43 per cent of the amounts produced in 1937, while foreign trade was only about 8 per cent of the 1937 total. Of this modest aggregate production it has been conservatively estimated that some 30 per cent was required to meet the needs of the occupying Powers.

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Most of the economic difficulties that have so far been mentioned were shared in the main by Austria and Germany. They were the common results of a common struggle, in which Austria as a whole was an unwilling participant. Yet there were other ways in which Austria suffered more severely than her culpable oppressor. Some were primarily the responsibility of the Russians; others, of the Germans themselves.

Germany has lost territory in the east to Russia and Poland, and the area that remains to her has been divided politically into the Eastern and Western Zones. But the economic, as opposed to the political, effects of the post-War Russian occupation have been less serious in Germany than in Austria. The Russian zone of Austria is of more importance to the country as a whole than is the Russian zone of Germany to the whole German economy. Thanks to the great industrial resources of the Ruhr Valley, Western Germany is again a powerful economic force, while Austria, owing to Russian exploitation, is still dependent on American aid. Without the industry and mineral wealth of the Russian zone Austria cannot be a viable State.

Russia's control of Lower Austria, Burgenland, and a substantial part of Vienna gives her a dominant influence on the Austrian economy. The area includes the best grain-lands and vineyards in the country, the great oil-fields of the Zistersdorf region, and a high proportion of Austria's industry. In 1934, 65 per cent of those employed in industry and trade were to be found in the three provinces of Lower Austria, Burgenland, and Vienna. Even in 1948, when many industrial concerns had been transferred to the West, the figure was still about 50 per cent.

It is not suggested that the Russians have exploited the whole industry and agriculture of the area for their own ends. As an occupying Power, however, Russia has been able to take advantage in various ways of the economic resources available. In the early days a great deal was removed in the form of loot and war booty, and since then systematic confiscation on a vast scale has been carried out on the pretext that whatever was

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taken was a 'German asset', and therefore a legitimate form of reparation. The damage inflicted on the Austrian economy has been decisive in preventing its full recovery. 727 433

Russia's subjugation of East and South-east Europe has also been a severe blow to Austrian commerce. Not only has Austrian capital behind the Iron Curtain been confiscated; Austria also has very largely been cut off from her main market area. The Habsburg Empire in its economic aspect represented the material interdependence of the peoples of the Danubian basin. It was natural, therefore, that after the Empire had collapsed Austria should maintain her economic ties with the Succession States. In 1937, 27 per cent of Austria's exports went to the five eastern countries behind the Iron Curtain that are now known as the 'People's Democracies', and 31·5 per cent of her imports came from them. The corresponding figures in the summer of 1952 were 12·3 and 9·9 per cent. The decline is not due to any disinclination on Austria's part to maintain normal trading relations: in that year she signed trade treaties with both Poland and Hungary. Apart from foreign aid, Austria is dependent on her exports for the purchasing power with which to buy food and the equipment necessary for her recovery. Any serious contraction of her foreign markets involves a corresponding setback in her economic revival. 727 439

Austria's problems were further increased by her geographical position. After the War, Russia controlled the Danube and seized the steamers and barges belonging to the Danube Shipping Company. With no immediate access to the sea, therefore, Austria was entirely dependent on land communications and the availability of transport for her vital coal supplies and a large proportion of her food. She had less flexibility than better-placed countries like Germany in her search for new trading partners, when her industries gradually revived and she found her old markets closed to her. These difficulties were increased by the acute transportation crisis in Europe after the War, due to the shortage of locomotives, railway trucks, and road vehicles. [489]

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727 433 Other injuries from which Austria suffered were the result of deliberate German policy. So long as the Nazi occupation lasted, Austria was treated as an appendage to the German economy, and her interests were subordinated to those of the Reich. She was no longer considered as an economic entity, and no attempt was made to maintain the balance of her economic life.

[133] [311] About 57 per cent of Austria's total area is over 1,000 metres (3,281 feet) high, and 37 per cent is woodland. It is therefore hardly surprising that only 21 per cent is cultivated and that before the War, in spite of strenuous efforts, the country could produce only three-quarters of its total food requirements. At the same time it was essential that it should be as self-supporting as possible. To import even a quarter of its provisions imposed a severe strain on the balance of trade. Yet during the Nazi period efforts to increase Austrian agricultural production were relaxed. The self-sufficiency of a mere group of provinces was a matter of no significance to Hitler, and he preferred to depend for his food supplies on the conquered and dependent lands of Central and Eastern Europe. The *Ostmark* could be better used for other purposes.

Austrian farms therefore lost man-power to the army. Their livestock was reduced. Equipment grew old and could not be replaced. Owing to lack of fertilizer the quality of the soil deteriorated. In 1945 domestic food production reached less than half, and in 1946, when conditions were much less disturbed, only about two-thirds of the pre-War level.

[313] Austria's forests are one of her most valuable natural resources. Her timber industry~~, together~~ with the paper and cellulose industries dependent on it, accounts for about 9 per cent of her national income and for a substantial proportion of her exports. During the War the forests were ruthlessly exploited, and it has been estimated that at least 10 million cubic metres of timber were felled in excess of the economic figure, the fellings mainly taking place in the most accessible areas. This meant that years of strict control would be necessary to restore the timber industry to a healthy condition. At a time when the country was struggling to rebuild its economy, one of its main sources of wealth was in a state of convalescence.

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a time when the country was struggling to rebuild its economy, one of its main sources of wealth was in a state of convalescence.

Highly skilled workers are one of Austria's chief economic assets, and between the Wars consumer-goods and luxury industries played an important part in her economic life. This side of her economy declined seriously during the German occupation. As part of the deliberate plan to turn the country into an arsenal, workers were diverted from secondary industries and agriculture to the large new war-production centres that were established.

The great Hermann Goering Iron and Steel Works were set up at Linz, with their own coking plant. Sixty miles away at Ranshofen near the River Inn a big aluminium plant was built. There were several reasons for these developments. The fundamental idea was to provide a reserve of vital war industries in a district less vulnerable to enemy attack. Just as the Russians transferred some of their main war industries to Central Asia, so Hitler wanted to have some of his production centres farther away from Allied bomber bases. Secondly, there were certain economic considerations in favour of the two sites. Both were on important waterways. Linz was some sixty miles from the iron ore of the Erzberg, or Iron Mountain, in Styria and not far away from the low-grade ore of Bavaria. Ranshofen was reasonably close to the Hungarian bauxite deposits and conveniently situated in relation to the Third Reich's electricity network, cheap current being the main consideration in the siting of an aluminium works. Further, there were reasons of sentiment and prestige for the choice of location. Hitler was born in Braunau, a few miles from Ranshofen, and went to school in Linz. It seemed fitting that the scenes of the Führer's youth should become centres of war production.

From the purely Austrian point of view, however, such developments were not so satisfactory. Hardly one of the considerations that influenced German leaders would have carried weight with an independent Austria. The strategic and sentimental arguments were both irrelevant. Neither Bavaria nor

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727 Hungary could be relied on to supply iron ore or bauxite, and
327 the existing iron and steel works at Donawitz in Styria were
328 better situated than Linz to handle ore from the Iron Mountain.
438 Ranshofen was not well placed in relation to Austrian supplies of electric power. Above all, the Hermann Goering Works were entirely dependent on the supply of hard coal for their coking furnaces, and Austria was already seriously short of this essential commodity. Whereas Hitler had the coal-fields of Poland and Czechoslovakia at his disposal, Austria in pre-War years had already been dependent on imports for two-thirds to three-quarters of her coal supply. The requirements of the Linz works made the position much worse.

727 The new developments implied a fundamental change of
438 emphasis in the whole national economy, and it was by no means certain, or even likely, that the change would be for the better. It would probably have been sounder for Austria to rely on the traditional skill of her workers in the consumer-goods industries than to attempt to compete with the most powerful industrial countries in basic production. The dangers might not be apparent in the immediate post-War years, owing to the inflated demand for iron and steel products, but they were likely to reveal themselves in the course of time. A serious depression in the world's basic industries or a failure to obtain the coal and raw materials on which Austria's basic industries depend might have very serious consequences on the country as a whole. The choice, however, was not Austria's own. The change that occurred was the main positive legacy of the period of Nazi occupation.

727 Two of Austria's chief natural resources are her mineral
315 oil and her hydro-electric power. These were developed by the Germans rapidly during the War, but in each case with little regard to Austrian interests.

Under happier conditions Austria's oil-fields would have raised her from a struggling country to a prosperous one. It is one of the hardest blows that have fallen on the Austrian people that such a gift of Providence should have been exploited successively by two unscrupulous foreign Powers and should

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never yet have been used for the benefit of the people themselves. Between 1937 and 1944 the annual production was raised from 33,000 tons to 1,200,000, but this result was only achieved by uneconomic and wasteful methods that were damaging to the oil-fields and would not normally have been employed. 727 315

Under German occupation hydro-electric power production was also developed considerably. Between 1937 and 1945 the potential output of current was raised by about 61 per cent. But the extra power made available was not intended primarily for Austria's benefit. The country was split up and incorporated in separate 'power regions' of the Reich, the Vorarlberg being allotted to Baden, the Tyrol to Bavaria, and the eastern provinces joined up with Bohemia and Silesia. There was no direct transmission line between the eastern and western provinces. This arrangement made it impossible for Austria to utilize to the full her hydro-electric current when the War came to an end. 727 377

In spite of the numerous disadvantages, however, the economic effects on Austria of the *Anschluss* and the War were not entirely bad. German energy and efficiency brought direct results that otherwise were unlikely to have been achieved so quickly. Austrian interests were not consciously regarded during the process, but when Austria was restored to life some of the results turned out to be good and some were of potential value.

Although hydro-electric developments in Austria had been considered by the Germans as part of a greater whole, the new plants available on Austrian territory after the War were a valuable national asset. In course of time the grid could be adapted to suit Austrian needs. Furthermore, the fact that the Germans attached so much importance to Austrian current underlined its significance in Austrian eyes as a potential major export. During the post-War years Austrian statesmen and economists have been more conscious than ever before of the value of Austria's vast hydro-electric resources to the country's economy as a whole.

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•727 315 In the same way, against the ruthless and damaging methods by which Austrian oil-fields were developed can be set the amount of capital expended and the value of the results achieved. A great new source of national wealth was opened up with exceptional speed. The exploitation of this wealth by the Russians is the largest debit item in the Austrian–Soviet account. But it was only an indirect, and by no means inevitable result of German action and the War.

727 433 In the basic industries also there were certain considerations that offset the disadvantages and dangers of the change of emphasis in Austrian industry that the new developments involved. Had the Linz and Ranshofen works been liabilities alone, they could have been dismantled and abandoned after the War. But large sums of money had been invested in them, which Austria on its own would have had the greatest difficulty in raising. The decision to keep them both going, so far as the supplies of raw materials, coal, and electric current allowed, reflected Austrian realization of their value.

[387] One major item in the economic legacy of the *Anschluss* period was an unqualified asset of great worth. A large nitrogen works suitable for the manufacture of artificial fertilizer was erected during the War at Linz. The site was chosen because the main substance required in the manufacturing process was coal-gas, and surplus gas was available in sufficient quantity from the Hermann Goering coking-plant. By November 1950 the works had produced a million tons of ammonium nitrate since the end of the War. Austrian agriculture had benefited considerably, and during the four years from 1947 to 1950 the export of artificial fertilizer had earned more than $25 million worth of foreign exchange. If foreign markets contract, experts consider that the whole production can be used with advantage in Austria. Food production would increase substantially as a result, and the scale of essential imports would be reduced.

433 Three times in a generation Austria has had to adapt her economy to radical territorial and political change. In 1918,

[cf. category 116, pp. 75–76 — Analyst]

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was raised successively to 1,600 and 1,700 calories a day. In June 1948 it went up to 1,800, and the following September to 2,100. Between December 1947 and December 1948 black-market food prices fell from 64 per cent to 15 per cent of the figures for January 1946. This meant that it was at last reasonable to devote a smaller proportion of foreign aid to foodstuffs and a greater amount to economic rehabilitation. Of the £8,500,000 provided by Britain, less than £1,500,000 was spent on food, about the same amount on agriculture, £2 million on coal, and over £3 million on the most urgent industrial needs. Of the American Congress aid allocated for the first half of 1948 just under 60 per cent was devoted to food and just under 40 per cent to agriculture and coal, which was of such vital importance to industry.

The administrative responsibilities of the British and Americans in Austria made them highly sensitive to the country's needs. In spite of the obvious drawbacks of the occupation, there were certain advantages for Austria during the first precarious post-War years in the presence of the Western Allies on her territory. Without them the process of rebuilding the administration and economy after the collapse of the Nazi system would almost certainly have been accompanied by even more acute material shortages than those that were actually experienced.

Though the Austrian basic ration did not rise above 1,600 calories a day until November 1947, the minimum physiological needs of the normal consumer have been estimated at 2,160 calories. It might have been expected, therefore, that the results of so long a period of under-nourishment after the strain of the War would have been far worse than they actually were. One reason why they were not has already been mentioned: a large number of people resorted to the black market. But there were two other explanations.

During 1947 there were approximately 5 million Austrians in the rationed, as opposed to the self-supplying, category. Of these only about 2 million were normal consumers in receipt of basic rations. All the rest, either as employees, workers,

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497 kilometres of track being electrified and in the annual saving
457 of 300,000 tons of hard coal. The new programme worked out under the stimulus of ERP aid would mean saving a further 700,000 tons of imported coal. Quite apart, therefore, from the possibility of recovering transit traffic in the future, the new developments would lead to a substantial economy in foreign exchange.

727 In 1936–7 about 80 per cent of Austria's trade deficit had been covered by the earnings of the tourist industry. After the
484 War some years were to elapse before the number of foreign visitors approached the pre-War figure. There were several reasons for this. The total war damage suffered by the industry was estimated at 270 million schillings in terms of 1937 prices and at about 1,500 million schillings with the schilling at its 1950 value. Out of 200,000 beds available for tourists in 1937, 80,000 were lost, of which half had been suitable for foreign visitors. Accommodation for a further 30,000 was requisitioned by the occupying Powers in the early post-War years. In addition, serious obstacles were presented by the food shortage and the difficulty of obtaining passes for entering the country and for crossing the zonal boundaries.

484 Efforts were made both by the Austrians and the Western Allies to establish the conditions necessary for the revival of
457 the industry. In October 1946 an Austrian organization was established for this purpose. In 1947 arrangements were made by which food was purchased abroad in order to provide foreign tourists with rations on a basis of 4,600 calories a day without depleting the limited Austrian supplies. The following year the Austrian Government was made responsible for the issue of visas to intending visitors, and the visitors, once in the country, were free to move about between the different zones. Yet, in spite of these measures, progress was slow. In 1947–8 the volume of foreign tourists, measured both in numbers and length of stay, amounted to only about 12 per cent of the 1936–7 figure, and in terms of foreign exchange earnings the comparative value was considerably less.

The ERP planners recognized the vital importance of the

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schillings, half of each account was to be blocked for six months, and a quarter for a further three months. 652 454

Some attempt was made to distribute the burden in accordance with capacity to pay. Those in need were allowed to retain limited amounts from their blocked accounts up to a maximum of 3,500 schillings, and under this provision payments amounting to about 500 million schillings were in fact made in monthly instalments to 300,000 people. A capital levy was also announced, for which the necessary legislation was passed the following July. It imposed graduated taxes on capital and capital increment which were to be spread over a number of years. [651]

The essence of successful currency legislation is that it should be introduced unexpectedly and implemented immediately, so that no one should have time to take evasive action. Such procedure was not possible in Austria in 1947 owing to the provision of the Allied Control Agreement which laid down that laws went into effect, if not vetoed, thirty-one days after they had been submitted to the Allied Council. Nevertheless, the Austrian Government might have handled the situation with greater skill. In the end, it secured Soviet approval of the Defence Protection Law at the heavy price of accepting the Russians' terms for the settlement of their 1945 'loan'. With Allied consent the law then went into effect ten days ahead of the normal time. It would have been worth paying an even heavier price to obtain Russian approval in advance, so that the three weeks' delay between the publication and execution of the law could have been avoided. 652 727

As it was, the situation during the three weeks' interval was grotesque, and the effectiveness of the law itself was seriously diminished. Evasive action was carried out on the widest scale, the most quick-witted and unscrupulous coming off best. Nobody was anxious to sell anything for money that was about to be devalued, and, in spite of Government regulations to the contrary, many shops could not be persuaded to remain open. People revealed a sudden enthusiasm for paying debts, and creditors could hardly refuse payment in a currency in 652

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Austrian cultural and intellectual life suffered great damage during the seven years of Hitler's occupation. The Nazi régime in Austria, as in Germany, was accompanied by systematic vandalism. Books were destroyed, teachers regimented, and intellectual effort discouraged amongst students. Certain kinds of art and music were banned, either owing to the race or nationality of the artist or composer, or because the style was classified as decadent. Musicians, authors, artists, and scholars were driven into exile owing to their race or political opinions. And finally the destructive process was completed during the last year of the War by bombs and gunfire. In addition to St. Stephen's Cathedral and the Burgtheater, the Vienna State Opera was almost completely destroyed. Schönbrunn, the Belvedere, the Albertina, the Schwarzenberg Palace, and the Museum of Art History were all damaged in varying degrees. A bomb fell through the dome of Salzburg Cathedral.

Furthermore, so cosmopolitan and receptive a people as the Austrians suffered severely from the intellectual isolation that the occupation and the War brought with them. Engaged in a struggle in which most of them did not believe, for the sake of a creed that most of them despised, the Austrian people were victims of cultural claustrophobia. In spite of the severe penalties for doing so, many of them listened regularly to foreign broadcasts throughout the War, and when the B.B.C. broadcasters in German visited Austria afterwards they were received like popular heroes.

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The Allied occupation helped to bring an end to the isolation in several ways. The presence of foreign troops contributed to this result, as the majority of soldiers from the West soon showed themselves to be friendly disposed towards Austria. The four occupying Powers also maintained efficient Information Services with the dual purpose of counteracting the effects of Nazi indoctrination and providing news and information about themselves and their ways of life. Each Power published a daily German newspaper in Vienna, ran a broadcasting service of its own, and set up libraries and reading-rooms in Vienna and its own zone.

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and its own zone. In addition, the occupation furthered the development between Austria and the Allies of the cultural diplomacy that has made such rapid progress in recent years. Leaders in this field were the French with their well-organized *Division des Affaires Culturelles* in the French Foreign Office. Its headquarters in Austria was the magnificent Lobkowitz Palace in Vienna, and a very active French Institute was also set up in Innsbruck. The British Council opened an office in Vienna towards the end of 1945, and later established branches in Graz, Klagenfurt, and Innsbruck. The Russians worked mainly through 'The Society for the Cultivation of Cultural and Economic Relations between Austria and the Soviet Union', which was started soon after the end of the War. While the Americans, though concentrating entirely on their Information Services at first, finally sent representatives of the Cultural Affairs Branch of the State Department to Austria.

The presence of foreign cultural organizations in their country stimulated the interest of Austrians in a form of diplomacy to which they are well suited by temperament and tradition. As will be seen, the French and British cultural representatives furthered the development of relations between Austria and their own countries in a wide variety of ways. But the Austrians, without any special organization of their own intended for the purpose, undertook a series of major ventures in cultural diplomacy which made a great impression in many European countries and in North America. A series of cultural conventions were also signed by the Austrian Government; with France in 1947, with Italy and Great Britain in the spring and autumn of 1952, and with Belgium early in 1953.

The damage done by the Nazis to the Austrian educational system was a most serious threat to the country's future, because the damage was spiritual as well as material. A systematic attempt had been made to pervert the minds of teachers and pupils. Fortunately its effects were modified considerably by home influence and by the anti-Nazi convictions of many

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teachers, who were obliged in varying degree to conform outwardly to a system which they inwardly rejected. Nevertheless drastic measures were necessary to ensure that post-War Austrian education would develop on healthy lines. Nazi text-books had to be destroyed and convinced Nazis rigidly excluded from the teaching body. 871 727

In 1945 Austrian schools were faced with four major problems of a material nature: shortage of accommodation due to destruction and damage; lack of text-books and other supplies; lack of teachers, and the physical condition of the pupils. In the whole of Austria, 95 schools were completely destroyed, 176 were heavily, and over 1,000 slightly damaged. In Vienna at the end of the War only 214 out of 421 school buildings were considered fit for use. In some cases at first it was necessary to give instruction in shifts to three classes a day in the same room. Even in the classrooms used there were often broken windows or damaged doors and, as fuel was scarcely obtainable, during the winter months the children, frequently ill-clad themselves, would sit and shiver through the period of instruction. The main reason for the shortage of teachers and text-books has just been given. To begin with there was also a serious shortage of such basic materials as paper, pencils, pens, and ink. It was difficult to find substitutes for the teachers who had been dismissed, because hundreds of thousands of young men were still prisoners of war. In Vienna immediately after the liberation there were only 2,400 teachers and directors available out of the total of 5,500 that were required. The physical condition of the children was a problem owing to the acute shortage of food and clothing during the immediate post-War years. [875]

In their efforts to overcome these difficulties the Austrian authorities were both hindered and helped by the Education Divisions of the four elements of the Allied Control Commission. It was no doubt irritating to have to submit many matters for approval by the occupying Powers, and in some cases—for example the question of text-books—inter-Allied differences of opinion led to unnecessary delays. On balance,

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however, the part played by the Education Divisions was rather a help than a hindrance. They realized the vital importance of education in post-War Austria. There were problems, on which the Austrians were not always united, about which they could give valuable advice. Above all, they could offer very real assistance in obtaining the necessary materials for rebuilding and for producing the much-needed text-books.

The economic situation of the country made a quick solution of the accommodation problem impossible. By the end of 1949 it was estimated that about a quarter of the necessary funds had so far been made available and that the reconstruction programme could not be completed until 1958. However, strenuous efforts were made to relieve the serious overcrowding of 1945. By the beginning of 1952, 250 new school buildings had been erected, and many more had been repaired and re-equipped. During the following summer the new Minister of Education, Dr. Kolb, was able to express reasonable satisfaction with the progress of the primary and elementary schools, which are the responsibility of the provinces, the municipalities and the parishes, but had to admit that the condition of the secondary schools, which, like the Universities, are the financial responsibility of the State, was in some parts of the country, owing to lack of money, still very bad.

The urgent need for text-books was satisfied by emergency measures which produced impressive results. The Ministry of Education set up a 'Text-Book Commission' that worked in conjunction with the Association of School-book Publishers, the Allied Control Commission, and the Ministry of Trade, which arranged for the necessary supplies of paper and other materials. At the end of 1947, 4,212,000 copies of 118 different text-books had already been produced, and two years later 10,009,000 copies of 418 books. The centralization and standardization involved in this system have obvious disadvantages, but in the circumstances were justified by success.

The shortage of teachers was met in 1946 by employing students in their final year at teachers' training colleges as

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assistants. Subsequently the situation improved, as an increasing number of returned prisoners of war became available and some relaxation was allowed in the law excluding all former National Socialists from teaching.

The shortage of food was so general that the educational authorities were not in a position to make special arrangements for school-children, but, as has been seen, much was done for them by Swedish, Danish, and Swiss voluntary relief organizations. During the winters that immediately followed the War it was only possible to heat a proportion of the schools, the 'winter schools', as they came to be called; and then the already large classes doubled up or the shift system was intensified. The acute fuel shortage at the beginning of 1947 led to so-called 'coal holidays'.

The Allied cultural and educational organizations played an important part in breaking down the intellectual isolation from which the teachers had suffered so long and of which the best of them were acutely conscious. The French and British ran summer schools for teachers in Austria each year, which were also attended by teachers from France and England; and visits for Austrian teachers were arranged to England, France, Switzerland, and the United States. A limited number of Austrian school-children were also enabled to travel abroad. With the active co-operation of foreign countries, the Austrian Ministry of Education revived some of the schemes for exchanging teachers which had been in operation before the *Anschluss*.

Education is one of the subjects on which there are strongly felt differences between the People's Party and the Socialists. Since the War the differences have been accentuated by the fact that for more than five years Dr. Hurdes, the Minister of Education, was also General Secretary of the People's Party, and by the fact that the Vienna School Board was under Socialist control. The main subjects of difference are religious instruction, private schools, and the best method by which a ninth year could be added to the period of compulsory schooling. There is agreement on the principle of extending the

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871 665 period of schooling, but party conflict prevents the necessary law being passed.

In spite of this impasse, a great deal has been accomplished in Austrian schools since the War under most difficult conditions. Both parties have been agreed on the validity of three guiding principles which were to be emphasized in the new educational era, according to a directive issued in September 1945: Austrian patriotism (*Volks- und Staatsbewußtsein*), democracy, and humanity. Their experiences between 1938 and 1945 have brought home to Austrians the value of the first two principles more clearly than ever before. The third is deeply embedded in the Austrian nature and tradition.

874 727 Austria's three universities and her other institutions of higher learning suffered some material damage during the War, especially the University of Vienna and the Technical Institutes at Vienna and Graz. Their work after the War was also severely hampered by the shortage of fuel and food. But the most serious problems that faced them were lack of staff and lack of money.

[875] Some of Austria's finest scholars had gone into exile during the German occupation. Of those that remained many of the younger had been called up for military service, and a number of the ablest and most influential were excluded from teaching as incriminated Nazis. Germans, who had been appointed to Austrian universities under Hitler, returned to Germany. Some of the gaps could be filled by bringing back professors who had been forced into retirement by the Nazis and had remained in Austria. But there were still many vacancies for which it was very difficult to find the right men. The younger generation of university teachers had suffered severely from the War, and it was rarely possible to persuade Austrian exiles, who had settled down happily in other countries, to return to Austria under the prevailing economic and political conditions and at the low salaries that were offered. For more than two years after the War, Vienna University was even unable to fill its chair of English.

Lack of funds not only kept down salary scales; it made it

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impossible to replace books and instruments that had been damaged and destroyed or to modernize equipment after years of neglect. Under such conditions serious research in many branches of science was impossible. To give one isolated example, in 1948 the Department of Astronomy at the Technical Institute in Vienna received a total monthly grant for books and equipment of 50 schillings—that is to say, $2.00 to $5.00, according to whether the black-market or official rate of exchange is taken. Such expensive new apparatus as was received by the universities and technical institutes often came, in one way or another, without payment from the United States.

In spite of these formidable obstacles, the war-weary and elderly professors set about the task of building up the academic life of their country with devotion and idealism. In the middle of April 1945, while fighting was still going on, members of the staff of Vienna University met together to consider what could be done to rebuild their university on true Austrian lines. Before the end of the month they had elected a Senate and Rector to take charge of the work of reconstruction.

There has been no lack of students since the War in Austrian universities. Young Austrians, including many ex-servicemen, have been anxious and impatient to equip themselves for some useful and constructive occupation after years of war and misdirected effort. So it has come about that the student body has shown a considerable increase on the pre-War level and for several years has exceeded 20,000. In the winter term of 1950–1 it numbered over 22,000, which was 43 per cent above the 1937–8 figure. Austrian universities continue to attract hundreds of students each year from Eastern Europe, and the number of students from the West, including the United States, has been increasing.

Foreign cultural organizations in Austria have done what they can to help. French and British professors and lecturers have visited Austrian universities. Austrian scholars have been invited to England and France, and scholarships given to Austrian students for foreign study. Harvard University has

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tion centres, people's libraries, folk-song and folk-dancing clubs and art societies. The example was soon followed in a number of other provinces. 874

An important part in the adult education movement was played by the so-called people's libraries, from which books could normally be borrowed without charge. Some were run by the villages and municipalities, some by the churches, some by trade unions, and others by political parties or voluntary associations. Their number rose within two years from a low level of 400 in 1945 to 1,257 in 1947.

The lack of books was one of the main cultural problems in post-War Austria. The intellectual isolation and severely restricted literary diet of the Nazi régime were followed by a period of dangerous uncertainty after Hitler's power had collapsed. A great deal would depend on how the mental and spiritual void was filled which had been left by the failure and exposure of the whole Nazi system. 214 727

Austrian journalism rose bravely to the occasion, but in the early days Austria's own contribution to the solution of the problem was limited by economic dislocation, shortage of paper, and absence of the conditions conducive to creative effort. The Allied Information Services did a great deal, and two British organizations took the lead in remedying the lack of books. By an imaginative stroke Mr. Ernest Bevin gave orders for two aeroplane loads of English books to be flown over to Austria early in 1946. This enabled the British Council to hold a highly successful book exhibition in Vienna during March, as a result of which nearly all the 20,000 books were sold within a short time and a large number of additional orders were received by London publishers. The British Foreign Office and Treasury made arrangements by which the Austrians could buy the books with their own currency and the British publishers were paid in sterling. Henceforth the main restriction on the supply of English books in Austria was the limited numbers available in Britain itself, where the paper shortage was still acute. The following year the British Council organized six further book exhibitions in provincial 214 648

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XI

Negotiations for a Treaty

727 BY the summer of 1952 Austria had been occupied longer by its 'liberators' than by the Nazis. This state of affairs came about as the result of a long process of delay and disingenuous diplomacy, and there has been a widespread tendency throughout the world to take it for granted as an inevitable concomitant of the situation in Germany. But the Austrian people had had every reason to suppose that their country would be in a very different position seven years after the War ended.

727 648 By the Moscow Declaration of the 1st of November 1943 the Governments of the United Kingdom, the United States, and Soviet Russia agreed that Austria, as the first free country to fall a victim to Hitler's aggression, should be liberated from German domination, and announced that they wished to see a free and independent Austria re-established. Later in the month the Free French authorities at Algiers concurred with this declaration. At the Potsdam Conference in the summer of 1945 the three Powers also agreed that reparations should not be exacted from Austria. Yet the occupation has continued, and Austrian statesmen have complained with justice that their country has been treated as an ex-enemy rather than as a liberated victim. In fact, the lot of the ex-enemies has, on the whole, been preferable, because by 1952 peace treaties had been concluded with Italy, Hungary, Roumania, Bulgaria, and Japan. In a broadcast statement delivered in January 1952 Dr. Figl expressed himself in the following vivid but unexaggerated terms: 'When a criminal has served his term, he is allowed to go free. It has solemnly been declared, not only that we have committed no crime, but that we have fallen a victim to a criminal. And yet we have been deprived of our liberty.'

727 As has been seen, the Allied occupation has had certain direct

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and indirect advantages for Austria: it has saved her the expense of maintaining defence forces; it has brought home forcibly to the United States the extent of her economic needs, and it has produced political solidarity in face of the emergency. Yet Marshall Aid would in some measure have been forthcoming, and the lessons of the Coalition to some extent have been learned, had a treaty been signed in 1946. On the whole, the disadvantages of the occupation have greatly outweighed the advantages. Austria has carried the burden of occupation costs, and she has had to endure the wholesale exploitation of her oil and industry by the Russians. Above all, a liberty-loving people have had to submit to supervision and interference with their domestic affairs. The presence of the Western Allies has been appreciated in some degree as an antidote to the Russians. But even the most friendly disposed of foreigners can never really be welcome as members of an occupying force. Hotels and dwellings have been requisitioned by all four occupying Powers. Americans as well as Russians have caused trouble for the Vienna police by their propaganda. In the summer of 1952, after the United States had been strongly advocating Austrian independence for six years, considerable resentment was felt at American opposition to the Austrian Government's proposed political amnesty laws. It was quite reasonably considered that this attitude constituted unwarrantable interference in Austria's internal affairs.

As Austria was only involved in the War as part of Hitler's Empire, the treaty that is to restore her independence has, by general consent, always been described as the State Treaty, not the Peace Treaty. That is to say, no Peace Treaty is needed between the four occupying Powers and Austria, because a state of war has never existed between them. What is required is a State Treaty laying down the terms on which an independent Austrian State is to be reconstituted after its forcible extinction by Hitler.

The story of the negotiations to bring about such a treaty extends over the period from 1946 to the present time. It has been confused by the complexity of Russia's obstructive

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XII

Russian Obstruction

AFTER the Four-Power compromise on the question of German assets in the spring of 1949 the responsibility for delaying agreement on the Austrian treaty lay clearly with the Soviet Union. Inside Austria also Soviet policy was the main obstacle to the country's progress towards political freedom and economic self-sufficiency. 727

The Control Agreement of June 1946 provided that negotiations for its revision were to begin within six months, and made quite clear by implication that the revision was intended to increase the Austrian Government's powers. Yet the Russian authorities soon left no doubt that they were not going to fulfil the spirit of the agreement and that they wanted in a number of respects to restrict the powers that had been granted. In fact, without the energy and persistence of Austrian leadership and the vigilance of the Western Powers even the measure of freedom already gained would not have been preserved. The difference of opinion between Russia and the West regarding the Austrian Government's authority has persisted ever since. The American High Commissioner's Report for the third quarter of 1950 pointed out that negotiations in the Allied Council were less concerned with helping Austria to self-sufficiency than with whether she should be allowed to retain the degree of sovereignty she had achieved.

One respect in which the Russians failed to fulfil their obligations was in their attitude towards the zonal boundaries. The agreement laid down that all controls over the movement of goods and persons within Austria should come to an end, except those prescribed by the Allied Council and those that were necessary in frontier areas for the effective regulation of international traffic. Soon afterwards the Americans and the British began the progressive relaxation of zonal controls, and

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727 were later followed by the French. But the Russian authorities still maintain road and rail controls over their zonal boundaries at the present time.

More serious and insidious was the attempt made by the Soviet element to limit the authority of the Allied Control Commission and extend the clause of the Control Agreement which provided that agreements between the Austrian Government and one of the four occupying Powers did not require to be approved by the Allied Council. Had this attempt succeeded, the Austrian Government would have been subject in many matters, not to quadripartite supervision, but to the authority of a single occupying Power. The Soviet representatives cleverly raised the matter in connexion with a law passed by the Austrian Parliament in 1946, to implement a dollar credit agreement between Austria and the United States. The Quadripartite Finance Directorate unanimously recommended that the law should be approved by the Allied Council. But the Russian member of the Council took up the position that the Council could not discuss the question, and that the Austrian Government should be notified that agreements and legislative measures concerning one of the four Powers should not be submitted for consideration by the Allied Council. The three Western representatives fortunately saw the wider implications of this suggestion and insisted on the distinction between an agreement and legislation arising out of an agreement. All Austrian legislative measures, they maintained, had to be submitted to the Allied Council.

727 205 There were a number of matters in which the Western Allies wished to alleviate the burdens and restrictions resting on the Austrian people and in which the Soviet authorities pursued a policy of complete or partial obstruction. As has been seen, the Russians refused to consider two proposals for reducing the occupying Forces put forward by the Western Powers. Postal communications between Austria and the rest of the world were progressively restored until December 1948, when letters were allowed to be sent to Japan, the last country on the list. But the Russians held up this process by opposition

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on such trifling matters as the categories of mail permitted, and at certain stages in the restoration of postal facilities with Germany and Japan 'printed matter' and registered letters became subjects of discussion between the High Commissioners. All four occupying Powers had broadcasting stations under their control, but the Russians, being in possession of RAVAG, the main Vienna station, could cause most inconvenience to the Austrians. In 1950 the Soviet authorities gave orders that the despatches of the Russian news service, known as TASS, were to be broadcast in full, as part of the Austrian news, without being attributed to their source. After a Communist official had punched the director of the Austrian news bureau on the nose, the Austrians maintained their right to do as they wished with their news broadcasts. During the same year a Western proposal that a Viennese television station should be approved was dropped owing to Soviet insistence on conditions that would have led to its falling under Soviet domination. The Russians also did all that they could to hinder the development of Austrian civil aviation, and a Department of Civil Aviation in the Austrian Government that was established with Western support in 1947 has been able to accomplish very little. On a higher level, the Soviet authorities consistently opposed Austria's applications to join the specialized agencies of the United Nations, and their efforts were only thwarted owing to Austrian determination and world-wide support for her membership.

On the two questions of censorship and the police the Soviet policy of obstruction was particularly stubborn. In the light of Russia's record in its satellite countries, the choice of these subjects for special treatment is a cause of no surprise.

The origin of the Allied censorship in Vienna goes back to the autumn of 1945, when a Quadripartite Signals Committee was formed to supervise such restrictions on civil communications as were necessary for security reasons, until the Austrian Government assumed normal responsibility. A quadripartite censorship was set up in the Schillerplatz in Vienna which controlled all telegrams and telephone calls between Austria

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and foreign countries and censored all foreign mail going in and out of Vienna and the Russian zone. The committee laid down that all communication developments undertaken by the Austrian Post and Telegraph Administration required the unanimous approval of all four occupying Powers, and informed the administration at once that the construction and allocation of communication lines between Vienna and the outside world were subject to the unilateral agreement of the Soviet Command. As these lines would all have to pass through the Russian zone, this was a natural arrangement to make in the days before there was a serious rift between Russia and the West. Since that time the Soviet authorities have consistently refused to give up the powers allotted to them in these circumstances.

The Austrian Government has made numerous requests that the Allied censorship restrictions shall be raised. These have been supported by the Western Powers, who have abolished censorship in their own zones. But the Soviet High Commissioner has refused to alter the existing system, and he even suggested in 1948 that foreign mail for the whole of Austria should be subject to centralized censorship in Vienna. A Western proposal for the censorship of telephone calls near the frontier was turned down. So the absurd system continues by which a 10-kilometre call between Feldkirch in the Vorarlberg and Buchs in Switzerland has to be routed through Vienna over 500 kilometres away. On one occasion the Russians took exception to a short technical telephone line in connexion with a river power-station, on the grounds that one end was in Austria and one in Germany, and maintained that all calls on it should be diverted to Vienna for censorship.

The existing system gives the Soviet authorities a hold over Austrian communications with abroad which they show no sign of relinquishing. The Western Powers only take part in it in order to prevent it coming entirely under Soviet control. In June 1950 it was revealed that the Russians had their own tapping arrangements in the Schillerplatz in addition to the official quadripartite censorship, when a Soviet officer ill-

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advisedly came up from the basement to the switchboard to complain that he could not hear a certain international call that was in progress. During the same year the Russians ordered the disconnection of three transit telephone circuits between adjoining countries which pass through Austrian territory without connecting into the Austrian system. They also arbitrarily disconnected the Yugoslav Government's teleprinting station in Vienna.

In December 1951 the Austrian Government's impatience with these proceedings caused the Chancellor to send a note to the Allied Council announcing the Government's intention to substitute the name 'Allied Censorship Agency', for 'Austrian Censorship Agency'. 'Censorship in Austria', he wrote, 'is exclusively performed according to the instructions of the occupying Powers. In no way does it serve Austrian interests. On the contrary, it runs counter to them.' The Government also announced its decision to dismiss all the 863 employees under contract with the Censorship Agency. Yet, in spite of this protest, the censorship continues. The Austrian Government defrays three-quarters of the cost. The work is still carried out by Austrians, who are mostly Communists chosen for the purpose by the Russians in 1945. And the cumbersome and wasteful procedure gives no satisfaction to anyone except the Soviet authorities and those for whom it provides employment.

In the months immediately following the liberation it was the clear intention of the Russian military leaders to establish control over the Austrian police. As many Communists as possible were introduced both into the ranks of the active police force and into the most responsible administrative positions. The effects of these efforts were still noticeable six years later. But Russian influence was checked when the Western Powers arrived in Vienna, and it ceased to be preponderant after the 1945 elections. From then on the object of Soviet policy was to limit both the numbers and efficiency of the police.

The Austrian Government repeatedly asked the Allied

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Council for permission to arm the police on an adequate and uniform scale. Its requests were supported by the Western Allies and turned down regularly by the Soviet Element. Appeals for modern radio equipment met with a similar response. The results were particularly serious owing to the high incidence of violent crime after the War and the fact that the criminals were aware of the deficiencies in police equipment. In the autumn of 1948 the Soviet authorities closed down four training-schools for *gendarmerie* in the Russian zone and refused to allow the transfer of students to other schools. When the matter was referred to the Allied Council, the Soviet High Commissioner refused to discuss it and justified his position on the ground that the Council had failed to limit the size of the police. His attitude was echoed by the Communists in the Austrian Parliament, who shortly afterwards opposed budgetary provisions for strengthening the police.

Supported by the Western Allies, the Austrians went quietly ahead with reorganization and re-equipment. As the Allied Council could not agree, the work was carried out on a zonal basis, and the police in Austria as a whole soon reached a high level of efficiency. In fact, the negative Russian behaviour eliminated central restrictions as well as central aid. But there has been no more revealing evidence of the Soviet Government's attitude towards the Second Austrian Republic than the changing policy of its representatives towards the police.

The Russian attacks on the Austrian Government, which were made at convenient stages in the treaty negotiations, were also useful to justify the Russian policy of obstruction carried out within Austria. The Austrian denazification programme was violently criticized, and as late as 1950 the Soviet representative in the Allied Council demanded that the Austrian Government should establish concentration camps for the imprisonment of implicated Nazis. In April 1950 the Soviet High Commissioner alleged that the Austrian *gendarmerie* in the Western zones was being organized, armed and equipped, in violation of existing Allied Council agreements,

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to provide a basis for a future Austrian army. In September of the following year this charge was repeated and expanded, when the High Commissioner stated that Austria's war industries were being re-established in the Western zones and that aeroplane plants and rocket factories were being built to serve Western re-armament. During his refutation of these charges the United States High Commissioner invited General Swiridow, his Soviet colleague, to come and see the imaginary installations for himself. The invitation was not accepted. 727 625

All the forms of obstruction that have so far been mentioned related to the Allied Control Commission and affected the Austrian Federal Government. But Soviet political interference attracted most attention in the Russian zone and the Russian districts of Vienna.

It would be misleading and unfair to assume that the numerous and serious cases of interference that occurred were typical of day-to-day administration in the Russian zone. The whole atmosphere in Eastern Austria is different from that in the Western zones: more buildings are requisitioned, there are more troops, and there is an underlying feeling of uncertainty and insecurity. But Austrian and Allied officials, who have been in close touch with the Russian authorities, agree that on the whole they have adhered to their written agreements regarding the political administration of occupied Austria. Their relations with the police have normally been co-operative and correct. It is possible for an Austrian to live in the Russian zone, and for a foreigner to move about in it, and yet scarcely be aware of anything unusual in the situation. The local government is Austrian, and the laws enforced are the enactments of the Austrian Federal Government. The gloomy pictures of political conditions in the Russian zone that are often painted in foreign countries and the rest of Austria are due mainly to the Soviet Government's attitude towards Austrian independence, its record in Eastern Europe, and the excesses of Russian troops immediately after the War. The conditions are unpleasant compared with those in the free countries of the West and in Western Austria, but they 727

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727 are incomparably better than in Eastern Germany or in the Russian satellites behind the Iron Curtain. Although the Second Austrian Republic is subject to varying degrees of unwelcome supervision, it is a unit very largely under Austrian control.

The most blatant examples of interference in the Russian zone have been the many cases of arrest and kidnapping. The new Control Agreement provided that the Allies could take direct action to ensure the security of the occupying Forces. All four Powers took advantage of this provision, but, whereas the Western Allies did so to a limited extent and kept the Austrian authorities informed, the Russians carried out arrests on a wholesale scale, and often by arbitrary and secret methods. For example, in 1950, out of a total of 320 Allied arrests, there were 20 American, 7 British, 14 French, and 279 Russian. The next year the Western Allies arrested 28 people and the Russians 137. In 1951 the Chancellor complained that the Soviet authorities had instructed individual Austrian policemen to carry out arrests on their behalf and forbidden them to report their actions to their superiors. Such procedure, he pointed out, would lead to chaos in the police administration. On previous occasions, arrests had been made by Soviet troops, and neither the Austrian police nor the relatives of the victims had been informed. These methods reduced measures that might have been legitimate in themselves to the level of common abduction or kidnapping. The arrested persons in many cases simply disappeared, and no information could afterwards be obtained regarding their whereabouts. In 1951 State Secretary Graf of the Ministry of the Interior said that over 700 people had vanished in this way and that in only a few cases did their subsequent fate become known. Many of the victims were nationals of Soviet-dominated countries, whose right of asylum was thus violated. But the most sinister arrests were those in which the main motive was political intimidation. Outstanding amongst these were the cases of Inspector Marek, a senior official of the Ministry of the Interior, and a policeman named Kiridus, both of whom were arrested during the summer of 1948, apparently while them-

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selves conducting investigations into a recent series of kidnappings. The Austrian Government protested vigorously, and the matter was taken up a number of times by the Allied Council, but it was not until over three years later that the Soviet Foreign Ministry revealed that Marek was serving a twenty-five years' sentence in the Soviet Union for 'organizing espionage against Soviet occupation troops'. In 1948 Frau Dr. Ottillinger, an important official in the Ministry of Economic Planning, was actually arrested on the frontier between the Russian and American zones, while in the company of her Minister, Dr. Krauland. 727

Although Russian relations with the local police have generally been reasonable, there have been isolated exceptions to the rule. 727 625

The Soviet authorities could scarcely interfere with the measures taken by the Minister of the Interior to ensure the loyalty of the police as a whole, and early in September 1947 Dr. Duermayer, the Moscow-trained Communist chief of the Vienna State Police, was transferred to a similar office in Salzburg, where, in the heart of the American zone, he would be comparatively innocuous. Within six weeks the Police Chiefs of St. Pölten, Baden, and Wiener Neustadt, three of the most important towns in the Russian zone, were dismissed by the Soviet authorities on what the Austrian Government considered to be unsubstantiated grounds.

The worst cases of interference with the police occurred during and after the Communist attempt to organize a general strike in the autumn of 1950. The Soviet authorities forbade certain movements of police in Vienna and the Russian zone, and so hindered the re-establishment of law and order at a critical time. After the disturbances were over a number of police officials were dismissed or retired by the Austrian authorities for their behaviour during the crisis. The Russians ordered their reinstatement, and the tragi-comedy that ensued had not ended at the beginning of 1953. The police chiefs in two districts of Vienna were held in office by Russian orders and were at the same time treated as pensioners by the Austrian

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727 625 Police Headquarters which communicated with the District Offices concerned through the Assistant Chiefs. There could be no better example of the curious division of authority in occupied Austria nor of the persistence of the Austrian Government in maintaining points of principle.

The systematic confiscation, during the Christmas holiday 1952, of the rubber truncheons belonging to the police in the Russian zone was a measure that might well have been prevented by the Soviet propaganda department. The justifiable annoyance that it caused was somewhat modified by the Austrian sense of humour.

727 As regards the political administration in the Russian zone, there was little open interference by the Soviet authorities except in minor matters. Cases in which local officials were arrested were not unknown, and town and village burgomasters were subject to the expressed or implied threats of Russian military commanders in the areas where they were stationed. But, on the two occasions when the Soviet authorities appeared to be contemplating interference on issues of major importance, they either thought better of it or received countermanding orders from above.

In the spring of 1950 the Russians expressed their disapproval of the provincial laws which provided for the holding of local elections in Lower Austria and Burgenland. Under the terms of the Control Agreement there was no reason why their disapproval should have any effect, and the Austrians proceeded to hold the elections. The voting took place without incident, and in the parishes, municipalities, and sectional chambers the Communists were crushingly defeated. In the parish and municipal elections in Lower Austria the Communists got less than 6 per cent of the votes, and all the Communist mayors that had been put in by the Russians in 1945 were replaced.

During the autumn of 1952, when the election campaign was beginning, the Minister of the Interior informed Parliament that Soviet officers had given orders to two different Austrian authorities banning the Union of Independents in the Russian zone. He added characteristically that he saw him-

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self 'compelled to instruct the Austrian authorities to ignore the orders'. Shortly afterwards the Minister's statement was denied by the Soviet Information Service, which explained that an officer at Soviet military headquarters had merely declared that Nazi and militarist propaganda would not be tolerated in the Russian zone. It appears that in face of a strong stand by the Austrian Government the Russians felt bound to respect the electoral procedure of a true democracy, different as it is from the parody to which they have themselves become accustomed.

An irritating form of interference with Austria's political freedom was the Russian invitation to various Communist international organizations to hold meetings or establish headquarters in Vienna. The World Federation of Trade Unions was expelled from Paris by the French Government in April 1951. The following month it transferred its headquarters to the Russian-controlled Coburg Palace in the heart of Vienna. Later in the year the International Organization of Political Persecutees and the World Peace Council held meetings in the Austrian capital, and in the autumn of 1952 the World Peace Congress met there. These events took place against the wishes of the Austrian Government and people, and in October 1951 the Government declared the presence of the World Federation of Trade Unions to be illegal. But its efforts to expel the non-Austrian members were prevented by the fact that they were living in the Russian districts of Vienna or the Russian zone. The great majority of the Viennese revealed their feelings unmistakably by silently ignoring the demonstrations organized by the World Peace Congress.

In spite of the many examples of Russian political obstruction in Austria, both at the centre and in the Russian zone, their general effect did not compare in harmfulness with the diplomatic obstruction that delayed signature of a State Treaty. But economic interference was practised by the Soviet occupation authorities on a scale and with a ruthlessness that made it one of the two main debit items in the balance-sheet between Austria and the Soviet Union.

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727 During the period between the liberation and the Potsdam Conference, Russian troops carried out widespread looting, and the Soviet military authorities organized the systematic dismantling and confiscation of industrial equipment, vehicles, and rolling-stock. Vital installations like the Donawitz rolling-mill and the main turbines of the Vienna power-stations were dismantled before the Potsdam decisions gave such actions a measure of legality. No exact figures can be given for the value of Soviet depredations, but the loss to the Austrian economy through confiscation of installations and equipment before and after Potsdam has been reasonably estimated at over $200 million.

Since the Austrian electorate's first decisive vote against Communism the Soviet Government has, in a number of ways, deliberately hampered Austria's economic revival. Whatever may be the merits or demerits of nationalization in normal circumstances, the Government's nationalization programme was necessary, on the whole, under post-War conditions to co-ordinate industrial recovery. The nationalization laws were strongly opposed by the Soviet representative in the Allied Council, and have never been recognized by the Soviet authorities in their own zone. The Russian representative also violently attacked Austrian participation in the European Recovery Programme. Most revealing of all, in September 1946 a Soviet proposal came before the Allied Council to restrict Austrian production of various items for the next ten years. The proposal not only included armaments and strategically important materials, but recommended fixing the basis of industrial production at the level reached before the *Anschluss*.

The Soviet Government's main economic programme in Austria was the exploitation of her natural and industrial resources on the pretext of exacting reparations from Germany. This served the dual purpose of hindering the country's recovery and substantially benefiting the Soviet economy.

727 471 As has been seen, the term 'German assets' which was used at Potsdam was vague, and the Four Powers never succeeded in agreeing on a definition. During the German occupation of

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Austria, apart from State property having been taken over by the German Government, most of the leading industrial enterprises had been absorbed in one way or another by the big German concerns. The absurdity of the situation resulting from Potsdam was made clear in May 1946, when a member of the National Assembly pointed out during a session that the Parliament building did not belong to the Austrian people, but was a 'German asset'. Dr. Renner summed up the position by saying: 'If all the concerns that were stolen or swindled from us by Germany are taken away, Austrial will . . . be incapable of an independent economic existence.' More recently, in December 1951, Dr. Klaus, Governor of Salzburg, suggested that had Austria enjoyed the full income from the 'German assets' seized by the Russians it could have dispensed with Marshall Aid. The validity of historical 'ifs' can never be proved, but Austria's total losses to the Russians, including dismantling, evaded taxes, and the products of industry and the oil-fields, have been approximately equal to her gains from the United States under the European Recovery Programme.

The Austrian oil-fields were the largest single asset taken over by the Soviet Authorities.

Before the *Anschluss*, Austrian oil production was largely in the hands of two concerns financed by British and American capital: the 'Britol' Oil Company, later to become the Richard K. van Sickle Deep Drilling Enterprise, and a joint undertaking of the Shell and Vacuum groups, known as RAG. In 1938 a number of German companies entered the field and, in addition to undertaking extensive new developments, forcibly took over some of the oil-fields and refineries owned by British and American companies. As production rose from 32,849 tons in 1937 to 1,213,036 in 1944 under the stimulus of German effort, there was a *prima facie* case for the Austrian oil industry being largely a 'German asset'. On the other hand, human enterprise is only one element in oil production: the oil itself is at least as important. The fact that Germans had ruthlessly exploited Austrian oil to satisfy their war needs gave the Russians no right to confiscate one of Austria's most

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727 valuable natural resources under the pretence that it was German property.
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The Austrian Nationalization Law of 1946 included the oil industry, but, so far as oil in the Russian zone was concerned, it never went into effect. In the summer of that year the Soviet High Commissioner announced that all the German-controlled oil-fields had been taken over as 'German assets'. The Soviet Mineral Oil Administration (SMOA) was set up to manage them.

The Soviet authorities did recognize British and American ownership of certain oil-fields and refineries that had not been taken over by the Germans. They are still under British and American management, but are subject to various measures of Soviet control. The producing companies are required to sell their crude oil to SMOA. The refining companies have to buy this oil from SMOA and resell to it the refined product. Payments are made to the British and American concerns in Austrian schillings, after the deduction by SMOA of arbitrary sums for administrative expenses. The disposal of the oil remains in Soviet hands, and the concerns are not able to export it, as they might wish. This limited recognition of foreign rights does not therefore benefit the Austrian trade balance in any way.

727 Exact statistics are not available for the Austrian oil industry since it has been under Soviet control. But it has been estimated by the best-informed authorities that production rose from 846,600 tons, to which it had declined in 1946, to about 3,200,000 tons in 1952, and is thus now probably the highest in Europe.[1] This increase indicates the anxiety of the Russians to extract all they can from the Austrian oil-fields while they have them under their control. The result has been achieved by extensive new boring and by the employment of damaging and uneconomic methods that would normally never be used.
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It is significant that the expansion has practically been confined to the ex-German enterprises under purely Soviet control, which have had full freedom of action and exploration.

[1] Reliable figures for Roumania, its only possible rival, are not available.

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During the past few years the proportion of the total yield produced by British and American concerns fell from about 15 per cent to less than half that amount. It is even more significant that the 60 per cent of the oil-fields and the prospecting rights that the Soviet authorities suggested should be retained by them under the terms of the draft treaty of 1949 have proved, as was suspected at the time, to be by far the most productive and promising areas. Had the draft treaty been signed and the Soviet allocations accepted, the proportion of oil production now in Soviet hands, on the basis of 1952 figures, would have been 92 per cent instead of 60. The proportion of known oil reserves would have been even more favourable to the Russians. 727 382 433

Soon after the War ended the Russians suggested to the Provisional Government that Austria and the Soviet Union should share the installations and rights in the oil-fields on a 50–50 basis. Dr. Renner had the foresight to reject this offer, which would have given the Russians a permanent footing in the country and had serious political implications. But since then Austria, though so large an oil-producer, has not even been able to purchase from the Soviet Oil Administration enough petrol and other forms of oil from its own production to satisfy its modest needs. It has had to resort to imports from the United States, and on at least one occasion is said to have bought from Western Germany Zistersdorf oil sent by the Russians to Eastern Germany and then exchanged with Western Germany for industrial products. The quantity of oils allotted for home consumption has increased annually with total production since 1949. In 1951, for the first time, domestic needs were practically satisfied. But Austria during the whole post-War period has been allocated no more than about a third of her total oil production. The remainder has been sent eastwards by the Russians, chiefly to Czechoslovakia, East Germany, and Poland.

This state of affairs has of necessity been accepted by the Austrian people. But a welcome demonstration of impatience was given by the National Assembly when a resolution was 727 382

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727 382 passed by the People's Party, the Socialists, and the League of Independents, in November 1952 calling upon the Minister of Finance to enter into negotiations with the Soviet occupation authorities to ensure that Russia shall pay full compensation to the Austrian Republic for all petroleum removed from her oil-fields since 1945 and meet all its obligations with regard to taxes and customs dues, as required by Austrian law.

727 471 The remainder of the enterprises, large and small, that have been seized by the Russians as so-called 'German assets' have been administered by one vast organization known as USIA—the initials of the Russian title meaning the Administration of Soviet Property in Austria. The Soviet authorities decided for themselves what they were going to take over as reparations and announced the list during the summer of 1946. The Soviet High Commissioner would allow no discussion of the subject in the Allied Council and made clear that he considered himself the only authority. As the Potsdam Conference had allotted German property in Eastern Austria to the Soviet Union without definition, the Western Powers had no alternative but to accept the decision.

The USIA concerns being entirely under Russian control, full information and statistics regarding their organization, production, and equipment are not available. But a fairly accurate general impression of their extent and method of working can be obtained from reliable sources. The Austrian Minister of Finance stated in Parliament in August 1951 that 471 USIA enterprises were listed with the Treasury, of which 351 were commercial, 100 agricultural, and 20 mixed or doubtful, and that altogether about 60,000 insured persons were employed in them. Since the War USIA has been the largest landholder in Austria. In 1951, a total of 115,980 hectares [1] of land were held by the occupying Powers for aerodromes, military purposes, agriculture, and forestry. Of this area no less than 112,747 hectares were in Russian hands. Some had been taken over soon after the War to produce food for the Soviet forces, and the remainder had been seized as 'German

[1] A hectare equals 2·471 acres.

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assets', although a good deal of it was Jewish property that had been 'aryanized' by Hitler. At the beginning of 1953, 54,000 hectares of agricultural and forest land alone were under USIA's control. 727 471

The key positions in USIA have been concentrated increasingly in Soviet hands. In the central administration Russian influence is dominant, and the Austrians who remain in it are either technical experts or Communists. Until 1952 the head of the USIA selling organization was an Austrian, but he and his wife then escaped to France after a disagreement with the Soviet authorities. Two Russians thereupon became managing director and deputy. In the individual firms the management depends on the importance of the enterprise. Some are run entirely by the Russians, while others are under purely Austrian control. Between these two extremes there is every kind of mixed management. All accounting is done through the central administration, and, to maintain secrecy regarding USIA's affairs, every enterprise deals with the Soviet Military Bank, which was organized for the Russian zone of Austria with its head office in Vienna. 727 471 475

Some USIA products are sold on the Austrian market. But the greater part of them are sent by rail or river to Soviet Russia and Eastern Europe. They are a dead loss to the Austrian economy, because no imports are received in return. The USIA concerns pay wage taxes and the ground tax levied by the local government authorities. But they do not pay income tax, profit tax, or the property tax due to the Federal Government. The Russians maintain that they do not pay these taxes because Austria will not transfer the titles of the USIA properties to them. The Austrian Government, backed by the Western Allies, does not recognize the Soviet right to the properties, and maintains that a legal transfer would be possible only if the companies were dissolved and the shareholders handed over the assets to the Soviet Union. The losses to Austria up to the end of 1952, in respect of USIA exports and unpaid taxes, have been estimated at nearly $200 million and $30 million respectively.

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Austria's indirect losses owing to USIA's activities are also very considerable. Raw materials and finished industrial products go in and out of Austria as Soviet property without payment of customs duties. Quite apart from the financial loss this entails, USIA exports are thus able to undercut Austria's legitimate industries in East European markets. At the same time the equipment and efficiency of USIA factories are gradually being allowed to deteriorate, as little or no attempt is being made to renew and modernize plant. When the concerns are eventually returned to Austrian ownership their value will be much lower than it was when they were taken over.

A most damaging and sinister aspect of USIA's work has been its entry into retail trade during the past few years. At an early stage USIA imported cigarettes from South-east Europe without payment of duty, and sold them in large quantities on the black market at the expense of the Austrian exchequer. This was followed by the establishment of retail shops in Vienna and the Russian zone. Two hundred of them were opened between the summer of 1950 and the summer of 1952. Like other USIA concerns, they pay only a proportion of the federal and local taxes due from them. In addition, they pay no customs, excise, licence dues, or monopoly taxes on the goods sold, and are thus able to undercut legitimate retail businesses and at the same time make a good profit. The Government makes every effort to discourage people from patronizing them, but the low prices are a temptation difficult for the poor to resist. The shops also are varied and inconspicuous in character, and many purchases are made in them without the customers knowing what they are doing.

In contrast to the enterprises taken over as 'German assets', the establishment of the USIA retail shops had no legal justification whatever. There can have been only two motives for setting them up: a deliberate attempt to undermine the Austrian economy and a desire to make profits at Austria's expense, in particular, to offset losses on inefficient management in the main USIA concerns.

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Austrian political leaders have attacked the USIA retail businesses repeatedly. The Minister of Justice has made clear that Austrians found guilty of evading customs and excise by dealing with USIA will be punishable under Austrian law. The Soviet authorities themselves have shown some signs of embarrassment at this branch of their activities. After the first two years its expansion slowed down considerably. A strong trade union protest against USIA shops remaining open until ten o'clock at night was followed by their compliance with normal closing hours. 727 471 475

In fact, Soviet policy in Austria, in spite of its ruthless economic exploitation of the country, has shown repeatedly a capacity for compromise and the unexpected conciliatory gesture. The Austrian Government has been firm, bold, and insistent in the assertion of its rights, and the Soviet authorities have shown themselves to be very sensitive to public criticism, especially on issues in which popular privileges have been involved. In spite of everything, the impression remains that the Soviet Government has never entirely forgotten the importance of considering its reputation with the Austrian people. 727

On the economic side, the best example of the flexibility of Soviet policy is provided by the attitude of the Russians towards the navigation of the Danube. 727 505

The importance of the Danube to Austria as a means of communication requires no emphasis. Between the Wars the ownership of the Danube Shipping Company, the largest concern engaged in Danube traffic, was shared between the Federal Government, the Credit Anstalt Bank, and various Italian interests, the majority of the shares being held in Austria. As the Austrian holdings came under German control during the War, in February 1946 the Soviet authorities assumed ownership of the company, and at the same time took possession of two smaller companies. The Western Powers pointed out that these assets were of doubtful ownership and that the companies operated in more than one zone. They maintained therefore that the whole subject should be 471

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727 505 471 considered in the Allied Council. But the Soviet representative refused to discuss the matter, and the Russians proceeded to take over all the property and installations of the Danube Shipping Company in Eastern Austria and South-east Europe.

727 505 During the fighting in Austria the greater part of the company's shipping was destroyed, but about 40 per cent of it managed to reach Linz, mostly in very poor condition. There it remained under American protection, and during the early post-War years the company concentrated on putting the remnant of its fleet in order. Owing to the Russian attitude, river traffic ceased between Upper Austria and Vienna, and such ships as were available were employed on the stretch between Linz and South Germany. The freight carried by the company between Linz and Regensburg in 1950 reached a total volume of 690,000 tons, the cargoes consisting mainly of Ruhr coal for the VÖEST works, pig-iron, sheet metal, timber, and grain.

The first Russian concession in the direction of opening up the Danube appears to have been made from ulterior motives. After its breach with the Soviet Union, Yugoslavia was in a strong position as regards Danube navigation, because, at the Iron Gates, it could control river traffic between the Russian satellite States, if it so wished, just as Russia controlled traffic between Vienna and the West. Yugoslavia's freedom of navigation was therefore ensured, and in 1950 it started a service between Belgrade, Vienna, and Regensburg. To provide rivalry for Yugoslav ships the Soviet authorities in Austria began to issue licences for Austrian barges to travel between Vienna and Linz. During 1951 more than 73,000 tons of oil were carried in Austrian vessels from Vienna to Linz, and a smaller quantity of grain in the same way from Regensburg to Vienna. Cargoes for the year carried by Austrian ships on the Danube amounted to more than a million tons.

In June 1952 the Soviet High Commissioner informed the Federal Chancellor that, in the interests of the Austrian people and in order to improve Austria's economic position, navigation on the Danube within the Russian zone would hence-

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forth be free. On the 12th of July the first passenger ship travelled between Linz and Vienna. In September an agreement was made between Austria and Hungary for the resumption of river traffic between the two countries in which each was to share equally. The reasons for these further concessions can only be surmised. But the motives almost certainly went beyond rivalry with Yugoslavia. One purpose may have been to please Austrian opinion. Another reason was probably a belated realization of the wastefulness of previous Soviet policy. The contrast between the enterprising developments in Western Austria and the economic deterioration of the Russian zone was becoming increasingly clear, and could only have a damaging effect on Soviet prestige.

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Russia's attitude regarding the Danube, however, cannot be regarded as characteristic. The most hopeful indication for Austria's future is that the Soviet economic policy within Austria appears to be based on short-term considerations. The ruthless exploitation of the oil-fields and the failure to invest capital in the USIA enterprises both point in the same direction. It is a measure of Austria's economic suffering at Soviet hands that comfort has to be drawn from exploitation and neglect.

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668 'Defend the freedom of the country. Do not allow yourself to be intimidated by acts of violence. The power of the State is sufficient to check terrorist action at the start, so no one should yield to Communist pressure.'

• 727 668 In the Allied Council on the 29th of September the United States High Commissioner, who was in the chair, accused the Soviet element of having contributed to the recent disorders and lawlessness by encouragement and aid. He charged the Russians, amongst other things, with the following specific acts, violating quadripartite agreements: transporting rioters about Vienna in Soviet Army vehicles; blocking a railway line by means of a Soviet tank; interfering with the maintenance of law and order by stopping the movement of police, and preventing the police from checking rioters at St. Pölten railway station through the intervention of a Soviet official. The British and French representatives supported the American charges. The Soviet Deputy High Commissioner, in rejecting them, made the curious but typical statement that the unrest had been due to the indignation and bad living conditions of the Austrian workers resulting from the Marshall Plan.

665 668 Before the 4th of October it was already clear to the trade union leaders that an overwhelming majority of workers was opposed to a general strike. The Socialist Party had called conferences of Socialist shop stewards in all parts of the country, and their opinion on the subject was almost unanimous. Outside Vienna and the Russian zone the only strikes that occurred were at Hallein in Salzburg, and at the Steyr works in Upper Austria, where the workers had been out since the 26th of September. In Vienna itself there was scarcely a single strike of importance outside the USIA organization, though the news that thirty censors had stopped work at one of the post-offices caused some unexpected satisfaction. This did not prevent the Communist Strike Committee from announcing publicly that the strike in Vienna was practically complete. More serious were the organized attempts at blocking tramways and railway lines and erecting barricades and traffic obstacles in the streets. These were only mastered

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665 should come to an end on the 6th, but its decision had been
668 anticipated by the Austrian workers.

With commendable speed and determination in defence of
668 its rights, the Government sent a note to the Allied Council
•727 on the 5th of October, complaining of the Russian action in Wiener Neustadt. On the same day the Foreign Minister despatched a telegram in a similar sense to the Foreign Ministers of the four occupying Powers. The three Western Allies replied with notes in which they expressed their sympathy with the Austrian Government's point of view and their approval of the measures it had taken. They later made official protests to the Government of the Soviet Union.

The Government also issued a proclamation in which it
668 thanked the Austrian people for defending their country by their courageous attitude and for proving to the world that Austria would never become a 'People's Democracy'. On the 6th of October a demonstration took place in Wiener Neustadt, where 20,000 people celebrated the victory over Communism and were addressed by the Minister of the Interior and the Minister of Justice, who travelled down from Vienna especially for the purpose. The following day Burgomaster Körner and President Böhm of the Trade Union Federation attended another large victory demonstration before the Vienna Town Hall.

727 There are two questions that arise in connexion with the whole series of disturbances. What was the Communists'
668 real intention? And how far did they receive Russian support?
665 The answer to the second question throws light on the problem raised by the first.

There is no doubt that the accusations of the United States High Commissioner against the Soviet Element were justified. At the same time there was some truth in the reply of the Russian Military Commander in Vienna to the Burgomaster's protest. That is to say, the Soviet authorities wanted to ensure that the Communists had full scope for their activities, and were prepared to take limited measures in their support, such as making vehicles available and preventing movements of the

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police. But they did not intend to give active aid to the demonstrators, and it is likely that such instances of it as occurred were due to the over-enthusiasm of individuals. Many people were injured in the disturbances and two men died of shock. Yet there was not a single case of violent death throughout the whole period of crisis. Such a result would have been inconceivable had the Soviet forces been active in support.

It is probable, therefore, that the Communist intention was to exploit popular dissatisfaction in order to bring about a general strike and, by so doing, to get control of the trade union movement. Had this intention been fulfilled, some modification in the Government might have followed, and the way would have been prepared for a further advance. The ultimate aim of the Communists, in which they could count on Russian support, was to turn Austria into a 'People's Democracy'. The 1950 action was a preliminary trial of strength.

The fundamental reason for the Communist failure was the Austrian people's attitude. But effective leadership and organization also played a vital part. Dr. Figl and Herr Helmer, the Minister of the Interior, were at their best at such a time. The Government acted with energy, courage, and persistence. The police, as a whole, were efficient, good-tempered, and loyal. The employees of the threatened public services were disciplined and reliable. Most important of all, the trade union leaders were unwavering in their attitude, and the great mass of the workers responded to their call. It was a fine proof of statesmanlike maturity that, in face of the Communist threat, the trade union movement stood staunchly by the Price–Wage compromise that none of its members really liked.

The Communist challenge had two important results. In spite of its failure, there had been a real trial of strength between two rival ideologies. The Communists had in their favour the initiative, the choice of time, and uncertainty regarding the extent of Soviet support. The victory of the Government and

THE ECONOMIC RECONSTRUCTION OF AUSTRIA 1945-1952

I. ECONOMIC SCIENCE IN AUSTRIA: TEACHING, RESEARCH AND WRITING

At the end of the Second World War, in April 1945, when Austria, in accordance with the Moscow Declaration of October 1943, had been admitted as a political entity into the circle of European nations, hunger, need and economic breakdown stood by as sponsors at the cradle of her newly erected statehood. The three political parties made a solemn declaration of independence through their faction leaders on April 27, 1945, concerning constitutional fundamentals and judicial and administrative arrangements necessary for the development of an articulate democratic life. At the outset they faced the difficult task of creating modest living conditions for the Austrian population. In view of the destruction of material potentialities, the undernourishment of the population, the absence of hundreds of thousands of experienced hands (still prisoners of war), the disorganization of the communication system, the dislocation of large parts of the population, the regrouping in the vocational structure, the lack of raw materials, fuel and electrical energy, and the disorganization of the monetary system and the urgency for reorientation of the entire economic scheme along the lines of changed European and worldwide economic aspects, a more active tempo of intellectual life could be achieved only slowly after overcoming the direst of needs (1947-1948). Then, however, fostered by the old, venerated seats of learning and the reestablished economic organizations and institutions, a faster pace of acceleration set in which, in continuance of the best national economic tradition, soon reestablished the synthesis between theory and practice.

Pure science knows no prejudice, it favors no particular political trend; it simply serves human progress. On the other hand, it is clear that in the endeavor to assert moral truth, science, in an ever critical and authoritative manner, has to separate truth from untruth, the genuine from the spurious, if it desires to accomplish its high task. Therefore, even a small country has to accept an

648 on March 15, 1938, as null and void and further ex-
728 pressed the desire to see a free and reestablished Austria. This accomplishment would enable the Austrian people, as well as neighboring nations confronted with similar problems, to find that political and economic security which is the only foundation of a lasting peace.

The powers augmented this declaration at the Conference of Yalta (Crimea conference of February 4 - 11, 1945) by agreeing to promulgate the reinstatement of sovereign rights as well as self-government for all peoples deprived of such rights by aggressor nations. To implement the practical exercise of these rights, liberated European nations should be assisted in the amelioration of want and need as well as in the creation of a (provisional) governmental authority in which all democratic population elements were to be represented on a broad basis, and which should in turn be required to establish, as soon as possible, a government, chosen by free elections, acting in accordance to the will of the people.

642 Based upon the repeated declarations of the
727 powers the chairmen of the three political parties proclaimed the Second Republic of Austria on April 27, 1945, immediately after cessation of hostilities in Austria. In accordance with Article I of this proclamation the "democratic Republic of Austria" was reestablished and to be organized similarly to the constitution of 1920. Article II provided that the annexation forced upon the Austrian people in 1938 was to be considered as null and void. Therewith Austria joined again the family of European nations.

The first legislative acts of the provisional government concerned the framework of the constitution, the reestablishment of the legal system and the appointment of authorities. On the strength of the "Verfassungsüberleitungsgesetz" (i.e., the law to reestablish Austrian enactments for German ones), Austria was fundamentally reestablished as a democratic republic, reverting to the provisions of the federal constituion of 1920, as amended in 1929. Simultaneously a provisional constitution was agreed upon which regulated the government. In essential stipulations it conformed with the constitutional law of 1929. The "Behördenüberleitungsgesetz" (i.e., the law to reestablish Austrian authorities) was enacted to establish a new Austrian authoritative apparatus. It stipulated the definitive substitution of administrative and judicial instruments of the German Reich by

those of Austria as of July 20, 1945. This was followed by the "Beamtenüberleitungs- und Staatsbürgerschaftsüberleitungsgesetz" (i.e., a law reestablishing the Austrian status of employees and citizens), the reorganization of municipal law as well as the "Nationalsozialistengesetz," known as NS, the law prohibiting national-socialism (Verbotsgesetz 1945 and the Wirtschaftssäuberungsgesetz). 642 727

Following the arrangement agreed upon by the powers, Austria was divided into four occupation zones and their divisioning settled during August, 1945. The supreme occupation and control authority is the Allied Commission for Austria in Vienna which retained a number of sovereign rights, but which little by little after 1946 transferred substantial shares of authority to the Austrian Federal Government. 727 631 642

At the Potsdam Conference (protocol of August 2, 1945) the powers, examining the question of extending the executive power of the provisional government (Dr. Renner) which up to then covered only the Russian occupation zone, recommended the extension of this power to cover all Austria. 728

In the federal provinces, meanwhile, provisional provincial governments were established and the federal provinces constituted, permitting the functioning of a provincial legislature within the jurisdiction of the constitution of 1929. At the same time the reestablishement of the Verfassungs- und Verwaltungsgerichtshof (i.e., a constitutional court) was prepared. On October 20, 1945, the Allied Commission for Austria finally authorized the provisional federal government, to enact laws for all of Austria (which, however, first had to be submitted to the Allied Commission for approval). 631

The elections of November 25, 1945, which had been arranged by the election proclamation of the provisional government, brought about the legalization of the endeavors of the provisional government, which resigned on November 28, 1945. 666 642

1945 Election: Tally of Votes and Seats

ÖVP (Austrian Peoples Party)	1,588,444 votes	85 seats	666
SPÖ (Socialist Party)	1,428,441 votes	76 seats	646
KPÖ (Communist Party)	174,387 votes	4 seats	
	3,191,272 votes	165 seats	

642 On December 3, 1945, a committee of the political parties entrusted Secretary of State Figl with the formation of a government, which the Allied Commission approved on December 18, 1945. On December 20, 1945, a session of the Federal Assembly (Nationalrat and Bundesrat) with a vote of 204 out of 205 elected Dr. Karl Renner to the presidency. He accepted the office for the term of six years.

642 The new federal government as well as the presidency were recognized by notes of the various 648 powers although these notes showed deviations in texts. Thus the first phase of the constitutional reestablishment of the Second Austrian Republic was concluded. The federal government could proceed with the task of solving the most important economic problems.

2. The Situation after the Cessation of Hostilities and the First Economic Reorganization Measures, 1945-1947.

727 The reestablished Second Austrian Republic faced a great economic task. The losses and damages from the war destroyed almost a quarter of the total national capital which had amounted to about 38 billion schillings.

[362] In Vienna alone, 37,000 apartments were completely destroyed and 50,000 partly destroyed, while 25,000 were less severely damaged. Aside from extensive destruction of raw materials was the loss of machinery through dismantlements, especially in the eastern part of the country after 1945, which caused deficiencies in extremely valuable production material amounting to at least 1.2 billion RM (at prices fixed as of 1940). Plants of the electric, vehicle, machine, iron and metal industries, and steel mills lost more than 46,000 machines. This meant that in some instances, the combined loss of the war and postwar period amounted to 80 percent of the [483] machines and equipment. These deficiencies were all the more burdensome since the destruction and the removal of the production means led unavoidably to severe disturbances in the general economic scheme.

[162] Austria also suffered substantial losses in human lives. Out of a population of 7,000,000, the number of dead or missing totalled 350,000 and the wounded 170,000. These losses were mainly from the ranks of the able-bodied age groups (13 percent).

In comparison to prewar times a definite lowering of individual performance efficiency had set in among the rest of the population caused by years of undernourishment and poor general physical condition aggravated by a series of psychological strains up to 1947. Another thing to be taken into account was the reorientation of the entire European economic structure in the wake of political changes, particularly the solution of certain problems of large industrial enterprises (the iron and steel industry). Last but not least were the great economic and political changes which had taken place in the areas of Austria's traditional markets, eastern and southeastern Europe. 727 [46] [433]

The destruction of capital substance weighed particularly heavy. It was obvious that the greater part of savings capital, accumulated prior to 1945, was economically no longer covered. Within the scope of a planned war economy that money had either been invested in weapons and war material which became valueless, or it was originally invested in profitable enterprises which were destroyed or diminished through the effects of the war, e.g., plants, equipment, razed woodland, etc. On the other hand, in accordance with instructions of the German finance administration, great parts of the liquid assets and reserves of banks, the premium reserves of large insurance companies, etc., had to be invested in bonds of the German Reich (especially Reichsschaftsanweisungen), whose value became as questionable as savings deposits. [454]

In view of these circumstances the Austrian federal government faced difficult problems. For the sake of simply existing it was necessary to reestablish the financial foundation, a task impossible to accomplish without a proper Austrian currency (to be newly created), without gold or foreign exchange reserves to cover this currency, without a national bank of issue, without reconstruction of a banking and credit apparatus, and particularly without first straightening out the balances essential to large banking institutions. 652

Not any less difficult to solve, in relation to the previously mentioned conditions, was the second problem: the revival of production and trade. Apart from incurred losses in plants, machinery and raw materials, the disorganization of communication and the dislocation of great parts of the population, valuable components of the production apparatus as well as other natural assets of the Austrian economy, classified as 433 [438]

433 so-called "German property," were lost to Austrian control and thus lost to the economy.

652 In the foreground, however, was the organization of the currency and credit structure. Until [127] November 1945, Allied Military schillings and the Reichsmarks of the former German administration formed the currency basis of the country. Approximately 7.7 billion Reichmarks and 1 billion Allied Miliary schillings were in circulation, representing an inflation of 850 percent above the 1937 level. This circulation, compared with the almost negligible volume of goods and the low production capacity, made the money practically worthless. Here, therefore, was where the first measures of reform had to be effected.

In 1945 the provisional government provided the first legal foundation for the reorganization of currency and the credit system by the law covering payments by banks (Schaltergesetz), the law covering public and private credit extension (Kreditlenkungsgesetz) as well as the "Notenbanküberleitungsgesetz," which reestablished the Austrian National Bank. It created therewith the preliminaries for an orderly banking and payment service, for the time being still under the statutory power of the then provisional government. With the "Schillingsgesetz" of November 30, 1945, introducing the first currency reform and establishing the schilling as legal tender, the three aforementioned laws were extended to cover the three western occupation zones, the country as a whole received a uniform currency and banking system.

The "Schillingsgesetz" and the conversion decreed reduced currency in circulation (paper) from approximately 7.7 billion Reichsmarks and 1 billion Military schillings to 3.3 billion schillings and the aggregate circulation (banknotes plus contingent liabilities of the National Bank) to about 7 billion schillings. Parallel with this--the first control of all deposits having been effected by the previously mentioned "Schaltergesetz"--occurred a further appropriate blocking of deposited means to restrict purchasing power and inflationary price rises.

652 453 Beginning March 7, 1946, the issuance of bank notes was subjected to Austrian control, the legal basis ensued through an amendment of the "Notenbanküberleitungsgesetz," June 30, 1946, which also promulgated the statutes of the Austrian National Bank as a bank of issue. With the enactment of June 25, 1946, the Austrian National

458 originally anticipated, due to the prolonged interval
652 between the publication and the enforcement of the law, the following months nevertheless did produce some economic results (lowering of prices, elimination of black markets and a general slackening of the purchasing psychosis).

727 In the meantime the occupation powers,
648 particularly the American and the British elements,
457 had introduced relief measures ameliorating need and want among the Austrian population. One of the first was initiated by UNRRA, whereby, in connection with a number of special credits, a "subsistence level" was achieved. Additional assistance measures followed. On June 26, 1947, an agreement between the United States and Austria provided a new form of assistance, substituting for the UNRRA aid which was ending. For this Austria Assistance" about 85 million dollars were provided. With these contributions of foodstuffs, commodities and machines, it was possible to start the reconstruction of the ruined communication system and to restore a modest production line.

Additional alleviation was obtained from a credit granted by the British Government for purchase of consumer goods. In October 1947, the Export Import Bank at Washington, D. C., granted Austria a credit amounting to 13 million dollars, of which amount 8 million dollars were placed at the disposal of the heavy and metal industry, 4 million dollars at the disposal of the chemical industry for purchases of raw materials and as equipment, while the remaining 1 million dollars served other purposes (freights, etc.).

652 Of particular importance was the establishment
727 of a regular budget. The first federal estimates (1946-1947) were, in view of conditions, only of an emergency nature.

The item of occupation costs was from the start a rather burdensome one. Until May 1946 these costs were covered by an additional issuance of bank notes. Beginning June 1946, all expenditures not covered by current incomes (including occupation costs as well as costs arising in connection with the welfare of displaced persons) were paid for with short-term treasury bonds, taken by banks, or with cash reserves. Later (July 1948) the expenditures of the occupation costs were
[651] met fiscally by an additional tax (occupation cost tax) to the income and wage tax.

During July 1946, the parliament passed the first nationalization law (see part A, III, paragraph b). This nationalized, in addition to enterprises of heavy industry, mining and shipping, the three largest Austrian commercial banks (the Creditanstalt-Bankverein, the Oesterreichische Länderbank A. G. and the Hypotheken- und Creditinstitut). With the federal law of March 26, 1947 (second nationalization law), establishments and plants producing and distributing electrical energy were nationalized, because 90 percent of these establishments were already publicly or municipally owned. 471 [453] [377]

During the years 1945-1946 only the greatest difficulties were eliminated. A noticeable production increase, fostered by increasing imports of raw materials and food stuffs, occurred during 1947 at which time the coal situation was also eased and the crisis in the power sector could be ameliorated. The decisive turn of events in the economic consolidation, however, remained to be accomplished with the assistance of the Marshall Plan. 433

3. Special Problems in Austrian Reconstruction.

a) The question of "German Property."

At the end of the war, when Austria received her independence (perforce limited because of occupation statutes), her economic situation had been basically altered in comparison with 1937. The economically and organically different set-up of the German Reich made a reorganization of the economic status necessary. Austrian production means were diminished further by transfers of private as well as public production establishments into German hands, particularly after 1938. This "German Property" became fateful in Austrian economy with the Potsdam Agreement of August, 1945. 471 727

According to the agreed terms of the Allied Powers, German reparations were to include German assets located in countries previously occupied or controlled by Germany; these assets were to be subjected to the control of the various Allied Powers relative to their geographic location (in Austria according to occupation zones).

Under this title more than 200 enterprises in Austrian territory, mostly in the eastern part of the country (among them the entire oil industry,

727 chemical plants, large parts of the electric, iron
471 and metal industry), has been classified as "German Property" and were confiscated. Affected also was the Erste Donau Dampfschiffahrt-Gesellschaft (First Danube Steamship Company, Inc.), inasmuch as this enterprise had also been classified as "German Property" under the terms of the Potsdam Agreement.

The nationalized plants and companies (provided there occurred no mitigations such as those later in the western zones) remain not only lost to Austrian economy, but complicate the coordination of Austrian production sectors inasmuch as these enterprises, particularly those located in the eastern parts of the country, are no longer subjected to Austrian jurisdiction.

Legally, the control and administration of German assets in Austria was to be effected in line with the control agreement of the Allied Commission for Austria on June 28, 1946. Article V of this agreement provides that the question of the "German Property" has to be settled in accordance with the agreement of Potsdam.

Later on, the interpretation of the stipulations, covering the "German Property," was not handled uniformly by the occupation powers causing a different treatment of such assets in the various occupation zones, a situation which resulted in legal, administrative and economic consequences for the Austrian national economy. This diversity in interpretation also influenced the nationalization proceedings as far as the "German Property" was involved. The occupation element of the United States of America, desiring to make these assets available to the Austrian economy, transferred the largest part of the relative enterprises located in its occupation zone to the competent Austrian ministry. The latter, as a trustee, has to furnish periodical accounts and reports. The French occupation element (taking exception to nationalization legislation on enterprises falling within the scope of Article V, paragraph 4, of the new control agreement) found a solution by leasing such establishments individually. The British element formulated no special provisions but permitted the enforcement of Austrian laws with regard to "German Property" located in its zone. The three western occupation powers finally released simultaneous directions, stating that any disposal of German assets, be it by sale or by other means,

was prohibited, while the Union of the Soviet Socialist Republics decreed the transfer of such assets to a special administration created for this purpose (USIVA, later USIA). In the eastern part of the country, therefore, enterprises representing such assets became "foreign administrative and economic enclavements" within the Austrian economy. 727 471

The definite solution of this question, important to and difficult for the Austrian economy, however, is reserved to the signing of an Austrian state treaty.

b) The "nationalization legislation." 471

In connection with the question as to the scope of freedom and economic relationships to achieve the highest possible degree of national economic productivity (which had been brought up for discussion in a number of European nations), the Austrian authorities were compelled to cope also with the ideologies and trends relative thereto, whereby compulsory issues had to be considered.

With her nationalization legislation Austria endeavored to follow a middle course, which, via a transfer to the government of ownership rights with stipulated compensations, nevertheless permitted management of the various (nationalized) enterprises under the same economic requisites as those ruling the private sector.

The scope of nationalization was fixed by two nationalization laws, i.e., of July 26, 1946, and March 26, 1947. Both of these laws expressly stated the names of the enterprises concerned. However, if not specifically stipulated, only certain enterprises and not entire business sectors were nationalized. The two nationalization laws differ insofar as, under the first, the stipulated enterprises and plants became ex lege (immediately) properties of the government, while under the second the establishments of the electric power sector were transferred by order of the competent administrative authority. The second nationalization law therefore is solely an organization and omnibus bill.

While the administration of the government's participations in nationalized industrial and electric power enterprises (according to the federal law of December 16, 1949, decreeing the discontinuance of 471 655

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475 regulations as privately owned enterprises.

If companies or enterprises, under the regulations of the corporation law, were for any reason not as yet able to install the required responsible executive managements (executive officers, board, stockholder meetings) the competent authority, in accordance with the terms of the federal law of July 26, 1946, installed public administrators. The privilege, however, does not apply to enterprises and plants working under their legally installed executive managements; such an existing status permits the government to introduce motions, by its delegated board members, only within the scope of legal corporate requirements.

[647] According to the federal constitutional law of June 16, 1948 (Rechnungshofgesetz), all nationalized enterprises are subjected to the accounting and business policy control of the Oberster Rechnungshof (superior accounting office of the government), which in turn is responsible to the parliament for rendering account.

By these means parliament wanted to prevent red tape in the commercially managed establishments.

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727 c) The reconstruction of the Austrian credit institutions.

Following the loss of Austrian sovereignty in 1938, changes within the great Austrian banking organizations occurred. The Austrian National Bank disappeared as bank of issue, its Vienna organization became a branch office of the German Reichsbank, the substantial gold and foreign exchange holdings as well as other assets were transfered to the latter, so that from 1938 to April 1945 no independent money and currency policy was possible.

Likewise, the nationalized banking institutions were confronted with structural changes which, after 1945, brought about problems of balance adjustments. Therefore, if the entire question complex and the enforcement of relative measures are to be ascertained, it is necessary to become acquainted with the developments which have occurred. Austria, having been reestablished as a sovereign nation at the end of the war, faced a greatly changed situation in comparison with 1937. The prior assimilation into the economically and organically different economy of the German Reich, caused a far

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[727]

reaching reorganization of the Austrian economic structure. What was needed after the political and economic disintegration of 1945 was, therefore, a basic recreation of the entire economic system, including (for reasons of monetary policy) the liquidation of the previously war-influenced German financial policy. In addition, it must be noted that in Southeastern Europe, previously representing a traditional Austrian interest and marketing sphere, political changes had occurred, making necessary write-offs of participations and accounts and a reorientation of previous relations. By having been made a part of the German Reich there occurred within Austria, because of the German methods in financing war expenditures, a substantial discrepancy between the amounts of money and goods available. On the asset side of the ledgers of the credit institutions special consideration was required for the so-called "Reichswerte" (bonds of the German Reich, treasury notes, treasury certificates), liabilities of the German Reich, its states and countries as well as of central and monetary clearing offices, the holdings of which increased rapidly during the first war years. They represented, as far as bonds, treasury notes and treasury certificates were concerned, mostly counterparts of deposits which had to be transferred to Berlin for conversion into such securities. That was done on instruction of German authorities in order to finance German war expenditures. At the cessation of the conflict these deposits, from a national-economic point of view, could no longer be considered covered, inasmuch as their counterparts became valueless or at best dubious as collateral. For reasons of the occupation zone division, at that time strictly applied, the "Schaltergesetz" was enforced only within the Russian zone, Vienna included.

From a monetary point of view the war's heritage consisted of an oversized volume of money and, for the time being, of losses to owners of securities of the German Reich, i.e., the banks and industrial enterprises.

The first legal enforcements (the "Schaltergesetz" of July 5, 1945, as well as the "Schillinggesetz" of November 30, 1945) were primarily construed to reestablish orderly monetary conditions, i.e., the setting of an ultimate money volume, the establishment of a new currency and the elimination of excess purchasing power.

plant managements, can be achieved only through accumulation of an adequate yearly (savings) investment percentage (during 1950 investments in plants, structures, rolling-stock, equipment, etc., amounted to 20 per cent of Austria's national income, against 6 per cent in 1937; the 1950 investments were to a large extent the result of foreign assistance), as well as technical progress, rationalization of plant operations and adoption of modern psychological working principles. 433 439 454

Only such a procedure assures a genuine increase of the real income. However, whether an increased production output is followed by a decrease of prices or by an increase of wages (raising the living standard) or whether necessity demands a combination of both is problematical. [434]

On the basis of a favorable world-wide political scene it is hoped that Austria will realize her economic program as worked out with the help of international experts. Better technical equipment will lower the individual wage quota, thereby establishing a more favorable competitive basis. Thus, together with a transfer of skilled labor to production of export goods, the desired adjustment in the balance of payments will be achieved. In this connection the resettlement drive, initiated by the ERP, furnished a possibility to shift needed manpower to plants short of help. The higher real wages, resulting from an increased productivity, will then provide a basis for the accumulation of savings capital needed for additional investments. However, considering the special position Austria occupies, it will be necessary to grant her a breathing spell for achieving her economic aims. 433

d) Budgetary developments.

Within the scope of combined reorganization procedures, special attention is directed towards the balancing of the budget. Due to the large expenditures covering the reconstruction of public enterprises and administrative organizations damaged by the war and the increase in economic tasks of the government, e.g., occupation costs and the expenditures in connection with "Auslandsfürsorge" (welfare of the DP's, expellees, refugees), the consolidation of the budget (in spite of a rising national income) was only partly possible in 1949 and 1950 inasmuch as fluctuating demands exceeded narrow tax receipts. 652 727

were classified productive or unproductive. The extraordinary budget centered, therefore, on the budget for investments. Since 1948 all remaining items (with the exception of reconstruction of war-damaged buildings and requirements of agriculture) were included in the current budget. 652

State expenditures have increased sharply since the end of the war through inescapable obligations (occupation costs and "Auslandsfürsorge") as well as through growth of investments. The much-critized overstaffing of the State administrative agencies, which was higher in 1949 by 23.6 per cent than in 1937, was caused by the increasing work of administration which could be reduced only gradually after economic consolidation. [727]

Non-personnel expenditures (Sachausgaben) kept pace with the expenditures for personnel since 1947; they have increased not only because of higher prices, but also have experienced a "real" increase. Among these expenditures, the so-called "social transfer payments"--pensions, unemployment insurance, rents, and child-welfare payments--have played a large role. The remarkably high amount in these categories may be explained by losses caused by the war. Approximately 169,700 disabled war veterans and about 340,700 dependents of war victims receive aid.

The costs of the State debt are comparatively low: no interest was paid up to 1947. Since 1948, however, the expenses for the state debt have increased more rapidly, reaching 309.7 million schillings in the budget of 1950, i.e., 5.1 per cent of current expenses as compared to 13.7 per cent in 1937. The German loans issued to finance the war were not recognized by the Austrian state; also, no interest has been paid for pre-war loans. Interests and amortizations are paid only on loans issued since the end of the war in Austria itself (bonds, reconstruction loan, state treasury bonds of 1947) and abroad (surplus credits, war asset credits, export-import bank credits).

The occupation costs, an item of heavy burden to the budget, were diminished due to the liberality of the USA in demanding no occupation costs since 1948 (paying for all their own expenses); the other occupation forces reduced the occupation expenses from 866.4 million schillings in 1946 to approximately 400 million schillings in 1950. But "Auslandsfürsorge" increased from 69.5 million schillings to 105 million 652 727

652 schillings in the same period. Of the occupation
727 costs the Soviet occupation force absorbs more than half of the total amount. Up to the fall of 1950 Soviet Russia received from current Austrian production about 1,094 million dollars as occupation costs and confiscation of Austrian properties abroad. (Help from the Western powers, especially the USA, has amounted to about 986 million dollars since 1945.)

655 Of the profit-making state-owned enter-
652 prises, which produced a surplus before the war, now only those which actually constitute a state monopoly (salt, spirits) produce a surplus, while other state enterprises, the "Bundesbetriebe" (such as postal service and theaters) and the Federal Railways have a deficit. The deficits, however, are being decreased since 1946 by means of higher tariffs, dismissal of personnel and progressive rationalization (investments), from 17.7 per cent of expenditures in 1946 to 6.5 per cent in the budget estimate of 1950.

Out of the total revenue (based on the princi-
651 ple of net income) 80 to 85 per cent came from taxes
[652] levied since the end of the war. If one includes the income from various revenues similar to taxes (such as contributions to unemployment insurance, fees to child-welfare, etc.) the amount of taxes increases from 90 to 95 per cent, the remainder consisting of fees, interest and contributions from corporations and the income of the Postal Savings Bank (Postsparkasse).

The main support of the whole tax system since the end of the war is formed by direct taxes. Their part in the total tax income, in the years 1946-50, ranged between 44 per cent and 53 per cent as compared to 29 per cent in 1937; accordingly indirect taxes decreased in importance as compared to the prewar period. The income from the turnover-tax and from customs duties decreased from 42 per cent in 1937 to 24 per cent in 1950 as a consequence of structural changes in the system of taxation since 1938.

652 The Austrian treasury endeavors, in accordance with the bilateral agreement of July 2, 1948, to keep up the balance of the state budget and of the budgets of the federal countries (Länder) and municipalities, in spite of the enormous demands on public funds.

The main economic aim of the financial policy is to secure the highest possible employment and to continue the extension of all investments pertaining to economic productivity.

explained, come from ERP countries and comprise such goods as were, up to this date, to a considerable extent under indirect aid and were refinanced previously by the Nationalbank. There were special lists for all goods in question. 439 652 457

The cashing of these drafts takes place under the same conditions which apply to imports of semi-manufactures out of ERP funds; the Nationalbank discounts the incoming drafts at the prevailing bank-rate (now 3 1/2 per cent); other banks have a rate 1 1/2 per cent higher.

The total amount which all credit institutions can present in such drafts does not exceed the amount of the refinancing granted for financing imports out of indirect funds.

3. The Structure of Production.

a) Principles of industrial investment.

In accordance with the principles of ECA, ERP funds are used only to finance investments which serve to balance payments in the shortest possible time, that is, investments which: 1) bring in foreign currencies (by starting new or extending existing production of export goods); 2) save foreign currencies (production of goods important to internal supply, which previously had to be imported from foreign countries, or by improving their competitive position); 3) cause an essential increase in the total economic productivity, i.e., a reduction of production costs and increasing the ability of the Austrian economy to compete with foreign countries. 652 454 457

When hostilities ceased in 1945, most of the industrial enterprises showed great impairment. This was due to: 1) extensive destruction during the actual fighting; 2) confiscation through which valuable equipment for production was removed after the end of the fighting, whereby functional coherence of production was disrupted; 3) changes in economic aims. Before 1945 (not considering the aims of wartime economy) a large number of enterprises were structurally organized on a broader economic territory; after the war, therefore, the industry of Austria had to return to the more specialized industrial capacities of the pre-1938 period; 4) an acute shortage of capital caused by amounts necessarily written off as war losses, funds lost as outstanding claims, etc. 433 727

727 311 In other fields too there were noticeable losses and a decline in real capital. One might observe in agriculture, for example, a deterioration of soil owing to the shortage of fertilizers and cultivation during the war years, a lack of seeds, fodder and agricultural machinery as well as declining yields in forestry due to overcutting of trees, obsolescence and lack of means of transportation from the forests to the mills. The robbing of coal mines, failure to introduce rationalization and the forcing of unrealistic work in other mines (metals) give us a full picture of a declining economy.

652 433 185 454 Reconstruction of a productive national economy could be successful only if the economic forces specifically characteristic of the country were activated and coordinated to secure an optimum of the whole economic productivity. This presupposes a knowledge of possibilities based on an inventory of the internal economy and lining up problems according to their importance (to avoid mistakes in investments or overextension). It also presupposes establishing a time schedule for the financial fulfillment of individual projects with a view to the existing shortage in capital. The reconstruction of primary production, as well as the most important industries, have been carried out according to special plans which were worked out by government authorities in cooperation with interested industrial circles. Planning covered, in particular, production of energy, coal mining, the iron and steel industry, and ore mining and the metal industry.

These plans are not limiting as to quantity or time but are a type of structural plans without time limitations, the realization of which is bound to certain financial or material possibilities. With the maximum supplying of internal requirements of energy, coal, iron, metals, etc., they intended to assure lower prices in the finishing industries. In this way a sufficiently high quota of exports should be obtained for a balance of payments. These plans form the theoretical basis for those investment programs which the Austrian government presents to the ECA in Washington and which are realized step by step with the help of the ERP funds.

Just as with other ERP participants it is Austria's primary aim in its investment policy to make the utmost use of all possibilities offered by the Marshall Plan up to 1952. In addition to the development of primary industry, the greatest effort is being made

328 It is thought that in the light-metals
316 sector (production of aluminum) the bauxite mines at Unterlaussa (on the frontier between Styria and Lower Austria) will be extended to obtain at least the necessary raw materials for production. In accordance with the increase in the total European aluminum production required by the OEEC, Paris, Austria will endeavor to increase aluminum production in the smelting plants of the Vereinigte Aluminum Werke Ranshofen and in the plants at Lend of the Salzburger Aluminium Gesellschaft m.b.H. (up to 30 and 10,000 tons a year, respectively).

The production of non-finished metal products shall be extended by the completion of a light-metals plant of the Österreichische Metallwerke A.G., the construction of which is already far advanced and by the project of a heavy-metal plant of the same firm. These plants are designed to overcome the bottle-neck created by the loss of the plants for non-finished metal products (Krupp in Berndorf and the Enzesfelder Metallwerke). For the Metallwerke Plansee Gesellschaft m.b.H., Reutte (Tyrol), the erection of a plant for the production of molten molybdenum has been planned; in addition, the erection of heavy presses, granulating and sharpening machines for the production of heavy metals as well as of special electrolytical methods for the production of hard metal alloys (Diamantmetal-legierungen) is proposed.

[652] In the scope of the investment program 1950-52 investments, 131.3 million schillings have been mobilized from counterpart funds for these industries. Of this amount approximately 40 million schillings (30.5 per cent) already has been allotted.

c) Investments in the electric industry.

377 A large number of machinery units and steam-
[127] power plants were destroyed or lost by the war. The Austrian economy, therefore, could recover only very slowly in the years 1945, 1946 and 1947, particularly because the supply of energy was definitely insufficient in the months of water shortage. Since 1948, supported by the Marshall Plan, remarkable progress has been made in supplying energy within the economic planning for electricity. Austria tries to overcome the existing difficulties, which arise out of the rapidly changing demand for current on the part of industry, in two ways: (1) by the extension of storage facilities and of caloric

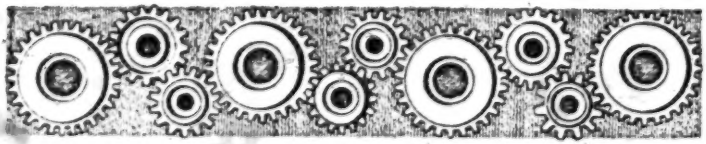
722 until in the final stage the whole country became a battlefield. Thus apart from the considerable consumption of stocks and capital goods owing to war production, there was a great deal of material damage.

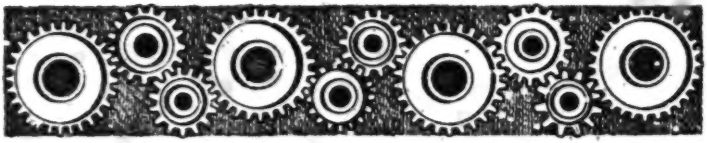
727 438 In addition to the losses directly caused by the war, new restrictions arose for Austrian trade at the conclusion of the fighting. The internal trade links of the country had to a great extent been disrupted through the setting up of four zones of occupation. At a time when in view of the tremendous losses it would have been advisable to ensure the full development of all the means of production, the necessary connections between the various parts of the country could often only be established or maintained under the most difficult circumstances. It is perhaps typical of this period that the various provinces entered into barter agreements with foreign countries independently of one another, often in order to get goods which would have been available within the country itself had unhindered trade been possible.

727 During the first days after the liberation a goods vacuum arose. Transport had almost completely broken down owing to the extensive destruction of roads and bridges and the lack of the necessary vehicles. Clearance and repair work was first necessary before trade activity could develop at all, and if the Allied Forces of Occupation and UNRRA (as well as other help granted by Congress, private charity organisations and credits) had not aided in bridging the gap,

the payment of interest on deposits since the beginning of 1949. On the other hand, credit demands on the banks resulting from the economic revival are so numerous that they are hard to meet, however severely they are scrutinised. This is all the more the case since Austrian industry, owing to the extensive damage and losses suffered by it during the last stages of the war and after its end, has a great need of capital and long-term credit for investments, as well as of business credit. In such cases, where genuinely justified demands for credit are concerned, the Marshall Plan will be of assistance. The main idea of this is to permit the technical modernisation of Austria's system of production, thus increasing her ability to compete in the international field, to encourage full exploitation of her natural assets, and to provide the country with a sufficient amount of raw materials essential to production during a certain initial period. It is to be hoped that this measure will assist Austria to attain economic independence and help towards the re-establishment of her position in international commerce.

The Austrian banks have a further duty indispensable to the security of smoothly running finance in the re-establishment of the Vienna Stock Exchange as the proper market for dealing in shares, not only to serve legitimate private interests but also to prove itself a suitable medium for the State issues which must be expected.





Banking in Austria is carried on chiefly by joint stock banks, some of which have an extensive branch business. A few of the smaller concerns are situated in the provinces. Apart from these there are a number of highly respected banking houses and nine provincial mortgage banks. Two special characteristics of the first named are their ability to give individual attention to clients and their valuable foreign connections. The provincial mortgage banks are public bodies which have the principal duty, apart from other banking transactions, of attending to mortgage and municipal credits, financing the loans they grant through the issuing of bonds of mortgage.

Despite the difficulties still to be encountered in the reconstruction of Austria and its economy, the Austrian banks will continue to place their services at the disposal of the nation's commerce in accordance with their traditions, and to assist in securing for the Motherland a brighter future after long years of impoverishment and peril.

THE AUSTRIAN INSURANCE SYSTEM.

Insurance, with its estimation of risk and liability, of success or collapse, forms a mirror of Austria's development from the First to the Second Republic.

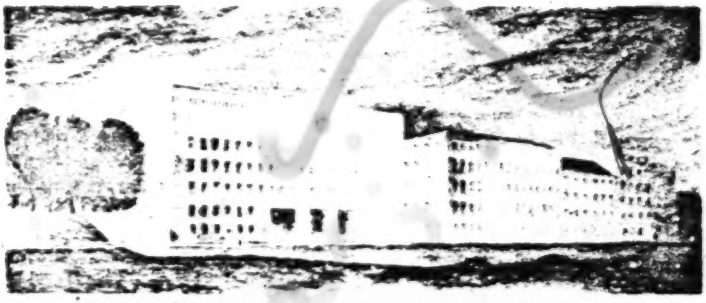
Within the space of not quite thirty years—1918 to 1945—the Austrian insurance concerns were faced with a food catastrophe would have been inevitable 727 and the work of reconstruction have been indefinitely postponed.

From the outset, everything possible was done 727 to help build up foreign trade again. At first, in 439 view of transport difficulties, only trade with neighbouring countries came into consideration. The initial results were not great, since all these countries were busy with their own reconstruction and usually, themselves needed the goods which Austria wanted. It was only gradually that by means of compensation agreements and later of clearing agreements, the trade relations which in 1938 had been broken off with Austria's most important suppliers and customers could be resumed.

In this way raw materials and auxiliary products as well as the means of production for industry were brought into the country, thus forming a basis for the recovery of industrial-commercial production. With the improvement of food conditions, the power situation and the increasing exploitation of available resources, output again began to rise.

In 1947 it was possible to reach 61 per cent 433 of the industrial production of the year 1937; for the first time in 1948 output rose above 85 per cent of the former figure. Industrial employment [464] figures for 1947 were 19 per cent and those of the year 1948 were about 30 per cent higher than those of 1937.

The most rapid strides in industrial production were first made in the branches more remote from



Clemens Holzmeister: Austrian Broadcasting House.

The end of the First World War and the fall of the Austro-Hungarian Monarchy had similar paralysing results for Vienna as did the end of the Second World War, when there was not only a collapse of the existing regime, but in addition extensive war damage to be faced. The general reorganisation of the State which took place after 1918 proved less difficult, not only because there had been no actual war damage in Vienna itself, but also because the forces released by the conclusion of the war were not hindered in their development by the pressure of an occupation. Nevertheless, it was years before the Austrian economy and the capital city had so far recovered that it was possible to go beyond efforts to satisfy the daily needs of the population and start constructive municipal schemes.

The political revolution of November 1918 secured the full triumph of democratic principles. Universal, equal and direct suffrage, with a secret ballot, was extended to women and, for the first time, applied to the election of members of a Vienna city council. As a result the influence of the masses of citizens which had until then been artifically suppressed now took full effect on the composition of the Council Chamber. Power in the municipal assembly consequently went to the Party of the workers, the Social-Democrats. By securing the majority in the City Council the latter found themselves in a position to put their principles into practice in various fields of municipal activity. During the 15 years after the First World War that the Social-Democrats were able to run the municipal affairs of Vienna, entirely new principles were applied to the administration of public welfare, housing, the conduct of public utility services, the educational system and to questions of personnel. As the basis and support of all these innovations a new financial policy was devised and put into practice. The successful achievements of this exceptionally fruitful period of Vienna municipal administration—it must be remembered that they were not carried out during a period of general prosperity and easy-living,

[665] 643 the Heimwehr against Starhemberg's fascist tendencies. Inevitably, Raab and Starhemberg fell out. Raab left the *Heimwehr*. The communists call Raab a fascist, but that is stupid.

After Parliament was dispensed with under the Dollfuss-Schuschnigg regime, Raab won high repute as founder, organizer, and leader of the *Gewerbebund,* a nation-wide organization of all the trades, crafts, and industries. When Chancellor Schuschnigg made his last desperate attempt to stave off Hitler, he rallied the biggest names in the land around him. He made Raab minister of trade and transport.

After Hitler annexed his native Austria to the *Reich,* Raab was, of course, out in the wilderness. He was never personally persecuted, but he could not risk the family fortune by rejoining their old firm, and he started out on his own, in Vienna. So deep was nazi hatred towards Raab that at the outbreak of the 2nd World War he was formally declared unworthy of wearing a German uniform!

•727 642 645 The Russians entered Vienna in the spring of 1945. Marshal Tolbukhin ordered a provisional government in which the Catholics, Socialists, and communists had to share every ministry. Builder Raab became secretary of state in the ministry for reconstruction, but was vetoed by the Russians as a minister in Figl's cabinet.

648 to stand on her own feet. But the doubts about Austria's viability were not silenced. On the contrary; they were raised with increasing insistence in at least one quarter: amongst the Pan-Germans in Germany and in Austria. To-day, we see more clearly, perhaps, than ever before how the arguments against Austria's economic independence were used to further Germany's imperialist designs, both before and after Hitler's access to power in Germany.

It was not without effect. The constant repetition of the same argument weakened Austria's power of political and economic recuperation and progress.

Nor, as we have seen, has this propaganda failed to make headway elsewhere. The doubts of 1920 still linger on. 121 If, in the following pages, we tell the story of Austria's economic development in her twenty years of independent existence, this is not only to show what has been achieved, and what lessons need to be drawn from the experiences and mistakes of the past, but also to destroy finally the myth of Austria's "inability to live".

•727 At present, there are naturally many initial difficulties to overcome before Austria will become prosperous and 433 economically healthy. These difficulties, however, are simply consequences of a process of looting in the course of seven years during which Austria was harnessed to the German war economy, and of heavy destruction wrought during the last phase of the war. Disruption of transport and traffic, acute shortage of food and other essentials, temporary isolation from the outside world—these are consequences of war which Austria shares with all states of Europe which had been under German rule. It is absolutely clear that without large supplies of food and fuel Europe as a whole will barely be able to live through the first years of peace. Thus, in Austria, too, all available

INTRODUCTION

energies will have to be directed to securing by improvis- 4/33
ation the bare means of existence and survival. Even 727
after the initial period only a gradual progress in recon-
struction is to be expected. This book does not intend to
deal with the difficult and manifold problems of the 121
immediate post-war emergency measures. It has a wider
aim. It proposes, by a critical study of the inter-war
period, to outline more generally how Austria, by har-
nessing all her resources and adapting herself to their
best possible use, is able to attain prosperity and to keep
pace with a corresponding process of world economy.

Before turning to the development of the inter-war years, however, a few words should perhaps be said about Austria's natural resources and about her economic development before the last war.

NATURAL RESOURCES

Austria, like Switzerland, is a mountainous country, 311
and so the scope for agriculture is naturally limited. Only [133]
28 per cent of the total area is arable land, while another
30 per cent is taken up by permanent meadow and pasture.
This compares with 47 and 18 per cent respectively for
Czechoslovakia, 68 and 19 per cent for Hungary (a typical
agricultural country), while the percentages for Germany[1]
are 46 and 17 and for the United Kingdom[2] 24 and 31
respectively. Accordingly, Austria belongs to the indus-
trial and food-importing nations of Europe. Even so, her
soil and climatic conditions have favoured the growth of
certain special branches of agriculture, such as those con-
nected with milk and milk products and fruit growing.[3]
In these fields an export surplus had been achieved by
the beginning of the thirties.

"Land not under cultivation" takes up as much as 42 311
per cent of the total. That 42 per cent represents, how- 137

1 [In 1930, i.e. exclusive of the Saar Territory]
2 [Figures for 1937]
3 [Cf. C.T. 116, p. 12 — Analyst]

CHAPTER II

THE BIRTH OF A NEW REPUBLIC: EARLY DIFFICULTIES

AUSTRIA'S EXHAUSTION AFTER THE GREAT WAR

• 727 FROM the moment of birth of the new Austrian Republic, on the 12th November, 1918, it was clear that this small country, descendant of the old 50 million Empire, was faced with a colossal task of economic and political readjustment. But this was not all. By 1918 the old Monarchy had ceased, in every sense, to be a "going concern". This rendered the resumption of normal economic life particularly formidable. For in addition to the loss of capital and of human life invariably associated with war, the cumbersome working of the Habsburg bureaucratic machine, the antagonism of the suppressed minorities, and above all the ruthless military and economic exploitation of the half-hearted Austrian war partner by the "efficient" German war machine, had all exhausted the entire economic life of Austria.

722 It had become clear, as early as 1916, that the Empire was unprepared for a long war on two fronts and unable to cope with the growing difficulties of internal inefficiency and of the blockade. By 1917 the economic and military position was so serious as to prompt the Emperor Karl to explore the prospects of a separate peace. These attempts were however quickly frustrated by the then all-powerful Germans.

722 Shortages now appeared in every field. Owing to the
433 dearth of raw materials, the indiscriminate call-up policy

722 further. There were cases when soldiers "deserted" from their training barracks to the front line because there rations were at least somewhat larger.

When finally peace came to the war-weary country, •727 economic conditions, instead of improving, actually 433 became worse. The economy was now completely disrupted, mainly because the new Austria was suddenly cut off from all normal sources of supply. Austria had habitually had an import surplus with the other parts of the Empire. Now these channels of supply were almost hermetically closed through the newly erected national frontiers. The new countries had their own serious problems of reconstruction and were of course unwilling to export important raw materials except on a strict barter basis. But in those days there was pitiably little that Austria could offer in return.

The result was that everything was short—food, coal, 727 raw materials—and many sections of economic life came practically to a standstill. The position of the population became worse; in Vienna, particularly, conditions were desperate. Not only were the usual supplies from Hungary and Bohemia no longer forthcoming; the rural provinces of Austria proper, too, withheld their produce so as to cover their own shortages. Also, war-requisitioning and the lack of industrial goods had made the peasants suspicious and hostile towards the capital. The food situation in Vienna quickly became hopeless. From August to December, 1919, the maximum obtainable per day on the bread and flour ration was 100 to 170 grammes of flour. Milk supplies (which had amounted to 900,000 litres daily before the war) dropped to as little as 30,000 litres. Even infants and invalids had to go short of milk. After more than three years of hard work and malnutrition these shortages could not but have the most damaging effects on

health. The death-rate soared.[1] A large number of people were carried off by the influenza epidemic of 1919. In the same year, the mortality among Viennese schoolchildren was 60 per cent higher than in 1913. Deaths from tuberculosis for young people between the ages of 16 to 21 years rose by 160 per cent. 727

Outside help was obviously needed if serious famine conditions were to be averted. Private philanthropic organizations, particularly in the United States and Great Britain, at once organized relief measures, and the Netherlands, Scandinavian countries, and Switzerland offered hospitality to Austrian children on a generous scale. But this was merely a drop in the ocean. A problem of this order could not be solved by private charity. The hopes of the Government therefore turned on the Hoover Mission with its considerable command of food supplies. In December, 1918, the Austrian Government succeeded in getting an advance of 4,000 tons of cereals; though in the circumstances this was entirely inadequate. Negotiations were then begun; but in spite of the catastrophic conditions in Vienna they were protracted owing to Austria's inability to procure the required means of payment; and also because Mr. Hoover's food policy was partly used as a means of influencing the internal politics of the destitute countries. In February, 1919, at last, relief credits were granted to Austria to the tune of $24 million from the United States and $16 million from Great Britain, France, and Italy (who in turn borrowed this money from the United States), and from the middle of March onwards, 1,000 tons of foodstuffs were delivered daily. In April this amount was increased to 1,800 tons daily. 727 457

The available credits soon proved inadequate and additional relief credits were provided by the same group

1 [In late 1919 -- ANALYST]

457 of countries and also by the neutral states. Altogether, between 1919 and 1921, relief credits to the value of about £27 million were given to Austria, of which £9 million came from Great Britain, the largest single lender. These relief credits were secured by a mortgage, with priority over all other charges, on Austrian State property.

But while the relief of the food situation was the most pressing need, the plight of the industrial sector was no less serious. All coal supplies from Bohemia and Upper Silesia were, at first, cut off. The domestic coal ration was 15 kg. per family per week, and even this was not always available. On the main line from Vienna to Salzburg there was only one slow train per day. It stopped at every station, and its time of arrival was anyone's guess as the breakdown of the old rolling-stock and the lack of coal caused frequent and lengthy hold-ups. Often the travellers had to walk beside the train because the locomotive could not pull the load over a steep hill. Of the blast furnaces in Upper Styria only one could be kept working; and that at a time when there was an enormous need for all basic materials. In fact, practically all important raw materials were in short supply. In consequence production had to be cut down or stopped altogether. The amount of supplies from abroad was determined by so-called "compensation treaties": barter agreements on a strictly quantitative exchange basis. There were further complications. For instance, until the rolling stock of the old Monarchy was finally divided up among the various "Succession States", all goods had to be unloaded at each frontier station, as no state would allow its waggons to leave their own territory. This tended to raise costs and to cause greater delay, reducing still further the already meagre flow of goods.

It is, therefore, not surprising that in its initial stages

production was in a chaotic state and could not absorb the 433
men who came back from the army and from the munition 727
industries. Unemployment, which had been at a level of
about 46,000 in December, 1918, rose quickly to a peak of 727
186,000 (131,500 in Vienna) in May, 1919, at the very 464
time when the Western democracies enjoyed a short-lived
post-war boom. After that, unemployment decreased steadily until it reached its lowest level in November, 1921, when there were 8,709 unemployed on the register.

THE INFLATION

The extent of Austria's economic exhaustion after the 727
last war has been deliberately described at some length so as to indicate the level from which reconstruction had to start. No doubt, it was a tremendous job. But, with the relief credits to help out in the first period of distress, it was surely not beyond the strength of the Austrian people to build up a working economy. The tens of thousands of workers who struck work in January, 1918, in order to finish the war, the soldiers who returned disgusted with the war and the old régime, the peasants who had more than enough of the constant military requisitioning, all combined to turn out the Emperor, practically without any bloodshed; and they now looked confidently to the new Republic to lay the foundations for a new life.

There was much enthusiasm here that could have been 186
harnessed to a great crusade for the rebuilding of the
nation's life. But it was the tragedy of the situation that 665
the statesmen of the day, those of the right and those of the left alike, completely lacked the required conception of leadership. Instead of stimulating the patriotic and social aspirations of the masses and guiding them in the difficult tasks of reconstruction, the general attitude of the leading politicians, reared in a 50-million empire, was to profess

1/A [Cf. CAT. 116, p. 34 — ANALYST]

648 foreign labour to Austria,[10] and also by making much
728 fuller use of Austria's resources than ever before. Indeed,
433 the organization of a war economy has revealed the
471 potential wealth of Austria—as of other countries—showing what could be achieved in peace time if only proper use were made of existing opportunities.

The increase in production, however, was also achieved by eating deeply into Austria's resources. In many cases it will take years before the damage can be repaired, if indeed it can be repaired at all. In the case of timber, for instance (an extremely important export commodity in Austria), a reckless policy of exploitation has undone many years' work of careful afforestation. The intensive cultivation of the soil and the lack of artificial fertilizers and of animal feeding-stuffs has had the most damaging effects on agriculture. Up to the middle of 1942 harvests and herds of livestock were maintained at the pre-war level; but the position has greatly deteriorated since then. 1943, in particular, was a bad year and large numbers of livestock had to be slaughtered.

The increase in the output of oil in Zistersdorf from about 30,000 tons in 1937 to something like 1 million tons (which is considerably more than Austria's total peace-time requirements) may, it is feared, have dangerously exhausted these valuable resources. Similarly, the rate of exploitation of the iron ore deposits reached an undesirably high level.[11]

• 727 Our provisional economic balance sheet would not be complete without remembering the tragic destruction of manpower: the thousands of Austrians killed in Hitler's war and the many brave men and women done to death in concentration camps and at the hands of the executioner.

1 [CR CATEGORY 116, P. 92 — ANALYST]

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

CHAPTER VII

FUTURE PROSPECTS

AUSTRIA is to-day faced with economic problems similar to those of the other liberated countries of Europe. The damage caused by air-raids, fighting, sabotage, and destruction by the Germans will have to be repaired. Large arrears of repair and replacement in building and capital equipment will have to be made good, while the transition from a war economy to peace production is presenting formidable problems of its own.

The damage which Austria's economy suffered in seven years of German occupation and six years of war is, of course, very considerable. Nevertheless, the chances for recovery and a relatively short transition period are in many ways better now than they were in 1918. First, the lightning speed with which the Red Army descended on Vienna and the important industrial districts surrounding it, have allowed Austria and Vienna to escape the disastrous destruction experienced by Budapest, Warsaw, and many German towns. Secondly, Austria is not, this time, faced with the tremendous task of changing the economic structure of the metropolitan province of a great empire into that of a small, independent state. There is now no overgrown state apparatus and no heavy burden of pensions on that score. Thirdly, there are new opportunities for firm bonds of friendship between Austria and her neighbours, Czechoslovakia and Yugoslavia, and also with the other nations in south-eastern Europe, and there is every promise of fruitful economic co-operation between them.

AUSTRIA'S ECONOMIC DEVELOPMENT

648 The suspicions of 1918 against Austria as the centre of Habsburg power has given way to a feeling of common interest after the common experience of German oppression. Fourthly, the destruction of Germany's political and economic power will, for the first time, allow Austria to re-build and develop her economy freely and without the defeatist and destructive interference of German business and its Pan-German friends in Austria. Last but not least, Austria's prospects of recuperation are better than in 1918 because Austrians themselves have changed. The experience of twenty years—not very easy ones, to be sure—of an independent Austria and of the subsequent catastrophe of seven years of German occupation have cured them of such *Anschluss* ideas as they may have had. They are firmly determined to have their own independent country and to maintain its independence. A healthy and constructive Austrian nationalism has developed in place of the defeatism and lack of confidence of the inter-war period. The active part which many Austrians took in the liberation of their country, and the speed with which Austrians of all parties came together and formed a Provisional Government of national unity is a hopeful sign for the future. Austrians have started to learn to take their fate into their own hands and not to rely solely on foreign help for their salvation. This change of outlook, if it can be preserved and fostered, cannot but greatly assist the reconstruction of the country.

• 727 186 642

600 In spite of the extreme seriousness of the present position, then, the outlook for the transition period is quite hopeful. In the first stages a certain degree of foreign help for relief and rehabilitation is, of course, absolutely essential. But if it is given speedily, without the delays and political interference which were such an unfavourable feature of the Hoover Mission in 1919, and

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

P31

I

The Austrian Problem

THE popular conception of a Europe divided by the Iron Curtain makes no allowance for the position of Austria. On one side of the curtain are East Germany and the Soviet satellite States, with Berlin heroically maintaining its insularity and faith in the future. On the other side are the West European countries, including Yugoslavia, with Albania as a queer but harmless anomaly left isolated on the Adriatic by Tito's quarrel with Russia. Austria under Four-Power occupation, yet with a Federal Government of its own, does not fit into this over-simplified pattern. The Russian zone of Austria is not behind the Iron Curtain in the same sense as East Germany, but it cannot be included in Western Europe. 648

This aspect of the Austrian question is bound up with the conflict between Russia and the West. It is a post-War development and will become clear as the story of post-War Austria is told. The main problem presented by Austria in 1945 is more fundamental and can be understood only in the light of the country's history between the two World Wars.

When the Habsburg Empire disintegrated in the autumn of 1918, the bulk of its territory and population was taken over by the so-called Succession States. All that were left to form the new Austrian Republic were about seven million German-speaking Austrians and a group of provinces extending from Hungary to Switzerland without national or administrative cohesion. For some months it was doubtful if an Austria would survive at all. From the economic and political points of view there were strong reasons why it should not. 728 642

Economically the new State was an irrational fragment which would have the greatest difficulty in paying its way. In area it was little more than an eighth the size of the old Empire. 433

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

and indirect advantages for Austria: it has saved her the expense of maintaining defence forces; it has brought home forcibly to the United States the extent of her economic needs, and it has produced political solidarity in face of the emergency. Yet Marshall Aid would in some measure have been forthcoming, and the lessons of the Coalition to some extent have been learned, had a treaty been signed in 1946. On the whole, the disadvantages of the occupation have greatly outweighed the advantages. Austria has carried the burden of occupation costs, and she has had to endure the wholesale exploitation of her oil and industry by the Russians. Above all, a liberty-loving people have had to submit to supervision and interference with their domestic affairs. The presence of the Western Allies has been appreciated in some degree as an antidote to the Russians. But even the most friendly disposed of foreigners can never really be welcome as members of an occupying force. Hotels and dwellings have been requisitioned by all four occupying Powers. Americans as well as Russians have caused trouble for the Vienna police by their propaganda. In the summer of 1952, after the United States had been strongly advocating Austrian independence for six years, considerable resentment was felt at American opposition to the Austrian Government's proposed political amnesty laws. It was quite reasonably considered that this attitude constituted unwarrantable interference in Austria's internal affairs.

As Austria was only involved in the War as part of Hitler's Empire, the treaty that is to restore her independence has, by general consent, always been described as the State Treaty, not the Peace Treaty. That is to say, no Peace Treaty is needed between the four occupying Powers and Austria, because a state of war has never existed between them. What is required is a State Treaty laying down the terms on which an independent Austrian State is to be reconstituted after its forcible extinction by Hitler.

The story of the negotiations to bring about such a treaty extends over the period from 1946 to the present time. It has been confused by the complexity of Russia's obstructive

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

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technique, which successfully prevented a treaty from being signed, in spite of substantial concessions by the Western Allies, but was accompanied by constant protestations of goodwill as well as bitter accusations against Austria and the West. As a result, the negotiators had met 258 times by the spring of 1951 and were still as far as ever from their declared objective. For the sake of clarity, the negotiations will be considered in four rather arbitrarily defined phases. But before this is done it will be relevant to consider the Austrian part in the discussions leading up to the Italian Peace Treaty.

After the First World War, Italy was given the South Tyrol, including over 200,000 German-speaking inhabitants, as a reward for joining the alliance against Germany. The Germans in the province constituted a large majority of the total population, and its transference from Austria to Italy was therefore a flagrant breach of the principle of self-determination. The very principle which had led to the dismemberment of the Austro-Hungarian Empire should have prevented the separation of South Tyrol from the new Austrian Republic.

During the Second World War Italy had been Hitler's ally, while Austria had been a victim of German aggression. When the War ended, therefore, Austrians felt that the moment had arrived for an act of great international injustice to be rectified, and impressive all-party demonstrations for the return of South Tyrol were held in Vienna and every provincial capital. Austrian feelings were shared by many informed persons in other countries, including a number of enlightened and liberal-minded Italians. Sympathy for Austria's point of view was sufficiently strong for her Foreign Minister to be invited in August 1946 to present his country's case at the Paris Conference which was meeting to consider the Italian Peace Treaty. In spite of the inherent strength of the case, which was appreciated particularly by the French and British representatives, the conference decided against Austria, and South Tyrol remained Italian. Italy had a large Communist minority, and neither Russia nor the Western Powers were prepared to risk driving her into the opposite camp by alienating her sym-

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

pathy. However, Austria and Italy were encouraged to make a separate agreement on South Tyrol, which was incorporated in the Italian Peace Treaty.

By the terms of the agreement that was reached on the 5th of September 1946 the equal rights before the law of the German-speaking and Italian-speaking peoples of the region were guaranteed, 'in order to protect the nationality and cultural and economic development of the German population'. The German-speaking inhabitants were also ensured education in their mother tongue and equality of treatment in appointment to public offices and in the use of their language in the public administration. The region was to be given a degree of legislative and administrative autonomy, and the discriminatory measures taken by Mussolini and Hitler against the German inhabitants were to be reversed. In addition, the two countries agreed to take steps to facilitate travel and intercourse between Italian South Tyrol, on the one hand, and Austrian North and East Tyrol, on the other.

Dr. Gruber has been criticized by some of his countrymen for acquiescing in the loss of South Tyrol and for making the Paris Agreement, without the whole matter being referred to the Austrian Parliament. But Austria was in a weak bargaining position in relation to the Powers represented at Paris, and he and the Austrian Government were probably wise to take the opportunity offered to ensure that a favourable settlement of the South Tyrol problem received international sanction by incorporation in the Italian Peace Treaty. On the Austrian side there has been some dissatisfaction with the political, as opposed to the cultural and economic results of the Paris Agreement, but on the whole it has worked out fairly well. Certainly the position of the German-speaking inhabitants is very much more satisfactory than it was at any time between the Wars, and there is hope for the future.

The discussions that resulted in the South Tyrol settlement took place during the negotiations leading to the Italian Peace Treaty and before the Austrian State Treaty had been placed on the Allied agenda. Nevertheless, the problem concerned

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

728 Austria quite as much as Italy, and the Paris Agreement was really an anticipation, in one field, of the Austrian Treaty.

The first phase in the negotiations for an Austrian State Treaty lasted until December 1947. It was characterized by delay and deadlock, and when it came to an end no real progress had been made, apart from the definition and clarification of differences. The diplomatic background to this period, which largely explains its negative character, was Russian disappointment with the result of the 1945 Austrian elections and Russian success in strengthening its hold on Central and Eastern Europe.

In May 1946, at a meeting of the Allied Foreign Ministers in Paris, the United Kingdom and the United States representatives declared themselves to be in favour of the immediate discussion of an Austrian treaty which would make it possible to bring an end to the occupation. Soviet Russia, however, was unwilling to proceed with the treaty until other outstanding matters had been settled. The following October Mr. Ernest Bevin said in the House of Commons that the British Government was disappointed that Soviet opposition was delaying the Austrian treaty, and would continue to take every possible opportunity to press for an early discussion of the subject. At the Foreign Ministers' Conference in December 1946 it was finally agreed that the Austrian treaty should be included on the agenda of the Moscow Conference that was to be held in March 1947 and that meanwhile preparatory work should be carried out by the Foreign Ministers' Deputies, who were to meet in London during January and February.

During the London meetings a draft treaty was prepared consisting of a preamble and fifty-nine articles, on about half of which there was unanimous agreement. On certain vital issues, however, there were wide differences of opinion, and these held up progress during the remainder of the year. The main problems were the Yugoslav claims to reparations and frontier revision and the question of German assets.

Yugoslavia claimed from Austria as reparations $150 million and all Austrian property in Yugoslavia. She also demanded

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

the cession of nearly 1,000 square miles of Southern Carinthia, including Klagenfurt, the provincial capital, and the important town of Villach, together with smaller areas of Southern Styria. The territorial claim was originally based on ethnic considerations, although a plebiscite held after the First World War had shown the area to be overwhelmingly Austrian in race and sympathy. The ethnic argument was later dropped and frontier rectification demanded as a reward for Yugoslavia's contribution to the War. Yugoslav claims were formidable, chiefly because they received strong Russian support.

At the Potsdam Conference it had been decided that Austria should pay no reparations, but it had been agreed that Germany's external assets should be used as part of her reparation payments. Soviet Russia had been assigned the German assets in the Soviet occupied zone of Austria. Disputes arose, however, over the meaning of the term 'German assets', which the Potsdam Agreement had left undefined. The Western Powers considered that only such property, rights, and interests should be considered German assets as had belonged to the German State or German nationals before the *Anschluss* or had been acquired since then on fair terms without any compulsion. But, in addition to assets in these categories, the Russians took possession of the Austrian State property that had been taken over by the German Government in 1938 and many enterprises which the owners had given up against their will or which had, like most of the oil-fields, been developed by the Germans during their occupation. The Russians refused to discuss their actions in detail and were intransigent on the question of principle. During the whole course of the treaty negotiations no agreement was ever reached between the two sides as to what constituted 'German assets'.

The Moscow Conference, which met on the 10th of March 1947, ended in complete failure, so far as the Austrian negotiations were concerned, on the 24th of April. The small Austrian delegation, which had been invited to attend, estimated that it spent 716 out of its 720 hours in Moscow in the rooms of its hotel. The negotiations were then handed over to a special

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Austrian Treaty Commission which was set up by the four Powers in Vienna. It met eighty-four times between May and October 1947, and made no progress on the points under dispute. In fact, the disagreement on the question of German assets was intensified.

By this time Austrian patience was wearing thin. Dr. Gruber, the most outspoken member of the Government, had already described the Moscow Conference as a flagrant violation of Austrian interests, a contradiction of the Allies' own arguments, and had declared that his Government saw no moral justification for prolonging the occupation. During the autumn a number of Austrian statesmen, perhaps emboldened by the independent line their country had taken over the Marshall Plan, made a number of forthright speeches demanding the restoration of Austrian independence and sovereignty. The Four Powers decided that the Austrian problem should be considered again by the Conference of Foreign Ministers that was to meet in London in December.

The London Conference marked the beginning of the second phase in the treaty negotiations which lasted until the end of 1949 and led to a considerable measure of apparent success. Progress was facilitated by a French plan to break the deadlock, by the breach between Yugoslavia and Soviet Russia, and by the Austrian Government's desire to have a treaty at almost any price, provided Austria's full political independence was guaranteed.

The French proposals submitted to the Foreign Ministers in December 1947 accepted the fact that no agreement could be reached on the definition of German assets. They suggested instead that Russian claims to German assets should be given up in return for compensation. Russia would receive a lump sum in dollars from the Austrian Government and certain rights respecting Austrian oil production and the property of the Danube Shipping Company. The French plan was supported by Great Britain and the United States, and Russia indicated that it might be acceptable as a basis for discussion.

The new proposals and Russian counter-proposals were

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considered by the Foreign Ministers' Deputies who held meetings in London between February and May 1948. Some progress was made on the question of German assets, but in the end the negotiations were adjourned indefinitely, owing to Russia's continued support of Yugoslavia's territorial and financial claims against Austria. 728

At the request of the Austrian Government, the negotiations were resumed in February 1949, at first by the Deputies, and in May and June by the Foreign Ministers themselves. Further substantial progress was made, and on the 20th of June a statement was issued announcing the agreement of the Ministers on certain clauses of the treaty. It was also made known that the Deputies were to resume their work in order to reach a final agreement on the draft treaty as a whole not later than the 1st of September 1949.

The compromise decisions that were made during the Foreign Ministers' meetings in May and June really settled the main points of dispute between the two sides. Following Yugoslavia's expulsion from the Cominform in June 1948, relations between Marshall Tito and Soviet Russia deteriorated rapidly during the spring of 1949, and Russia withdrew her support for Yugoslav claims against Austria. The Four Powers agreed that Yugoslavia should be allowed to retain Austrian property on her territory and that the treaty should contain a clause requiring Austria to safeguard the rights of her Slovene and Croat minorities. As regards German assets, the Foreign Ministers agreed in detail on the compensation the Soviet Union was to receive in return for relinquishing her general claims. This settlement represented a compromise between the original French proposals and the Soviet counter-proposals. Austria was to pay the Soviet Union $150 million in convertible currency by quarterly instalments spread over six years. The Soviet Union was also to receive 60 per cent of Austrian oil production for a period of thirty years, 60 per cent of the oil prospecting rights for eight years, and the former property of the Austrian Danube Shipping Company in Hungary, Roumania, Bulgaria, and Eastern Austria.

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•728 Dr. Gruber had been assured repeatedly by Soviet spokesmen that the last obstacle to the conclusion of the State Treaty would be removed as soon as the Soviet claims regarding German assets were satisfied. During the summer of 1949, therefore, hopes were high in Austria and the West that the treaty would be signed before the end of the year. The terms that had been agreed on were onerous and had been approved by the Western Powers only because the Austrian Government had made clear that it was prepared, if necessary, to accept heavy economic burdens in return for political freedom. Austria would have great difficulty in making the regular dollar payments to the Soviet Union and could hardly do so without help from the United States. However, the alternative of continued servitude and uncontrolled economic exploitation by Russia was worse.

The Deputy Foreign Ministers were unable to complete their task in the time allotted, but talks continued during the autumn, and by December agreement had almost been reached. A new deadlock then developed. The Soviet representative insisted on the satisfaction of claims for compensation put forward by the Soviet Union in respect of services and relief supplies furnished to Austria since the end of the War. This ended the hopeful and constructive phase of the negotiations.

The third phase lasted from December 1949 until the beginning of 1952. Throughout this period it became progressively clear that the Soviet Union had no intention of reaching an agreement, and in fact was determined, on one pretext or another, to prevent the signature of a State Treaty.

In the course of 1950 a whole series of Four-Power meetings took place at which the Austrian Treaty was discussed but no advance made towards the objective. To the claims for compensation for post-liberation services and supplies the Soviet representatives added accusations against Austria for violating the principles of denazification and demilitarization, and demands that discussions on the wholly irrelevant problem of Trieste should precede further consideration of the treaty.

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The various points raised by the Russian delegates had two things in common: they were intended to prevent progress, and they did not reveal the real reasons for Soviet obstruction. On the only occasion during 1951 when the representatives of the Four Powers dealt with Austria they decided to adjourn the discussions indefinitely.

The motives of Russia's obstructive tactics are a matter for conjecture. The draft Austrian Treaty provided for the withdrawal of all occupying forces within three months of ratification. The Peace Treaties with Roumania and Hungary lay down that Soviet troops in the two countries shall be withdrawn once there is no further need of them to guard the lines of communication with the army of occupation in Austria. It has therefore been suggested that Russia's main motive in delaying the Austrian Treaty is the desire to maintain military control of Hungary and Roumania. But, as Soviet political influence in those countries is so strong, this explanation is not entirely satisfactory. A more powerful reason for the Soviet attitude is probably the realization that once the occupation of Austria has come to an end Western influence in the country will be predominant. Russia wishes to maintain her present position by the most obvious means. Vienna still has great prestige in the Succession States, who have looked to her traditionally as a cultural and intellectual centre, and Russia's propaganda in Eastern Europe will suffer a setback if Vienna can no longer be represented as within its sphere of influence. It should be remembered that Soviet obstruction of the treaty negotiations was revived shortly after the Austrian elections of October 1949 had confirmed the crushing defeats suffered by the Communists in 1945. In addition, the occupation is a source of steady and considerable economic advantage to the Soviet Union.

The fourth phase of the treaty negotiations began in January 1952, and has not yet come to an end. It opened with a determined effort on the part of Britain, France, and the United States to get things going again. Both Austria and the Western Powers set out to make quite clear where the responsibility for

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728 past failures lay and to mobilize world opinion in support of the Austrian case.

In September 1951, in a communiqué issued from Washington, the Foreign Ministers of the three Western Powers had announced their decision to make a new and resolute effort 'to fulfil the long-overdue pledge to the Austrian people'. At the meeting of the United Nations Assembly in November both Mr. Acheson and Mr. Eden had referred to the urgency of the Austrian problem. Action was finally taken when invitations were issued to a meeting of the Austrian Treaty Deputies to be held in London in January 1952. The Soviet Government made its participation dependent on Western willingness to discuss Trieste and alleged Austrian remilitarization, and the Soviet representative did not attend. The Western Powers therefore proceeded to draw up new proposals on their own.

The fresh proposals were forwarded to Moscow on the 13th of March 1952. They consisted of a new and abbreviated draft treaty accompanied by identical explanatory notes from the three Western Powers. The notes recalled that Austria had not yet received the full independence promised her by the Moscow Declaration nearly nine years before; stated that the responsibility for this state of affairs lay 'squarely on the Soviet Government' and that 'a heavy and unnecessary burden' had in consequence been placed on the Austrian people, and recommended the Soviet Government to give careful consideration to the new draft treaty, which contained the essentials required to re-establish Austrian independence. The draft treaty itself, in eight short articles, re-established Austria as a sovereign, independent, and democratic State, with the frontiers of January 1938, declared that no reparations should be exacted from her, and provided for the evacuation of Austria by the Allied forces within ninety days of the treaty coming into force and for the restoration to Austria by the Allies of all property 'of whatever description held or claimed by them as German assets or as war booty in Austria'.

The abbreviated draft treaty was significant for two main

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reasons. Its brevity and clarity left no doubt that its sole purpose was to restore the independence of Austria, in accordance with the terms of the Moscow Declaration: any Power that rejected it would have great difficulty in persuading public opinion inside and outside of Austria ~~that it was really~~ in favour of Austrian freedom. Secondly, the omission of clauses in the previous draft treaty relating to German assets implied that the Soviet Union, after three years of obstruction and continued economic exploitation of Eastern Austria, had forfeited its right to the very favourable terms previously conceded by the Western Powers.

728

Meanwhile the Austrian Government and people made their own attitude quite clear. At the opening of the Vienna Autumn Fair in 1951, Dr. Figl, in a typical phrase, described occupied Austria as standing 'in the centre of Europe as a sort of fossilized monument to the Second World War'. In February 1952 President Körner gave a dinner-party in Vienna to the Governors of all the Austrian provinces as a demonstration of Austrian unity and solidarity. The President spoke of the way in which the Austrian provinces had grown together organically during the previous six years. In his reply on behalf of the provinces, Dr. Gleissner of Upper Austria said that in future there must be no mention of Eastern Austria and Western Austria, but only of a single unified State. 'The zonal frontiers cut through the landscape,' he added, 'but they do not cut through our hearts.' Finally, on the 2nd of April, after a series of speeches protesting against the continuance of the occupation, the Austrian National Assembly passed the following resolution with the unanimous support of all parties except the Communists:—

'The National Assembly voices the deep-felt indignation of the Austrian people and protests anew against the continuation, in violation of international law, of the occupation of Austria by alien armies; against the maintenance of military jurisdiction in all zones of occupation; against the spoliation of economic resources and against the persistent interference of the Occupation Powers in the internal affairs of Austria. The

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728 National Assembly vehemently protests against the unlawful activities of Allied business enterprises within the Republic of Austria, which operate with a disregard for (Austrian) economic laws and which fail to pay Austrian taxes.'

This national demonstration was followed by the passing of similar resolutions by all the provincial legislatures, which met in extraordinary sessions to express the Austrian people's desire for freedom.

The visits of Dr. Figl to Britain, the United States, and France in May 1952, and of Mr. Acheson and Mr. Eden to Vienna in June and September, were of significance in connexion with the treaty negotiations. The Chancellor obtained assurances from the three Western Foreign Ministers that Austria would not be forgotten during future international conferences, and Mr. Acheson and Mr. Eden, while they were in Vienna, expressed the deep concern of their Governments for the restoration of Austrian independence. Mr. Eden pointed out that he had himself signed the Moscow Declaration in 1943 and that it was the British Government which had raised the Austrian question at Moscow.

The Western Powers received no reply for five months from the Soviet Government to their proposals of the 13th of March, in spite of a reminder sent off on the 9th of May. Finally, after a further reminder, an answer was despatched on the 14th of August in which the abbreviated treaty was criticized because it did not 'guarantee democratic rights and freedoms to the Austrian people'. This was followed on the 29th of August by a violent attack on the Austrian Government from the Soviet High Commissioner in the Allied Council in Vienna. The Austrian constitution and administration were criticized as anti-democratic, bureaucratic, and reactionary, and the Austrian Government was accused of retaining 'hundreds of reactionary laws' introduced by the Hitler régime. There was no serious foundation for these accusations, which had obviously been thought out as a new method of playing for time. They were refuted in detail by the Austrian Government on the 11th of September. In reply

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728 to the Soviet note of the 14th of August, the Western Powers stated that in their opinion 'democratic rights and freedoms' were guaranteed by the Austrian constitution, but, to meet the Soviet objection, they were prepared to incorporate in the abbreviated draft treaty guarantees taken from the earlier draft treaty, which the Soviet Union had already approved. The Soviet Government was also invited to send a representative to a meeting in London on the 29th of September, at which it was proposed to resume consideration of the Austrian Treaty. No Soviet representative appeared, and in its answering note of the 27th of September the Soviet Government, in addition to dragging in such matters as denazification and Trieste, which had bedevilled previous negotiations, showed clearly its concern about the omission from the abbreviated treaty of the economic concessions made previously in its favour and its desire to return to the earlier draft.

The Austrian Government had meanwhile been proceeding with a plan of its own to bring its case before the United Nations. The idea went back as far as the summer of 1946, when, one month after the signature of the New Control Agreement, the Austrian Parliament had adopted unanimously a resolution asking permission to send a delegation to acquaint the United Nations with the position of the Austrian people. Following the stagnation of the treaty negotiations in 1950 and 1951, the plan was revived on a bigger scale, and during the first half of 1952 references by Austrian statesmen to a possible appeal to the United Nations became frequent. At the end of July the Austrian Government sent a well-documented memorandum to all countries that were members of the United Nations calling their attention to the injustice that was being done to Austria and asking them to use their good offices to persuade the four occupying Powers to evacuate Austria and restore its independence. At the same time Dr. Gruber was visiting Brazil, and a few weeks later it was announced that Brazil had decided to bring the question of the Austrian State Treaty before the General Assembly of the United Nations.

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728 The Austrian case was submitted to the Political Committee of the General Assembly on the 17th of December 1952. The resolution introduced by the Brazilian delegate called upon the Governments concerned to renew the efforts that were so urgently needed to come to an agreement on the terms of an Austrian Treaty so that the occupation of Austria could be brought to an end and her full sovereignty restored. After a series of warm speeches in Austria's favour and none against her, forty-eight countries voted for the resolution in the Political Committee and later in the General Assembly itself, while no votes were cast in opposition.

The result was a considerable moral victory for Austria and represented a mobilization of world opinion in her support. The appeal to the United Nations was opposed by some friends of Austria as untimely and likely to prove ineffective. But, though no immediate practical results could be expected, such an impressive demonstration of sympathetic impatience was unquestionably preferable to silent acquiescence in the continued occupation.

It seems unlikely that agreement will be reached on an Austrian State Treaty until there is some kind of *détente* between Russia and the West. But Austria is a region where the two sides could come to an agreement without sacrificing any major interest or principle. It may be, therefore, that the Austrian genius for conciliation, which has always been favoured by geography, has its greatest victory ahead.

II. ECONOMIC-POLITICAL ISSUES: ANALYSIS AND SOLUTION

The first part of this survey was intended /121
to acquaint the reader with a review of opinions, thoughts and trends of the scientific economic works and to furnish him with a cross-section of past and present publications which influence the intellectual profile of contemporary Austria since 1945. The second part shall acquaint the reader with Austria's many economic problems and the important aspects of Austrian economic policy, thus pointing up the expert's ideas and considerations which are at the basis of measures enacted. This will make it possible to get an over-all view of the reciprocal action between the ERP and the various economic sectors within the framework of a national economic balance.

A. The Political and Economic Reestablishment of the Second Austrian Republic. Problems of Austrian Reconstruction.

1. The Political and Economic Reestablishment of the Second Austrian Republic. 648 728

During the Second World War, particularly during the repeated meetings of leading political and military leaders, principles were laid down upon which the postwar political and economic reconstruction of the world should be based. The first of the pertinent documents was the eight-point declaration of the Atlantic Charter of August 14, 1941, by President Roosevelt and Prime Minister Churchill. Both expressed the desire to reinstate sovereign rights and autonomous government in all countries that had become victims of agression. The second basic document of this type was President Roosevelt's New Year's Message (January 6, 1942), concerning the Declaration of the United Nations at Washington, D. C., on January 1, 1942, based upon the principles of the Atlantic Charter. However, of importance to the constitutional reestablishment of Austria, was to be the solemn declaration of the governments of the United Kingdom, the Soviet Union and the United States during the Moscow Conference of Foreign Ministers (October, 1943), providing that one of the aims of this reorientation was that Austria, the first free country to become a victim of Hitler's aggression, must be freed from German rule. The great powers considered the forced annexation of Austria by Germany

648 on March 15, 1938, as null and void and further ex-
728 pressed the desire to see a free and reestablished Austria. This accomplishment would enable the Austrian people, as well as neighboring nations confronted with similar problems, to find that political and economic security which is the only foundation of a lasting peace.

The powers augmented this declaration at the Conference of Yalta (Crimea conference of February 4 - 11, 1945) by agreeing to promulgate the reinstatement of sovereign rights as well as self-government for all peoples deprived of such rights by aggressor nations. To implement the practical exercise of these rights, liberated European nations should be assisted in the amelioration of want and need as well as in the creation of a (provisional) governmental authority in which all democratic population elements were to be represented on a broad basis, and which should in turn be required to establish, as soon as possible, a government, chosen by free elections, acting in accordance to the will of the people.

642 Based upon the repeated declarations of the
727 powers the chairmen of the three political parties proclaimed the Second Republic of Austria on April 27, 1945, immediately after cessation of hostilities in Austria. In accordance with Article I of this proclamation the "democratic Republic of Austria" was reestablished and to be organized similarly to the constitution of 1920. Article II provided that the annexation forced upon the Austrian people in 1938 was to be considered as null and void. Therewith Austria joined again the family of European nations.

The first legislative acts of the provisional government concerned the framework of the constitution, the reestablishment of the legal system and the appointment of authorities. On the strength of the "Verfassungsüberleitungsgesetz" (i.e., the law to reestablish Austrian enactments for German ones), Austria was fundamentally reestablished as a democratic republic, reverting to the provisions of the federal constituion of 1920, as amended in 1929. Simultaneously a provisional constitution was agreed upon which regulated the government. In essential stipulations it conformed with the constitutional law of 1929. The "Behördenüberleitungsgesetz" (i.e., the law to reestablish Austrian authorities) was enacted to establish a new Austrian authoritative apparatus. It stipulated the definitive substitution of administrative and judicial instruments of the German Reich by

those of Austria as of July 20, 1945. This was followed by the "Beamtenüberleitungs- und Staatsbürgerschaftsüberleitungsgesetz" (i.e., a law re-establishing the Austrian status of employees and citizens), the reorganization of municipal law as well as the "Nationalsozialistengesetz," known as NS, the law prohibiting national-socialism (Verbotsgesetz 1945 and the Wirtschaftssäuberungsgesetz). 642 727

Following the arrangement agreed upon by the powers, Austria was divided into four occupation zones and their divisioning settled during August, 1945. The supreme occupation and control authority is the Allied Commission for Austria in Vienna which retained a number of sovereign rights, but which little by little after 1946 transferred substantial shares of authority to the Austrian Federal Government. 727 631 642

At the Potsdam Conference (protocol of August 2, 1945) the powers, examining the question of extending the executive power of the provisional government (Dr. Renner) which up to then covered only the Russian occupation zone, recommended the extension of this power to cover all Austria. 728

In the federal provinces, meanwhile, provisional provincial governments were established and the federal provinces constituted, permitting the functioning of a provincial legislature within the jurisdiction of the constitution of 1929. At the same time the reestablishement of the Verfassungs- und Verwaltungsgerichtshof (i.e., a constitutional court) was prepared. On October 20, 1945, the Allied Commission for Austria finally authorized the provisional federal government, to enact laws for all of Austria (which, however, first had to be submitted to the Allied Commission for approval). 631

The elections of November 25, 1945, which had been arranged by the election proclamation of the provisional government, brought about the legalization of the endeavors of the provisional government, which resigned on November 28, 1945. 666 642

1945 Election: Tally of Votes and Seats

ÖVP	(Austrian Peoples Party)	1,588,444 votes	85 seats 666
SPÖ	(Socialist Party)	1,428,441 votes	76 seats 646
KPÖ	(Communist Party)	174,387 votes	4 seats
		3,191,272 votes	165 seats

766 of the crypt, Matthias and Anna, are simple and humble, plain four-sided leaden caskets. The coffins stand side by side in long rows, bearing coats of arms, or the heads of lions beside the metal carrying rings.

Surprisingly magnificent sarcophagi stand beside them. Baroque, with its determination that one should live with every atom of one's force—and so die—has descended into the realm of the dead. Eagles about to soar in flight and couchant lions support massive coffins. Heads of veiled women, their faces wrung with grief, ornament the corners.

Maria Theresia and Franz von Lothringen! This monumental sarcophagus is a memorial of love on which the Empress and her husband are artistically depicted facing one another in lifelike fashion. At their heads waits an angel with a trumpet to arouse them on Judgment Day. Eleven of her children are grouped around the Empress, Joseph II in a simple coffin of copper.

Now Francis Joseph, after doing his duty like a soldier up to his last breath, has joined the ranks of his ancestors.

● 728 In October 1918 came the collapse of the Central Powers. English officers, standing in front of the Hotel Imperial, held in their hands newspapers with the headlines: "The War is Over."

For Austria it was much more than a war which was over. If the essential Austria had been no more than what was then laid to rest under the insignia of the Double Eagle, the country would then—in 1918—have certainly come to an end.

Instead, there occurred something entirely unexpected, something unique. The little Austria which remained after the destruction of the Monarchy, a severely mutilated torso to which in widespread circles in Europe it was sought to deny not only all rights, but even its ability to exist, this fragment of the heart of a continent defied the blows of fate and arose again, re-establishing its sovereignty as built up on and supported by the labours and solidarity of its workmen, peasants, and middle classes.

Eternal, indestructible, resurrected Austria!

• 728

When the Austro-Hungarian Monarchy broke up at the end of the first World War, this collapse meant more than the tragic end of a state or empire. In the heat of nationalistic fervour and in the enthusiasm generated by successful *Revanche* on the Rhine it was not at first realised what damage had been done to the whole European concept, and thus to every country of the Continent without exception through the destruction of the Austrian economic unit. The effect was felt far beyond the limits of the little country on the Danube.

Austria, an important keystone in the building of the European balance of power, had dropped out. The intoxication of victory hindered the conclusion of a constructive peace. The stabilising balance of two major states was lacking. President Wilson, it is true, had laid down his 14 points, but America soon returned to her old policy of isolation. Through the October Revolution Russia was for the time being deprived of all voice in foreign affairs and thus peace was in fact dictated solely by Clemenceau, the "Tiger", the Succession States formerly parts of the Hapsburg Monarchy frantically applauding his extreme chauvinism at the very one-sided peace congress. An attempt at extreme severity in the case of Germany resulted in half measures. Aiming at the exaction of a maximum of reparations, the dictated peace in this very way enabled a gigantic industrial development to take place on the Ruhr, thus involuntarily re-establishing its potential for the manufacture of armaments.

The German delegate left the gloves which he had worn in signing the peace treaty lying ostentatiously on the conference table—the challenge to a second world war!

October 27th, 1918. Appointment of the last Imperial Government under Lammasch.

October 28th, 1918. Proclamation of the Czechoslovak State.

October 30th, 1918. State Council set up under Chancellor Renner. All-Party Coalition.

November 3rd, 1918. Proclamation of the Polish Republic.

November 11th, 1918. Emperor Karl renounces all claim to exercise ruling powers in Austria.

November 12th, 1918. Proclamation of the Republic in Austria.

November 16th, 1918. Proclamation of the Republic in Hungary.

December 1st, 1918. Proclamation of the Kingdom of the Serbs, Croats and Slovenes.

February 16th, 1919. Election of a Constituent National Assembly.

April 2nd, 1919. The Hapsburgs banished and Titles of Nobility abolished.

September 10th, 1919. Treaty of Saint-Germain signed.

October 1st, 1920. The National Assembly ratifies the new Constitution.

October 10th, 1920. Plebiscite in Carinthian frontier districts goes in favour of Austria.

October 17th, 1920. Election of the First Austrian Parliament.

October 22nd, 1920. The Social-Democrats leave the Coalition Government.

December 4th, 1921. The Burgenland is restored to Austria.

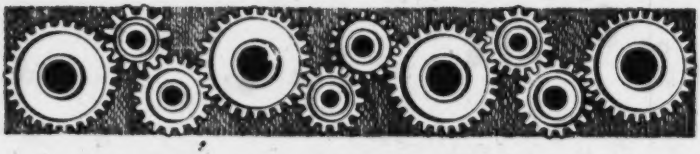
April 1st, 1922. The Death of Emperor Karl I.

August 20th to 27th, 1922. Chancellor Seipel visits Prague, Berlin and Verona.

September 27th, 1922. The League of Nations approves the plan for Austrian financial reconstruction.

March 2nd, 1925. The Krone is replaced by the Austrian Schilling.

June 30th, 1926. End of financial control by the League of Nations.



THE AUSTRIAN ECONOMY AFTER 1918.

439 The disintegration of the Dual Monarchy was immediately followed by severe economic disturbances. These were by no means small, even in comparison with the position after 1945. The heart of Austria, with its highly developed trade, was suddenly completely cut off from its former inland sources of raw products and markets. The oilfields of Galicia, like the important coal deposits in the lands of Bohemia, Moravia and Silesia, were lost, having fallen to the Succession States, and the loss of the agricultural surplus areas produced a threat of famine.

433 The Succession States—Czechoslovakia, Yugoslavia and Hungary—each attempted
439 to build up a national economy, to balance its economic structure and to make itself as far as possible independent of raw and semi-manufactured materials and finished goods. A division of labour which had grown during decades into one complete organism was thus broken up, to the detriment of all peoples living within this territory. For Austria this meant that an intensive system of internal trading suddenly turned into one of foreign trade, where great difficulties had to be overcome. At first even inter-state transport communications were further complicated by barriers created by the Succession States.

728 The nadir of those days was reached with the signing of the Treaty of Saint-
433 Germain, which revealed the full extent of the catastrophe. Austria's tragic path at that time was blocked by a series of apparently insurmountable obstacles to
458 the procuring of essential foodstuffs, coal and raw materials. Inflation to an extent never before seen set in and led to a selling-out of national assets. The unfavourable basis of the rump economic structure as well as the instability of Austria's relations with foreign countries seemed to doom all her efforts to failure.

648 After difficult but very skilfully conducted inter-state negotiations, the govern-
457 ments of Czechoslovakia, France and Italy were persuaded to advance credits to the Austrian Republic. The Allied Powers convinced themselves that Austria, if help came from the League of Nations, would exert her own energies to the
652 utmost in order to put her finances and trade on a sound footing. The will of the Austrian Government to stabilise the budget, demonstrated by the previous abolition of food subsidies (in December 1921), did much to assist these efforts. The Financial Recovery Plan which was signed at Geneva on October 4th, 1922, proved the turning

CHANCELLOR RAAB OF AUSTRIA

more than he takes part in the live- 643
ly talk.

Ten years have passed since the 728
Allies, in a solemn Moscow decla-
ration, proclaimed restoration of
Austria's sovereign independence
as one of their avowed war aims.
Today Austria's position as a "lib-
erated" victim of aggression is in
many ways worse than that of the
aggressor.

Chancellor Raab has taken the 643
activation of his country's foreign 648
policy personally in hand. Reduced
to essentials his argument comes
to this: Austria is not yet free only
because the Allies fell out among
themselves, and that is certainly
not Austria's fault. After 99%
agreement, the state treaty is being
held up only as a Russian cold-war
tactic (though, he remarked, "the
cold war in Europe has never been
quite ice-cold in Austria"). But why
not withdraw, meanwhile, the oc-
cupation armies? Democratic Aus-
tria has proved that it can fully
maintain law and order by itself,
and there would still be the Allied
high commissioners in Vienna to
watch—no foreign armies are neces-
sary for that.

Since last summer, relations with
the Russians have greatly improved,
though nobody can say whether as
a reversal from Stalin policy or
merely as political tactics. All the
same, the belated Russian conces-
sions do not go as far yet as those
made much earlier by the Western
powers. The chancellor has reacted

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

CHAPTER I

INTRODUCTION

THE IMPORTANCE OF AUSTRIA.

•128 WHEN the Foreign Secretaries of Britain, the Soviet Union, and the United States met in Moscow in November, 1943, they issued a declaration stating that Austria, the first victim of German aggression, was to regain her independence at the end of the war; that this independence was to "open the way for the Austrian peoples themselves, as well as those neighbouring states which will be faced with similar problems, to find that political and economic security which is the only basis for lasting peace"; and that Austria's position would depend on the part the Austrians themselves play in their liberation.

131 This declaration was testimony to the importance which
721 is attached to Austria's independence from the point of view of European and world peace. A glance at the map reveals at once the central position which Austria occupies in the heart of Europe. Her frontiers border on six other countries; her capital, Vienna, lies at the junction of Europe's main east-west and south-north arteries; while the Danube is a natural gateway to the Balkans. Just as the collaboration of the Habsburgs was essential to the realization of Emperor Wilhelm's Berlin-Bagdad dreams in 1914, so the occupation of Austria in 1938 was the first prerequisite for Hitler's attacks on Czechoslovakia, Poland, the Balkans, and the Soviet Union. A prosperous and independent Austria, fully co-operating with her

THE SHADOW OF GERMANY

Fifth Column was a powerful weapon in Germany's arsenal for her attack on Austria's independence. 668 648

AFTER THE ANNEXATION

The economic implications of the occupation of Austria were as little appreciated at the time as its political and strategic significance. In fact, Germany's war potential was greatly strengthened as a result. Austria's iron ore, magnesite, timber, electric power, etc., afforded valuable relief to Germany's war industry which was beginning to run short of raw materials. Austria also provided a source of skilled manpower which could be harnessed to the growing efforts of the German war economy. 728 648 439

Moreover, the gold and foreign exchange reserves found in the Austrian National Bank were of great immediate importance in helping Germany to build up emergency stocks for the coming war. Heavily indebted to her clearing partners, Germany had found it increasingly difficult to obtain foreign exchange for even the most essential raw material imports. The gold reserve of the Reichsbank had fallen to the extremely low level of RM. 76 million. They were now able to lay their hands on a gold reserve of more than 420 million schillings, or roughly RM. 200 million. Moreover, Austria had at that time some 200 million schillings of clearing balances to her credit (mainly from Germany and south-eastern Europe). Thus Germany was, at one stroke, rid of the problem of paying Austria and was able, with the help of Austria's claims, to settle her long-standing debts in the Balkans.

Finally, the occupation of Austria enabled Germany to outflank Czechoslovakia's strategic defences, and opened the road towards the east. The economic encirclement of eastern Europe was also complete. The Balkan countries had become dangerously dependent on trade with

•728 Germany which had swallowed up one of their important customers and suppliers—Austria had up till then occupied the third or fourth place in the foreign trade of most of these countries. Politically and economically Germany had become the complete master of the whole area.

471 For Austria, of course, the occupation meant far more than a dangerous shift in Europe's economic balance. Her economy ceased to exist as a separate entity; within a very short time it was completely absorbed into Germany's war economy and her "New Order".[5]

The Germans were able at once to lay their hands on all Austrian State property. The railways were incorporated into the German railway system, the State forests taken over by the German State. The State monopoly in salt was given to the Deutsche Bank, and the tobacco monopoly taken over by a private German company. Far more important, however, were the shares of the Credit-Anstalt which were owned, at that time, by the Austrian Government. After the reorganization of the Credit-Anstalt in 1931, 49 per cent of its shares were taken over by the Government. These, together with some others, were now transferred to the Deutsche Bank. Since at the same time the only other important bank, the Zentraleuropäische Länderbank, came under the control of the Dresdner Bank, practically the whole of Austria's banking and insurance business had passed into German hands.

471 It must be borne in mind, in this connection, that the Central-European banks held a key position in the industrial life of their countries. It has been estimated that the Credit-Anstalt controlled almost 90 per cent of Austria's industry and agriculture. Moreover, the Austrian banks and financial institutions still possessed considerable investments in the Balkan countries, particu-

[CA p. 91. CATEGORY 116 -- ANALYST]

larly in banking, and in the textile, chemical, and food-processing industries.[7] All these controlling positions now passed into the hands of the German banks. Vienna became Germany's launching ramp for south-eastern Europe, and Austrian economic quislings greatly helped the Germans to advance their economic penetration of the Balkans.

But the indirect control of Austrian industry through the banking system was only a first step. Within a very short space of time all the more important Austrian firms passed either partly or wholly into German hands. This was achieved either by methods of outright robbery, as in the case of "aryanization" (the confiscation of Jewish property), or by exploiting the financial difficulties in which many firms had been landed as a result of the occupation and incorporation of Austria; or through a skilful handling of the financial control which had been gained in the first instance. In this way all important industrial enterprises were absorbed into the big German combines like the I.G.-Farben, Krupp, Henschel, Vereinigte Industrie—A.G., and particularly the Hermann-Goering Works, which acquired the control of the largest part of Austria's heavy and allied industries.[8] Altogether, it has been estimated, a share capital of about 380 to 400 million schillings (of industrial, commercial, and banking firms) passed into German hands. This compares with a sum of about 710 million schillings which was the total value of all shares admitted for quotation on the Vienna Stock Exchange in August, 1938.[9]

While the big Austrian firms were being subjected to German control a process of decline took place among the smaller firms. Many small business men were ruined by the policies of rationalization, concentration, and above all by the extension of war production at the cost of the

1 [Cf. Canterbury 116, p. 91-92 -- Analyst]

471 typically Austrian high-quality consumer goods industries. Between 1938 and 1942, the number of business enterprises in Austria declined from about 21,300 to 16,300, while the corresponding number in Germany increased from 337,000 to 353,000 over the same period.

648 The changes were less spectacular in agriculture. But
423 many of the large estates belonging to the Church and the
167 monasteries as well as State-owned land came into German
728 ownership. Farmers who were in difficulties were not assisted but bought out and German "hereditary farmers" (*Erbhofbauern*) were settled in Austria. At the same time the sons of Austrian peasants were sent to Poland, Russia, and even to Bohemia and Moravia in order to "colonize" these areas. However, the changes in property relations were of less importance in the sphere of agriculture than the extreme regimentation of production and the system of forced deliveries which reduced the peasants to a state of serfdom.

728 It is too early as yet to give an exact picture of the effects
471 of seven years of German domination on Austria's economy. Some major results are, however, clearly discernible.

648 First, it is clear that the Germans completely changed
433 the economic structure of Austria. Austria's economy was wholly adapted to suit the needs of the German war machine. And since Austria, like Czechoslovakia, was for a long time the safest place from air attack in Hitler's *Festung Europa* it became one of the most important centres for the production of armaments. Heavy industry was greatly expanded. In Linz alone the Hermann Goering concern erected 320 coke ovens and 6 blast furnaces. In 1943, it was estimated that about 25 per cent of Germany's war industries had been concentrated in Austria.

On the other hand, many of the specifically Austrian

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

industries producing high-quality goods such as electrical equipment, precision instruments, food products, leather goods, arts and crafts, the fashion industry, etc., were either completely ruined by the dearth of raw materials, or they lost their identity by being absorbed into some German concern. Many smaller firms with a high reputation had to close down, and their carefully built up personnel was drawn into the army or into the armament industries. A considerable effort will be required to restore these enterprises which are of great importance for Austria's exports, particularly in her trade with Britain and the United States.

In agriculture, too, the many promising developments before 1938 were brought to an end and production was devoted to the sole purpose of yielding as great a surplus for Germany as possible. In particular, the output of vegetables, staple foods and industrial crops was greatly stepped up.

While Austria's economic structure has been altered, total production was greatly increased. Between 1938 and 1944 steel output, for instance, was doubled; the production of aluminium rose from about 4,000 to 72,000 tons, and the generation of electricity increased from 2½ million kW.h. to almost 10 million kW.h.

The upward trend in war industries was accompanied by considerable shifts in the location of industry. In particular, the Linz-Wels-Steyr area in Austria was greatly expanded and converted into a huge centre of heavy industry. Motor roads and inland shipping facilities were also greatly extended.

These increases were achieved through a considerable reduction in the output of the consumer goods industries, by neglecting the replacement of worn-out machinery, by moving German capital equipment and German and

648 foreign labour to Austria,[10] 1 and also by making much
728 fuller use of Austria's resources than ever before. Indeed,
433 the organization of a war economy has revealed the
471 potential wealth of Austria—as of other countries—showing what could be achieved in peace time if only proper use were made of existing opportunities.

The increase in production, however, was also achieved by eating deeply into Austria's resources. In many cases it will take years before the damage can be repaired, if indeed it can be repaired at all. In the case of timber, for instance (an extremely important export commodity in Austria), a reckless policy of exploitation has undone many years' work of careful afforestation. The intensive cultivation of the soil and the lack of artificial fertilizers and of animal feeding-stuffs has had the most damaging effects on agriculture. Up to the middle of 1942 harvests and herds of livestock were maintained at the pre-war level; but the position has greatly deteriorated since then. 1943, in particular, was a bad year and large numbers of livestock had to be slaughtered.

The increase in the output of oil in Zistersdorf from about 30,000 tons in 1937 to something like 1 million tons (which is considerably more than Austria's total peace-time requirements) may, it is feared, have dangerously exhausted these valuable resources. Similarly, the rate of exploitation of the iron ore deposits reached an undesirably high level.[11] 1

727 Our provisional economic balance sheet would not be complete without remembering the tragic destruction of manpower: the thousands of Austrians killed in Hitler's war and the many brave men and women done to death in concentration camps and at the hands of the executioner.

1 [CF CATEGORY 11b, p. 92 — ANALYST]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

government of Lower Austria, shortly afterwards becoming President of the Austrian *Bauernbund* and Governor of Lower Austria. At the same time he improvised measures for the relief of famine in Vienna. The Russian military authorities were persuaded to put two or three dozen lorries at his disposal. The drivers reported to him every morning, and, accompanied by volunteer civilian guides, were sent out into the countryside to collect supplies. In the evening they returned, and the food was handed over to the municipality for distribution. Figl was specially qualified to perform this service, because he had the confidence of the peasants.

While these developments were taking place in Vienna, a series of events had occurred in the country south-west of Vienna which were to have a decisive influence on Austrian history.

In the village of Gloggnitz, at the foot of the beautiful Semmering Pass, Dr. Karl Renner, senior and most respected member of the Austrian Socialist Party, had been living since his enforced retirement from active politics in 1934. In April 1945 he was seventy-four years old, but still strong and active in body and mind. Gloggnitz was not far from Köszeg, the point on the Hungarian border where the Russian troops first entered Austria. It was therefore one of the first villages to be occupied. Dr. Renner, having advised his fellow villagers to stay where they were and not run away from the advancing army, was disappointed at the rough house-searchings to which all of them were subjected. On Easter Tuesday, therefore, two days after the arrival of the Russians, he took his stick and, without bothering to put on a coat, walked down the street in search of the local command post, in the hope of convincing the officer in charge of the villagers' peaceful intentions and preventing further mistreatment. He was directed to the next village, a mile and a half away, and there by a fortunate chance found some officers who knew his name and past record. He was sent by lorry to higher headquarters at Hochwolkersdorf, where he was received with great respect and spent the evening in discussion with senior staff officers.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

Nevertheless a great deal was accomplished at every level; by the Central Government itself, by the provinces, and by the municipalities. And it was not long before the results of their efforts could be seen. Following the example of Vienna, in some cases at the same time, the machinery of local government was set in motion in the villages and towns by the joint action of all parties. This work was carried out with the support of the Russian military authorities, who, however, did not attempt to exercise any undue influence. That this attitude should be taken by an occupying Power, in some cases while fighting was still in progress, is something for which the Russians deserve full credit. In Vienna, before the end of April, several tram services were again working, and gas and electricity were available in some parts of the city. At the beginning of May the first trains left Vienna for Klosterneuburg and Wiener Neustadt, and a restricted mail service was started again. At the end of the month the lighting of private houses was possible for short periods daily, and this was followed early in June by the restoration of street-lighting and a considerable relaxation of the curfew regulations that had been introduced in April. A very limited radio service had been opened in April, and on the 12th of June *Neues Österreich* announced proudly that for the first time for seven years the voice of Austria could be heard again by wireless in the outside world.

663 [648]

The two most serious matters to be settled were the problems of food and security.

The famine conditions in liberated Vienna could not easily be overcome. The city's supply problem since 1918 had always been a difficulty, and the situation in the spring of 1945 made it infinitely worse. The breakdown of communications, the vast number of refugees, and the inevitability of the Russian troops living partly off the country, when they first arrived, led in May to the reduction of the ration to 350 calories a day. The Austrians made every effort to improve the situation, though with little success. Figl's improvised collection service has already been described.[1] But the previous year's stocks were almost exhausted, and the prospects for the new harvest could

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[1] [Ct. cat. 116, p. 20 — Analyst]

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

731 hardly have been worse. The fighting in Lower Austria had coincided with sowing time; horses and tractors had been carried off; men of military age were still away, and the forced foreign labour brought in by the Nazis had disappeared. Women dared not go out on to the fields, and their menfolk were unwilling to leave them alone at home, with Russian troops in the neighbourhood. In these circumstances the well-intended exhortations of the *Bauernbund* and the efforts of the Lower Austrian Government could have little effect. The only hope was Allied help, and this was fortunately forthcoming. In May the Russian Army began to release food from its own stocks, and in September all four occupying Powers joined in alleviating Vienna's supply problem.

625 648 The disintegration of the Austrian police that accompanied the liberation left the country without a force for the maintenance of law and order at a time when it was most needed. Joint Russian and Austrian improvisation, however, produced a reasonably satisfactory solution of this problem, though an increase of crime was inevitable under the exceptional conditions of the time.

The Russians first established groups of auxiliary police largely under Communist leadership in the Vienna districts and parts of Lower Austria. The Austrian partisan battalion from Yugoslavia, which arrived in Vienna on the 12th of May, was also installed as a kind of Communist party-guard in the Hofburg, the old Imperial Palace, which had become the Russian headquarters. But from the beginning loyal Austrian police officials were also working energetically for the re-organization of the police. They operated at first from the Auersperg Palace, the headquarters of the Resistance, and, as early as the 13th of April, contrived to get a poster printed calling on former members of the police who had not been Nazis before 1938 to present themselves at a rendezvous in the Kandlgasse. It was very fortunate that Oskar Helmer, the Socialist Under-Secretary in the Ministry of the Interior, was one of the strongest personalities in his party. He worked consistently to prevent the re-organized force from coming under

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

acceptance of such conditions. The United States High Commissioner replied by declaring that he would welcome aid to Austria under similar conditions from any other Powers, and that the American wish was for Austria to become independent of United States assistance as soon as possible. 648

The attitude of the Austrian Government in face of the implied Russian threat was courageous and firm. It informed the Soviet High Commissioner that some of the precautionary conditions in the agreement of which he complained were made necessary by the extra-territorial practices indulged in by the industrial enterprises in Austria under Soviet administration. These made it impossible for the Austrian Government to give assurances that American relief supplies would go exclusively to meet the needs of Austrians and not 'those of other Governments'. It was confident that the United States would be ready to withdraw the conditions as soon as the assurances could be given, and suggested that a good first step in that direction would be for the Soviet administration to begin conducting the industries under its control in accordance with Austrian laws and regulations.

Although the Paris Conference to discuss the Marshall offer met on the 12th of July 1947, the European Recovery Programme did not go into effect until the 3rd of April 1948, when the United States Government finally approved the first instalment of the necessary funds. By that time Austria had had almost three years in which to recuperate after the War. Before considering the contribution of Marshall Aid to Austrian recovery, therefore, it is necessary to examine briefly the state of the Austrian economy at the beginning of 1948.

Apart from the disastrous legacy of the War and the hand-to-mouth economic policy forced on the Austrian Government by lack of food, Austria had to contend with two other difficulties during 1946 and 1947. They were both unusually dry years, and there was a crippling shortage of coal. 731

Rainfall means a great deal to Austria, partly owing to its dependence on hydro-electric power, and partly because the climate of the chief grain-producing area is only just wet

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

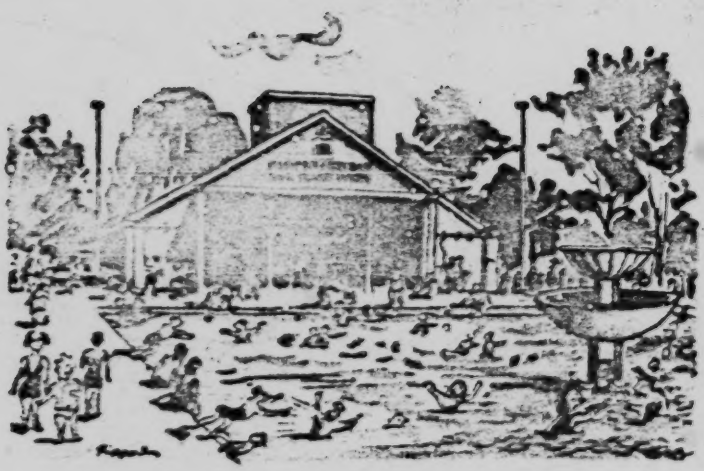
•731 enough for grain production. The effects of the drought at this time were particularly unfortunate. Agriculture, from which much had been hoped, made no contribution whatever to [433] recovery. Food production in 1947 did not even reach the low level of 1946. Similarly, though hydro-electric current production was potentially over 60 per cent greater than in 1937, the total current produced in 1946 was only 24 per cent higher than in 1937. The following year it rose by about 2 per cent, but this was due entirely to the increased production of steam-driven power-stations. The amount of hydro-electric current actually fell.

316 There were several reasons for the coal shortage. Europe as a whole was short of coal. Austrian consumption had risen 433 owing to the new iron and steel works at Linz, the development of steam-driven power-stations, and the needs of the occupying forces. The country had not the foreign exchange to pay for the coal needed from abroad, and the coal provided by the Western Allies from Germany was restricted by lack of transport.

433 For several weeks at the beginning of 1947 Austrian industry practically came to a standstill owing to what were euphemistically described as 'fuel and power holidays'. Finished-goods industries were completely closed down. The paper industry for a time virtually ceased to operate, and even some firms classed as essential had to suspend work. Such a stoppage was a major disaster for an economy struggling against odds to get on to its feet.

The 1947 production figures for some of Austria's key industries give an idea of the position of the Austrian economy when Marshall Aid began. It must, however, be remembered that the situation at the end of the year was better than at the beginning, and that in the case of most industries it continued to improve during the first three months of 1948. The position, therefore, was somewhat better in April 1948 than the figures indicate.

In each case, except for agricultural produce, the production by weight is given as a percentage of the 1937 figure:—



Children's Open Air Bathing Pool of the Vienna Municipality.

744 modernity swept through the established youth welfare centres of the Municipality. The uniformed Mr. Squeers with his rod had to make way for the teacher. The new crèches of the Municipality of Vienna may be regarded as a crowning achievement of youth welfare progress. The Municipality also struck a completely modern note by instituting and fitting out kindergartens based on the principles of the famous child psychologist, Maria Montessori.

744 The measures taken to carry on the war against tuberculosis were equally revolu-
734 tionary. Tuberculosis welfare centres now take over the victims of this disease and either send them off for the necessary curative treatment or at least keep a regular check on their state of health. In the Krankenhaus der Stadt Wien at Lainz, a new pavilion for tubercular patients was constructed and the former sanatorium of the "Steinhof" lunatic asylum became the tuberculosis sanatorium of Baumgartner Höhe. The other municipal hospitals were brought up to date, five grammes of radium were bought, a cancer ward was established in Lainz Hospital, special wards for diet treatment and for the care of rheumatic patients were instituted and the municipal Old Age Homes were modernised and extended.

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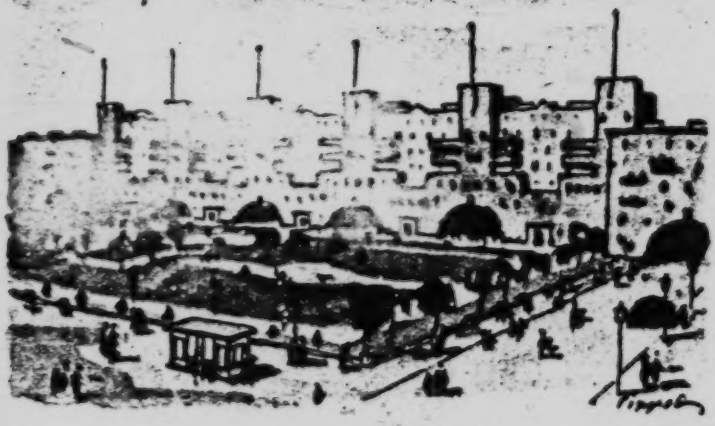
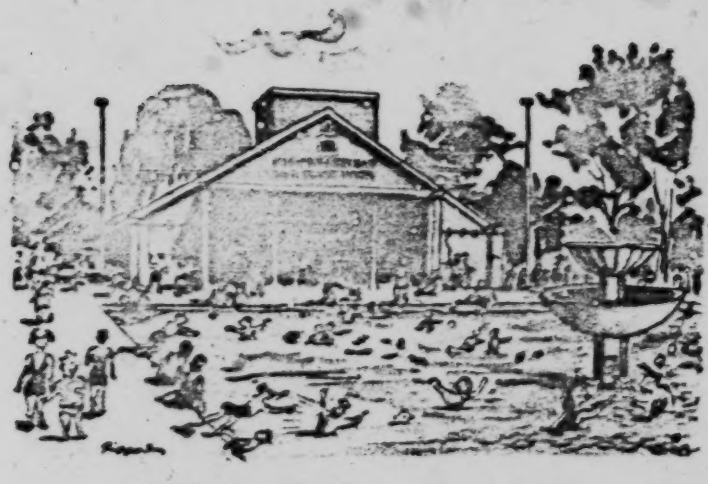


Karl Marx-Hof

to that for adults. The Vienna Municipality has therefore set up a welfare system 746
which makes use of welfare officials who are carefully trained for their task as well as of honorary workers who are the representations of the population and exercise the function of controlling as well as that of assisting the activities of the officials. Within the framework of this welfare organisation, and in accordance with the 744
individual needs of certain branches of the work, there are special personnel trained in youth welfare work and others schooled in the care of tuberculosis patients. The principle of prophylaxis has been made the guiding principle of the whole public welfare service. Accordingly, welfare care begins before birth and extends to all babies and children, healthy or ailing. Every mother who applies for it receives a complete layette for her new-born child. Expectant mothers are encouraged by money grants to submit to the Wassermann test in order to combat hereditary syphilis. Medical examination of school-children at regular intervals was instituted, and women welfare workers appointed for the schools. Provision of school meals ensures that the attention of the children should not be adversely affected by hunger. School dental clinics, optical inspection at regular intervals and holiday schemes complete the programme of preventive welfare for young people of school age. A gust of



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3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

435 465 to increase wages. But it was recognized that the Federation of Trade Unions could terminate the Agreement, and demand higher wages, if at any time the cost-of-living index should rise more than 10 per cent above the wage-rate index. Actually this state of affairs occurred within three months, but currency reform was then imminent, and the trade unions decided to continue the Agreement. In the end it lasted for just over a year and performed a valuable service at a critical time.

When the year was over the cost of living had risen by an additional 15 per cent, and the Government was anxious to abolish some of its food subsidies, a procedure which would have the effect of raising it still farther. There had, however, been some progress towards economic recovery, and the national income was rising. In order that wage rates should keep pace with these two tendencies, the Second Price–Wage Agreement was made in September 1948. Government subsidies for meat, milk, and fats were removed. At the same time wages and salaries were increased by 6 per cent. A flat-rate food bonus of thirty-four schillings a month was given to every employee by his employer, and a family allowance of twenty-three schillings a month was paid for every child by the State. The policy of equalizing incomes was much less marked than in the First Agreement, but the introduction of the flat-rate bonus carried the levelling process one step farther.

The Third Price–Wage Agreement of May 1949 was due to the danger of a serious budget deficit. It was a much more complicated measure than the first two and involved the introduction of additional taxes and of an important piece of social legislation.

Railway and tram fares, postal charges and the cost of gas and electricity were all increased. Social insurance contributions were raised and higher taxes imposed on income, capital, and purchases. Government subsidies on coal, potatoes, and grain were abolished.

[745] To gild the pill as far as possible and offset in some measure the rise in living costs a series of concessions were made. An adequate system of old-age pensions for workers was introduced.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

[p. 148]

IX

Social Change

178 565 BETWEEN the two World Wars the whole structure of Austrian society was radically transformed. The social pyramid, culminating in the great aristocratic families and the Emperor, began to disintegrate when the Habsburg power collapsed and Austria, from being the centre of a great cosmopolitan Empire, became a poverty-stricken fragment struggling to make ends meet. The process of disintegration was completed by the post-War inflation and the economic crisis of 1930–1. When the Second World War broke out, the most glaring inequalities of the years before 1914, with the glamour and the squalor that accompanied them, had largely disappeared.

745 During the period of transition a new social order was built up in Austria which was one of the most advanced and en- 466 lightened in the world. The origins of Austrian social legislation go back as far as the years 1882–8, when laws were passed regulating labour conditions and introducing compulsory insurance against accident and sickness for certain limited classes of industrial workers. This was followed during the first decade of the present century by measures establishing pensions for salaried employees on a contributory basis. On these foundations, after 1918, a whole series of laws was passed under the influence of Ferdinand Hanusch and Dr. Joseph Resch, the first Austrian Minister of Social Welfare. Subjects covered included unemployment insurance, holidays with pay, the extension of accident and sickness insurance, the eight-hour day, the abolition of night work for women and juveniles and of all work for children, and the introduction of Works Councils and factory inspectors. During the same period 562 Vienna was attracting world attention by its radical improvement of the housing conditions of its workers through the

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

construction of great blocks of flats. By 1938 a social revolution had taken place, though it lacked the dramatic and catastrophic features that have made some less successful revolutions more famous. 362

Under the German occupation Austrian social legislation was replaced by the National-Socialist system. In spite of its authoritarian nature, this system had certain advantages. It included old-age pensions of a kind and much better provisions for agricultural workers. On the other hand, in many respects it was not up to the Austrian standard, and it shared the unreality common to most of the benefits bestowed by Hitler. The total reserves of the Austrian social insurance administration were taken over by the German Government and used for war purposes, so that in 1945, with nothing but worthless German bonds to their credit, the Austrians had to start again from the beginning. Only on the basis of funds provided by the Government was the revived Austrian Ministry of Social Welfare able to make any payments at all. 745

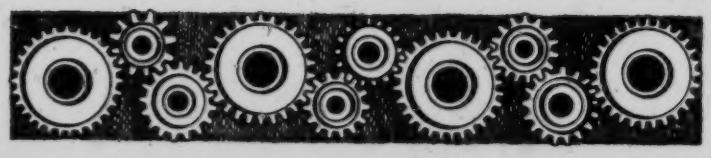
After 1945 the situation was too critical and the administrative problems too pressing for any restoration of the Austrian system of social insurance to be practicable. The public and the officials concerned were used to the German methods, and it would have been asking for trouble to add in any way that could be avoided to the almost intolerable burden already resting on the authorities. It was therefore decided to replace the authoritarian features of the German system by democratic methods and retain it for the time being. A modernized Austrian system of social legislation was to be introduced step by step, after the necessary preparatory work had been done.

Since the War a series of measures have been approved which have had the effect of filling the gaps in the imposing legislative structure built up after 1918 and of improving it in certain respects. In July 1947 a law was passed which greatly improved the conditions governing paid holidays for workers and brought them close to those applicable to salaried employees. Whereas previously two weeks were the maximum that a worker could obtain, the new law gave him the right to 466

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

466 three weeks' paid holiday after five years' service and a month after fifteen years. The Agricultural Labourers' Law of June 1948 extended to workers in agriculture and forestry the conditions and privileges assured to industrial workers by previous laws. This much-needed piece of legislation is one of the most important measures that have been passed since the War. It covered labour contracts, working hours, overtime, holidays, protection against accident, employment of women, inspection of working conditions, and workers' representation. As has 745 already been seen, the Third Price–Wage Agreement, in May 1949, introduced an adequate old-age pension scheme for workers for the first time. During the German occupation old-age pensions were covered by the Invalid Insurance, a classification typical of the National Socialist attitude towards old age. But the sum of forty marks a month paid under this system in 1945 was quite inadequate to cover the barest necessities. The new scheme provided for pensions of 282 schillings a month—a substantial improvement, even allowing for the devaluation of the schilling. This meant that wage-earners at last had a pension scheme comparable to that in force for salaried employees. A law passed one month later widened the scope of unemployment insurance to include certain categories that had previously been left out and did away with the means test for those in receipt of unemployment benefit.

466 The Works Council Law of March 1947 was of special significance, because it took a tentative step in the direction of the system that has since become well known in Germany as *Mitbestimmung*, or co-determination, by which the workers in certain industries actually take part in the management of the concern in which they are employed. The law of 1919, which set up the Austrian Works Councils, provided that they should concern themselves with the economic, social, and cultural interests of the workers and employees. The new measure laid down that a Works Council could make suggestions and recommendations to the management of an enterprise concerning efficiency and productivity, in the general interests of



point. The banknote printing presses were stopped and national administration 652
put on a firm footing through drastic measures of economy.

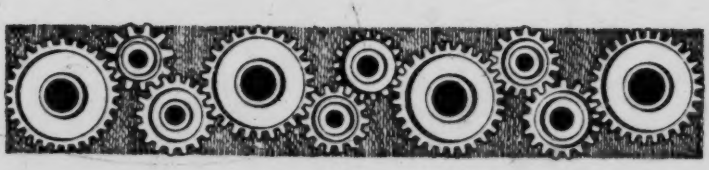
However praiseworthy the efforts which led to a balancing of the budget, the 433
difficulties which still confronted Austrian trade remained considerable. Austria's
productive capacity was far greater than its markets (which had shrunk to an eighth 439
of their former size) could possibly absorb. As a great part of Austrian industry
was devoted to manufacture, the country was dependent on the import of foreign
raw materials (textile, metal and chemical raw materials, hides, furs etc.) and
auxiliary materials (above all coal). On the other hand, the social services (unem- [745]
ployment pay, emergency aid, health insurance etc.) which were more extensive
than in all the other Danube States made the costs of Austrian production comparatively high.

All Austria's efforts were directed towards export. In 1931, 25 per cent of all inland output was exported, 45 per cent of this being industrial production. If one works out the value of goods exported per head of population and compares it with the exports from other countries it will be seen that in 1937 Austria was ahead of Germany, France and the U. S. A., the comparative figures being 39 : 36 : 34 : 28.

As an industrial country, Austria was forced through the ceding of her agricultural
surplus-territories to rely on the import of foreign foodstuffs. These imports had 457
to be paid for by the export of industrial goods, as had also the raw and auxiliary materials.

According to the balance of payment figures for the year 1934, the exchange of commodities, which amounted to 63 per cent of all listed inter-state payments was the most important item of Austria's inter-state economic transactions. Second in importance were payments under the heading of invisible imports and exports (balance of services), which amounted to 23 per cent of the total payments. Austria made a profit on these transactions of about 200 million schillings. That proportion of the goods imported which could not be covered by exports alone was therefore paid for by services in the strictest sense of the word. Of these services, the tourist trade and transit trade were the most important.

Through the loss of former markets, Austria was forced to form new export connect- 439
ions in the north, south, west and overseas. As the goods which had formerly been exported to the east and south-east were not automatically marketable in these



652 the budget of Austrian administration at the end of the First Republic must be considered to have been thoroughly satisfactory. The often apparently insurmountable difficulties which confronted economic policy in those days were dealt with in such a manner that the state of Austrian trade in 1937, judged by production, income and consumption, could in every way bear comparison with that of other countries. During the whole of this period the national budget was balanced and the currency was considered to be one of the most stable in Europe. The Austrian Schilling was known in general as the "Alpendollar" on account of its stability.

653 The administration of the Federal Government as well as that of the various provincial governments was developed on the basis of a balanced economy as a framework of a general working programme. In the first place road-building was started, improvements carried out and private building activity encouraged to make investments. The number of unemployed ceased to increase and even showed a slight tendency to fall from season to season through large-scale recruiting of workers for the land. The actual unemployed were able to draw on unemployment insurance funds. Weekly payments of about 28 Schillings per person meant that even during those difficult years nobody had to suffer hunger. These social measures, passed during the first ten years of the Republic, still remain in force for the

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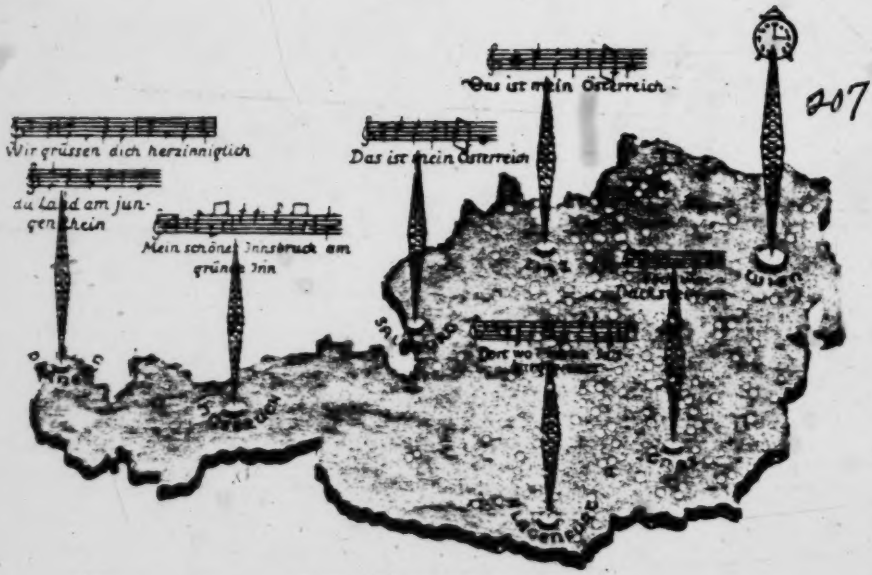
functioning of the Austrian credit system. This aim was principally served by the Bank Reopening Law and the Banknote Transition Law of July 1945. These were followed at the end of 1945 by the Schilling Law which restored the Austrian Schilling in place of the Reichsmark currency and attempted to combat symptoms of inflation (which in part had appeared before the fall of the Nazi Government) by the blocking of accounts. Two years later the Schilling Law was reinforced by the Currency Reform Law which declared forfeit the greater part of the frozen assets which had been created by the Schilling Law and changed the remaining accounts (then only partly free) into liabilities of the National Treasury. The stabilisation of the currency at which the Currency Reform Law aimed has been successful, and the Schilling has once again become a real standard of value as a result of this measure.

Apart from the prominent part they played in carrying through the currency measures, the credit institutions were naturally chiefly concerned with providing a basis for their primary economic function, that of collecting superfluous money and directing it to the most useful channels of general trade.

Progress made in both these directions, and future prospects are by no means inconsiderable. There is an obvious return of confidence in the banks. This is shown by the slow but steady increase in deposits, encouraged by re-adoption of the principle of the secrecy of bank transactions and by



Austrian Broadcasting Centres.

protection of individuals who have lost their work and, of course, contribute the social security of the State.

The annexation of 1938 and the Second World War robbed the Austrian People of its freedom and the fruits of twenty years of painstaking reconstruction.

THE ECONOMIC POSITION AFTER 1945.

Austria's liberation had to be paid for by severe economic sacrifices. Compulsory incorporation into German armament production had been followed by far-reaching changes designed to increase Germany's output of war materials. The necessary investments for renewals and replacements could not be made, while machinery deteriorated more rapidly. Apart from this, Austria had been exposed from 1943 onwards to the effects of bombing, which increased towards the end of the war

same opportunities of quick and cheap buying, found their receipts insufficient to replace their working capital. The tendency towards concentration was thus greatly accelerated in this period. The larger concerns and the banks especially were able to expand at the expense of the smaller enterprises. 458 434

Although money wages rose considerably during the inflation, they lagged greatly behind the cost of living. This was true at least until 1922 when both prices and wages came to be fixed in terms of dollars (and thus rose automatically with every depreciation of the Crown). The following wage indices for certain categories of labour show the deterioration of real wages: 465 458

INDEX NUMBERS OF WEEKLY WAGE RATES OF WORKERS IN VARIOUS OCCUPATIONS IN VIENNA[1]

(1914 = 1)

	Brick-layers	Printers	Joiners	Metal Workers	Tailors	Cotton Spinners	Cost-of-Living Index
1921.							
Dec.	541	385	503	394	338	424	661
1922.							
Mar.	858	617	603	585	666	627	989
June	1,180	935	1,131	810	915	1,477	2,339
July	2,030	1,280	1,290	1,546	1,419	1,419	3,308
Aug.	2,910	3,270	3,019	2,162	4,481	4,675	7,422
Sept.	8,980	6,060	6,570	6,603	5,377	6,358	14,153
Oct.	11,600	7,270	8,333	8,637	7,618	7,714	12,965
Nov.	11,600	7,270	8,333	8,637	7,618	7,188	12,158
Dec.	11,300	7,270	7,666	7,786	7,085	6,837	11,737

Salary earners (such as clerks, teachers, and civil servants) were even worse off than wage earners as their incomes were revised upwards only at rare intervals.

Worst of all, of course, was the position of old-age

1 [CP CAT. 116, p. 35 -- ANALYST] 458 745.

9: Rothschild E-4, 5 (no date) 1947 EK1 Austria EK1

458 745 pensioners and others dependent on small fixed incomes. These people were reduced to abject poverty; they were compelled to sell most of their belongings and to turn to public assistance. These reductions in income occurred side by side with the creation of a small class of new rich—the inflation profiteers who had been able, through skilful buying and selling, to amass considerable wealth.

458 433 464 But there was also a brighter side to the picture. In the first stage of inflation, at least, the rising price level and the flow of new money stimulated industry and quickly raised production above the stagnating post-war level. The unemployed, whose number had greatly risen after the end of the war, were almost completely absorbed into work:

NUMBER OF UNEMPLOYED RECEIVING RELIEF

	1919	1920	1921	1922
February	162,104	69,427	16,217	33,554
May	186,030	45,883	9,518	44,281
August	133,362	23,970	11,702	30,967
November	—	14,733	8,709	55,008

458 433 Production increased in almost every field. Agriculture, for instance, largely regained its pre-war productivity in this period; and agricultural production was also increased by an extension of the area under cultivation.

YIELD PER HECTARE IN QUINTALS

	1913	1919	1923
Wheat	14·8	9·3	12·6
Rye	14·7	8·0	10·8
Barley	13·9	8·8	12·7
Oats	13·5	8·0	11·6
Maize	16·3	12·7	15·1

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Amalia Baths.

633 but were born of the destitution of the people and more than once endangered by political and economic pressure—have been admired and emulated, not only in Austria but throughout the world as a glorious example to others, and have been adopted as a model in many countries.

Under the Burgomasters Jakob Reumann and Karl Seitz, assisted by active and vigorous city councillors, Vienna, contrary to the dismal prophecies of those who would have preferred to see Austria vanish from the map, obstinately refused to die, but blossomed out as a reborn and flourishing city. Based on the indestructible determination of the Viennese to survive which these leaders directed and inspired, gigantic housing schemes were quickly put into practice after the collapse of 1918 and caused astonishment and admiration far beyond the frontiers of Austria.

746 The eminent physician and advocate of social reforms, Dr. Julius Tandler, based his activities on the principle that care for social welfare was a duty incumbent on all and that those in need had a right to be helped by the community. On the basis of these principles, Tandler brought into being a social welfare organisation which not only brings aid to all those who call for it, but going beyond daily necessities, seeks appropriate means to overcome helplessness itself, and to enable the needy of today to become again active and creative members of the social system. This is applied to welfare work for the youth of the city as well as

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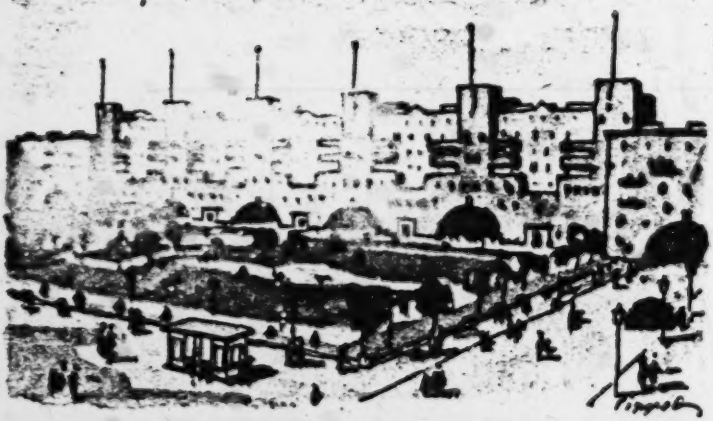

Karl Marx-Hof

to that for adults. The Vienna Municipality has therefore set up a welfare system which makes use of welfare officials who are carefully trained for their task as well as of honorary workers who are the representations of the population and exercise the function of controlling as well as that of assisting the activities of the officials. Within the framework of this welfare organisation, and in accordance with the individual needs of certain branches of the work, there are special personnel trained in youth welfare work and others schooled in the care of tuberculosis patients. The principle of prophylaxis has been made the guiding principle of the whole public welfare service. Accordingly, welfare care begins before birth and extends to all babies and children, healthy or ailing. Every mother who applies for it receives a complete layette for her new-born child. Expectant mothers are encouraged by money grants to submit to the Wassermann test in order to combat hereditary syphilis. Medical examination of school-children at regular intervals was instituted, and women welfare workers appointed for the schools. Provision of school meals ensures that the attention of the children should not be adversely affected by hunger. School dental clinics, optical inspection at regular intervals and holiday schemes complete the programme of preventive welfare for young people of school age. A gust of

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3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

while the cost of living had risen during the same period by more than 400 per cent. This state of affairs applied not only to the top ranks, but to those with salaries of less than 1,000 schillings a month, who were therefore in lower-income groups than many wage-earners who had been adequately cared for by the Price-Wage Agreements. 647 465

Two examples will illustrate the position of certain highly qualified groups in industry and the professions.

The discrimination against some salaried industrial employees with most valuable technical qualifications has been carried to foolhardy lengths, especially in the nationalized industries, and has aroused the indignation of enlightened managers and directors, whose political opinions put their loyalty to the principle of nationalization beyond question. In one of Austria's greatest industrial enterprises the engineer in charge of the main productive process, who has saved the management millions of schillings a year by his technical knowledge and initiative, was earning less in 1952 than a number of his own labourers. Were such a man to emigrate even to Western Germany he could easily obtain many times his present salary. He is only prevented from doing so by patriotic sentiment, interest in his work, or sheer lack of money to cover the cost of moving. But Austria's need of such men is as great as any country's in the world. 465

A second example is provided by the case of the 'guest doctors' in Austrian hospitals. The title was given to newly-qualified doctors in need of experience, who were employed by hospitals without any remuneration. This form of exploitation was possible owing to the large number of medical students, but in the many cases where the 'guests' played an essential role in the running of the hospitals it was quite inexcusable. In 1947 there were several hundred 'guest doctors' in Vienna, and by the summer of 1951 the number had risen to 700. The salaries received by young doctors were at best very low, and as a result there was a tendency for some of the ablest of them to emigrate. The loss of outstanding talent in this way is especially damaging to a country whose capital in 759

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

759 the past has had a great reputation as a centre of medical studies.

During the last two or three years an increasing number of Austrians, belonging to both the main political parties, have become aware of the danger of these developments, and certain palliative measures have been taken on a piecemeal basis.

759 465 In 1950 the salaries of qualified medical assistants were raised from the miserable scale of 200 to 300 schillings ($9.36 to $14.04) a month to the still quite inadequate scale of 310 to 390 schillings a month, and very small extra payments were made for night work. In the summer of 1951, as a result of determined protests and a public demonstration by the 'guest doctors', the Minister of Finance agreed to fifty of them being taken on as paid medical assistants in Viennese hospitals.

875 465 University professors were given allowances for the purchase of books and certain minor concessions regarding taxation. Lecturers obtained research allowances of 165 schillings a month. And in connexion with the Universities of Vienna, Graz and Innsbruck special accommodation was built to relieve the housing shortage from which many professors were suffering. Since the War students' fees at Austrian universities have been extremely low and until recently averaged between 160 and 200 schillings a year. To increase the normal remuneration of the professors, the Government agreed in the autumn of 1952 that the fees should be trebled, and, in deference to the students' protests, undertook temporarily to bear the whole cost, until a final settlement could be negotiated for the following summer semester. Yet, in spite of these various measures, the net salary scale for professors at the beginning of 1953 ranged from 4,530 to 2,255 schillings ($212.08 to $105.57) a month. The net monthly salaries of school-teachers varied between 2,561 and 1,079 schillings ($119.89 to $50.51).

647 465 As has been seen, the Fifth Price–Wage Agreement improved the position of the administrative civil servants. By the summer of 1951 the cost of living had risen by over 470 per cent since 1946. The civil servants asked that their salaries

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Innsbruck; Grave of Maximilian.

and peasants were able to appear on a footing of equality with the nobility. Friedl's action conferred on Tyrol a democratic constitution, the like of which was not seen elsewhere on the Continent for many centuries.

With this Duke Friedrich ("Friedl") began Tyrol's period of greatness. The then very important North-South line —from Augsburg and Nürnberg to Venice—and the protection afforded by its mountains, made it the treasure store of the Empire. Brenn Market became famous throughout Europe. On the ruins of Schenas was founded the power of the Fuggers.

Friedrich's son, Sigmund the "Münzreiche" ("the Rich in Coin"), was considered to be the richest prince of his day. The Münzerturm ("Mint Tower") in Hall, the castles of Sigmundsbau near Schenas and Sigmundsbrunn near Brenn are monuments both of his name and of his jovial extravagance.

Tyrol reached its zenith during the reign of Maximilian I. The Emperor loved the Province above all else; he formally gave it the proud description "Heart and Shield of our Empire"—the Empire on which, his followers, Karl the Fifth, could boast, the sun never set.

It is not as the last of the knights of Europe that he will always be remembered by the people of Tyrol, but as one of themselves, a bold hunter, mountaineer and courteous gentleman. Tyrolean legend has the Emperor Max rescued from peril in the mountains on the Martinswand by an angel in the guise of a Tyrolean peasant. The cave in the sheer cliff is still shown from which he could have found no way out save for divine assistance.

By the Goldene Dachl which he built—legend attributes it to Friedl of the Empty Pocket—and by his tomb in the Hofkirche, Maximilian has ensured that for all time Innsbruck will be held in honour as his residential

Münzturm in Hall-in-Tyrol.

VILLAGE AND FARM. The Tyrolese mountains are impressive, but Switzerland has these too, still more impressive ones (with the exception of the Dolomites in South Tyrol, which cannot be compared with any other range). Tyrolese towns and villages have a character which is all their own, showing a strong community feeling. Note for example the varied and original treatment of the dormer window. Nothing is more typical and characteristic than the Tyrolese village and the Tyrolese farm. 361

Sometimes huddled together, sometimes loosely scattered, the farmhouses are grouped about the church whose slender tower with gothic spire or baroque dome seems to gather together the surrounding buildings, directing them towards the heavens. Even more closely than the living do the dead crowd about the church. Honourable 361 764

Hall-in-Tyrol.

men, all of them, as the inscriptions on the crosses of iron or wood testify, yet as in life grouped according to rank and precedence.

For the living it is a comfort to have the dead among them; for the dead, to continue to play a part in life. The sound of church bells calling to early mass starts the day; only the goatherd's horn has summoned the herds even earlier. At eleven in the morning the bell calls to dinner, and with the vesper bell the day is ended. The tolling of the bell marks out each working week, and marks out the year according to the festivals of the Church.

Public affairs centre on the church square. There official announcements concerning the parish are posted. Similar information is given out there after the service on Sundays. The cattle drink at the village well, and the men at the village inn. The women take no part in public life.

Every farm, whether it stands apart amidst its own fields, or whether it keeps good neighbourly company with others in the village, has an orchard and a small garden near the house. The garden grows vegetables and spices. Its many-hued flowers, pinks and lilies, asters and phlox, crown-imperial, mignonette, sweet-smelling herbs,

Wooden Mould.

346

of the senses, its tower reaches up to the heights of immortality.

This church is no sermon in stone, but a building which appeals to every sense and thereby multiplies its eloquence. Its speech can only be heard by those who listen with their inmost souls—there are many thousands who hardly catch the faintest whisper as they hasten past. Yet to everyone, surely, the moment comes when he hears and understands this speech.

Do not confuse yourself with details. Listen only with one ear to the explanations offered you, for the general impression is more important than the parts which go to produce it. But one cannot overlook the old romanesque west front. It stands solemn and massive in comparison with the supporting columns which rise upwards to lose themselves in the delicate tracery of arching windows. There in front, near the small porter's lodge begin the seemingly endless steps leading up to the tower. Behind the water-spewing gargoyles hangs the "Pummerin", a mighty bell which was cast from the metal of Turkish cannons.

Before we enter the Cathedral let us take a quick glance at the exterior. There are niches sheltering figures which look down on us—Jesus on the Cross, the Virgin Mary, and, towards the front, an open air rostrum from which Johannes Capistranus preached a crusade against the Turks. The small door at the side leads to the catacombs. It was at this spot that the body of Mozart was consecrated in 1791. The subterranean chambers are extensive and many-storied. In the crowded city of the Middle Ages it was often necessary to bury the dead below the streets of the city itself. From 1735 to 1783, 12,000 bodies were buried here.

[764]

The North Tower of the Stephansdom has never been completed. Need we regret it? Could one nowadays picture this landmark of Vienna with a second companion tower? Over the Adlerturm

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Corpus Christi Procession on the Traunsee.

133 Further up the Traun lies the Hallstättersee, a tight-lipped storehouse of
361 ancient secrets. The houses of the little market-town are piled one above the other on the narrow rocky terraces leading from the shores of the lake to the slopes of the Salzberg, on whose heights lies a famous ancient burial ground.
765 Lines of Hamlet come back involuntarily as one inspects the charnel-house with its many rows of skulls with religious inscriptions painted across the bony foreheads.

133 Indifferent to man's changing fortunes, the Dachstein, its royal peak towering above the mountain forests, watches eternally in its glacier armour. Below, the Gosau Lakes look up at it with unrevealing eyes of green in whose depths one can read only the reflection of primitive natural forces.

946 In the Salzkammergut, beauties of nature and of handicraft are never far apart, and on turning from the one you meet the other. There are carved statues and

• 766 Beneath an overcast sky in the midday hours of November 30th, 1916, the late Emperor Francis Joseph was driven over the Vienna Ringstrasse to the Crypt of the Capuchins (the Kapuzinergruft), the resting place of his forbears, where the Hapsburg rulers in ancient and venerable halls, in crypt and tomb, await their resurrection. Since the early morning, a vast assemblage of mourners had been collecting behind the ranks of the troops lining the streets. The closed windows of the surrounding houses were filled with onlookers and the crêpe-covered pavement-lamps and arc lamps burned in the daylight, creating a strange atmosphere of gloom. This fateful day meant more than the end of a 68 year reign, much more than the close of an epoch, for the last hour of the Austro-Hungarian Monarchy had struck.

Long before the end, the coming collapse had cast its shadows before. Among these were the tragedy of the Crown Prince Rudolf at Mayerling, the fatal attack by an anarchist on the Empress Elisabeth, the murderous shots fired at Francis Ferdinand, the heir to the throne, and his wife at Sarayevo in 1914. The Emperor was fated to stand beside all the biers and to see those around him dying off, one after the other.

Once again the Ringstrasse echoed the hoof-beats of horses sharply checked by the bearing-rein, the rumbling of funeral coaches drawn by caparisoned steeds, the rolling of muffled drums and the funeral march of the Trabant- and Arcières-Bodyguards. It was that same Ringstrasse which the Emperor had ordered to be built two generations earlier, the growth of which he had watched from the windows of his palace; he had seen its beauty as a unique monument to all that had been achieved during the francisco-josephinian era for Vienna and the Empire.

The summons had gone forth to assemble the funeral cortège of the Emperor. It was at the same time the funeral cortège of his Empire. On this last occasion, the Dual Monarchy paraded its might before the world. But with mourning for the deceased Monarch was mingled anxiety and fear of the inexorable decrees which Fate might be about to pronounce. Just once more the venerable Monarchy called its colourful mixture of peoples and nations to march past, formed up the hierarchy of its social order—aristocracy and parliamentary deputies, guilds and citizens, in accordance with the well-established formulas of age-old ceremony and with effortless ease. For one last occasion its army, rich in honour and tradition, was summoned to march past in sombre, funereal array.

On the outskirts of this silent zone, where boys were climbing street lamps to get an unhindered view of the procession, and where newsboys were shouting the headlines of extra editions, the situation was characterised by different slogans —"Przemysl", "Battle of the Isonzo", "Representation for the People", "Wilson"—and "the Republic".

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The historic scene at which half Europe had its princely ambassadors and special envoys was nearing its close. Starting from the Stephansdom and traversing part of the Karntnerstrasse, the funeral procession turned off at right angles to the Neuer Markt, to the quiet church of the Capuchin Brothers. Swords flashed in the air, commands rang out, the escorting troops froze to attention and the coffin of the Emperor was carried into the church for its last benediction.

On the right-hand side of the hall of mourning a space had been cleared. There the "Steps of the Dead" lead down to the Emperor's Crypt, last resting place of the Hapsburg Monarchs since the time of the Thirty Years' War. The folk of Vienna who filled the great square outside, pushing their way on to steps and stairways, and craning their necks to catch a better glimpse of what is going on, ask to be told—of course, it happened long ago—how it was in the days of "Franz the Kaiser".

"Before the closed doors", they tell one another, "the coffin was placed on the ground. The Master of Ceremonies lifted his baton—heavy black tassels hung from it—and knocked three times on the door.

"It had been locked from the inside by the Monastery folk and behind it stood the Pater Guardian with a lighted candle. He is in no hurry to open, and first asks: 'Who demands entry?'

"The Master of Ceremonies—the same one who times out of number, in the long gallery at Schönbrunn, had announced the coming of his Liege to invited guests—gives answer: 'His Apostolic Majesty, the Kaiser Franz.'

"The Church, however, sees a coffin before it in which a dead man lies and rejects any idea of majesty. Therefore the monk answers: 'I do not know him.'

"The Master of Ceremonies then lifts his mace again and knocks on the door with a triple rap. 'The Sovereign Kaiser Franz wishes to be admitted.'

"Unshaken and grave comes the answer: 'I do not know him.'

"And once again the voice of the monk questions: 'In the Name of God, who wishes to enter?'

"Quite simply the Master of Ceremonies returns: 'Your brother Franz, a poor sinner.'

"Only now is the door to the crypt opened and the new guest received into the realm of his forebears with that reverence of spirit which the pious monks accord to all men who believe in the resurrection of the dead."...

Waiting, whispering and conjecturing, the masses fill the square. In the meantime the monks have carried the coffin down to the crypt, where it is once again set down and the Master of Ceremonies asks: "Do you recognise the Emperor Francis Joseph?"

He is answered by the Pater Guardian "I know him. He will rest securely here."

Now the dead ruler is carried past his predecessors—twelve emperors, sixteen empresses and over a hundred archdukes lie here. The tombs of the founders

766 of the crypt, Matthias and Anna, are simple and humble, plain four-sided leaden caskets. The coffins stand side by side in long rows, bearing coats of arms, or the heads of lions beside the metal carrying rings.

Surprisingly magnificent sarcophagi stand beside them. Baroque, with its determination that one should live with every atom of one's force—and so die—has descended into the realm of the dead. Eagles about to soar in flight and couchant lions support massive coffins. Heads of veiled women, their faces wrung with grief, ornament the corners.

Maria Theresia and Franz von Lothringen! This monumental sarcophagus is a memorial of love on which the Empress and her husband are artistically depicted facing one another in lifelike fashion. At their heads waits an angel with a trumpet to arouse them on Judgment Day. Eleven of her children are grouped around the Empress, Joseph II in a simple coffin of copper.

Now Francis Joseph, after doing his duty like a soldier up to his last breath, has joined the ranks of his ancestors.

728 In October 1918 came the collapse of the Central Powers. English officers, standing in front of the Hotel Imperial, held in their hands newspapers with the headlines: "The War is Over."

For Austria it was much more than a war which was over. If the essential Austria had been no more than what was then laid to rest under the insignia of the Double Eagle, the country would then—in 1918—have certainly come to an end.

Instead, there occurred something entirely unexpected, something unique. The little Austria which remained after the destruction of the Monarchy, a severely mutilated torso to which in widespread circles in Europe it was sought to deny not only all rights, but even its ability to exist, this fragment of the heart of a continent defied the blows of fate and arose again, re-establishing its sovereignty as built up on and supported by the labours and solidarity of its workmen, peasants, and middle classes.

Eternal, indestructible, resurrected Austria!

2: MacDonald S-4 (no date) 1946 EK1 Austria EK1

In any case, the extent of clerical influence among the peasantry can easily be overestimated. The Austrians were not prone to take their religious life too seriously; and attempts made by the Church to extend its influence outside purely religious matters were not regarded with approval.[1] Anti-clericalism had its roots far back in the past, and had antedated by many decades the challenge of the socialists and the emergence of the Nazi party.

But if the clericalism of the conservative peasantry can easily be overestimated, so can the anti-clericalism of the Social Democrats. It is true that the party were prepared to fight what may be termed 'political Catholicism' because this was considered to be a force dangerous to the party.[2] But the Free Thinkers, who were actively hostile to the Church, were very small in number, and were strongly discouraged in their activities by Bauer, Renner, and most of the other leaders.[3] And, while it is true that the rank and file of the party were passively hostile to the Church, or at least, indifferent to its claims, certain leaders, as Ellenbogen and Leuthner, stated unequivocally that they considered this a source of weakness rather than of strength, to the party, and were anxious to see a revival of religion in the ranks of the Social Democrats.[4]

[1] On 20 October 1931, for instance, the *Neue Freie Presse* drew attention to the big peasant meeting, 4,000 strong, which had taken place at S. Johann im Pongau, and remarked that the peasants had demonstrated 'nicht nur gegen die Regierung u. die Parteipolitik, sondern auch gegen die politisierenden Geistlichen'.

[2] See the report prepared by the party executive for the Party Conference at Linz in 1926: 'Die römische Kirche übt ihre grosse Macht über die Seelen der breiten Massen, die ihrer Klassenlage nach, zu der Arbeiterklasse gehören, dazu aus, um sie von der Teilnahme an dem Befreiungskampf der Arbeiterklasse fernzuhalten, u. diese Massen in der Gefolgschaft bürgerlicher Parteien zu erhalten. . . . Dadurch stützt die römische Kirche die Herrschaft der Bourgeoisie.'

[3] Speech by Renner at the 1925 Social Democratic Party Conference, when the whole question was discussed: 'Ich möchte aber das eine betonen: es ist auch in dem Staat nicht Sache der Sozialdemokratie Partei, Religion u. Kirche zu bekämpfen.'

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With only four factories employing over 500 persons, it is the smaller and medium sized specialized industries which are typical. First comes the textile trade. The Vorarlberg cotton industry, which enjoys an international reputation, produces not only the finest multi-coloured woven cloth in Austria, but also high class printed goods. Woven silk and specialized woollen and knitted goods are also typical of local industry. Vorarlberg's reputation for embroidery and hand-made lace has spread far beyond the confines of Europe. Other Vorarlberg industries concern themselves with refining and specialized finishing processes, for the Province is lacking in almost all raw materials. Cigarettes, gears, pumps and watches, sliding scales and specialized tools are all made here. The factories for the construction of elevators and cable-railways are based on "White Coal", on the natural water-power of the Province, the exploitation of which has been developed to a high degree.

the more easily and vigorously and you are quickly in Frastanz. 133

Here it was that three sisters once lived—at a happy period, no doubt, for, according to an accepted legend, a spring of pure gold flowed at the foot of the Garsellaspitze. One sunny Sunday these three sisters, instead of going to church as custom and piety dictated, started out towards the Garsellaspitze. Who knows whether it was the flowing gold which led them astray or whether they simply wanted to gather berries? In vain did the church bells call them once more to mass. The three sisters, their heads filled with mundane matters, ignored the summons. Soon they found a place where berries grew so thickly that they were able to fill basket after basket in a short time. As a last reminder of neglected religious duties came the faint tinkle of the transubstantiation bell. When they ignored this final warning, they met their fate. Unable to move, their bodies froze and turned to stone. When the faithful left the church after mass they stood and stared, for at the foot of the Garsellaspitze rose up side by side three tall rocks. The three sisters, however, were never seen again. Their baskets full of berries were found there on the following day. So came the three rocks by the name of "The Three Sisters". 133 773

WHERE THE UNICORN HAS ITS HOME. Yes, indeed, the mythical unicorn still exists in Vorarlberg, in the above-mentioned Walgau—in the coat-of-arms of Bludenz, its chief town. Here the landscape is sunny and smiling and the people vivacious and cheerful.

Despite the dominance of the unicorn in the Walgau, or

Rankweil.

361

cloak has transported him into another world. The magnificent though distant views across the Danube to the high-lying plateau of the Waldviertel, to the West towards the Dachstein and beyond it to the Glockner, to the South as far as the barrier of the Karawanken are not easily forgotten.

Dachstein, Southern Slopes.

No less impressive is the wilderness of surrounding peaks and snowfields. The Hochschwab, that mighty giant, is approached through defiles and valleys where stand old foundries and deserted smithies. One's eyes are continually drawn to the towering walls of this gigantic range.

That is how the monk had seen it who is mentioned in the legend of the founding of Mariazell. In the middle of the 12th century, Otto VII, Abbot of Lambach, sent one of his monks eastwards to spread the teachings of Christ in the wilds of the mountains. He carried with him on his arduous journey an ikon of the Virgin, carved out of the wood of the lime-tree. But before long he found that he could no longer find his way out of the mountains, range upon range rising before him to bar his path. At last he sank down exhausted before a wall of rock, calling on the Virgin for help and rescue. In answer to his prayers the unscaleable barrier of rock parted asunder, granting him a miraculous passage to the valley behind it. There the holy man stayed and decided to build himself a cell in honour of the Virgin.

Now a town, Mariazell is delightful in summer as in winter because of its position and the surrounding scenery. Its central point is the great pilgrimage church, the largest in Styria. Gothic forms and baroque roof are impressively united. To the rear of the middle part of the nave is the chapel of Our Lady and the revered picture of the Virgin Mary and Child which is the object of worship.

The simple "Marien-Zelle" has developed into a place of pilgrimage, its religious influence reaching far beyond Austria into other lands. Processions of pilgrims seek comfort and strength here. Women and girls who wear a picture of the Virgin Mary of Mariazell on a slender chain about their necks, are supposed to be protected by it from sin and distress, and to retain for life a share in that charm and gaiety which enshrines this little jewel of a town in the mountains and spreads over the whole Styrian countryside.

135

and on the Eisenberg and the pyrite rocks at Redlschlag are instances of the varying types of soil.

Unique in Central Europe, however, is the asbestos of Rechnitz and the Styrian jade from Bernstein. The green, veined stone is really beautiful. It comes to the workers who have inherited their trade from father to son as uninteresting stone splinters. The final products can be seen at the Vienna fair—unbelievably delicate vessels and translucent vases. The finest examples have gone to all parts of the world. The late King Alfonso of Spain even took some of them with him into exile.

306

The Burgenland is a country of ancient traditions, legends and memories. The story of the good prince Giletus and his wicked wife is supposed to explain the origin of the Neusiedler Lake. Then there is the legend of the "Wasserstoffel", a creature like a human being which lived in the Neusiedler Lake like a fish and, caught and tamed, emptied a whole sack of frogs, snails and water-snakes on to the banqueting table of his adored young mistress at her marriage, because this seemed to him to be a most delicate dish. The wedding gift was anything but well received, and the poor Wasserstoffel, who had meant it well, fled in despair and was never seen again. The Templar knights, who lost the castle of Lockenhaus through treachery, are said still to haunt it. In one of the most beautiful castles there occasionally appears a "White Lady", gentle and gracious.

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The son of Wolfers von Gussing and his grandsons were called Henz, and from these proud lords whose family was one of the most powerful in the Burgenland the inhabitants are supposed to have received the name of Heinzen.

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Between Guns and the Carolingian Lutzmannsburg lies the monastery of Marienberg. It was founded in 1194 as a branch of the Austrian Cistercians of Heiligenkreuz, who about this time were granted estates on the shores at the Neusiedler Lake, where the name of Monchhof still recalls their memory.

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Frankenau and a number of neighbouring parishes are inhabited by Croats. This race is to be found in many other villages scattered throughout the whole Province. How they got there, we shall see later. First let us visit the basket weavers

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600

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Rattenberg.

implements. Wood-carving is as native to Ladinian Gröden as to the Allemanian Lechtal. Represented by Michael Pacher of Bruneck (d. 1498), Joseph Koch of Lechtal (1768—1839), the Italian-Tyrolese Giovanni Segantini (1858—1899) the East Tyrolese Franz Defregger (1835—1921) and Egger-Lienz (1868—1926), Tyrol has distinguished herself honorably in plastic art.

536 The Tyrolese folk drama is renowned. The theatre, good and bad, false and true to life, plays a large part in the life of the Province. The old Pradler-Bauern-Theater is a joy to the people of Innsbruck, with its plays of chivalry composed of [796] a blend of moving pathos and coarse jokes. The passion plays of Erl and Thiersee keep up the Roman Catholic tradition, while the carnivals, among which the Imster Phantom Carnival is fairly well-known, although not so much so as it deserves, [776] have heathen origins. The customs and legends connected with these are similarly rooted in heathen superstitions, such as the magic of the "Rauhnächte" or the "Expulsion of Winter" or the "Ringing in the Grass". They tell of the "Perchte" (benevolent spirits) and the "Saligen Fräuleins" ("Happy Ladies"), the "Alm Dwarf", the "Venediger Gnome" and the "Ice Mannikin". Mountain and forest, water and air, cattle, trees and bushes—all are full of spirits. To compose and to think, to say and to sing, is all one.

534 Music is cultivated chiefly in the lowlands. From there came the violin maker, Jakob Stainer (d. 1621), the father of the German violin. The harp and trombone, like, of course, the zither, are played at home. In this country of mocking ballads, he earns praise who can devise humorous couplets on the 522 spur of the moment. Ribald practical jokes and dry humour are likewise typical of the Tyrolese. The mountain dweller is apt to ponder more over the next 812 world. Sometimes he developes into a rustic philosopher or scholar in remote districts, such as the map-maker Peter Anich and Blasius Huber from Oberperfuss.

Gritsch, Doiber and Oberdrosen are examples, while Windisch-Minihof has preserved its eloquent name unchanged. 103

Minihof—does it not sound as if this village had been named after one of its favourite inhabitants? On Sunday, when the women and girls of the Burgenland go to church, many of them in the traditional and proudly preserved national costumes which differ from village to village, more than one pretty girl, whether Mini, Kathi or Liesl, attracts attention.

In the Province there are about half a dozen Minihofs. But the name means nothing other than Münichhof, Monks' Dwelling. The monks, whose memory has thus been recorded did much to further the development of the Province.

About 800 A.D., Charlemagne defeated the Avars, and established the Pannonian Mark, which included the best part of the Burgenland territory on both sides of the Raab and the adjoining strips of Lower Austria as far as the slopes of the Wienerwald. This became the nucleus of Austria. The monasteries of Salzburg, Kremsmünster and Mattsee, together with those of Passau and Freising, were given vast estates in the Burgenland by the Carolingian rulers and attracted settlers. The ruins of Scarabantia and Sabaria, which had the appearance of an "öden Burg" ("desolate castle"), lying about like "Steine am Anger" ("stones on the slope") then awoke to new life. Purbach and Donnerskirchen between the Leithagebirge and the Neusiedler Lake, Lutzmannsburg in the district of Oberpullendorf, close to the Hungarian frontier, and Pernau, further to the South just the other side of the frontier, all date from this time. So does Minihof, the "Hof", or residence, of the monks. 175 103

Let us here recall St. Martin, the most venerable of all the famous sons of the Burgenland. Born in 316 A.D. in the little town of Sabaria, he became through his efforts as Bishop of Tours the patron saint of the Franks. Reverence for his name was brought back to the Burgenland and to Pannonia through people who settled

Morbisch.

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776 there in the days of Charlemagne. In 1926 St. Martin was made the patron saint of the Burgenland. But the fact that every self-respecting Burgenländer insists on eating roast goose on St. Martin's day is not necessarily due to his piety. Since the days of the Carolingians, a number of places in the Burgenland have been connected with St. Martin either by their names or by the dedication of a church. The most southerly is St.-Martin-on-the-Raab.

Schlaining.

792 From St. Martin it is not far to St. Gotthard. This monastery, just across the frontier, was founded by French Cistercians in 1184. It is a curious coincidence that in the Battle of St. Gotthard in 1664, where the Turks were defeated in open conflict for the first time, French troops played a decisive part. The battlefield lies within the Burgenland parish of Mogersdorf. The name of the neighbouring village, Maria-Bild-bei-Weichselbaum, recalls the legend that a wonder-working picture of the Virgin was brought from a forest shrine to the village church, but transferred itself back to its original site, where a church was then built.

778

Kittsee.

133 Even in the days of the Carolingians the rivers of Lafnitz and Pinka contributed to the establishment of settlers in the Burgenland. The Lafnitz today forms a natural boundary with Styria. If you follow the line of the Pinka northwards you will find that it crosses the frontier of Austria seven times.

[361] The same typically Burgenland villages are to be found on either side, inhabited by a mixed Croat and German population. The river fortress of Eberau in this district is perhaps the least known castle in Austria.

In its upper reaches the Pinka like the other Burgenland rivers—the Raab, Lafnitz, Güns, Rabnitz, Eicha and Leitha—unites the Burgenland with the Styrian-Lower-

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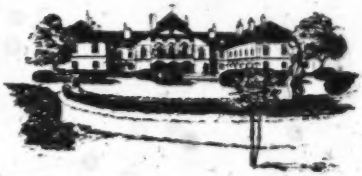

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was extremely low. The Social Democrats regarded them with great interest, as a potentially socialist element in the population, and agitated constantly for the building of separate houses for them, and for better working conditions, etc.[1] In those Provinces where hired labour formed a considerable element in the working population, the Social Democrats made good headway, but it cannot be said that their agricultural programme on the whole met with any considerable measure of success.

On the other hand, although the peasants showed a lack of interest in the abuses of women's labour, the problem of alcohol, the fate of the hired labourer, and other questions which exercised the Social Democrats, they were by far the most staunch supporters of democratic government.[2]

The hostility of men like Dr. Ender to the Viennese socialists after the war was not so much based on dislike of their democratic proclivities as on opposition to their policy of centralization. The *Bauernbund*, led by Dr. Reither, frequently protested against the reactionary politics of the Christian Socialist party leaders. And although it is true that a considerable number joined the *Heimwehr*, and later a very much larger number the Nazis, it is probable that the rank and file of the Austrian peasantry remained to the end supporters of the democratic principle.

Again, although it is true that the peasantry were, on the whole, Catholic in outlook, while the workers had drifted away from the Church, and were for the most part indifferent, if not hostile, in their attitude towards it, this divergence must not be overestimated. The lower clergy, who worked among the peasants, were very much more democratic in their views than their ecclesiastical superiors. The overwhelming majority were themselves of peasant stock and tended, therefore, to share the outlook of their flocks.[3] There were indications in 1932, for instance, that many of them strongly disapproved of the attitude adopted by their superiors towards the *Heimwehr*.

[1] See Bauer's speech on the Agrarian Programme of the Social Democrats at the 1925 Party Conference.

[2] Tyrol and Vorarlberg, in particular, looked back proudly on a centuries-old tradition of self-government.

[3] The higher clergy were also, for the most part, men of humble origin. e.g. Monsignor Seipel, Cardinal Innitzer.

2: MacDonald S-4 (no date) 1946 EK1 Austria EK1

In any case, the extent of clerical influence among the peasantry can easily be overestimated. The Austrians were not prone to take their religious life too seriously; and attempts made by the Church to extend its influence outside purely religious matters were not regarded with approval.[1] Anti-clericalism had its roots far back in the past, and had antedated by many decades the challenge of the socialists and the emergence of the Nazi party.

But if the clericalism of the conservative peasantry can easily be overestimated, so can the anti-clericalism of the Social Democrats. It is true that the party were prepared to fight what may be termed 'political Catholicism' because this was considered to be a force dangerous to the party.[2] But the Free Thinkers, who were actively hostile to the Church, were very small in number, and were strongly discouraged in their activities by Bauer, Renner, and most of the other leaders.[3] And, while it is true that the rank and file of the party were passively hostile to the Church, or at least, indifferent to its claims, certain leaders, as Ellenbogen and Leuthner, stated unequivocally that they considered this a source of weakness rather than of strength, to the party, and were anxious to see a revival of religion in the ranks of the Social Democrats.[4]

[1] On 20 October 1931, for instance, the *Neue Freie Presse* drew attention to the big peasant meeting, 4,000 strong, which had taken place at S. Johann im Pongau, and remarked that the peasants had demonstrated 'nicht nur gegen die Regierung u. die Parteipolitik, sondern auch gegen die politisierenden Geistlichen'.

[2] See the report prepared by the party executive for the Party Conference at Linz in 1926: 'Die römische Kirche übt ihre grosse Macht über die Seelen der breiten Massen, die ihrer Klassenlage nach, zu der Arbeiterklasse gehören, dazu aus, um sie von der Teilnahme an dem Befreiungskampf der Arbeiterklasse fernzuhalten, u. diese Massen in der Gefolgschaft bürgerlicher Parteien zu erhalten. . . . Dadurch stützt die römische Kirche die Herrschaft der Bourgeoisie.'

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665 Otto Bauer,[1] a simple workman, organized a group within the
668 party known as the 'Religious Socialists'. He succeeded in
779 establishing some contacts with the more sympathetic of the clergy.[2] The hostility of the Church, however, prevented the movement from achieving any considerable success.[3]

The policy of the Church itself was not, however, at any rate for the first seven years of the Republic, as reactionary as is sometimes supposed. After the breakdown the Bishops professed unequivocally their loyalty to the Republican régime[4] and there seems no reason to question the sincerity of this declaration. In 1925 they issued a Pastoral Letter which showed marked sympathy with the claims of the working classes,[5] although they were not prepared to tolerate any compromise with the Social Democrats.[6]

After 1927, however, conditions changed for the worse in this, as in so many other respects. The episcopate had been aroused by the anti-clerical programme which had been decided on by the Social Democratic Party Conference at Linz in 1926 (in spite of protest from the moderate element

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(Free Thinkers) 'haben an Intoleranz ungefähr dasselbe geleistet wie die Vertreter aller übrigen Religionen zusammen.' And Mentasti pointed out that opposition to alcohol and opposition to the churches meant opposition to the only forms of relaxation open to the peasants.

[1] Not to be confused with his famous namesake, one of the greatest of the Social Democrats.

[2] e.g. with Prof. Fliegler.

[3] It was condemned by the Bishops in 1930 (see Kungebung, *Des österreichischen Episkopates zur sozialen Frage*, January 1930.)

[4] See pronouncement made by Cardinal Piffl, 4 November 1918: 'Treue gegenüber der Republik.' Pastoral Letter of the Bishops and Archbishops, 23 January 1919, in defence of democracy. (Knoll, A. M., Von Seipel zu Dollfuss, 1934, pp. 44–7.)

[5] See Knoll, op. cit., pp. 48–59. 'Über Politik, Volkswirtschaft u. Moral. Demokratie u. Neue Staatsform.' The letter inveighed against the evils of capitalism in the strongest terms, because of the lack of regard shown by its leaders for the natural rights of the workers, and their attempt to dominate public life. 'Bei Gott ist kein Unterschied zwischen der Seele der Fabrikarbeiters u. der Seele des Fabrikherrn.' In April 1926, further instructions were issued to priests, urging them to inveigh against the usurious exploitation of the workers.

[6] In April 1926, Roman Catholics were forbidden, except under special circumstances, to join Social Democratic Trade Unions, or to vote for Social Democrats. (Knoll, op. cit., p. 135, 'Instructio pro clero in re soziali'.)

2: MacDonald S-4 (no date) 1946 EK1 Austria EK1

in the party). And the fighting in Vienna in 1927, which, partly owing to the drastic measures taken to repress the rioters by Seipel's Government, resulted in thousands of people leaving the Church, and deflected episcopal policy decidedly to the right. Seipel, for his part, turned to the anti-working-class big industrialists for support against what he conceived to be the danger *par excellence*. The hostile attitude of the Church towards the Schober Block at the November elections of 1930 occasioned much scandal.[1]

It would, however, probably be a mistake to regard the Church as the villain of the piece even after 1927. It continued to evince great interest in social problems.[2] And although the higher clergy, and perhaps the majority of the lower clergy, regarded the *Heimwehr* movement with favour, as being a useful weapon for curbing socialist influence, they could not be very enthusiastic about a movement so deeply tinged with Nazi anti-clericalism.[3]

Although it is true that in the two main groups, the Social Democrats and the Christian Socialists, the balance of power tended to pass to the extreme wings, other important groups existed who were much more moderate in their outlook, and who stood unequivocally for democratic government. The *Landbund*, for instance, an organization supported chiefly by the more wealthy peasants led by Herr Winkler, inveighed constantly against the fascist proclivities of the Christian Socialists and the *Heimwehr*. Even in 1929, when it supported a reorganization of the state on a corporative basis, hoping thereby to secure a better representation of agricultural interests, its members emphasized the fact that the movement

[1] *Stellungnahme zu den österreichischen Nationalratswahlen*, 9 November 1930, 26 October 1930. (See Knoll, op. cit., pp. 167–77.)

[2] Lent Pastoral Letter, 1928, inveighing against low wages of women and bad housing. *Fasten Hirtenbrief der Erzbischöfe u. Bischöfe Österreichs*, 1928. (Knoll, op. cit., pp. 150–3.)

[3] In January 1930 a declaration was issued declaring that the Church could not consecrate the flags of political parties—'Politischen Vereinen ist mit Rücksicht auf die überparteiliche Stellung der Kirche die Weihe der Fahnen nicht zu bewilligen'.

See also the Lent Pastoral Letter, February 1932, issued by all the Bishops, warning the people against the Nazis.

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Vorarlberg is Austria's estate on the Rhine. Between the eastwards-flowing Danube and the westwards-flowing Rhine, between the one which finds its outlet in the Black Sea and the other which flows into the Atlantic Ocean, lies Austria, the bridge and watershed of Europe. In 1363 the House of Austria acquired its first possession in Vorarlberg in the shape of a small estate near Götzis. This was the start of a long process which led to the unification of a Province. As military leaders under the Emperors Karl V and Philipp II, the Counts of Hohenems embodied large numbers of serfs from their estates in their armed forces. From then onwards, Vorarlbergers have constantly emigrated from the Province, as labourers, stucco-workers and carpenters, selling grindstones or herbs from Montafon, or in the employment of Bregenzerwald builders of the Baroque. It was not until industrialisation set in that this industrious race had the chance of finding work and a home in its native country.

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It is characteristic of the Vorarlberger to dislike and avoid ostentation and exaggeration. In accordance with this reserve, he is sparing of gesture and words. These characteristics help to a clean-cut political sense and a natural feeling for democracy.

The people of Vorarlberg prefer their four small or medium-sized towns to one large one. They do not mind having to go sometimes to Bregenz and Feldkirch, sometimes to Dornbirn and Bludenz, for these towns after all lie close together. The Province is thus spared many a problem which may arise out of having a single large town in an alpine area.

The "Ländle" ("Little Province") has its characteristic industrial character.

down from the lofty Warte, is one of the oldest recorded settlements of Vorarlberg; even Karl der Dicke (Charles the Fat) is said to have toiled up there on a visit to the pious hermit Eusebius. Röthis, however, the heart of the Vorarlberg vineyards, lures one with many a sparkling drop, golden-yellow and ruby-red, down into the valley.

The chief town of the Vorarlberg Garden is Rankweil, which played a prominent and decisive role in the history of the Province throughout the whole of the Middle Ages and on into modern times. At one time the whole population used to congregate for the trial of criminals there. Today, as one of the greatest pilgrimage centres of this Catholic province, it has again become a meeting place for crowds in holiday mood. Its symbolic building is the double-towered Liebfrauenkirche, built on the remains of a former fortress, which confronts the stately Felsenwarte.

THE STUDIERSTÄDTLEIN (the "Students' Township"). Feldkirch has not always been called the "Studierstädtlein". Like Bregenz, it has had one of the most colourful histories of any place in Vorarlberg. In earlier centuries it was with equal justice called the "Officers' Township", but today both terms are inapplicable. It is noteworthy that in each case its municipal character was emphasized. Even today this is the most noticeable thing about it. Of all towns in Vorarlberg it has best preserved the character of the mediaeval burgher settlement. Like Bregenz, Feldkirch formed part of the Montfort property. Through repeated partitions of the estate among members of the family, which weakened all its powers of resistance, Feldkirch came at an early date into the possession of the Hapsburgs, thereby gaining in comparison with other areas which had remained under the rule

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361 men, all of them, as the inscriptions on the crosses of iron or wood testify, yet as in life grouped according to rank and precedence.

For the living it is a comfort to have the dead among them; for the dead, to continue to play a part in life. The sound of church bells calling to early mass starts the day; only the goatherd's horn has summoned the herds even earlier. At eleven in the morning the bell calls to dinner, and with the vesper bell the day is ended. The tolling of the bell marks out each working week, and marks out the year according to the festivals of the Church.

Public affairs centre on the church square. There official announcements concerning the parish are posted. Similar information is given out there after the service on Sundays. The cattle drink at the village well, and the men at the village inn. The women take no part in public life.

Every farm, whether it stands apart amidst its own fields, or whether it keeps good neighbourly company with others in the village, has an orchard and a small garden near the house. The garden grows vegetables and spices. Its many-hued flowers, pinks and lilies, asters and phlox, crown-imperial, mignonette, sweet-smelling herbs,

Wooden Mould.

cloak has transported him into another world. The magnificent though distant views across the Danube to the high-lying plateau of the Waldviertel, to the West towards the Dachstein and beyond it to the Glockner, to the South as far as the barrier of the Karawanken are not easily forgotten. 133

Dachstein, Southern Slopes.

No less impressive is the wilderness of surrounding peaks and snowfields. The Hochschwab, that mighty giant, is approached through defiles and valleys where stand old foundries and deserted smithies. One's eyes are continually drawn to the towering walls of this gigantic range.

That is how the monk had seen it who is mentioned in the legend of the founding of Mariazell. In the middle of the 12th century, Otto VII, Abbot of Lambach, sent one of his monks eastwards to spread the teachings of Christ in the wilds of the mountains. He carried with him on his arduous journey an ikon of the Virgin, carved out of the wood of the lime-tree. But before long he found that he could no longer find his way out of the mountains, range upon range rising before him to bar his path. At last he sank down exhausted before a wall of rock, calling on the Virgin for help and rescue. In answer to his prayers the unscaleable barrier of rock parted asunder, granting him a miraculous passage to the valley behind it. There the holy man stayed and decided to build himself a cell in honour of the Virgin. 773

Now a town, Mariazell is delightful in summer as in winter because of its position and the surrounding scenery. Its central point is the great pilgrimage church, the largest in Styria. Gothic forms and baroque roof are impressively united. To the rear of the middle part of the nave is the chapel of Our Lady and the revered picture of the Virgin Mary and Child which is the object of worship. 361 346

The simple "Marien-Zelle" has developed into a place of pilgrimage, its religious influence reaching far beyond Austria into other lands. Processions of pilgrims seek comfort and strength here. Women and girls who wear a picture of the Virgin Mary of Mariazell on a slender chain about their necks, are supposed to be protected by it from sin and distress, and to retain for life a share in that charm and gaiety which enshrines this little jewel of a town in the mountains and spreads over the whole Styrian countryside. 788

874 The teachers took good care of you. They let your surroundings speak for themselves. You will never be able to forget the arcaded courtyard of the Schallaburg with its wonderful terra cotta work from the hand of an Italian master. Seitenstetten was rather far off, but you managed to visit it. Quiet and beautiful, yet busy in its own way, it is set in a fertile countryside.

241 Once two of you decided to go off together. Above your heads you bore a flag which was supposed to express the longing of its bearers for the open spaces and all things beautiful. They found their way to Mank, to Amstetten and further afield, discovering that this province possesses as many real farmers as it does great, rounded hills. Like castles on the latter stand the two-storied farms of the landed farmers. Theirs is the world in all its essence—ploughland, meadows, forests. Black-trunked, heavily grown pear trees stand before the farms, in gardens, in hedges. The peasant dialect is soft, easy going, manly and kindly.

000 Later you once stood with a girl up in the mountain-pass village of Annaberg, in the porch of the church. The curious high tower with its covering of metal plates showed clearly against the blue winter sky and in the far distance before you was the snow-topped ridge of the Ötscher. Then you set forth into the boundless glistening world through the dark-green snow-covered forest. There a wonder arose out of the earth, a wonder for you, child of the hills. Through the crystalline crust of the ice broke the faultless bloom of the first christmas rose, born of the silent force of winter. Carefully you picked the blossom, and carefully you gave it to the girl. Pure and white as the rose was this hour, pure as the eternally sparkling snows, young as the potent breath of the woods and as free of dust as the beckoning blue heavens.

133 788 You have not forgotten the sparkling summer waters of the Erlauf and Lunzer lakes. Surrounded by flowers and forests, tranquil, glitteringly blue, they call to you, offering rest to the weary visitor from the cities, and tempting the peasant pilgrims of Lower Austria away from their pious, easy walk of penance to the Virgin Mary at Zell.

000 STUDENTS IN THE WACHAU DISTRICT. Your St. Pölten teachers wanted you to see many and varied things, and so you found yourselves in the wine-gardens of Göttweig Monastery. Oh unforgettable hour! Blue as the night, golden as the moon, milk-white as the surrounding chestnut blossoms. St. Benedict is fond of building on mountains. Before us were the valley and the low country and there beyond, half hidden by fields, the Danube. Above were many hundreds of lights, gables, roofs, towers and mountains. On the morrow you passed through Krems, singing, because you were students, "A wandering apprentice I, knowing no cares ..."

How it echoed in the narrow streets! The past took you warmly by the hand. If you had found a blue-uniformed sentry standing guard at the Steiner Tor with

133 and more prehistoric volcanic rocks and lava formations, slate flattened by pressure during millions of years, granite formed of sandstone ground up and re-formed by intense heat, porphyry and mica. The Province is not only old in so far as its history is concerned. Long before history began, what is now Salzburg was steeped in ancient lore—a lore which indefinably conveys its message to man, slowing down the steps of those who treed its soil and enriching their minds.

Seen as a whole, the contours of Salzburg Province may be compared to one of those mid-summer cloud edifices, the cumuli, which, bathed in the rosy light of evening, pile curve upon curve in baroque extravagance, rising to a slender spire. [792] At this narrow extremity, close to Bavaria, lies the formerly famous but nowadays little known Benedictine monastery of Michlbeuern with its romanesque church and the statue of the venerable Meinrad Guggenbichler, whose carved church doors with the moving figures of Mary and Elisabeth in Irrsdorf, to the south-east, are all too little prized.

This northern part of Salzburg, characterised by pleasant hills, the lakes of Mattsee and Wallersee lying amidst green meadows and sub-alpine vegetation which often merges into moors with their reeds and heather, is crowned by the chief city of the Province.

361 When first approaching the city from the station, the visitor has no inkling of Salzburg's venerable beauty. The broad street is flanked on the left by the embankment of the main line to Bavaria, a pebbled walk beneath chestnut trees, placards, a kiosk. Later come grocery stores, inns, paper shops, hotels and souvenir shops, as in many another provincial town. The unusual, the characteristic note of Salzburg is struck quite suddenly by the Mirabell Palace, in the Rainerstrasse. Now rises curtain after curtain to disclose the Salzburg of legend and romance. The Dreifaltigkeitsgasse leads past the Seminary to the first church of Fischer von Erlach. Thence beneath the Sautter Archway one reaches the Linzerstrasse which from time immemorial has borne the traffic through Salzburg. The Romans themselves passed along this delightful highway, coming from the direction of Radstadt to cross the Tauern Mountains.

Tower after tower crowned by the glittering symbol of Christianity pierces the blue morning sky above the ancient heart of the city on the left bank, the church spires seeming almost to reach

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Villach, 17th Century.

in the ring of castles surrounding St. Veit, of which the famous Hochosterwitz may be called a "Carinthian Graal", in the castles crowning Friesach and in the fortified mansions near the Italian frontier. A later creation of these proud overlords was Klagenfurt, now the chief town of the Province. Sheltered by the castles and towns splendid buildings arose—in Klagenfurt the Provincial Diet Hall, in Spittal-on-the-Drau a dream of early Renaissance in the shape of the Palazzo Porcia. Here and elsewhere grew up many a comfortable burgher's house which spoke of prosperity resulting from shrewd trading, and some fine churches.

The Napoleonic times did not spare peaceful Carinthia. General Bonaparte marched through the Province in 1797. The Imperial grenadiers occupied it in 1805 and 1809. Open rebellion against the foreign conqueror was organised by Johann Baptist Türk, the Carinthian Andreas Hofer. He moved too early in the day to be successful and it was not until 1814, under Metternich, that the great hour of liberation from foreign rule struck.

During the stormy year of 1848 the inner unity of Carinthia was again demonstrated. It was the same during the first World War, the mountain

saddle of the Pack into the Graz basin, thus affording a quicker and more comfortable connection with Styria than is provided by the railway which runs by way of Friesach and the Neumarkt Saddle. On the southern slopes the peasants' houses lie at very high altitudes. The Benedictine monastery of St. Paul, a well-known educational centre, is situated here. In the mountains are iron ore and coal. The wind sweeps through the extensive forests, and across flower covered fields in which the blue squill, a child of the South, is still to be found.

133 [491] [792]

FURIOSO. South of the west-east line which the Gail-Drau Valley cuts through Carinthia, at the foot of the frontier wall formed by the Carnic-Julian Alps and the Karawanken, the melody of the landscape is different again. After the *Andante* of the Hohen Tauern and *Allegro* of the Noric Alps which is transformed into the softer airs of the Lavant Valley, comes the wild *Furioso* of the storm-swept Kalkgebirge.

Between the Gail and the Drau, the Gailtaler Alps sometimes rise to a height of 6000 feet. To the south they fall away in impressive walls of rock. On the more gentle northern slopes

did their grandfathers before them. On holidays they wear the sober Maximilian miner's formal dress as has been the custom for centuries. Work above ground has made the old shafts obsolete, a giant electric crane replaced the old trucks.

Three roads once led to Vordernberg, on the other side of the Erzberg. The brown one brought iron ore, the black one coal and the white, flour. Up to the time of Emperor Joseph II this once-wealthy mining and industrial town had the trading monopoly for all iron ore smelted there. Since Donawitz has been able to draw coal from Seigraben, the blast furnaces of Vordernberg have fallen on evil days.

Styria is also called "The Green March", because of the woods which cover the spurs of the alps, as vast forests in the heights and as cool coverts between the vineyards of the lowlands. They are peopled by mountain dwellers of ancient and hardy stock such as the Archduke Johann knew and loved. That princely friend of the people rescued the Province from economic and mental decay, making of it a pleasant garden where the concerns founded and encouraged by him exist today. Johann gave proof of his love for Styria by taking one of its daughters for his wife. The people and the forests have grown together to make up what is implied by the term "forest motherland."

IN THE CAPITAL

The pleasantest way to reach Graz is to cross the Rien. The road descends in ever-sharper curves until after one steep drop one finds oneself facing the five terraces of the town. At once the eye is caught by the Schlossberg with its corpulent Clock Tower.

A sky of southern blue sets off the grey stones of the main square. Outside the Rathaus the flower and vegetable market is a riot of colour. The character of provincial nobility, originally built for defence 133
and as a refuge for the villagers, which today 342
illustrate modern farming methods or have
become seats of responsible national education.
Castle Neudau, the old Wasserburg may be
named as one example of many.

Close to the edge of the mountains, at the 361
foot of the Ringkogel, over which the Romans
built the Säumerstrasse, lies the town of Hart-
berg amidst country which has been cultivated
since the earliest times. Today it is the seat
of various administrative authorities, an outpost
of northern East Styria. The fine lines of the
baroque tower of the local parish church puts it
ahead of many other pleasing pieces of architec-
ture in Hartberg.

Pöllau, the market-town between Rabenwald 361
and Massenberg has become famous on account 346
of its old monastery church, a spacious building
distinguished by its fine workmanship. The 532
most important interior decoration is the painting
by the Master who created the Pöllau frescoes,
Matthias von Görz.

The ancient Monastery of the Prebendaries 792
at Vorau stands in solitary grandeur. Founded 346
in the 12th century, razed to the ground
by fire and rebuilt, ravaged by wars and conse-
quently fortified like a castle, showing signs of
decay yet refurbished in the styles of successive
periods with added beauties, it has always been
a centre of monastic discipline and learning,
and of the religious and educational work
carried on by the priests in the mountains
and valleys of the district. The church has
two German towers. On the walls of its
brightly-lit interior the Masters of the early
18th century have put all the joyful triumph
of the baroque age into their paintings, colour-
ing and stucco work. The sacristy is known for
its "Judgement Day", and "Last Supper",

by J. C. Hackhofer, and the library for its
treasures of old manuscript.

133 *musical notes enlivening the warm nights and sun-drenched, dreamy days. The more abundantly the vines have blossomed, the sweeter the ripening grapes,* [137] *the more wind rattles are set up to protect the cherished fruit. In their thousands they are supposed to scare away the bold thrushes and starlings.* 346 *Although when they sound loudly a* ● 792 *cloud of scared birds rises into the sky, they soon settle again among the sweet grapes. The wind-rattles really contribute more to the atmosphere of this part of the country than to the effective protection of the wine. Visitors as well as natives adore them; you quickly learn to distinguish the notes of one from another. On stormy nights of hail and thunder, it is as if they were calling in alarm to the ruler of the clouds.*

Styrian attributes:
Dour but galant the Ennstaler,
Charming the Ausseer girl,
Thoughtful and grave the Murbodner.
Solemn, good trencherman the East Styrian,
Easily roused the Grazer,
Soft of heart the Lower Styrian.
And all tough and courageous in the cause of the Motherland.

up or dug out to form ditches and pits; between them stand the narrow sheds containing slabs of dried peat. The valley extends as a wilderness filled with the humming of a myriad insects busy above the red carpet of wild mustard out of which rise blackberry brambles and the white trunks of young birches. The Kulm, a tree-clad hill on the pale summit of which stands the pilgrimage church of Frauenberg, rises steeply from the banks of the Enns. With two towers and light coloured walls the old shrine reflects the light of the surrounding mountain peaks, which look like a festive garland supporting the blue of the heavens. For half a century the abbots of Admont have cherished this church of Our Gracious Lady with artistic and more than loving generosity. In the "Turkish Year" (1683) the church was invested with its baroque pomp as a worthy framework for the old shrine, to which Johann Thaddäus Stammel later added a glorious wreath in the shape of a delightful choir of angels.

A narrow avenue of chestnut trees leads to a Calvary Mount on the fringe of the mountains. The group around the Cross rises above a weather-beaten wall. It is the work of peasant hands and has an impressive solemnity seen against the background of the distant mountains. In the valley below the Enns emerges, a green and glittering torrent, to flow through meadows and alder bushes to Admont.

The two slender towers of the Abbey which are seen by the tourist from a long way off, were only built after the great fire of 1865, but the surrounding settlement and the foundation of the monastery date back to the earliest history of the Province. [103] Latest research claims to have established that the name Admont is of Illyrian origin, and that the "region of plentiful water" which this name suggests in Illyrian had therefore long been inhabited by human beings—by fishermen, woodsmen and hunters—when monks from St. Peter in Salzburg came, in 1047, to the monastery. It had been built by Archbishop Eberhard with money given by St. Hemma of Gurk, there to found what became one of the most prosperous and best known cultural centres of the Province. Worship and science, art, agriculture

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Bad Aussee.

and forestry all found a home here. Progress and civilisation were spread through the surrounding virgin forests and through the properties which had been given to the monastery in Sausal and Untersteier. Often threatened by fire, the monastery[1] has succeeded in preserving undamaged its famous treasury, the library with the frescoes of Altomonte and the masterpieces of J. T. Stammel up to the present day. During the heyday of the monastery, the flower of Austria's youth took their vows here, a long line of artists, men of learning and priests being noted in the chronicles of the monks during the course of a whole century. The great world, however, has forgotten most of their names, although historians still speak of Abbot Heinrich II, whose gifts of statesmanship resulted in the dignity of a Governor of Styria being added to his title of Abbot before he was treacherously murdered in 1297.

Better remembered in our own times are the names of the scholars Richard Peinlich and Albert von Muchar, after whom streets have been named by the provincial capital.

After a short, enforced pause, the rule of St. Benedict was re-established in the almost 900 year old cloister, a monastic revival in modern times of a venerable past.

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Towards the north, beyond the little village of Hall, where salt was crystallized out of the waters in the 12th century, and the hidden, solitary mills, the Haller Mauern majestically enclose the Admont Valley. How grand are the names of the Steinberge—Pyhrgas, Hochturm, Hexenturm and Natternriegel! And how grandly their cliffs and peaks glow beneath the summer sky. For nearly half the year through clear and frosty wintry days they are covered with a glittering mantle of snow.

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To the South the jagged Hahnstein rears its head, blocking the view to the higher peaks of Sparafeld and the Reichenstein. On the slopes of the Klosterkogel lies Röthelstein Castle. Lime trees stand in the outer courtyard, which is surrounded by a turreted and loopholed wall. A massive archway leads to the Residence which is known as a fine example of 17th and 18th century architecture.

[1] [i.e. Admont Monastery — Analyst]

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Gottweig Monastery; view from Stein-on-the-Danube.

red top-boots and white leather accoutrements, you would not have been surprised.

When the happy crowd went on to Dürnstein, was it still an excursion? Was not it rather a dipping into the romance of the past? "At the Sign of the Singer Blondel" or "At the Sign of King Richard the Lion Hearted" are names of inns there. And when you lay up above on the remains of a castle wall, the dark water streaming past below and the dark forests gleaming on the slopes of the mountains, you had for the first time the feeling of getting to know the spirit of a countryside and of being close to all the fateful events it had seen.

361 Melk is throned in majesty. From a massive parapet of stone rise Prandtauer's glorious towers. The Monastery is vast and overpowering. It was the birthplace 792 of law and order in the Danube district, as of Austrian culture and literature. The treasures which the magnificent library offers to the mind can hardly be grasped by the eye.

292 Everyone should at least once have seen the colourful silk dresses and shimmering gold bonnets of the women from the Wachau district. How lovely when the evening light falls on them as it did that time in Göttweig, and you hear the moving rhythm of the song: "So home we go in the full moon's light."

133 THE WALDVIERTEL. Eggenburg lies almost on the dividing-line between vineyards and forests, 241 gently warmed by virtue of the declining and widening slopes. But high above, around the Nebelstein, the wind blows chill and raw. There the oats have to be mown by mitten-covered hands. As the Ottenschlag saying has it:—"Three-quarters of the year winter, one quarter cold." In places there are enormous blocks of stone which have carefully to be avoided by the plough. Vast forests of pine give the countryside a dark and rugged hue, relieved only by

Weissenkirchen.

776 there in the days of Charlemagne. In 1926 St. Martin was made the patron saint of the Burgenland. But the fact that every self-respecting Burgenländer insists on eating roast goose on St. Martin's day is not necessarily due to his piety. Since the days of the Carolingians, a number of places in the Burgenland have been connected with St. Martin either by their names or by the dedication of a church. The most southerly is St.-Martin-on-the-Raab.

Schlaining.

792 From St. Martin it is not far to St. Gotthard. This monastery, just across the frontier, was founded by French Cistercians in 1184. It is a curious coincidence that in the Battle of St. Gotthard in 1664, where the Turks were defeated in open conflict for the first time, French troops played a decisive part. The battlefield lies within the Burgenland parish of Mogersdorf. The name of the neighbouring village, Maria-Bild-bei-Weichselbaum, recalls the legend that a wonder-working picture of the Virgin was brought from a forest shrine to the village church, but transferred itself back to its original site, where a church was then built.

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Kittsee.

133 Even in the days of the Carolingians the rivers of Lafnitz and Pinka contributed to the establishment of settlers in the Burgenland. The Lafnitz today forms a natural boundary with Styria. If you follow the line of the Pinka northwards you will find that it crosses the frontier of Austria seven times.

[361] The same typically Burgenland villages are to be found on either side, inhabited by a mixed Croat and German population. The river fortress of Eberau in this district is perhaps the least known castle in Austria.

Landsee.

In its upper reaches the Pinka like the other Burgenland rivers—the Raab, Lafnitz, Güns, Rabnitz, Eicha and Leitha—unites the Burgenland with the Styrian-Lower-

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and on the Eisenberg and the pyrite rocks at Redlschlag are instances of the varying types of soil.

Unique in Central Europe, however, is the asbestos of Rechnitz and the Styrian jade from Bernstein. The green, veined stone is really beautiful. It comes to the workers who have inherited their trade from father to son as uninteresting stone splinters. The final products can be seen at the Vienna fair—unbelievably delicate vessels and translucent vases. The finest examples have gone to all parts of the world. The late King Alfonso of Spain even took some of them with him into exile. 306

The Burgenland is a country of ancient traditions, legends and memories. The story of the good prince Giletus and his wicked wife is supposed to explain the origin of the Neusiedler Lake. Then there is the legend of the "Wasserstoffel", a creature like a human being which lived in the Neusiedler Lake like a fish and, caught and tamed, emptied a whole sack of frogs, snails and water-snakes on to the banqueting table of his adored young mistress at her marriage, because this seemed to him to be a most delicate dish. The wedding gift was anything but well received, and the poor Wasserstoffel, who had meant it well, fled in despair and was never seen again. The Templar knights, who lost the castle of Lockenhaus through treachery, are said still to haunt it. In one of the most beautiful castles there occasionally appears a "White Lady", gentle and gracious. 773

The son of Wolfers von Güssing and his grandsons were called Henz, and from these proud lords whose family was one of the most powerful in the Burgenland the inhabitants are supposed to have received the name of Heinzen. 551

Between Güns and the Carolingian Lutzmannsburg lies the monastery of Marienberg. It was founded in 1194 as a branch of the Austrian Cistercians of Heiligenkreuz, who about this time were granted estates on the shores at the Neusiedler Lake, where the name of Mönchhof still recalls their memory. 792

Frankenau and a number of neighbouring parishes are inhabited by Croats. This race is to be found in many other villages scattered throughout the whole Province. How they got there, we shall see later. First let us visit the basket weavers. 162 600

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Danube Wharf (Kai).

enlivening and refreshing it day by day with fresh forest winds and cool breezes from the Danube. 367

From the vineyards of Nussdorf rises up the forest-crowned head of the Kahlenberg, favourite mountain of the Viennese and a last outpost of the Wienerwald, the extensive hill country to the north-west of the City. Its fields and deciduous forests form a vast recreational garden of recreation for tired city folk in search of fresh air. Few other cities can boast of such a large and unspoilt natural preserve in the immediate neighbourhood of the granite sea of tenement buildings.

A short walk brings us to the adjacent Leopoldsberg. Here you can sit in the little tavern gardens drinking the excellent wine which is grown a little lower down, near Grinzing and Nussdorf, and gaze at the green domes of Klosterneuburg monastery, the steamers on the Danube with their trailing banners of smoke, the fields along the banks and the Stefansturm which rises like a fountain of stone. One thinks of the days when the merry Babenbergers still held sway here above and pious Margrave Leopold founded the monastery of Klosterneuburg on the spot where he found the wind-tossed veil of his lady.

Downwards from the Leopoldsberg leads a beautiful, shady, wooded path. A visit to the monastery is well worth while, for all our Austrian monasteries have been very important centres of art and learning by virtue of their architecture, their art collections and their libraries; Klosterneuburg enjoys apart from this the best of reputations as a college for church music. The famous school of the town of Klosterneuburg for vine and fruit-growing dates from the times when our monasteries were strictly organised working communities which spread considerable material culture. 792

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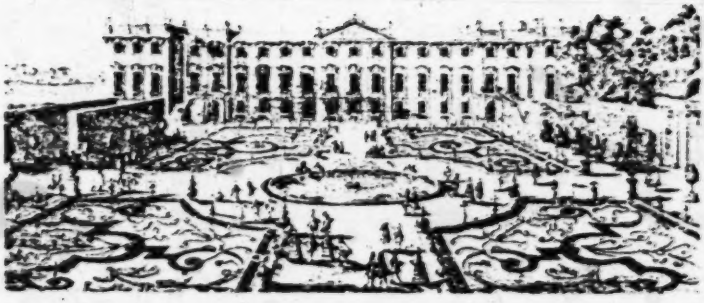

The Trautsohn Palais.

792 346 The buildings of the monastery lie on a rocky plateau, the western part of which appears as a picturesquely gothic tangle of dark stairways and steeply towering supporting walls, while the east of the plateau, crowned by the two mighty cupolas beneath the German Imperial Crown and the Austrian Ducal Coronet, reveals the entire splendour of the mid-baroque period. The best view of the two domes is to be had from the monastery park. To the South the slender, new-gothic church spires are etched against the blue of the sky.

Climbing a long, steep flight of steps, the Pfisterstiege, one reaches the Leopoldihof with its splendid gothic bay window and its fountain with the renaissance figure of the Babenberger Leopold III. The outward sign of the power with which it was invested at the time of its foundation and which it succeeded in asserting for centuries, is the great monastery church.

[532] The most valuable work of art of the monastery is the Verduner Altar which stands in the Leopoldskapelle—a world-famous work dating from the end of the 12th century.

In the building of the monastery we enter the realm of dreams and magic of true Austrian baroque. Its creator was the Milan architect, Donato Felice d'Allio.

The greatest curiosity of the rich monastery museum is a collection of romanic ivory objects, small boxes, portable altars and Italian bronzes. In its very

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The Praterstrasse with the Carltheater.

extensive library the art-lover is fascinated by the beautiful illuminated manuscripts and the family tree of the Babenberg rulers. The treasury contains the Austrian Ducal Coronet and rare goldbeaters' work of the Middle Ages. 792 346

The city itself climbs up to the heights of the Hermannskogel and the Kahlenberg, extending as far as Klosterneuburg, Mödling, Schwechat and even beyond the Lobau district. But it is hoped that this virgin zone of woods and fields will prevent the disappearance of many cherished villages, prevent the picturesque biedermeier gardens being swallowed up by tenement houses and ensure that the wonderful boating and bathing centre which Vienna possesses on the Old Danube does not lose even a foot of ground to industry and factories. 361

The historic little country parishes of Nussdorf and Heiligenstadt, Sievering, Grinzing and Liebhartstal, of Hietzing, Mauer and Perchtoldsdorf have grown together in a semi-rural region where nature, modern villas and ancient structures blend pleasingly. The "Heurige" wine-gardens of Kahlenberg, Neustift-am-Wald, Rodaun and Maria Enzersdorf hold within their little flowered courtyards that true Viennese "Gemütlichkeit" (easy-going cordiality) which loves life and the fleeting moment for its own sake. You clink glasses with your neighbour, drinking, in the joy of your heart, to the health of the stranger beside you, who himself feels the same about you. Many an 275

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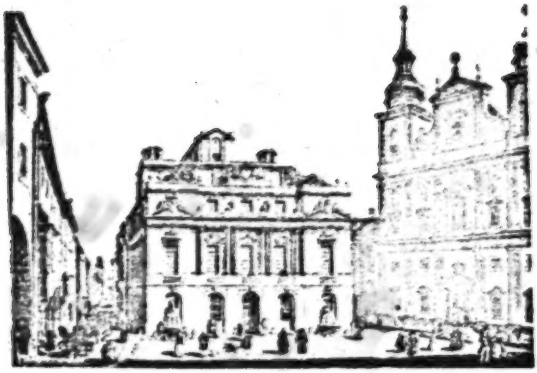

Vienna. Old University and Jesuit Church.

876 the mistakes of others, to criticise and to correct them. Ambition was made the spur. The best scholars were publicly commended at the end of the school year, were awarded prizes, and amidst the sound of drums and trumpets, their names were announced with great ceremony to the assembled visitors present at the end of term performance. Their names were inscribed on a list of the successful which was distributed to the guests. Rivalry between the aristocracy and middle classes also encouraged the spirit of competition the former believing that their superior rank obliged them to secure a similar superiority in learning, in which endeavour they frequently met with the competition of sons of middle class parents.

793 Vienna was the oldest Jesuit stronghold (after Cologne) in the German-speaking
798 countries. Ten years later, in 1561, a second branch of the Order was established within the frontiers of present-day Austria, the college at Innsbruck, and was soon followed by another, that of Hall-in-Tyrol, in 1569. A year later, in 1570, a branch was established in Graz, in the year 1600 the Jesuits settled in Linz, in 1604 in Klagenfurt, in 1613 in Leoben, 1616 in Krems, 1621 in Judenburg and in 1632 in Steyr. Protestantism at this time was practically unchallenged in the places where these centres were established. In each of them schools were promptly opened and plays were staged in all; the Faith was spread, not only by the ear but also through the receptive medium of the eye.

Many conversions, many changes of outlook must be attributed to the emotional effects of these dramatic representations. Records often refer to the pleasure which Catholics and others found in these performances.

About the middle of the 18th century, 53 Jesuit colleges and settlements existed in the Jesuit "Province" of Austria, in addition to a number of resident and travelling missions. In almost all these 53 centres there were middle-schools and at almost all of them plays were produced, between two and three in a year, unless school, as was often the case in Hungary, had to be broken up on account of the dreaded plague or of danger from the Turks. These usually scattered the pupils to the four winds. 793 871

The growth of the Jesuit Theatre continued from 1558 to 1773 in two major stages. During the first, which lasted until about 1650, the main objective was the inculcation of the Faith; during the second period, education played the greater role. The Jesuit Theatre took over from the mediaeval theatre the pattern of the ecclesiastical year, culminating in the festivals of Christmas and Easter. It also adopted the traditions of the "school-theatre". The Order of Jesuits was not alone in introducing its pupils to the stage, but no other Order did so on such a scale, with such perseverance and with such remarkable results. 793 536

To appreciate the significance of the Jesuit Theatre, one must remember that with its amateur actors, it was a means to an end and not, like the professional theatre, an end in itself.

The first stage performance in Vienna was given in 1555. The Jesuits had made barely habitable the building of the Carmelite Monastery, which during the recent years when it had been left almost unoccupied had become a ruin, and had just established their schools there. They repeated their performances every year, increasing their number. Scenery and costumes were added. By the second half of the 17th century the productions easily bore comparison with the elaborate set-up of those at the Imperial Court Theatre. The stage-struck Leopold I was the most enthusiastic patron, and at the end of the performance he distributed prizes to those pupils who had most distinguished themselves. 793 545

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793 were also made use of, at first in connection with religious stories; subsequently
536 we find stories taken from history, especially after the beginning of historical studies early in the 18th century. From the rulers of antiquity by way of the ancient German and Lombard kings up to the reigning House of Hapsburg, all with high rank or well-known names which might serve either as an example or a warning to youth were brought into these plays. It is noteworthy that a number of subjects reappeared in the literature of subsequent decades, especially in the period of classicism. In the Jesuit Theatre we find, to mention only a few examples, a forerunner of Schiller's "The Robbers", as well as of the "Iphigenie" of Goethe and Körners' "Zriny". Thus the Jesuit Theatre was of value in preparing the way for the literature of later times, as well as because it was in itself the most comprehensive theatre organisation known to history. Far and wide it cleared the ground for the professional stage by making the cultured classes acquainted with the theatre from their earliest youth. In many towns of the Jesuit "Province" of Austria—for example in Hungary—it was
[517] the immediate forerunner of the professional theatre. The value of this Jesuit Theatre lay not so much in the grandiose stage presentation at some particular place such as Vienna or Graz, nor in the literary value of the works of such a man as Avancinus, but rather in its achievements for the general development of culture. Its mission once fulfilled, it faded away.

793 With Rousseau's "Age of Enlightenment" there began a conflict about
871 the Jesuit schools which for two centuries had supplied the Emperor
815 with his leading statesmen and to which the Counter-Reformation in Austria owed its success. The main argument against them was that they were in themselves reactionary and their methods old-fashioned. Yet it was just the Jesuit schools which in the first half of the 18th century proved themselves to be thoroughly progressive, for it was they who introduced the teaching of history and encouraged study of the natural sciences. In Vienna they founded a "*Museum Mathematicum*", the first institute of its kind in Austria and a precursor of the modern museums, and pursued definite educational aims through its collection of physical and astronomical instruments. The Jesuits were also the first in this part of the world to make serious experiments in physics and chemistry and to demonstrate them in public. The Emperor Franz, Consort of Maria Theresia, even called the Brothers to Schönbrunn Palace to make such demonstrations.

Until the latter half of the 18th century the students in the Jesuit schools of the Austrian Province numbered more than 16,000 and although thereafter their numbers began to decrease slowly, the abolition of the Order put an end to an educational system which was still flourishing.

793 The final performance at the theatre in the Bäckerstrasse was given in the year 1760
873 by the sixth class, that of rhetoric, which acted "Menaeus"—actually the last play
545 produced by the Jesuit Theatre in Vienna. The beauty of the play, the acting of

the boys and the fine scenery was much admired, and no one guessed that they were acting for the last time. Soon afterwards an Imperial decree was issued totally forbidding this type of training in the schools, and in the year 1761 "nobody set foot again in the theatre". The stage fell into decay; not until 1766 was the tangle of rafters and the disorder in the hall removed to prepare the auditorium for lectures, but the old glory had departed; seven years later the entire activities of the *Societas Jesu* were forbidden (1773). 793 873 545

The "Age of Enlightenment" had finally reached Vienna. A clear-cut difference of intellectual attitude divided the city, and slowly the Jesuit Theatre had to yield place to the professional theatre with its literary basis.

The Order of Jesuits left the country in obedience to the Emperor's command, its mission fulfilled. Embattled Catholicism in conjunction with Imperial Power had weathered the storm of Turkish invasion. The age of Baroque blossomed forth in glory.

Since the days of the Jesuit schools the word "theatre" has formed an inseparable part of the thoughts and imagination of the Austrian people—the theatre as a stage for free discussion, as a means for acquiring knowledge, as a method for the exchange of ideas among men. For seven generations youth had been taught to link up and to compare the theatre with the surrounding world, seeing the one in the other and through the one understanding the other. 536

Placed amid that outside world which often put might before right, the theatre became increasingly a home for daring ideas, and the stage developed into an open platform for free speech. Thus in Austria, not only for the professionals, the authors and actors, but also for the public, the idea of the theatre has become one of the most cherished features of life, that great world-theatre where life is a dream, a play by and for every man.

Without designing it, we are back at our starting-point. Kittsee has still to be mentioned, lying in the extreme north opposite Pressburg, where Josef Joachim, the famous violinist, was born, and Zurndorf, the native town of the Vienna Capucine preacher, writer of Hungarian history and Protestant bishop of Saratow in Russia, Ignaz Aurel Fessler. Nickelsdorf looks over the frontier towards the Nibelungen town of Wieselburg, where Josef Kainz (famous actor of the Vienna Burgtheater) first saw the light of day.

There are castles and churches where the art of the Burgenland is represented by the paintings of Dorfmeister, Maulpertsch, Altomonte-Hoherberg, Köpp von Felsenthal and Storno, an art which lives on today in the work of the famous modern sculptor Gustinus Ambrosi.

Let us glance again over the wide and sunlit countryside to Eisenstadt, where the festivals in the historic Haydn Hall have revived the music traditions of the Burgenland, to the villages where one hears the tamburizza orchestra, and the airs of old folk songs from which Haydn took the undying melody of his hymn. Once again let us glance at the people, the farm labourers at Friedrichshof or Edmundshof, the workers in the chalk and jute factories, the reed-cutters by the lake and the vine-dressers with their aprons stained green by copper sulphate, the farmers and the labourers, as far as the smallholders in the extreme south who industriously till their four *joch* of ground, keeping records of the weather as their fathers did before them. Don't be surprised if one of them appears round a bend in the forest path, nods approvingly at the fleecy evening clouds and pats you on the shoulder to say—"That's the weather we need here. But you—come back again soon to our Burgenland."

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The Graben.

proclamations of the Estates and treaties of peace. Anyone wishing to write the history of Europe is bound to have resort to these unique documents.

The number of collections and galleries, museums and archives seems inexhaustible. The Austrian's love and understanding for art and science have created for themselves a permanent monument in these.

At the head of the list of great MUSEUMS stand those of FINE ARTS and of NATURAL HISTORY. Both date back to the old Hapsburg collections, such as the Treasuries with contents which date from the 13th century. Picture Gallery, Tapestry Collection, "Wagenburg", Medal and Coin Museum, Pre-Historic Section—the problem is where to begin.

The ALBERTINA Collection of Graphic Art, with about a million

Further on, past the Crypt of the Capuchins is the Albertina situated on a high bastion—a treasure store for art-lovers. Here is an almost complete collection of the drawings of Albrecht Dürer which once belonged to Prince Eugene. 346

Almost in the shadow of this Albrechtsrampe and backed by the green spaces of the former Kaisergarten is the white statue of that witty divine, Abraham a Sancta Clara. His entertaining and moving pulpit discourses helped his enormous congregation to forget their hunger, thirst and weariness. He was preacher, narrator and satirist in one. His influence, which did not stop short at the Imperial Court was to a great extent due to his perfect command of Viennese dialect. 211 793

Viennese dialect! This is a faithful mirror of the spirit of Vienna, wonderfully soft and 197 192

About the middle of the 18th century, 53 Jesuit colleges and settlements existed in the Jesuit "Province" of Austria, in addition to a number of resident and travelling missions. In almost all these 53 centres there were middle-schools and at almost all of them plays were produced, between two and three in a year, unless school, as was often the case in Hungary, had to be broken up on account of the dreaded plague or of danger from the Turks. These usually scattered the pupils to the four winds. 793 871

The growth of the Jesuit Theatre continued from 1558 to 1773 in two major stages. During the first, which lasted until about 1650, the main objective was the inculcation of the Faith; during the second period, education played the greater role. The Jesuit Theatre took over from the mediaeval theatre the pattern of the ecclesiastical year, culminating in the festivals of Christmas and Easter. It also adopted the traditions of the "school-theatre". The Order of Jesuits was not alone in introducing its pupils to the stage, but no other Order did so on such a scale, with such perseverance and with such remarkable results. 793 536

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Imster Phantom Procession.

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Rattenberg.

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[796] [776]

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Roab-on-the-Thaya.

of the Pulkau, in the Danube area—and in China.

BEAUTIFUL IS OUR SUMMER! Millions of vines reaching out towards the setting sun, a low, thick-set endless forest of pale green. Before you the fertile valley in its lovely frame. Ahead, hundreds and thousands of fields, ribands of flame through which one can walk for two hours, golden seas of shimmering grain. And in between, green clover and vegetables, caught in the rays of the setting sun.

In the middle of the valley, along the Pulkau, lie the villages. Large and solid roofs, a strong, bulky tower, and round about a circle of trees characterise the isolated vineyard market-towns and villages. They are large and straggling settlements, virile in character. You should pay them a visit and enter one of the houses. A strong and penetrant smell of home-made bread, bubbling pots, flour-bins, eiderdowns bursting with feathers, the breath of man and beast, warmth of straw and stables will greet you with familiar welcome.

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Where the valley sweeps broadly round are again pale green hills, vineyard upon vineyard. Next comes a wooded mountain, its crest gracefully sloping down and leading the eye on to the great beech and oak forests of Ernstbrunn. Hard is the life of the peasants here—never-ending round of toil. On winter nights when the vines are endangered, they tend the fires whose smoke fights the frosts. When at last they have completed the protection of the vineyards against damp, against drought, against insect pests, they turn, weary and worn, to the fields awaiting the reaper. As black clouds gather they fear for both. Through sleepless nights they aid the beasts in the struggle to bear their young. When they go to haul the trunks of great oaks from the forests, it is midnight before the horses are fed. The population has preserved its ancient manner of speech, as lively and as deeply rich as the ocean. The forces of long past centuries and an ancient home-

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land linger on in word and custom. Marriage splendours, the dance of the vintage, "Weizauslösen" (de-husking the grain) and "Federnschleissen" (stripping the feathers of their down) lend colour to days and nights.

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In summer everyone should see a "Kirtag" (church festival). This is more than an annual fair, it is the great festival of the year, two days and two nights of feasting

they fork out into Yugoslavia and Italy.

The roads are on the whole the same which the Roman legions used 2,000 years ago when they traversed the Province, to be followed by the great barbarian hordes, by Attila the Hun, the "Scourge of God", the Avars going in one direction and the Franks and Bavarians taking the other. Swedes, Hussites, Turks and Janissaries, Poles, Panduras, Napoleon's Guards, the song-loving regiments of the Austro-Hungarian Monarchy—and now the German and the Allied Armies—have succeeded one another.

On the same roads dukes, counts, princes and emperors, kings of Bohemia and Hungary went their ways. Here also passed itinerant monks and flagellants, merchants and preachers, travelling students, scholars, minstrels, troubadours, abbots, cathedral builders, painters, copper-workers, organ builders, the Brothers of the Rose, Father Abraham a Sancta Clara, hurrying couriers and ladies in swaying litters. In later years came Casanova, Augustine of the ballad singers and Mozart on his journey to Prague.

What multitudes have passed along these highways during the last thousand years and in the thousand preceding them. The land is a book of stone—a living book of the people who have walked it. In these parts life has marked faces with the signs of joy and care, of knowledge gained through endurance and wisdom through suffering, until they have become such as we see them today, formed as an old master paints a face on canvas.

Like the unchanging Danube, the vines and the gentle doves, the sons of this province cling to the customs of their forefathers and to their beloved soil.

Let us supplement the quartering of the Province by the mentioning of

at a generously decked table, after the walls have been freshly whitewashed, the doors newly varnished and the windows cleaned and polished.

HOW BEAUTIFUL IS THE VINEYARD COUNTRYSIDE IN AUTUMN! In the vineyards bells are ringing, not as a summons to festivities or to express joy, as the poets like to tell us. The narrow tracks sink into the soft yellow clay to a depth of three or four waggons and in the vineyards stand so many great tubs laden with grapes that the night is often far advanced before the last has been removed. Then it is that the tinkle of bells and the crack of the whip can be heard

Aside from world politics, the arts 814

and sciences found in this gifted ruler,[1] himself a talented writer and thinker, an understanding patron. Albrecht Dürer and Peter Fischer enjoyed his favours and humanism found a home in Vienna.

> The peasant walks behind his plough in peace,
> While in the towns the workmen ply their trade
> And industries and guilds lift up their heads.
>
> (Ottocar, Rudolf, Act III)

1519 to 1521. The Portuguese Ferdinand Magellan first circumnavigates the world. 648 643

After the death of Maximilian, his grandchild Karl V took over a vast empire. He inherited Spain, Burgundy and the old Hapsburg possession; he was elected King in Germany and later crowned Emperor at Bologna. In 1521 he divided his Empire with his brother Ferdinand, to whom he gave the Austrian Duchies. From this time onwards one finds references to an Austrian and to a Spanish line of the House of Hapsburg. The reign of Karl V was filled with internal German conflicts arising out of the start of the reformation. Constant wars with France and Turkey left him no peace. Karl V was another of the strange, gloomy and apathetic figures to be found among the Hapsburg rulers. His plans to win back for the Imperial Crown its ancient power and splendour and to preserve the unity of the old Catholic faith were brought to naught, partly on account of the egotism of the Lutheran Princes but also because of their devotion to their faith. Karl thereupon renounced the crown and retired to the monastery of San Yuste in Spain. A lonesome and frustrated figure, he turned his back on that life which would have made him ruler of a world Empire.

1526. Bohemia and Hungary pass legally into the possession of Austria.

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> There order dwells, there order has its home
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798

In the meantime Ferdinand was ruling prudently and ably in Austria. The new doctrines from Wittenberg quickly penetrated to Austria, where they spread rapidly. Soon appeared the first signs of a clash of beliefs which was to prove particularly significant for Austria. Efforts to bring about religious reforms brought with them social discontent, which manifested itself particularly in peasant revolts, and in the formation of the sect of the Baptists.

1540. Foundation of the order of Jesuits. [669]

1545 to 1563. Council of Trient. The Catholic Church grows more powerful and the Counter-Reformation begins. 648

In 1526, Ludwig II, King of Hungary and Bohemia, lost the day and his life as well in the battle of Mohacs against the Turks. Under the Treaties

1 [i. the Emperor Maximilian. -- Analyst]

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Vienna. Old University and Jesuit Church.

876 the mistakes of others, to criticise and to correct them. Ambition was made the spur. The best scholars were publicly commended at the end of the school year, were awarded prizes, and amidst the sound of drums and trumpets, their names were announced with great ceremony to the assembled visitors present at the end of term performance. Their names were inscribed on a list of the successful which was distributed to the guests. Rivalry between the aristocracy and middle classes also encouraged the spirit of competition the former believing that their superior rank obliged them to secure a similar superiority in learning, in which endeavour they frequently met with the competition of sons of middle class parents.

793 Vienna was the oldest Jesuit stronghold (after Cologne) in the German-speaking countries. Ten years later, in 1561, a second branch of the Order was established 798 within the frontiers of present-day Austria, the college at Innsbruck, and was soon followed by another, that of Hall-in-Tyrol, in 1569. A year later, in 1570, a branch was established in Graz, in the year 1600 the Jesuits settled in Linz, in 1604 in Klagenfurt, in 1613 in Leoben, 1616 in Krems, 1621 in Judenburg and in 1632 in Steyr. Protestantism at this time was practically unchallenged in the places where these centres were established. In each of them schools were promptly opened and plays were staged in all; the Faith was spread, not only by the ear but also through the receptive medium of the eye.

Many conversions, many changes of outlook must be attributed to the emotional effects of these dramatic representations. Records often refer to the pleasure which Catholics and others found in these performances.

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Rattenberg.

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THE ECONOMIC RECONSTRUCTION OF AUSTRIA 1945-1952

I. ECONOMIC SCIENCE IN AUSTRIA: TEACHING, RESEARCH AND WRITING

At the end of the Second World War, in April 1945, when Austria, in accordance with the Moscow Declaration of October 1943, had been admitted as a political entity into the circle of European nations, hunger, need and economic breakdown stood by as sponsors at the cradle of her newly erected statehood. The three political parties made a solemn declaration of independence through their faction leaders on April 27, 1945, concerning constitutional fundamentals and judicial and administrative arrangements necessary for the development of an articulate democratic life. At the outset they faced the difficult task of creating modest living conditions for the Austrian population. In view of the destruction of material potentialities, the undernourishment of the population, the absence of hundreds of thousands of experienced hands (still prisoners of war), the disorganization of the communication system, the dislocation of large parts of the population, the regrouping in the vocational structure, the lack of raw materials, fuel and electrical energy, and the disorganization of the monetary system and the urgency for reorientation of the entire economic scheme along the lines of changed European and worldwide economic aspects, a more active tempo of intellectual life could be achieved only slowly after overcoming the direst of needs (1947-1948). Then, however, fostered by the old, venerated seats of learning and the reestablished economic organizations and institutions, a faster pace of acceleration set in which, in continuance of the best national economic tradition, soon reestablished the synthesis between theory and practice.

Pure science knows no prejudice, it favors no particular political trend; it simply serves human progress. On the other hand, it is clear that in the endeavor to assert moral truth, science, in an ever critical and authoritative manner, has to separate truth from untruth, the genuine from the spurious, if it desires to accomplish its high task. Therefore, even a small country has to accept an

000 intellectual responsibility for it is ultimately the mental conceptions which determine the social, political and economic profile and, beyond that, the life of the peoples.

815 Austria's school of national economics, with which Menger, Böhm-Bawerk, Philippovich, von Wieser, and many others were connected during the second half of the last century and the first quarter of the present century, has produced in the succeeding generations distinguished personalities whose intellectual accomplishments have become authoritative in the present interval of new social and economic formulations. Although postwar Austria cannot compete with the scope of foreign scientific publications, her cognizance of economic science, based upon tradition and experience, provides her with mental equipment necessary to solve her distinctly difficult social and economic problems. (This is exclusive of the work of Austrians living abroad, particularly in the United States and England.)

000 Sketching the economic ideas, which have become the educational fundaments of the present generation, will be attempted in the following chapter.

A. <u>The Scientific Contribution of Austrian Scholars to Present Day Economic Thinking.</u>

815 Austria has twice exerted basic influence on economic science. The first time through the school of the older and younger Cameralists ("Kameralisten") of the 17th and 18th century and the second time, in a far more extensive manner, through the so-called Austrian School of National Economy.

In this study, devoted to describing the economic status of postwar Austria (beginning with 1945) it will be impossible to cover exhaustively the fundamentals of the older Austrian school with which so many illustrious names in the field of political economics are connected. However, they will be mentioned in broad outline since their works, their pioneering ideas and especially their doctrines, modified by modern thought, have creatively influenced the younger generation.

The treatment of social problems, which characterized economic teachings during the second half of the 19th century, probably fostered the development of social politics and sociology but neglected (for the time being) consideration of elementary economic relationships and, therewith, economic theories. The latter in its "classical form" was rejected, inasmuch as historical relativism, lacking an understanding of general legalities, quashed any attempt to establish special rules from universally conceded principles and acknowledged perceptions, acquired in such a manner, as only a systematization of economic ideas pertaining to the time involved. As a result there occurred a discrepancy between economic science and applied economics. 815 816

Carl Menger, who instituted a new era of national economic research (Grundsätze der Volkwirtschaftslehre, 1871), established the connection between theory and applied economics on the strength of their relationships and reciprocal effects. His ideas became authoritative with regard to modern "market economy," the re-institution of which is also the aim of the ERP program.

Menger is one of the first who penetrated through the surface tendencies of markets, barter values, prices, profits, revenues, wages, etc., getting down to the core of economics. In his opinion the latter is not directed by independent regulations, free of human influence, but is shaped by actions of individuals. The economically active human being becomes the center of observation; his needs represent the starting point and their satiation the end point between which economic thoughts and actions occur. Between these two terminals, therefore, actions take place, and from their multiplicity generally accepted economic principles are derived.

Menger approached his research from a thoroughly empirical basis, characteristic of the realism of modern theory, in deliberate contradiction to philosophical or metaphysical speculations or to politically oriented constructions. Through an ingenious analysis of the processes of price origins, he concluded that, basically, the price structure rests upon the evaluation which consumers attribute to a certain commodity. This evaluation (subjective) begins with the estimate of the value of the

815 necessity, that value which people attribute to it to satisfy their need within a certain limited period of time. The values themselves, however, are linked to the degree of satiation that can be obtained (satiation law).

Of importance for the demand for a certain commodity, as Menger concludes further, is the subjective value which purchasers attach to it marketwise. This individual evaluation established prices, the latter regulates the extent of the production volume, which in turn determines the intensity of the producer's demand for personal and material production means. These, again, determine the prices of the output and the materials, and the levels of wages, of rents (real estate) and of capital utilization (interest) from which is derived the income of the owners of productive means. This constitutes a chain of causes and events encompassing the entire economic process. The law of calculating a value can be derived only on the basis of this interpretation, i.e., economy receives its impulses from the satiation of human needs since it is the utility as well as the welfare-purpose connected with it which determines the price. The theory of utility ("Nutzwerttheorie") confronts the theories of value of costs and value of labor ("Kostenwerttheorie," "Arbeitswerttheorie") of classic thought. From this theory of marginal utility (v. Wieser) that the value of higher ranking commodities (various stages of production means) results from the anticipated value of lower ranking commodities (consumer goods), Eugen von Böhm-Bawerk, Friedrich von Wieser and Hans Mayer later derived the "attribution theory" (distribution problem) peculiar to the Austrian school.

These economists supplemented and further developed the ideas of Menger. The researches of Böhm-Bawerk and von Wieser embrace the problems of values and price structure and later the problem of capital interests. Based upon the value principle of Menger, Böhm-Bawerk's work centers around the structure of values of production goods. For its participation in the production process of consumer goods, certain values of the latter are added in. With Böhm-Bawerk's standard work, Positive Theorie des Capitals (1896), which, like Menger's "Grundsätze," represents the earliest critical reply to the theory of capital of Karl Marx, and with his extensive social-political treatise ("Power or Economic Law," 1914), the zenith of the Austrian School was reached. Wieser occupied

himself once more with the relation existing between value and cost and developed the conception of so-called "marginal utility," which became one of the most important and decisive elements of modern economic theory. He proved the unity of economics via the value principle and the interconnection of economic processes; he introduced new ideas about the theory of money and in 1926 published his great work Das Gesetz der Macht (The Law of Power) wherein he grapples with socio-political problems. 815

Thinking in more systematic terms and with a more national economic conception, was the late Eugen von Philippovich (deceased 1917). In his Grundriss der politischen Oekonomie he examined the nature, organization and development of economy and derived a comprehensive systematization of elementary economic facts (necessity, demand, commodities, services, value, prices, money, and credit). He thus places human economic endeavors within the scope of a certain social order, whereby performance and equivalents were agreed upon in relation to terms of purchase, barter, rent, lease, etc. It is his opinion that the provisioning of human beings with commodities is accomplished by means of exchange, which in turn brings order into the economic relations of people. This order reflects partially the free decisions of the individuals involved, but is also influenced by social forces, especially the nation and the law. National economy is therefore the economic endeavor of members of a nationally disposed people, linked together by exchange-relations, by regulations of private and public law and by membership in social communities with an independent economical leadership such as government and municipality. His point of view approaches the so-called organic tendencies.

The enumeration of the works of Böhm-Bawerk, von Wieser and Philippovich is not a complete one and, therefore, represents only those of their publications which became important in the development of international science. (The same applies to the enumeration of the publications of other authors, especially those published after 1945.) Between these three and the younger generation of national economists stand Hans Mayer, who succeeded von Wieser as professor at the University of Vienna, and Ludwig von Mises. Mayer worked first to solve the questions left open by Böhm-Bawerk and von Wieser (division of national income, value and price constructions of production means, 1930), concentrated on the construction and the conclusion of

815 economic production processes, developing thereby the causal coherence of all economic occurrences. Pamphlets followed on the theory of prices and methods (Preistheorie und Methodenlehre. 1932), a review of marginal utility levels (Gesetz vom Grenznutzenniveau), and one about the functional theory of Jevons, Walras, Pareto, and Cassel. Additional studies of Mayer cover the theory of market prospects and the shifting of taxes. Together with R. Reisch and the American F. A. Fetter, he published, in addition to the periodical Zeitschrift für Nationalökonomie, the compilation on economic science on an international scale, Die Wirtschaftstheorie der Gegenwart (1927-1932). There were contributions by the following Austrians: A. Ammon, C. Grünberg, E. Lederer, Hans Mayer, L. von Mises, R. Reisch, R. Schüller, J. Schumpeter, and R. v. Strigl.

Mises, following Wicksell, occupied himself originally with the theory of money and banking and later became the initiator of the theories of market prospects of the younger marginal utility theorists. He was, like his pupil J. A. v. Hayek, a leading representative of the monetary market prospect and crisis theory. Mises paid particular attention to questions relating to the most appropriate development of economy, critical examinations of the operational possibilities of "free" or "limited" economic organization, which were also debated during the procedures for the Austrian nationalization legislation of 1946 and 1947. The endeavors of von Mises became finally the basis upon which the "neo-liberals" like von Hayek, W. Röpkes, etc., issued their newer and latest publications. (His works include: Theorie des Geldes und der Umlaufmittel 1912. Die Gemeinwirtschaft, Untersuchung über den Sozialismus, Liberalismus, Kritik des Interventionismus, Nationalökonomie, 1940. Burocracy, 1945. Planned Chaos, 1947, etc.)

The succeeding (present) generation of Austrian national economists concerns itself mainly with problems of market prospects, especially since 1937.

In this connection questions pertaining to the theory of money (Hayek, Kerschagl), the theory of income (Mahr) and the theory of wages (Striegl) in addition to the theories of foreign trade (G. v. Haberler, J. Machlup) and the doctrine of systematization (Hayek, under the influence of von Mises) are still scrutinized. Mises, Haberler, A. Lauterbach (The Road to Serfdom. 1946; Economic Security and Individual Freedom. 1949, a reply to the studies of

Hayek and Machlup as well as a discussion of the work of O. Morgenstern and the mathematician J. v. Neumann, The Theory of Games and Economic Behavior, 1944) and P. N. Rosenstein-Rodan (marginal utility theorist) are lecturing presently at leading universities in the United States, as is the finance scientist, Schumpeter. Hayek is connected with the School of Economics, London, while A. Ammon (Volkswirtschaftliche Grundbegriffe und Grundprobleme, 1938) lectures at Bern, Switzerland. 815

Some of the more prominent theorists working in Austria are: H. Bayer (Sozialisierung und Planwirtschaft, 1947) presently at the University of Innsbruck; L. Illy (Das Gesetz des Grenznutzens, Untersuchungen über die Wirtschaftsrechnung des Konsumenten, 1949); R. Kamitz (critical reviews and pamphlets about currency policy and author of the voluminous treatise on the Austrian money and currency problem, 'Die österreichische Geld- und Währungspolitik von 1848-1949,' published in the compilation 100 Jahre österreichischer Wirtschaftsentwicklung 1848-1948 by Hans Mayer, university professor, Vienna); R. Kerschagl (Handelspolitik, 1949) (Das Geld von Heute, 1949); A. Mahr (Volkswirtschaftslehre, 1948, one of the most up-to-date manuals on national economy to come from the Austrian School); and O. Weinberger (Grundriss der Volkswirtschaftslehre, 1949). The present lecturer of political economy at the University of Vienna, Professor F. Degenfeld-Schonburg likewise does not reject the principles of utility value.

Besides the theorists of the utility doctrine there were and are other scientists at work. The so-called "organic branch" is represented by O. Spann's Die Ganzheitslehre and by F. v. Gottl-Ottilienfels Die Gebildlehre. Spann confirmed originally the utility theory of the Austrian School, replacing it later by the "Leistungstheorie" (performance theory), i.e., directing operational economic means towards fixed economic goals, just as he generally considered economy to be a part of the social and organic unit. [Universalism. Basic thought: "Wirtschaft ist Gesellschaft" (economy is society) and "Gesellschaft ist nicht Summation einzelner Individuen sondern lebendiger Widerhall der Geister" (Society is not a summation of separate individuals but a living echo of intellects).] Gottl perceives a scale of the economic theory: "Grundlehre" (Basic principles), "Formlehre" (principles of

815 structure) and "Gestaltungslehre" (principles of development), whereby occurrences within the society are reflected in the particular social establishments as, for example, in the relation of necessity and satiation in an economy. In addition, representatives of the "organic principles" are E. H. Vogel (Theorie des Bedarfdeckungsprozesses und der Einkommensbildung, 1945), who, in his works on financial science, does acknowledge the influence of the Austrian School; W. Heinrich (Wirtschaftspolitik, 1948), a pupil of O. Spann who follows the trend towards social universalism and H. Tautscher (Bankenverstaatlichung; Zur Frage des gestuften Zinses, 1946; Staatswirtschaftslehre des Kameralismus, 1947). Tautscher, sharing partially the ideas of Vogel, nevertheless follows a more neo-mercantile trend while Th. Pütz (Theorie der allgemeinen Wirtschaftspolitik und Wirtschaftslenkung, 1949) follows Gottl.

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This synthesis of science and practical experience also accomplished in the postwar years the solution of various problems, no matter whether they concerned questions of currency, banking and credit, production and investment policies, and, in connection with the Marshall Plan, the drawing up of economic programs, foreign trade, foreign exchange and payment balances. From the above it may be seen that the younger generation of Austrian economists in ministerial service has been able to master the problems arising with the initiation of the Marshall Plan on the strength of its thorough theoretical schooling.

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461 Oesterreichisches Institut für angewandte Arbeits-
446 wissenschaft (Austrian Institute of Applied Science
816 of Work), Vienna, under Dipl. Ing. Otto Korwik. Employing principles of work-psychology, this institute has undertaken research work within large plants on production increases, improvement of quality, of production, working conditions, etc. The magazine Mensch und Arbeit, published by the Arbeitsgemeinschaft für Psychotechnik in Oesterreich (Committee for Psycho-Technics in Austria), Vienna, covers this field. On the board of trustees of this committee are former minister Dr. H. C. Eduard Heinl, member of parliament and president of the Gewerkschaftsbund Johann Böhm, as well as many other prominent individuals.

654 Thanks to a release of ERP-counterpart
313 funds, it will be possible to establish an Austrian Institute for Timber Research. The lumber industry is one of the most important in Austria. This Institute shall furnish the work industry with new theoretical and practical ideas, which in turn should benefit production. The Institute will cooperate closely with the testing laboratories of the technical colleges of Vienna and Graz.

Scientific as well as economic endeavors
217 are being supported by large libraries. The Wiener
815 Handelskammer (Chamber of Commerce), for instance, accumulated during the one hundred years of its existence more than 150,000 volumes, becoming thereby not only the largest library of economic science in Austria but probably also in central Europe if one takes into account the losses incurred during the last war. The latest foreign publications are in its collections and it is continuously frequented by economists as well as students of national economics. The library of the Oesterreichische Institut für Wirtschaftsforschung contains 10,000 volumes, mostly about market prospecting and foreign trade, while the library of the Institut für Wirtschaftswissenschaften an der Wiener Universität with its 30,000 volumes comprises works of theoretical economics besides international publications.

Austria also has a number of well-edited
204 periodicals for political economy. The oldest one
815 in the economic field in Austria, adhering to a scientific background and serving an extended reader clientele, is Der Oesterreichische Volkswirt (The

793 were also made use of, at first in connection with religious stories; subsequently
536 we find stories taken from history, especially after the beginning of historical studies early in the 18th ceptury. From the rulers of antiquity by way of the ancient German and Lombard kings up to the reigning House of Hapsburg, all with high rank or well-known names which might serve either as an example or a warning to youth were brought into these plays. It is noteworthy that a number of subjects reappeared in the literature of subsequent decades, especially in the period of classicism. In the Jesuit Theatre we find, to mention only a few examples, a forerunner of Schiller's "The Robbers", as well as of the "Iphigenie" of Goethe and Körners' "Zriny". Thus the Jesuit Theatre was of value in preparing the way for the literature of later times, as well as because it was in itself the most comprehensive theatre organisation known to history. Far and wide it cleared the ground for the professional stage by making the cultured classes acquainted with the theatre from their earliest youth. In many towns of the Jesuit "Province" of Austria—for example in Hungary—it was
[517] the immediate forerunner of the professional theatre. The value of this Jesuit Theatre lay not so much in the grandiose stage presentation at some particular place such as Vienna or Graz, nor in the literary value of the works of such a man as Avancinus, but rather in its achievements for the general development of culture. Its mission once fulfilled, it faded away.

793 With Rousseau's "Age of Enlightenment" there began a conflict about
871 the Jesuit schools which for two centuries had supplied the Emperor
815 with his leading statesmen and to which the Counter-Reformation in Austria owed its success. The main argument against them was that they were in themselves reactionary and their methods old-fashioned. Yet it was just the Jesuit schools which in the first half of the 18th century proved themselves to be thoroughly progressive, for it was they who introduced the teaching of history and encouraged study of the natural sciences. In Vienna they founded a "*Musaeum Mathematicum*", the first institute of its kind in Austria and a precursor of the modern museums, and pursued definite educational aims through its collection of physical and astronomical instruments. The Jesuits were also the first in this part of the world to make serious experiments in physics and chemistry and to demonstrate them in public. The Emperor Franz, Consort of Maria Theresia, even called the Brothers to Schönbrunn Palace to make such demonstrations.

Until the latter half of the 18th century the students in the Jesuit schools of the Austrian Province numbered more than 16,000 and although thereafter their numbers began to decrease slowly, the abolition of the Order put an end to an educational system which was still flourishing.

793 The final performance at the theatre in the Bäckerstrasse was given in the year 1760
873 by the sixth class, that of rhetoric, which acted "Menaeus"—actually the last play
545 produced by the Jesuit Theatre in Vienna. The beauty of the play, the acting of

The treatment of social problems, which characterized economic teachings during the second half of the 19th century, probably fostered the development of social politics and sociology but neglected (for the time being) consideration of elementary economic relationships and, therewith, economic theories. The latter in its "classical form" was rejected, inasmuch as historical relativism, lacking an understanding of general legalities, quashed any attempt to establish special rules from universally conceded principles and acknowledged perceptions, acquired in such a manner, as only a systematization of economic ideas pertaining to the time involved. As a result there occurred a discrepancy between economic science and applied economics. 815 816

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In addition the Institute had been entrusted with a number of tasks by public institutions or by agencies working for public interests. The Federal Chancellery, Central Office for ERP Affairs, entrusted to the Institute the preparation of reports and the expression of opinions as well as other tasks, while the Central Office itself, in accordance with Article VI, paragraph 2, and Article VII, paragraph 4, of the bilateral agreement between the United States of America and Austria of July 2, 1948, prepared the quarterly economic reports, outlining results achieved with ERP means and the economic measures undertaken. The Austrian Investment Program of 1950-1952 has been designed in collaboration with the Institute. 204 816 [648]

A close cooperation exists between the Institute and the "Oesterreichisches Produktivitätszentrum" (OPZ) (Austrian Productivity Center), Vienna. The Zentrum was created by a ministerial decision of March 6, 1950. Dr. Taucher, Chief of the Federal Chancellery, Central Office for ERP Affairs, serves as president. Dr. Nemschak acts as manager. Within the scope of this cooperation a number of problems were investigated: the scarcity of vocational employment for youth and combating it; the Austrian paper industry; the processing of Austrian foreign trade transactions; the Viennese housing requirements and its future development; opinion studies of managers, engineers, foremen, and employees relative to production increases; possibilities of increased yield from the tourist trade through elimination of seasonal trends; cooperation in the designing of rules permitting the ascertainment of production index numbers of cotton textile mills relative to a coordination of the averages with upper and lower margins. Shortly released will be: structural analysis of the Austrian textile industry; analysis of the employment possibilities and causes of unemployment in the catering trade; preparation of a memorandum about the effects of a prolonged scarcity of imported raw materials upon Austrian production and employment situation; the Austrian railroad-trucking problems; the development of productivity since the end of the war; extension of a wage and earning index in collaboration with the Bundeskammer der gewerblichen Wirtschaft; comparison of the living cost indexes of various countries; development of raw material consumption, investment activity and turnover; improvement of living costs and wage index calculations for which additional statistical investigations are necessary. The Austrian Productivity Center published monthly a pamphlet Der Schüssel (The Key), intended to foster within an extended circle of readers understanding of production stepups and exchange of technical experiences. [64] [133]

204 177 647 433 Operating within the Austrian Productivity Center there is a sub-section for "Technical Assistance." This provides Austrian experts of various establishments with opportunities to acquaint themselves with the latest developments of their business lines in the United States. The results of these study trips are evaluated in a publication Die Studienreise, in which the impressions and experiences of the technical assistance delegation are brought to the attention of a large circle of interested persons. The first publications are entitled Moderne Holzernte (Modern Lumber Crops) and Gäste aus Amerika (Guests from America). To acquaint the public at large in a comprehensive manner with the productivity problem, a popular pamphlet series Der Ausweg (The Way Out) has been published, its first number being entitled Produktivitätssteigerung--der Ausweg (Greater Productivity - the Way Out).

Particularly valuable for the exchange of ideas, formulas, etc., is the Economic Technical Information Service of the Austrian Productivity Center which developed into a liaison office between domestic and foreign information centers. Collaborating with Technical Assistance, it answers inquiries about American production processes, firms and equipment, and loans small-sized motion picture films and projection apparatus. It further provides, in cooperation with OEEC countries, trade or professional journals and books, furnishes excerpts of the latest American professional literature ("Digest and Abstracts Service") and answers inquiries about American licenses and patents. This service is supplied and supported by a documentation center.

647 816 [204] A special cooperation for the furtherance of statistics exists between the Oesterreichisches statistisches Zentralamt, Wien (Austrian Statistical Central Office, Vienna), and the Institute of Economic Research. The Statistical Central Office publishes monthly, in collaboration with the Committee of Economic Central Offices and Chambers, the official Statistische Nachrichten (Statistical News), the editor-in-chief of which is presently Hofrat Dozent Dr. Arnold Madlé. In this connection the Oesterreichische Statistische Gesellschaft (Austrian Statistical Society) should also be mentioned. It was established March 31, 1951, for the purpose of cultivating statistics in all sections of the social and natural sciences besides furtherance of statistical teaching. Chairmen of the board of trustees are: the president of the Austrian Statistical Central Office,

former minister Dr. Georg Zimmermann, and the manager of the Statistisches Institut der Universität Wien (Statistical Institute of the University of Vienna), Professor Dr. Wilhelm Winkler. The latter is the author of a number of treatises about principles of methods and economic statistics. In this field of endeavor he is being supported by F. Klezl-Norberg, vice-president of the Statistical Central Office. These two theorists share, from a national economic point of view, the ideas of the Austrian School, whereby the first named inclines more or less towards mathematics and economics. 647 816

The Ständige interministerielle Referentenkomitee zur Bekämpfung der Arbeitslosigkeit und Sicherung der Vollbeschäftigung (Permanent Inter-ministerial Committee of Department Heads to combat Unemployment and to secure Full-time Employment) also cooperates with the Institute of Economic Research. This committee concerns itself not solely with the task of enforcing immediately adequate measures, but also directs attention towards weak points in the economy which eventually could influence the intensity of work; it further prepares long-term economic measures which should be enacted. [464] [654]

The Mitteilungen (Reports) of the Oesterreichisches Kuratorium für Wirtschaftlichkeit (Austrian Board of Trustees for Economy), a board sponsored by the Bundeskammer der gewerblichen Wirtschaft, are especially concerned with rationalization problems (Manager: Consul Schmidhuber). Science of business economics is a discipline particularly taught at the Hochschule für Welthandel, Vienna, which has quite a number of experts on its lecturing staff (W. Bouffier, F. Dörfel, K. Oberparleiter). This branch of science became, via the balance theory, more and more related to theoretical economics. In this way--and this applies to the entire field of commercial science--the selection of themes, the setting of problems and the methods of presentation show the influence of the Austrian School. The science of business economics has contributed to better and more standarized forms of accounting, improvements in bookkeeping and cost accounting. Scientific handling of advertising and market research has substantially improved plant management. 874 451 816

Austria has become intensely interested lately in methods of work psychology, which have proven successful in the United States, England and other western nations. In this connection may be mentioned the 461 466 816

461 Oesterreichisches Institut für angewandte Arbeits-
446 wissenschaft (Austrian Institute of Applied Science
816 of Work), Vienna, under Dipl. Ing. Otto Korwik. Employing principles of work-psychology, this institute has undertaken research work within large plants on production increases, improvement of quality, of production, working conditions, etc. The magazine Mensch und Arbeit, published by the Arbeitsgemeinschaft für Psychotechnik in Oesterreich (Committee for Psycho-Technics in Austria), Vienna, covers this field. On the board of trustees of this committee are former minister Dr. H. C. Eduard Heinl, member of parliament and president of the Gewerkschaftsbund Johann Böhm, as well as many other prominent individuals.

654 Thanks to a release of ERP-counterpart
313 funds, it will be possible to establish an Austrian Institute for Timber Research. The lumber industry is one of the most important in Austria. This Institute shall furnish the work industry with new theoretical and practical ideas, which in turn should benefit production. The Institute will cooperate closely with the testing laboratories of the technical colleges of Vienna and Graz.

Scientific as well as economic endeavors
217 are being supported by large libraries. The Wiener
815 Handelskammer (Chamber of Commerce), for instance, accumulated during the one hundred years of its existence more than 150,000 volumes, becoming thereby not only the largest library of economic science in Austria but probably also in central Europe if one takes into account the losses incurred during the last war. The latest foreign publications are in its collections and it is continuously frequented by economists as well as students of national economics. The library of the Oesterreichische Institut für Wirtschaftsforschung contains 10,000 volumes, mostly about market prospecting and foreign trade, while the library of the Institut für Wirtschaftswissenschaften an der Wiener Universität with its 30,000 volumes comprises works of theoretical economics besides international publications.

Austria also has a number of well-edited
204 periodicals for political economy. The oldest one
815 in the economic field in Austria, adhering to a scientific background and serving an extended reader clientele, is Der Oesterreichische Volkswirt (The

Austrian Economist), founded by W. Federn in cooperation with G. Stolpern. An English edition is now being issued. The Vereinigung österreichischer Industrieller, a private society of industrialists, issues a weekly Die Industrie. Direktorium der Oesterreichischen Nationalbank, issued monthly, is top-notch. It contains, in addition to topics about the financial and economic developments in Austria, statistical charts, diagrams, data about the circulation of currency, the processing of reconstruction credits, rates of exchange, ERP counterpart accounts, surveys about the development of credit volume and of deposits, price trends, imports and exports, payment balances, etc. The Creditanstalt-Bankverein, Vienna, issues besides its quarterly economic reports, Wirtschaftsberichte, and monthly Monatsberichte, special publications (e.g., on the Marshall Plan). The Oesterreichische Länderbank A. G., Vienna, also issues a monthly report. The association of banks and bankers, Verband österreichischer Banken und Bankiers (President: Dr. Josef Joham, General-Manager of Creditanstalt-Bankverein; Manager: Dr. E. Karlik) publishes semi-monthly the Bankenkorrespondenz (Editor-in-chief is Dr. Gustav Knoth). It contains news about international developments in banking and finance.

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With regard to ERP aid, there appear besides the quarterly publications of the Federal Chancellery ERP Central Office, a number of compiled publications, among them Oesterreich und der Marshallplan (Gerlach and Widling. Vienna, 1950) and the Oesterreichisches ERP Handbuch (Verlag für Geschichte und Politik. Vienna, 1950). The latter two were published under the sponsorship of the Federal Chancellery ERP Central Office and contain basic documentary material (laws, etc.). In commemoration of its 100th anniversary the Bundeskammer der gewerblichen Wirtschaft published a lavishly detailed work: 100 Jahre österreichischer Wirtschaftsentwicklung 1848-1949 (Springer Verlag, 1949) under the editorship of Professor Hans Mayer. In this extensive volume emphasis is on economic questions not only from a historical but also from a scientific point of view. Of economic periodicals catering to a professional audience mention must be made of Die Wirtschaft and Die internationale Wirtschaft, both published by the Oesterreichischer Wirtschaftsverlag, Vienna. A number of publications emphasizing vocational trends are issued by the Oesterreichisches Gewerbeförderungsinstitut (Austrian Institut for Trade Promotion, Vienna), an institution sponsored by the Bundeskammer der gewerblichen Wirtschaft.

[047]

204 (These publications are printed at the Oesterreich-
816 ischer Gewerbe-Verlag. The economic columns of some newspapers are also well done, especially those of the independent Presse. Literature about scientific and political economics doubtless has achieved a significant level in postwar Austria, despite the difficulties publishers and newspapers have because of limited outlets.

p. 16

2: MacDonald S-4 (no date) 1946 EK1 Austria EK1

642 that they did not contravene existing laws.[1] Schober gave an
625 assurance that this legislation was only intended to endow the police with such additional facilities for keeping order as no law-abiding man could take exception to.

•[871] The State Minister for Education was now given control over all matters concerning education[2]—a concession on the part of the Social Democrats.

642 The future position of Vienna was the subject of much bitter
635 controversy. The Christian Socialists, seeing in its independence the key to many of the evils of post-war Austria, wished to deprive it of its provincial status, and reduce it to the position of a federal city under the direct control of the Federal Government. They maintained that it was not that Vienna was of lesser importance than the other Provinces, but that she was essentially different from them.[3] Her independent position as a Province could not, in their opinion, be reconciled with her special obligations as the capital city of the whole of Austria.[4] This, however, seemed to the Social Democrats like an attempt to have things both ways—federalism and the abolition of Viennese autonomy. But the Christian Socialists pointed out, with some truth, that the position of the Mayor of Vienna was very much stronger than that of an ordinary provincial Governor.[5] The Social Democrats argued, however, that it was ludicrous that the mayor of a city comprising two million persons should be reduced to the status of a mere *Bezirkshauptmann*, while a tiny province like Vorarlberg, comprising only 140,000 persons, should be in a position of

[1] Kelsen comments as follows on these provisions: 'Mit der Vorschrift, dass die von den Polizeibehörden zu erlassenden Verordnungen, nicht gegen bestehende Gesetze verstossen dürfen, stellt sich die Verfassung auf den Standpunkt der mehr als fragwürdigen Lehre, die zwischen Verordnungen secundum Legem, praeter Legem u. contra Legem unterscheidet.' (Op. cit., p. 143.)

[2] Article 120, (1); *Frankfurter Zeitung*, 5 December 1929.

[3] *Reichspost*, 12 October 1929.

[4] 'Der geschichtlich gewordene, legitime Länderföderalismus ist ein Wesen für sich, u. kann nicht verwechselt werden mit der Stellung der Bundeshauptstadt, die als solche besondere Verflichtungen gegenüber dem ganzen Bund, als Sitz aller zentralen Institute hat.' (*Reichspost*, 19 October 1929.)

[5] *Reichspost*, 19 October 1929.

.3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

and its own zone. In addition, the occupation furthered the development between Austria and the Allies of the cultural diplomacy that has made such rapid progress in recent years. Leaders in this field were the French with their well-organized *Division des Affaires Culturelles* in the French Foreign Office. Its headquarters in Austria was the magnificent Lobkowitz Palace in Vienna, and a very active French Institute was also set up in Innsbruck. The British Council opened an office in Vienna towards the end of 1945, and later established branches in Graz, Klagenfurt, and Innsbruck. The Russians worked mainly through 'The Society for the Cultivation of Cultural and Economic Relations between Austria and the Soviet Union', which was started soon after the end of the War. While the Americans, though concentrating entirely on their Information Services at first, finally sent representatives of the Cultural Affairs Branch of the State Department to Austria.

The presence of foreign cultural organizations in their country stimulated the interest of Austrians in a form of diplomacy to which they are well suited by temperament and tradition. As will be seen, the French and British cultural representatives furthered the development of relations between Austria and their own countries in a wide variety of ways. But the Austrians, without any special organization of their own intended for the purpose, undertook a series of major ventures in cultural diplomacy which made a great impression in many European countries and in North America. A series of cultural conventions were also signed by the Austrian Government; with France in 1947, with Italy and Great Britain in the spring and autumn of 1952, and with Belgium early in 1953.

The damage done by the Nazis to the Austrian educational system was a most serious threat to the country's future, because the damage was spiritual as well as material. A systematic attempt had been made to pervert the minds of teachers and pupils. Fortunately its effects were modified considerably by home influence and by the anti-Nazi convictions of many

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

teachers, who were obliged in varying degree to conform outwardly to a system which they inwardly rejected. Nevertheless drastic measures were necessary to ensure that post-War Austrian education would develop on healthy lines. Nazi text-books had to be destroyed and convinced Nazis rigidly excluded from the teaching body. 871 727

In 1945 Austrian schools were faced with four major problems of a material nature: shortage of accommodation due to destruction and damage; lack of text-books and other supplies; lack of teachers, and the physical condition of the pupils. In the whole of Austria, 95 schools were completely destroyed, 176 were heavily, and over 1,000 slightly damaged. In Vienna at the end of the War only 214 out of 421 school buildings were considered fit for use. In some cases at first it was necessary to give instruction in shifts to three classes a day in the same room. Even in the classrooms used there were often broken windows or damaged doors and, as fuel was scarcely obtainable, during the winter months the children, frequently ill-clad themselves, would sit and shiver through the period of instruction. The main reason for the shortage of teachers and text-books has just been given. To begin with there was also a serious shortage of such basic materials as paper, pencils, pens, and ink. It was difficult to find substitutes for the teachers who had been dismissed, because hundreds of thousands of young men were still prisoners of war. In Vienna immediately after the liberation there were only 2,400 teachers and directors available out of the total of 5,500 that were required. The physical condition of the children was a problem owing to the acute shortage of food and clothing during the immediate post-War years. [875]

In their efforts to overcome these difficulties the Austrian authorities were both hindered and helped by the Education Divisions of the four elements of the Allied Control Commission. It was no doubt irritating to have to submit many matters for approval by the occupying Powers, and in some cases—for example the question of text-books—inter-Allied differences of opinion led to unnecessary delays. On balance,

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

871 727 however, the part played by the Education Divisions was rather a help than a hindrance. They realized the vital importance of education in post-War Austria. There were problems, on which the Austrians were not always united, about which they could give valuable advice. Above all, they could offer very real assistance in obtaining the necessary materials for rebuilding and for producing the much-needed text-books.

The economic situation of the country made a quick solution of the accommodation problem impossible. By the end of 1949 it was estimated that about a quarter of the necessary funds had so far been made available and that the reconstruction programme could not be completed until 1958. However, strenuous efforts were made to relieve the serious overcrowding of 1945. By the beginning of 1952, 250 new school buildings had been erected, and many more had been repaired and re-equipped. During the following summer the new Minister of Education, Dr. Kolb, was able to express reasonable satisfaction with the progress of the primary and elementary schools, which are the responsibility of the provinces, the municipalities and the parishes, but had to admit that the condition of the secondary schools, which, like the Universities, are the financial responsibility of the State, was in some parts of the country, owing to lack of money, still very bad.

The urgent need for text-books was satisfied by emergency measures which produced impressive results. The Ministry of Education set up a 'Text-Book Commission' that worked in conjunction with the Association of School-book Publishers, the Allied Control Commission, and the Ministry of Trade, which arranged for the necessary supplies of paper and other materials. At the end of 1947, 4,212,000 copies of 118 different text-books had already been produced, and two years later 10,009,000 copies of 418 books. The centralization and standardization involved in this system have obvious disadvantages, but in the circumstances were justified by success.

875 The shortage of teachers was met in 1946 by employing students in their final year at teachers' training colleges as

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

assistants. Subsequently the situation improved, as an increasing number of returned prisoners of war became available and some relaxation was allowed in the law excluding all former National Socialists from teaching.

The shortage of food was so general that the educational authorities were not in a position to make special arrangements for school-children, but, as has been seen, much was done for them by Swedish, Danish, and Swiss voluntary relief organizations. During the winters that immediately followed the War it was only possible to heat a proportion of the schools, the 'winter schools', as they came to be called; and then the already large classes doubled up or the shift system was intensified. The acute fuel shortage at the beginning of 1947 led to so-called 'coal holidays'.

The Allied cultural and educational organizations played an important part in breaking down the intellectual isolation from which the teachers had suffered so long and of which the best of them were acutely conscious. The French and British ran summer schools for teachers in Austria each year, which were also attended by teachers from France and England; and visits for Austrian teachers were arranged to England, France, Switzerland, and the United States. A limited number of Austrian school-children were also enabled to travel abroad. With the active co-operation of foreign countries, the Austrian Ministry of Education revived some of the schemes for exchanging teachers which had been in operation before the *Anschluss*.

Education is one of the subjects on which there are strongly felt differences between the People's Party and the Socialists. Since the War the differences have been accentuated by the fact that for more than five years Dr. Hurdes, the Minister of Education, was also General Secretary of the People's Party, and by the fact that the Vienna School Board was under Socialist control. The main subjects of difference are religious instruction, private schools, and the best method by which a ninth year could be added to the period of compulsory schooling. There is agreement on the principle of extending the

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

•871 665 period of schooling, but party conflict prevents the necessary law being passed.

In spite of this impasse, a great deal has been accomplished in Austrian schools since the War under most difficult conditions. Both parties have been agreed on the validity of three guiding principles which were to be emphasized in the new educational era, according to a directive issued in September 1945: Austrian patriotism (*Volks- und Staatsbewußtsein*), democracy, and humanity. Their experiences between 1938 and 1945 have brought home to Austrians the value of the first two principles more clearly than ever before. The third is deeply embedded in the Austrian nature and tradition.

874 727 Austria's three universities and her other institutions of higher learning suffered some material damage during the War, especially the University of Vienna and the Technical Institutes at Vienna and Graz. Their work after the War was also severely hampered by the shortage of fuel and food. But the most serious problems that faced them were lack of staff and lack of money.

[875] Some of Austria's finest scholars had gone into exile during the German occupation. Of those that remained many of the younger had been called up for military service, and a number of the ablest and most influential were excluded from teaching as incriminated Nazis. Germans, who had been appointed to Austrian universities under Hitler, returned to Germany. Some of the gaps could be filled by bringing back professors who had been forced into retirement by the Nazis and had remained in Austria. But there were still many vacancies for which it was very difficult to find the right men. The younger generation of university teachers had suffered severely from the War, and it was rarely possible to persuade Austrian exiles, who had settled down happily in other countries, to return to Austria under the prevailing economic and political conditions and at the low salaries that were offered. For more than two years after the War, Vienna University was even unable to fill its chair of English.

Lack of funds not only kept down salary scales; it made it

About the middle of the 18th century, 53 Jesuit colleges and settlements existed in the Jesuit "Province" of Austria, in addition to a number of resident and travelling missions. In almost all these 53 centres there were middle-schools and at almost all of them plays were produced, between two and three in a year, unless school, as was often the case in Hungary, had to be broken up on account of the dreaded plague or of danger from the Turks. These usually scattered the pupils to the four winds. 793 871

The growth of the Jesuit Theatre continued from 1558 to 1773 in two major stages. During the first, which lasted until about 1650, the main objective was the inculcation of the Faith; during the second period, education played the greater role. The Jesuit Theatre took over from the mediaeval theatre the pattern of the ecclesiastical year, culminating in the festivals of Christmas and Easter. It also adopted the traditions of the "school-theatre". The Order of Jesuits was not alone in introducing its pupils to the stage, but no other Order did so on such a scale, with such perseverance and with such remarkable results. 793 536

To appreciate the significance of the Jesuit Theatre, one must remember that with its amateur actors, it was a means to an end and not, like the professional theatre, an end in itself.

The first stage performance in Vienna was given in 1555. The Jesuits had made barely habitable the building of the Carmelite Monastery, which during the recent years when it had been left almost unoccupied had become a ruin, and had just established their schools there. They repeated their performances every year, increasing their number. Scenery and costumes were added. By the second half of the 17th century the productions easily bore comparison with the elaborate set-up of those at the Imperial Court Theatre. The stage-struck Leopold I was the most enthusiastic patron, and at the end of the performance he distributed prizes to those pupils who had most distinguished themselves. 793 545

There were primarily three occasions in the year on which plays were regularly produced. On Good Friday, a play with religious content was put on, corresponding to the mediaeval Good Friday drama in St. Stephen's Cathedral, which was kept up until the 19th century. On the second occasion, that of Corpus Christi, the performance was closely linked with the religious procession from altar to altar which from time immemorial had been carried out with great pomp in Vienna. The play then performed also had mediaeval characteristics. The religious story was divided into acts which were produced in turn before one or other of the street altars at which the Corpus Christi procession halted. In 1579, for example, the "Tragic Story of the Prodigal Son" was produced. Two acts were played before the High Altar, and another act before each of the other three altars at which the procession halted. The third regular date when plays were produced was the occasion of the distribution of prizes at the end of the school year, usually in September, which was turned into an impressive theatrical spectacle, with elaborate scenery. 793 545 796

793 were also made use of, at first in connection with religious stories; subsequently
536 we find stories taken from history, especially after the beginning of historical studies early in the 18th century. From the rulers of antiquity by way of the ancient German and Lombard kings up to the reigning House of Hapsburg, all with high rank or well-known names which might serve either as an example or a warning to youth were brought into these plays. It is noteworthy that a number of subjects reappeared in the literature of subsequent decades, especially in the period of classicism. In the Jesuit Theatre we find, to mention only a few examples, a forerunner of Schiller's "The Robbers", as well as of the "Iphigenie" of Goethe and Körners' "Zriny". Thus the Jesuit Theatre was of value in preparing the way for the literature of later times, as well as because it was in itself the most comprehensive theatre organisation known to history. Far and wide it cleared the ground for the professional stage by making the cultured classes acquainted with the theatre from their earliest youth. In many towns of the Jesuit "Province" of Austria—for example in Hungary—it was
[517] the immediate forerunner of the professional theatre. The value of this Jesuit Theatre lay not so much in the grandiose stage presentation at some particular place such as Vienna or Graz, nor in the literary value of the works of such a man as Avancinus, but rather in its achievements for the general development of culture. Its mission once fulfilled, it faded away.

793 With Rousseau's "Age of Enlightenment" there began a conflict about
871 the Jesuit schools which for two centuries had supplied the Emperor
815 with his leading statesmen and to which the Counter-Reformation in Austria owed its success. The main argument against them was that they were in themselves reactionary and their methods old-fashioned. Yet it was just the Jesuit schools which in the first half of the 18th century proved themselves to be thoroughly progressive, for it was they who introduced the teaching of history and encouraged study of the natural sciences. In Vienna they founded a "*Museum Mathematicum*", the first institute of its kind in Austria and a precursor of the modern museums, and pursued definite educational aims through its collection of physical and astronomical instruments. The Jesuits were also the first in this part of the world to make serious experiments in physics and chemistry and to demonstrate them in public. The Emperor Franz, Consort of Maria Theresia, even called the Brothers to Schönbrunn Palace to make such demonstrations.

Until the latter half of the 18th century the students in the Jesuit schools of the Austrian Province numbered more than 16,000 and although thereafter their numbers began to decrease slowly, the abolition of the Order put an end to an educational system which was still flourishing.

793 The final performance at the theatre in the Bäckerstrasse was given in the year 1760
873 by the sixth class, that of rhetoric, which acted "Menaeus"—actually the last play
545 produced by the Jesuit Theatre in Vienna. The beauty of the play, the acting of

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of local feudal lords, special privileges which ensured it unusual opportunities for development.

The picture of a mediaeval townlet which Feldkirch presents today is furnished mainly by the streets of the inner town, consisting of solid and impressive buildings in which merchants have carried on their affairs for many generations. Such evidence as survives of former defensive constructions like the Churer Tor, the Katzenturm and Schattenburg Castle, which towers over the town, conjure up visions of scenes long past to attract a stranger's attention.

361 871 Feldkirch was called "Studierstädtlein" in bygone days when it was of great importance—one might almost say of unparalleled importance—in educational affairs. It had a grammar school, a college for teachers which attracted students from all over the country, and the famous Jesuit college "Stella Matutina", well-known throughout Europe.

361 635 It could with almost equal justice have been called the "Township of Bureaucrats", although it was never a centre of government. But the majority of the other administrative bodies of the province are established in Feldkirch. The cosmopolitan character of the bureaucracy of the Austro-Hungarian Monarchy has affected the racial composition of the local population.

361 498 Feldkirch, as a junction on the only direct East-West route, is of importance to the Austrian traffic system. It is the main railway station on the frontiers of Austria with Switzerland and Liechtenstein, and thus a connecting-link in the West European transport organization.

133 DO YOU KNOW THE LEGEND OF THE THREE SISTERS? No? Then wander from Feldkirch through the Ill Ravine, the "Felsenau", that deep channel which the river has for centuries been cutting through the imprisoning rocks and which is still so narrow that there is only just room for the railway leading to the Walgau to run beside it. A feat of engineering was called for to carry the road over river and railway on a precarious bridge. Once one emerges from this narrow gorge, the character of the countryside is seen to have completely changed. Even the air is cooler, and the natives say that east of the Felsenau (i. e. in Walgau) it is "a jacket cooler" than in the Rhine Valley. You walk all

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the boys and the fine scenery was much admired, and no one guessed that they 793
were acting for the last time. Soon afterwards an Imperial decree was issued 873
totally forbidding this type of training in the schools, and in the year 1761 "nobody
set foot again in the theatre". The stage fell into decay; not until 1766 was the 545
tangle of rafters and the disorder in the hall removed to prepare the auditorium for lectures, but the old glory had departed; seven years later the entire activities of the *Societas Jesu* were forbidden (1773).

The "Age of Enlightenment" had finally reached Vienna. A clear-cut difference of intellectual attitude divided the city, and slowly the Jesuit Theatre had to yield place to the professional theatre with its literary basis.

The Order of Jesuits left the country in obedience to the Emperor's command, its mission fulfilled. Embattled Catholicism in conjunction with Imperial Power had weathered the storm of Turkish invasion. The age of Baroque blossomed forth in glory.

Since the days of the Jesuit schools the word "theatre" has formed an inseparable 536
part of the thoughts and imagination of the Austrian people—the theatre as a stage for free discussion, as a means for acquiring knowledge, as a method for the exchange of ideas among men. For seven generations youth had been taught to link up and to compare the theatre with the surrounding world, seeing the one in the other and through the one understanding the other.

Placed amid that outside world which often put might before right, the theatre became increasingly a home for daring ideas, and the stage developed into an open platform for free speech. Thus in Austria, not only for the professionals, the authors and actors, but also for the public, the idea of the theatre has become one of the most cherished features of life, that great world-theatre where life is a dream, a play by and for every man.

3: Hiscocks G-4, 5 (1946-1949) 1953 EK1 Austria EK1

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impossible to replace books and instruments that had been damaged and destroyed or to modernize equipment after years of neglect. Under such conditions serious research in many branches of science was impossible. To give one isolated example, in 1948 the Department of Astronomy at the Technical Institute in Vienna received a total monthly grant for books and equipment of 50 schillings—that is to say, $2.00 to $5.00, according to whether the black-market or official rate of exchange is taken. Such expensive new apparatus as was received by the universities and technical institutes often came, in one way or another, without payment from the United States.

In spite of these formidable obstacles, the war-weary and elderly professors set about the task of building up the academic life of their country with devotion and idealism. In the middle of April 1945, while fighting was still going on, members of the staff of Vienna University met together to consider what could be done to rebuild their university on true Austrian lines. Before the end of the month they had elected a Senate and Rector to take charge of the work of reconstruction.

There has been no lack of students since the War in Austrian universities. Young Austrians, including many ex-servicemen, have been anxious and impatient to equip themselves for some useful and constructive occupation after years of war and misdirected effort. So it has come about that the student body has shown a considerable increase on the pre-War level and for several years has exceeded 20,000. In the winter term of 1950–1 it numbered over 22,000, which was 43 per cent above the 1937–8 figure. Austrian universities continue to attract hundreds of students each year from Eastern Europe, and the number of students from the West, including the United States, has been increasing.

Foreign cultural organizations in Austria have done what they can to help. French and British professors and lecturers have visited Austrian universities. Austrian scholars have been invited to England and France, and scholarships given to Austrian students for foreign study. Harvard University has

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874 organized an international seminar in Max Reinhardt's mansion near Salzburg, where American, Austrian, and other European 648 students have studied together. Most important of all, from the point of view of its long-term effects, a large-scale and stimulating exchange between Austrian and American universities has been made possible under the Fullbright Law.

The fact remains that academic work in Austria is being carried on under great difficulties. Learning and scientific research have always been dependent in some degree on wealth and patronage, and in the present highly technical age this applies more than ever before. Austria's universities and technical institutes will only flourish again by international standards when the country's economic position is stronger than it is today or as a result of foreign endowments on a scale 874 that can hardly be expected.

In addition to its schools and universities, Austria before the War had a very active adult education movement, which reflected the social ideals of the First Republic. After the War the difficulties in the way of restoring the vitality of the adult education centres throughout the country were considerable. They suffered from the same troubles as the universities and schools: material damage, lack of fuel, and shortages of staff, books, and supplies. Moreover, because they were voluntary, they tended to come off worse under the exacting post-War conditions, which made so many demands on people's energy and resilience. So far as the public authorities were concerned, the schools and universities had to have priority. Yet, after an inevitably slow start, the idealistic drive behind the movement asserted itself. During 1949 there were over 35,000 registrations for courses at Vienna's adult education centres, which compared favourably with pre-War figures, and the revival was reflected in the provinces, where attendances increased and new centres were founded. In Lower Austria an interesting development took place at the suggestion of the Ministry of Education. An association was founded to encourage co-operation between all groups and organizations engaged in adult education in the widest sense of the term, such as educa-

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tion centres, people's libraries, folk-song and folk-dancing clubs and art societies. The example was soon followed in a number of other provinces. 874

An important part in the adult education movement was played by the so-called people's libraries, from which books could normally be borrowed without charge. Some were run by the villages and municipalities, some by the churches, some by trade unions, and others by political parties or voluntary associations. Their number rose within two years from a low level of 400 in 1945 to 1,257 in 1947.

The lack of books was one of the main cultural problems in post-War Austria. The intellectual isolation and severely restricted literary diet of the Nazi régime were followed by a period of dangerous uncertainty after Hitler's power had collapsed. A great deal would depend on how the mental and spiritual void was filled which had been left by the failure and exposure of the whole Nazi system. 214 727

Austrian journalism rose bravely to the occasion, but in the early days Austria's own contribution to the solution of the problem was limited by economic dislocation, shortage of paper, and absence of the conditions conducive to creative effort. The Allied Information Services did a great deal, and two British organizations took the lead in remedying the lack of books. By an imaginative stroke Mr. Ernest Bevin gave orders for two aeroplane loads of English books to be flown over to Austria early in 1946. This enabled the British Council to hold a highly successful book exhibition in Vienna during March, as a result of which nearly all the 20,000 books were sold within a short time and a large number of additional orders were received by London publishers. The British Foreign Office and Treasury made arrangements by which the Austrians could buy the books with their own currency and the British publishers were paid in sterling. Henceforth the main restriction on the supply of English books in Austria was the limited numbers available in Britain itself, where the paper shortage was still acute. The following year the British Council organized six further book exhibitions in provincial 214 648

former minister Dr. Georg Zimmermann, and the manager of the Statistisches Institut der Universität Wien (Statistical Institute of the University of Vienna), Professor Dr. Wilhelm Winkler. The latter is the author of a number of treatises about principles of methods and economic statistics. In this field of endeavor he is being supported by F. Klezl-Norberg, vice-president of the Statistical Central Office. These two theorists share, from a national economic point of view, the ideas of the Austrian School, whereby the first named inclines more or less towards mathematics and economics. 647 816

The Ständige interministerielle Referentenkomitee zur Bekämpfung der Arbeitslosigkeit und Sicherung der Vollbeschäftigung (Permanent Inter-ministerial Committee of Department Heads to combat Unemployment and to secure Full-time Employment) also cooperates with the Institute of Economic Research. This committee concerns itself not solely with the task of enforcing immediately adequate measures, but also directs attention towards weak points in the economy which eventually could influence the intensity of work; it further prepares long-term economic measures which should be enacted. [464] [654]

The Mitteilungen (Reports) of the Oesterreichisches Kuratorium für Wirtschaftlichkeit (Austrian Board of Trustees for Economy), a board sponsored by the Bundeskammer der gewerblichen Wirtschaft, are especially concerned with rationalization problems (Manager: Consul Schmidhuber). Science of business economics is a discipline particularly taught at the Hochschule für Welthandel, Vienna, which has quite a number of experts on its lecturing staff (W. Bouffier, F. Dörfel, K. Oberparleiter). This branch of science became, via the balance theory, more and more related to theoretical economics. In this way--and this applies to the entire field of commercial science--the selection of themes, the setting of problems and the me'hods of presentation show the influence of the Austrian School. The science of business economics has contributed to better and more standarized forms of accounting, improvements in bookkeeping and cost accounting. Scientific handling of advertising and market research has substantially improved plant management. 874 457 816

Austria has become intensely interested lately in methods of work psychology, which have proven successful in the United States, England and other western nations. In this connection may be mentioned the 461 466 816

On the left bank of the Enns, running eastwards, the road leads past the Grabnerhof, a modern agricultural college, and through the little village of Weng, climbing steeply to Buchau. 874

Through meadows and woods the little road leads out of a realm of solitude past traces of the bygone days of the "Ironmasters" to come gradually into more populated and livelier surroundings. In 1150 this place was called St. Gallus-in-Silva, i. e. St. Gallen-in-the-Wood—and the descriptive name is still applicable. 361

The main road from Admont to the East runs towards the Hohen Buchstein, at the foot of which road, railway and river enter that unique natural phenomenon which the Enns through countless aeons has carved out of the chalk cliffs, the Gesäuse. A sunny, cheerful forest valley, the river tearing its way through the rocks below, and on both sides high forests filled with the rushing wind and the songs of birds in the tree-tops. Now and again a stone avalanche falls from distant heights with the re-echoing crash of falling debris. Where small lateral valleys join the Ennstal they afford above dark forests glimpses of the gorges and heights of the Gesäuseberge. It is an exciting excursion, no matter whether the traveller looks out from the window of a train or the back of a car, or, disregarding the fatigue of going on foot in the old way, enjoys the beauty of the Upper Styrian mountain world in a four-hour walk. 133

Into the Gesäuse runs the Johnsbach Valley, once filled with noisy life by blacksmiths and their apprentices, but now a popular point of entry for mountaineers who whish to climb the heights of the Reichenstein, Ödstein, Planspitze and Hochtor. In Gstatterboden, on the calmer reaches of the river, the mountain giants are again visible in all their majesty.

Where the Erzbach joins the Enns lies Hieflau, long famous for its output of Styrian iron. The nearby Erzberg and the waterway of the Enns enabled Hieflau to establish and develop its furnaces, to turn out iron ingots and to build workers' houses. There are still some remains of the great Enns Dam, a picturesque construction of the hydraulic engineer Hans Gasteiger, who was buried in Kirchlandl in 1577. 361 327

The Enns, now flowing northwards, buries itself deeply between high plateaus on which farmers have long been settled amidst meadows and woods. Hastening past Gross-Reifling with its castle-like houses dating from the times of the iron carriers

133

600

Variety of scenery, of work and of people, multiplicity of colouring and tone, differences of speech, song, verse and custom, in village and in town—all this goes to make up, all this is given by our bountiful, inexhaustible, motherly homeland of Lower Austria.

Let thy sons tell of thee to friends:

IN THE SEMINARY AT ST. PÖLTEN. It was a long and exciting journey as your mother travelled with you from the northern vineyards across Vienna and the Wienerwald to St. Pölten. As the great cupola of the mighty Abbey tower rose above the horizon you could not suppress a slight quiver of excitement, and as the other towers joined it, spires and then again cupolas, you felt, without being able to express it, that there was something spiritual about this picture. Then it gripped you, the riot of colour and the flowing lines of Baroque. Overcome, you stood in the great abbey square, and then passed through the gates in mute expectancy. Marble columns, gilded capitals, ornate ceilings and the glittering gilt and colouring of the altar pictures impressed you deeply. 346

Rathaus and Trinity Column, Franciscan Church and Carmelite Monastery, bold tracery of gables, blossoming clouds of stone, haloes spreading rays of gold, they all plunged you in a single day deep into the rich treasures of a vanished world. Since that day your acquaintance with the great names of Jakob Prandtauer, Daniel Gran, Altomonte, Mungenast and Kremser Schmidt have meant much to you.

In those times the board of the seminary was a frugal one and outside, overhanging the road to the town, there was a solitary pear, forgotten in the glossy green of the mighty tree-tops, tempting, round and invitingly yellow. For half an hour or more you tried to knock it down. The one who finally hit it was envied, but when he bit into it he made a face. For weeks it had to be kept in a cupboard, and only then did it become chocolate brown on the outside, the inside silver-hued and delightfully sweet. You soon found out that St. Pölten lay near the perry country. 874

874 The teachers took good care of you. They let your surroundings speak for themselves. You will never be able to forget the arcaded courtyard of the Schallaburg with its wonderful terra cotta work from the hand of an Italian master. Seitenstetten was rather far off, but you managed to visit it. Quiet and beautiful, yet busy in its own way, it is set in a fertile countryside.

241 Once two of you decided to go off together. Above your heads you bore a flag which was supposed to express the longing of its bearers for the open spaces and all things beautiful. They found their way to Mank, to Amstetten and further afield, discovering that this province possesses as many real farmers as it does great, rounded hills. Like castles on the latter stand the two-storied farms of the landed farmers. Theirs is the world in all its essence—ploughland, meadows, forests. Black-trunked, heavily grown pear trees stand before the farms, in gardens, in hedges. The peasant dialect is soft, easy going, manly and kindly.

000 Later you once stood with a girl up in the mountain-pass village of Annaberg, in the porch of the church. The curious high tower with its covering of metal plates showed clearly against the blue winter sky and in the far distance before you was the snow-topped ridge of the Ötscher. Then you set forth into the boundless glistening world through the dark-green snow-covered forest. There a wonder arose out of the earth, a wonder for you, child of the hills. Through the crystalline crust of the ice broke the faultless bloom of the first christmas rose, born of the silent force of winter. Carefully you picked the blossom, and carefully you gave it to the girl. Pure and white as the rose was this hour, pure as the eternally sparkling snows, young as the potent breath of the woods and as free of dust as the beckoning blue heavens.

133 You have not forgotten the sparkling summer waters of the Erlauf and Lunzer
788 lakes. Surrounded by flowers and forests, tranquil, glitteringly blue, they call to you, offering rest to the weary visitor from the cities, and tempting the peasant pilgrims of Lower Austria away from their pious, easy walk of penance to the Virgin Mary at Zell.

000 STUDENTS IN THE WACHAU DISTRICT. Your St. Pölten teachers wanted you to see many and varied things, and so you found yourselves in the wine-gardens of Göttweig Monastery. Oh unforgettable hour! Blue as the night, golden as the moon, milk-white as the surrounding chestnut blossoms. St. Benedict is fond of building on mountains. Before us were the valley and the low country and there beyond, half hidden by fields, the Danube. Above were many hundreds of lights, gables, roofs, towers and mountains. On the morrow you passed through Krems, singing, because you were students, "A wandering apprentice I, knowing no cares ..."

How it echoed in the narrow streets! The past took you warmly by the hand. If you had found a blue-uniformed sentry standing guard at the Steiner Tor with

133 You once stood in May in Wiener Neustadt on the Ungarfeld. There was the rocky wall of the Hohe Wand in the south. The Rosalien range appeared as a light coloured, enticing forest. Eastwards the green pasture-land opened out like a [874] gateway. The two gothic towers of the Theresian Military Academy were an unchanging landmark of the "ever-loyal town".

You first drove over the Semmering in time of peace. Then you were able to enjoy yourself quietly and at leisure. Giants must once have played in this area, using as dice the mountains which begin here, wild and majestic. A man of the determination of Karl Ghega was needed to tame this wilderness. He bent the mountains and the deep gorges to his will. His tunnels and viaducts alternate [496] in carrying the railroad to its highest point. The Semmering railway was the first mountain railway of the world which all others used as a model. All the railways of the Andes in South America learned from it.

[132] The Semmering district, in a pocket of warm air above cold and misty valleys, is Lower Austria's show-piece. People from all the world over come here in search of health and peace. The Viennese regard the Semmering, Rax and Schneeberg as their own estates in the Alps. Towards the east the landscape slopes gradually down to the forested knolls of the hill country. In Mönichkirchen the work of Anton Wildgans reached epic status.

IN THE WACHAU DISTRICT. In the first days of creation there may have been some question as to which was the stronger, land or water. In the Wachau, the river triumphed over the mountains, although it has still to follow a course prescribed by the former, as to where it should narrow, should turn, should form bays and inlets; rocks jut out to spur its flanks, hidden granite builds hurdles over which it is forced to leap. Between Melk and Krems nestle a dozen charming villages whose picture lingers long with the wanderers along the banks and the passengers on the Danube steamers. Weissenkirchen lies in the heart of the Wachau district in a sunny position to the south. Old courtyards, arcades, rounded archways and vinecovered houses call for attention. In the small village of Schwallenbach they will show you the old parish church and the "Devil's Wall". The boatmen of the Danube tell the story of its origin. The Devil's grandmother is said to have scoffed regularly at the columns of pilgrims and the ships of the Crusaders, moving the Archfiend one night to try to block the flow of the Danube by building this [172] stout wall. At Willendorf was found the sandstone figure of a "Venus" which archaeologists admire as a relic of matriarchal, pre-historic times. Spitz, a sleepy little Danube town at the foot of the Jauerling should not be overlooked. Backed by the four-square tower of the Hinterhaus ruins, it is in blossom time a fairy garden of pink and white. Standing out against the mountains behind are multi-coloured forests—pale green larches, rust-brown fir trees and dark pines.

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565 during the inflation and devaluation that followed the two Wars. But until quite recently their dislike of any organized protest remained.

During the whole series of Price–Wage Agreements, except the last, these people were discriminated against consistently. In the grave national emergency it was right that the better paid of them should be called on to make great sacrifices, though the process was carried too far, but in the case of the worse paid the discrimination was never just. The wage-earners were catered for adequately in the circumstances. The incomes of landowners and industrialists participated, in varying degrees, in the inflationary process, and their earning powers remained. But the categories in question suffered both from devaluation and State neglect. The situation therefore arose in which a young surgeon or research worker might receive a fraction of the income of a wage-earner of the same age whose hours of work were considerably less.

875 465 The incomes of academic workers were so low by world standards that there was the strongest temptation for them to emigrate, and it was almost impossible to persuade foreign professors to fill Austrian chairs. At the end of 1951 the net salaries of Austrian professors varied between 3,489 schillings ($163.34) a month [1] for the most senior and 1,866 schillings ($87.31) for the lowest paid. The Privatdozent, or lecturer, member of a traditionally neglected class in Austrian and German universities, got no salary, but received lecture dues amounting on an average to 540 schillings ($25.28) a year, which might just cover his tram-fares. The starting salary of school teachers in 1951 was less than three times the 1937 figure and the final salary less than twice the amount, which meant that the teacher's standard of living had fallen by more than 50 per cent since pre-War days.

647 465 As regards administrative civil servants, in March 1951, before the Fifth Price–Wage Agreement, the increase in their net salaries since 1946 varied between 120 and 180 per cent,

[1] Calculated at the commercial rate of 21·36 schillings to the dollar. The foreign visitor to Austria normally obtains 26 schillings to the dollar.

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759 the past has had a great reputation as a centre of medical studies.

During the last two or three years an increasing number of Austrians, belonging to both the main political parties, have become aware of the danger of these developments, and certain palliative measures have been taken on a piecemeal basis.

759 465 In 1950 the salaries of qualified medical assistants were raised from the miserable scale of 200 to 300 schillings ($9.36 to $14.04) a month to the still quite inadequate scale of 310 to 390 schillings a month, and very small extra payments were made for night work. In the summer of 1951, as a result of determined protests and a public demonstration by the 'guest doctors', the Minister of Finance agreed to fifty of them being taken on as paid medical assistants in Viennese hospitals.

875 465 University professors were given allowances for the purchase of books and certain minor concessions regarding taxation. Lecturers obtained research allowances of 165 schillings a month. And in connexion with the Universities of Vienna, Graz and Innsbruck special accommodation was built to relieve the housing shortage from which many professors were suffering. Since the War students' fees at Austrian universities have been extremely low and until recently averaged between 160 and 200 schillings a year. To increase the normal remuneration of the professors, the Government agreed in the autumn of 1952 that the fees should be trebled, and, in deference to the students' protests, undertook temporarily to bear the whole cost, until a final settlement could be negotiated for the following summer semester. Yet, in spite of these various measures, the net salary scale for professors at the beginning of 1953 ranged from 4,530 to 2,255 schillings ($212.08 to $105.57) a month. The net monthly salaries of school-teachers varied between 2,561 and 1,079 schillings ($119.89 to $50.51).

647 465 As has been seen, the Fifth Price–Wage Agreement improved the position of the administrative civil servants. By the summer of 1951 the cost of living had risen by over 470 per cent since 1946. The civil servants asked that their salaries

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teachers, who were obliged in varying degree to conform outwardly to a system which they inwardly rejected. Nevertheless drastic measures were necessary to ensure that post-War Austrian education would develop on healthy lines. Nazi text-books had to be destroyed and convinced Nazis rigidly excluded from the teaching body. 871 727

In 1945 Austrian schools were faced with four major problems of a material nature: shortage of accommodation due to destruction and damage; lack of text-books and other supplies; lack of teachers, and the physical condition of the pupils. In the whole of Austria, 95 schools were completely destroyed, 176 were heavily, and over 1,000 slightly damaged. In Vienna at the end of the War only 214 out of 421 school buildings were considered fit for use. In some cases at first it was necessary to give instruction in shifts to three classes a day in the same room. Even in the classrooms used there were often broken windows or damaged doors and, as fuel was scarcely obtainable, during the winter months the children, frequently ill-clad themselves, would sit and shiver through the period of instruction. The main reason for the shortage of teachers and text-books has just been given. To begin with there was also a serious shortage of such basic materials as paper, pencils, pens, and ink. It was difficult to find substitutes for the teachers who had been dismissed, because hundreds of thousands of young men were still prisoners of war. In Vienna immediately after the liberation there were only 2,400 teachers and directors available out of the total of 5,500 that were required. The physical condition of the children was a problem owing to the acute shortage of food and clothing during the immediate post-War years. [875]

In their efforts to overcome these difficulties the Austrian authorities were both hindered and helped by the Education Divisions of the four elements of the Allied Control Commission. It was no doubt irritating to have to submit many matters for approval by the occupying Powers, and in some cases—for example the question of text-books—inter-Allied differences of opinion led to unnecessary delays. On balance,

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871 727 however, the part played by the Education Divisions was rather a help than a hindrance. They realized the vital importance of education in post-War Austria. There were problems, on which the Austrians were not always united, about which they could give valuable advice. Above all, they could offer very real assistance in obtaining the necessary materials for rebuilding and for producing the much-needed text-books.

The economic situation of the country made a quick solution of the accommodation problem impossible. By the end of 1949 it was estimated that about a quarter of the necessary funds had so far been made available and that the reconstruction programme could not be completed until 1958. However, strenuous efforts were made to relieve the serious overcrowding of 1945. By the beginning of 1952, 250 new school buildings had been erected, and many more had been repaired and re-equipped. During the following summer the new Minister of Education, Dr. Kolb, was able to express reasonable satisfaction with the progress of the primary and elementary schools, which are the responsibility of the provinces, the municipalities and the parishes, but had to admit that the condition of the secondary schools, which, like the Universities, are the financial responsibility of the State, was in some parts of the country, owing to lack of money, still very bad.

The urgent need for text-books was satisfied by emergency measures which produced impressive results. The Ministry of Education set up a 'Text-Book Commission' that worked in conjunction with the Association of School-book Publishers, the Allied Control Commission, and the Ministry of Trade, which arranged for the necessary supplies of paper and other materials. At the end of 1947, 4,212,000 copies of 118 different text-books had already been produced, and two years later 10,009,000 copies of 418 books. The centralization and standardization involved in this system have obvious disadvantages, but in the circumstances were justified by success.

875 The shortage of teachers was met in 1946 by employing students in their final year at teachers' training colleges as

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assistants. Subsequently the situation improved, as an increasing number of returned prisoners of war became available and some relaxation was allowed in the law excluding all former National Socialists from teaching.

The shortage of food was so general that the educational authorities were not in a position to make special arrangements for school-children, but, as has been seen, much was done for them by Swedish, Danish, and Swiss voluntary relief organizations. During the winters that immediately followed the War it was only possible to heat a proportion of the schools, the 'winter schools', as they came to be called; and then the already large classes doubled up or the shift system was intensified. The acute fuel shortage at the beginning of 1947 led to so-called 'coal holidays'.

The Allied cultural and educational organizations played an important part in breaking down the intellectual isolation from which the teachers had suffered so long and of which the best of them were acutely conscious. The French and British ran summer schools for teachers in Austria each year, which were also attended by teachers from France and England; and visits for Austrian teachers were arranged to England, France, Switzerland, and the United States. A limited number of Austrian school-children were also enabled to travel abroad. With the active co-operation of foreign countries, the Austrian Ministry of Education revived some of the schemes for exchanging teachers which had been in operation before the *Anschluss*.

Education is one of the subjects on which there are strongly felt differences between the People's Party and the Socialists. Since the War the differences have been accentuated by the fact that for more than five years Dr. Hurdes, the Minister of Education, was also General Secretary of the People's Party, and by the fact that the Vienna School Board was under Socialist control. The main subjects of difference are religious instruction, private schools, and the best method by which a ninth year could be added to the period of compulsory schooling. There is agreement on the principle of extending the

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871 665 period of schooling, but party conflict prevents the necessary law being passed.

In spite of this impasse, a great deal has been accomplished in Austrian schools since the War under most difficult conditions. Both parties have been agreed on the validity of three guiding principles which were to be emphasized in the new educational era, according to a directive issued in September 1945: Austrian patriotism (*Volks- und Staatsbewußtsein*), democracy, and humanity. Their experiences between 1938 and 1945 have brought home to Austrians the value of the first two principles more clearly than ever before. The third is deeply embedded in the Austrian nature and tradition.

874 727 Austria's three universities and her other institutions of higher learning suffered some material damage during the War, especially the University of Vienna and the Technical Institutes at Vienna and Graz. Their work after the War was also severely hampered by the shortage of fuel and food. But the most serious problems that faced them were lack of staff and lack of money.

[875] Some of Austria's finest scholars had gone into exile during the German occupation. Of those that remained many of the younger had been called up for military service, and a number of the ablest and most influential were excluded from teaching as incriminated Nazis. Germans, who had been appointed to Austrian universities under Hitler, returned to Germany. Some of the gaps could be filled by bringing back professors who had been forced into retirement by the Nazis and had remained in Austria. But there were still many vacancies for which it was very difficult to find the right men. The younger generation of university teachers had suffered severely from the War, and it was rarely possible to persuade Austrian exiles, who had settled down happily in other countries, to return to Austria under the prevailing economic and political conditions and at the low salaries that were offered. For more than two years after the War, Vienna University was even unable to fill its chair of English.

Lack of funds not only kept down salary scales; it made it

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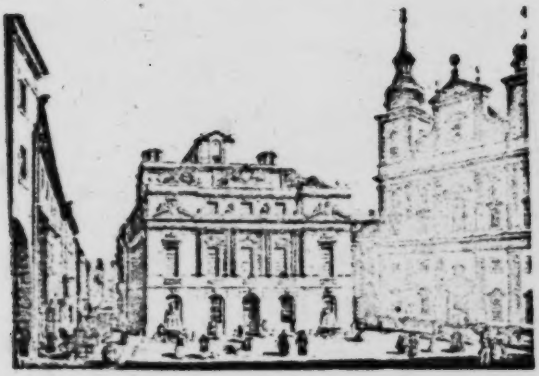

Vienna. Old University and Jesuit Church.

876 the mistakes of others, to criticise and to correct them. Ambition was made the spur. The best scholars were publicly commended at the end of the school year, were awarded prizes, and amidst the sound of drums and trumpets, their names were announced with great ceremony to the assembled visitors present at the end of term performance. Their names were inscribed on a list of the successful which was distributed to the guests. Rivalry between the aristocracy and middle classes also encouraged the spirit of competition the former believing that their superior rank obliged them to secure a similar superiority in learning, in which endeavour they frequently met with the competition of sons of middle class parents.

793 798 Vienna was the oldest Jesuit stronghold (after Cologne) in the German-speaking countries. Ten years later, in 1561, a second branch of the Order was established within the frontiers of present-day Austria, the college at Innsbruck, and was soon followed by another, that of Hall-in-Tyrol, in 1569. A year later, in 1570, a branch was established in Graz, in the year 1600 the Jesuits settled in Linz, in 1604 in Klagenfurt, in 1613 in Leoben, 1616 in Krems, 1621 in Judenburg and in 1632 in Steyr. Protestantism at this time was practically unchallenged in the places where these centres were established. In each of them schools were promptly opened and plays were staged in all; the Faith was spread, not only by the ear but also through the receptive medium of the eye.

Many conversions, many changes of outlook must be attributed to the emotional effects of these dramatic representations. Records often refer to the pleasure which Catholics and others found in these performances.